

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

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

Saudi Chemical Holding Company  
(A Saudi Joint Stock Company)

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INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 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 June 2022, and the related interim condensed consolidated statement of comprehensive income for the three and six months periods ended 30 June 2022, and the related interim condensed consolidated statements of changes in shareholders’ equity and cash flows for the six-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: 16 Muharram 1444H  
(14 August 2022)




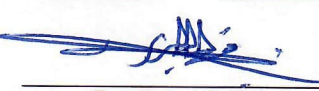
Saudi Chemical Holding Company  
(A Saudi Joint Stock Company)

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

	Notes	30 June 2022 SR '000 (Unaudited)	31 December 2021 SR '000 (Audited)
<b>Assets</b>			
<b>Non- current assets</b>			
Property, plant and equipment	3	440,600	459,497
Capital work in progress	3	669,984	606,581
Intangible assets and goodwill		615,004	476,073
Right of use assets		12,253	12,517
<b>Total non- current assets</b>		<b>1,737,841</b>	<b>1,554,668</b>
<b>Current assets</b>			
Inventories		943,202	1,152,761
Trade receivables	4	1,904,974	1,615,020
Prepayments and other current assets		249,896	179,081
Cash and cash equivalents		150,289	101,194
<b>Total current assets</b>		<b>3,248,361</b>	<b>3,048,056</b>
<b>Total assets</b>		<b>4,986,202</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		147,086	100,585
<b>Equity attributable to equity holders of the parent</b>		<b>1,664,132</b>	<b>1,617,631</b>
Non-controlling interests		7,746	7,617
<b>Total Equity</b>		<b>1,671,878</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	341,569	352,707
Lease liabilities – non-current		6,164	7,858
Employee's defined benefit liabilities		60,852	59,403
Derivative financial instruments	9	4,591	-
<b>Total non-current liabilities</b>		<b>853,176</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		2,889	2,689
Short-term Islamic loans	6.2	1,353,457	1,534,425
Trade payable		913,645	803,652
Accrued expenses and other liabilities		116,732	107,045
Zakat and income tax payable	7	40,119	46,229
Dividends payable		13,306	55,468
<b>Total current liabilities</b>		<b>2,461,148</b>	<b>2,557,508</b>
<b>Total liabilities</b>		<b>3,314,324</b>	<b>2,977,476</b>
<b>Total Equity and Liabilities</b>		<b>4,986,202</b>	<b>4,602,724</b>

  
Sameh Hassan  
Group CFO

  
Eng. Thamer Al-Muhaid  
Group CEO

  
Eng. Fahad S. Al-Jarbou  
Chairman of BOD

The attached notes 1 to 17 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 six-months periods ended 30 June 2022

	Notes	For the three-month period ended 30 June		For the six-month period ended 30 June	
		2022 SR '000 (Unaudited)	2021 SR '000 (Unaudited)	2022 SR '000 (Unaudited)	2021 SR '000 (Unaudited)
Revenues		956,676	899,906	1,860,667	1,869,367
Cost of revenues		(842,983)	(772,243)	(1,619,480)	(1,612,760)
<b>Gross profit</b>		<b>113,693</b>	127,663	<b>241,187</b>	256,607
Selling and distribution expenses		(39,499)	(39,022)	(76,272)	(75,332)
General and administrative expenses		(22,509)	(29,601)	(47,670)	(53,413)
Expected credit loss on trade receivables	4	(11,765)	(11,900)	(20,015)	(19,900)
<b>Operating profit</b>		<b>39,920</b>	47,140	<b>97,230</b>	107,962
Financial cost		(14,573)	(12,001)	(25,351)	(22,113)
Other (expenses) income, net		(911)	299	(990)	381
Foreign currency exchange (losses) gain		82	(207)	(4,293)	(182)
Revaluation loss on derivative financial instruments	9	(4,591)	-	(4,591)	-
<b>Profit before zakat and income tax</b>		<b>19,927</b>	35,231	<b>62,005</b>	86,048
Zakat and income tax expenses	7	(5,875)	(7,567)	(14,950)	(17,197)
<b>Net profit for the period</b>		<b>14,052</b>	27,664	<b>47,055</b>	68,851
<b>Other comprehensive income for the period</b>		-	-	-	-
<b>Total comprehensive income for the period</b>		<b>14,052</b>	27,664	<b>47,055</b>	68,851
<b>Net profit for the period attributable to:</b>					
Equity holders of the parent		13,795	27,269	46,501	68,096
Non-controlling interests		257	395	554	755
		<b>14,052</b>	27,664	<b>47,055</b>	68,851
<b>Basic and diluted earnings per share (SR)</b>	8	<b>0.16</b>	0.32	<b>0.55</b>	0.81



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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the six-months period ended 30 June 2022

*Attributable to the equity holders of the parent*

	<i>Share capital</i> SR '000	<i>Statutory reserve</i> SR '000	<i>General reserves</i> SR '000	<i>Retained earnings</i> SR '000	<i>Total</i> SR '000	<i>Non-controlling interests</i> SR '000	<i>Total equity</i> SR '000
<i>For the six-month period ended 30 June 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	-	-	-	68,096	68,096	755	68,851
Other comprehensive income for the period	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	68,096	68,096	755	68,851
Dividends (Note 13)	-	-	-	(42,160)	(42,160)	(424)	(42,584)
At 30 June 2021 (Unaudited)	843,200	326,890	340,000	146,203	1,656,293	7,469	1,663,762
<i>For the six-month period ended 30 June 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	-	-	-	46,501	46,501	554	47,055
Other comprehensive income for the period	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	46,501	46,501	554	47,055
Dividends (Note 13)	-	-	-	-	-	(425)	(425)
At 30 June 2022 (Unaudited)	843,200	333,846	340,000	147,086	1,664,132	7,746	1,671,878



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

	<i>For the six-month period ended 30 June</i>	
	2022 SR'000 (Unaudited)	2021 SR'000 (Unaudited)
<b>Operating activities</b>		
Profit before zakat and income tax and non-controlling interests	62,005	86,048
<b>Adjustments for:</b>		
Amortization of intangible assets	1,029	1,042
Depreciation of property, plant and equipment	20,162	20,556
Depreciation of right-of-use assets	1,783	1,136
Gain (loss) on sale of property, plant and equipment	284	(1)
Provision for slow-moving inventories	11,061	7,489
Expected credit loss on trade receivables	20,015	19,900
Provision for employees' defined benefit obligation	4,366	3,769
Revaluation loss on derivative financial instruments	4,591	-
Finance costs	25,351	22,113
Working capital changes:		
Inventories	198,496	339,825
Trade receivables	(309,968)	(547,317)
Prepayment and other current assets	(70,815)	(30,195)
Trade payables	109,993	(73,444)
Accrued expenses and other current liabilities	9,659	(8,028)
<b>Cash from (used in) operations</b>	<b>88,012</b>	<b>(157,107)</b>
Employees defined benefit obligation paid	(2,917)	(7,436)
Zakat and income tax paid	(21,060)	(24,129)
Finance cost paid	(25,262)	(22,113)
<b>Net cash from (used in) operating activities</b>	<b>38,773</b>	<b>(210,785)</b>
<b>Investing activities</b>		
Purchase of intangible assets	(139,960)	-
Purchase of property, plant and equipment and capital work in progress	(63,175)	(86,012)
Proceeds from disposal of property, plant and equipment	85	2
<b>Net cash used in investing activities</b>	<b>(203,050)</b>	<b>(86,010)</b>
<b>Financing activities</b>		
Payment of lease liabilities	(3,074)	(2,019)
Proceeds from long term Islamic loans	440,000	-
Change in short-term Islamic loans	(180,968)	278,051
Dividends paid	(42,586)	(42,584)
<b>Net cash from financing activities</b>	<b>213,372</b>	<b>233,448</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>49,095</b>	<b>(63,347)</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>150,289</b>	<b>86,979</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 June 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>	
			<b>30 June 2022</b>	<i>31 December 2021</i>
Saudi International Trading Company ("SITCO Pharma")	Kingdom of Saudi Arabia	Distribution of Medicines	<b>99%</b>	99%
Suez International Nitrate Company ("SINCO")	Arab Republic of Egypt	Production of Ammonium Nitrate	<b>100%</b>	100%
Chemical Company for Commercial Investment Limited ("CCCIL")	Kingdom of Saudi Arabia	Wholesale and retail trade in medicines and medical equipment	<b>100%</b>	100%
AJA Pharmaceuticals Industries Company Limited ("AJA Pharma Company")	Kingdom of Saudi Arabia	Establishment & Ownership of medical factories	<b>100%</b>	100%
Saudi Chemical Company Limited ("SCCL")	Kingdom of Saudi Arabia	Establishment & Ownership of explosive factories	<b>100%</b>	100%



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

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

As at 30 June 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 June 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 AND CAPITAL WORK IN PROGRESS**

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

	<i>30 June 2022</i> SR '000 <i>(Unaudited)</i>	<i>31 December 2021</i> SR '000 <i>(Audited)</i>
<b>Cost</b>		
Balance at the beginning of the period/year	<b>934,410</b>	913,363
Additions	<b>1,634</b>	8,466
Disposals	<b>(505)</b>	(930)
Transfers from capital work in progress	-	13,511
Balance at the end of the period/year	<b>935,539</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>20,162</b>	41,011
Disposals	<b>(136)</b>	(678)
Balance at the end of the period/year	<b>494,939</b>	474,913
<b>Net book value</b>	<b>440,600</b>	459,497

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

	<i>30 June 2022</i> SR '000 <i>(Unaudited)</i>	<i>31 December 2021</i> SR '000 <i>(Audited)</i>
Balance at the beginning of the period/year	<b>606,581</b>	423,884
Additions	<b>63,403</b>	196,208
Transfers to property, plant and equipment	-	(13,511)
Balance at the end of the period/year	<b>669,984</b>	606,581

Finance costs included in the cost of qualifying assets during the six months ended 30 June 2022 amounted to SR 2.9 million (30 June 2021:SR 365 thousand).

Capital work in progress as of 30 June 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 the current 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 June 2022

## 4 TRADE RECEIVABLES

	<i>30 June 2022</i>	<i>31 December 2021</i>
	<b>SR '000</b>	<b>SR '000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Trade receivables	<b>2,085,409</b>	1,775,865
Provision for impairment of trade receivable	<b>(180,435)</b>	(160,845)
<b>Total</b>	<b>1,904,974</b>	1,615,020

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

Revenues for the six-month period ending 30 June 2022 include sales to one government customer, amounting to SR 766 million, or 41% of the total revenues (30 June 2021: SR 844 million, or 45% of the total revenues).

The Group recognized an allowance for expected credit losses for trade receivables for the six months period ended 30 June 2022 in the amount of SR 20 million (30 June 2021: SR 19.9 million).

## 5 SHARE CAPITAL

As at 30 June 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 June 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 June 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 June 2022, the unamortized balance amounted to SR 23.9 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.

Saudi Chemical Holding Company  
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As at 30 June 2022

**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:

	<b>30 June 2022</b>	<b>31 December 2021</b>
	<b>SR '000</b>	<b>SR '000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Loans from Saudi Industrial Development Fund	<b>386,500</b>	386,500
Less: Unamortized processing fees	<b>(23,931)</b>	(22,121)
Present value adjustment	<b>-</b>	(3,672)
	<b>362,569</b>	360,707
Current	<b>21,000</b>	8,000
Non-current	<b>341,569</b>	352,707
	<b>362,569</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. During 2021 Group was also in breach of certain banks covenants. However, subsequent to yearend, the Group have received waiver letters.

The following represents a summary of information about the short-term loans:

	<i>Amount utilized in the form of</i>					
	<i>Facility limit</i>	<i>Withdrawals (Long-term)</i>	<i>Withdrawals (Short-term)</i>	<i>Letters of credit (Note 11.1)</i>	<i>Letters of guarantee (Note 11.1)</i>	<i>Unutilized amount</i>
	<b>SR '000</b>	<b>SR '000</b>	<b>SR '000</b>	<b>SR '000</b>	<b>SR '000</b>	<b>SR '000</b>
<i>As at 30 June 2022 (unaudited)</i>						
Saudi Chemical Holding Company	<b>140,000</b>	140,000	-	-	-	-
Saudi International Trading Company	<b>3,330,000</b>	-	1,295,489	81,246	289,136	1,664,129
Chemical Commercial Company Investment	<b>-</b>	-	5,000	-	-	5,000
AJA Pharmaceutical Industries Company	<b>123,241</b>	-	24,536	-	8,594	90,111
Saudi Chemical Company Ltd	<b>557,500</b>	300,000	28,432	-	12,239	216,829
Suez International Nitrate Company	<b>-</b>	-	-	-	10	10
<b>Total</b>	<b>4,150,741</b>	440,000	1,353,457	81,246	309,979	1,976,079

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As at 30 June 2022

6 LOANS AND BORROWINGS (CONTINUED)

6.2 SHORT-TERM ISLAMIC LOANS (CONTINUED)

	<i>Amount utilized in the form of</i>					
	<i>Facility limit</i>	<i>Withdrawals (Long-term)</i>	<i>Withdrawals (Short-term)</i>	<i>Letters of credit (Note 11.1)</i>	<i>Letters of guarantee (Note 11.1)</i>	<i>Unutilized amount</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>As at 30 June 2022 (unaudited)</i>						
Saudi Chemical Holding Company	389,725	-	42,500	-	-	347,225
Saudi International Trading Company	3,330,000	-	1,230,912	149,204	210,123	1,739,761
Chemical Commercial Company Investment	65,000	-	16,387	-	-	48,613
AJA Pharmaceutical Industries Company	123,000	-	29,896	-	-	93,104
Saudi Chemical Company Ltd	460,000	-	214,730	1,514	11,839	231,917
Suez International Nitrate Company	-	-	-	-	12	12
<b>Total</b>	<b>4,367,725</b>	<b>-</b>	<b>1,534,425</b>	<b>150,718</b>	<b>221,974</b>	<b>2,460,632</b>

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. 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. 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 June 2027 after a grace period of one year.

7 ZAKAT AND INCOME TAX

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

	<i>30 June 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>14,950</b>	36,374
Paid during the period/year	<b>(21,060)</b>	(24,352)
<b>As at the end of the period/year</b>	<b>40,119</b>	46,229

Zakat and income tax provisions of SR 14.9 million were recognized by the Group during the six months ended 30 June 2022 (30 June 2021: SR 17.2 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 June 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. 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.

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As at 30 June 2022

## 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 such 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 consolidated statement of 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 4.5 million (31 December 2021: nil). The change in the fair value of the derivative represents a loss of SR 4.5 million (30 June 2021: nil).

## 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 June 2022 (Unaudited)		31 December 2021 (Audited)		
	Carrying value	Fair value	Carrying value	Fair value	
Derivative financial instruments	Level 2	4,591	4,591	-	-

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.

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As at 30 June 2022

**11 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS**

**11.1 CONTINGENT LIABILITIES**

- A) As at 30 June 2022, the Group had outstanding letters of guarantee amounting to SR 331.5 million (31 December 2021: SR 243.5 million), issued in the normal course of business of the Group. Moreover, as at 30 June 2022, the Group had outstanding letters of credit amounting to SR 81 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 June 2022, in respect of capital work in progress projects of SR 136.9 million (31 December 2021: SR 151 million).

**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.

	<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 June 2022 (Unaudited)</i>						
Segment assets	891,712	3,492,309	152,835	1,871,332	(1,421,986)	4,986,202
Segment liabilities	720,307	2,639,761	126,209	203,128	(375,081)	3,314,324
<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>For the three-month period ended 30 June 2022 (Unaudited)</i>						
Revenues	63,433	892,964	279	-	-	956,676
Intersegment revenue	-	11,959	11,531	-	(23,490)	-
Net revenues	63,433	904,923	11,810	-	(23,490)	956,676
<i>Segment comprehensive income (loss)</i>	(413)	16,540	(5,780)	13,689	(9,984)	14,052

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As at 30 June 2022

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>
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
<i>For the six-month period ended 30 June 2022 (Unaudited)</i>						
Revenues	144,586	1,710,888	5,193	-	-	1,860,667
Intersegment revenue	-	45,569	23,062	-	(68,631)	-
<b>Net revenues</b>	<b>144,586</b>	<b>1,756,457</b>	<b>28,255</b>	<b>-</b>	<b>(68,631)</b>	<b>1,860,667</b>
<b>Segment comprehensive income (loss)</b>	<b>12,469</b>	<b>47,099</b>	<b>(6,941)</b>	<b>50,572</b>	<b>(56,144)</b>	<b>47,055</b>
<i>For the three-month period ended 30 June 2021 (Unaudited)</i>						
Revenues	67,329	825,267	7,310	-	-	899,906
Intersegment revenue	-	6,932	11,944	-	(18,876)	-
<b>Net revenues</b>	<b>67,329</b>	<b>832,199</b>	<b>19,254</b>	<b>-</b>	<b>(18,876)</b>	<b>899,906</b>
<b>Segment comprehensive income (loss)</b>	<b>9,246</b>	<b>24,341</b>	<b>140</b>	<b>27,264</b>	<b>(33,327)</b>	<b>27,664</b>
<i>For the six-month period ended 30 June 2021 (Unaudited)</i>						
Revenues	148,962	1,707,689	12,716	-	-	1,869,367
Intersegment revenue	-	24,264	17,155	-	(41,419)	-
<b>Net revenues</b>	<b>148,962</b>	<b>1,731,953</b>	<b>29,871</b>	<b>-</b>	<b>(41,419)</b>	<b>1,869,367</b>
<b>Segment comprehensive income (loss)</b>	<b>28,977</b>	<b>51,932</b>	<b>(759)</b>	<b>68,096</b>	<b>(79,395)</b>	<b>68,851</b>



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As at 30 June 2022

## 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 of the Company, 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.

## 14 COMPARATIVE FIGURES

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

## 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 THE IMPACT OF COVID-19 PANDEMIC

A new strain of Coronavirus (Covid-19) was identified for the first time at the end of December 2019, during the month of March 2020, the World Health Organization proclaimed this a global pandemic. The new Corona virus continued to spread all over the world, including the Kingdom of Saudi Arabia, which causes implementation of travel restrictions and the imposition of a curfew in the cities, this resulted in a slowdown in economic activity and the closure of many sectors at the global and local level.

The extent of the impact of the Coronavirus pandemic on the Group's business, operations and financial results is uncertain and depends on many factors and future developments, which the Group may not be able to estimate reliably during the current period. These factors include the rate of transmission of the virus, the duration of the outbreak, the precautionary measures that government authorities may take to limit the spread of the epidemic, and the impact of those measures on economic activity.

Until the date of preparing the interim condensed consolidated financial statements, the company's business and operations were not materially affected by the consequences of the outbreak of the virus, taking into account the lesser impact of the pandemic on the business of companies operating in the manufacturing sector.

## 17 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 15 Muharram1444H (corresponding to 13 August 2022).