

**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**

**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021 AND**  
**INDEPENDENT AUDITOR'S REPORT**

**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

	<b>PAGE</b>
Independent auditor's report	2-6
Consolidated statement of financial position	7
Consolidated statement of profit or loss	8
Consolidated statement of comprehensive income	9
Consolidated statement of changes in equity	10
Consolidated statement of cash flows	11
Notes to the consolidated financial statements	12-68



## *Independent auditor's report to the shareholders of National Industrialization Company*

### *Report on the audit of the consolidated financial statements*

---

#### *Our opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of National Industrialization Company (the "Company") and its subsidiaries (together 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, 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).

#### **What we have audited**

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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

#### **Independence**

We are independent of the Group in accordance with the code of professional conduct and ethics, 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.

#### *Our audit approach*

##### **Overview**

Our key audit matters comprise the following:

- Valuation of investments in equity accounted associates and joint ventures; and
- Impairment of long-term loans due from loss making joint ventures.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

# Independent auditor's report to the shareholders of National Industrialization Company

## Our audit approach (Continued)

---

### 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.

Key audit matters	How our audit addressed the Key audit matter
<b><i>Valuation of investments in equity accounted associates and joint ventures</i></b>	
<p>At 31 December 2021, the Group had investments in equity accounted associates and joint ventures of SR 12,306 million.</p>	<p>We performed the following procedures:</p>
<p>Management performs a formal assessment at each reporting period-end to consider whether there are any events or circumstances (impairment triggers) that indicate that equity accounted investments in associates and joint ventures may be impaired or if there is any indication that an impairment loss recognized in prior periods is required to be reversed.</p>	<ul style="list-style-type: none"><li>• Assessed the reasonableness of management's formal assessment of any events and circumstances relating to possible impairment or reversal of previous impairment considering our knowledge of internal and external factors;</li><li>• Determined how the recoverable amount was calculated and compared it to the requirements of IFRS; and</li><li>• In respect of the associate for which a previous impairment charge was reversed, we recalculated the reversal of impairment based on the quoted market price of the associate at the year end and compared the reversal to the previously recognized impairment.</li></ul>
<p>If any such indication exists, the management estimates the recoverable amount to record or reverse the related impairment charge. Recoverable amount is the higher of fair value less costs of disposal ("FVLCD") or value-in-use ("VIU").</p>	
<p>In respect of one of the associates, the Group has reversed Saudi Riyals 693 million of impairment charge, which was recorded in the prior year, primarily due to the significant increase in fair value of its investment in the current year based on its quoted market price which is the basis for the recoverable amount determined by FVLCD.</p>	<p>We also considered the appropriateness of the related accounting policies and disclosures in the consolidated financial statements.</p>
<p>We considered this to be a key audit matter given the judgment involved in identifying impairment or reversal of impairment triggers and the complexity inherent in estimating the recoverable amounts.</p>	
<p>Refer to note 5.2, 5.12, 6 and 12.1 to the consolidated financial statements for further information.</p>	

# *Independent auditor's report to the shareholders of National Industrialization Company*

Key audit matters	How our audit addressed the Key audit matter
<p><b><i>Impairment of long-term loans due from loss making joint ventures</i></b></p> <p>At 31 December 2021, the group has fully impaired loans provided to its loss-making equity accounted joint ventures with an impairment charge in the year of SR 472 million. Based on cashflow forecasts, management has no expectation that these loans will be recovered from these joint ventures in the foreseeable future considering historical losses and forecasted performance.</p> <p>We considered this to be a key audit matter given the judgment involved in calculating the impairment charge during the year.</p> <p>Refer to notes 5.20, 6 and 12.3 to the consolidated financial statements for further information.</p>	<p>We have performed the following procedures:</p> <ul style="list-style-type: none"><li>• considered the historic financial position and performance of those joint ventures from the audited financial statements;</li><li>• assessed the reasonableness of five year cashflow forecasts (including basis of preparation and assumptions) prepared by the management for these joint ventures; and</li><li>• assessed management's conclusion that the amounts are not expected to be recoverable in the foreseeable future;</li></ul> <p>We also considered the appropriateness of the related accounting policies and disclosures in the consolidated financial statements.</p>

---

## ***Other information***

Management is responsible for the other information. The other information comprises the Annual Report but does not include the consolidated financial statements and our auditor's report thereon, which 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 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, 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 International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable requirements of the Regulations for Companies and the 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.

## *Independent auditor's report to the shareholders of National Industrialization Company*

### *Responsibilities of management and those charged with governance for the consolidated financial statements (Continued)*

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, i.e., the Audit Committee, is 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 are as a whole 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 the 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 judgment 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.
- 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, 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.

## *Independent auditor's report to the shareholders of National Industrialization Company*

### *Auditor's responsibilities for the audit of the consolidated financial statements (Continued)*

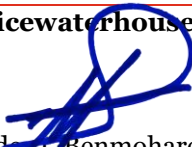
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

---

**PricewaterhouseCoopers**



Bader I. Benmohareb  
License No. 471

09 March 2022

**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**Consolidated Statement of Financial Position**  
**As at 31 December 2021**  
(All amounts in SR'000 unless otherwise stated)

	Note	2021	2020
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	2,825,486	2,976,364
Projects under progress	9	1,709,944	1,916,318
Right-of-use assets	10	116,083	137,414
Intangible assets	11	106,672	124,534
Investments in equity accounted associates and joint ventures	12	12,306,040	10,662,306
Investments in equity instruments designated as FVOCI	13	941,330	805,423
Other non-current assets	14	565,370	526,063
<b>Total non-current assets</b>		<b>18,570,925</b>	<b>17,148,422</b>
<b>Current assets</b>			
Inventories	15	699,503	579,512
Accounts receivable	16	1,687,953	1,087,861
Prepayments and other current assets	17	627,835	850,222
Cash and cash equivalents	18	3,393,975	2,654,849
<b>Total current assets</b>		<b>6,409,266</b>	<b>5,172,444</b>
<b>Total assets</b>		<b>24,980,191</b>	<b>22,320,866</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	19	6,689,142	6,689,142
Statutory reserve	20	1,490,151	1,354,512
Other reserves	21	(586,603)	(662,623)
Retained earnings / (accumulated losses)		1,109,374	(111,375)
<b>Equity attributable to the equity holders of parent</b>		<b>8,702,064</b>	<b>7,269,656</b>
Non-controlling interests	22	2,860,844	2,313,357
<b>Total equity</b>		<b>11,562,908</b>	<b>9,583,013</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long-term borrowings	23	5,865,343	6,544,745
Employee benefits obligations	24	505,397	514,644
Lease liabilities	25	111,645	119,780
Provisions and other non-current liabilities	26	2,167,045	1,917,989
<b>Total non-current liabilities</b>		<b>8,649,430</b>	<b>9,097,158</b>
<b>Current liabilities</b>			
Long-term borrowings - current portion	23	940,241	645,346
Lease liabilities - current portion	25	13,816	22,705
Accounts payable	27	1,888,669	1,388,416
Accruals, provisions and other current liabilities	28	1,160,463	1,057,658
Zakat and income tax payable	29	764,664	526,570
<b>Total current liabilities</b>		<b>4,767,853</b>	<b>3,640,695</b>
<b>Total liabilities</b>		<b>13,417,283</b>	<b>12,737,853</b>
<b>Total equity and liabilities</b>		<b>24,980,191</b>	<b>22,320,866</b>



Chief Financial Officer



Chief Executive Officer



Authorized Board Member

The accompanying notes from (1) to (44) form an integral part of these consolidated financial statements.



**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**Consolidated Statement of Profit or Loss**  
**For the year ended 31 December 2021**  
(All amounts in SR'000 unless otherwise stated)

	Note	2021	2020
Revenue	30	<b>3,673,085</b>	2,271,835
Cost of revenue	31	<b>(2,686,081)</b>	(1,941,999)
<b>Gross profit</b>		<b>987,004</b>	329,836
Selling and distribution expenses	32	<b>(173,522)</b>	(162,686)
General and administrative expenses	33	<b>(419,408)</b>	(504,039)
Impairment of non-financial assets	9	<b>(180,000)</b>	(204,198)
Impairment of financial assets	12,16	<b>(482,027)</b>	(15,907)
Loss on disposal of assets – MGT	26.3	-	(321,894)
Share of net profit from associates and joint ventures, net	12	<b>2,783,066</b>	869,133
<b>Operating profit / (loss)</b>		<b>2,515,113</b>	(9,755)
Other income / (expenses), net	34	<b>37,199</b>	(21,380)
Finance costs	35	<b>(192,464)</b>	(254,838)
Finance income	35	<b>22,698</b>	32,133
<b>Profit / (loss) before zakat and income tax</b>		<b>2,382,546</b>	(253,840)
Zakat and income tax	29	<b>(328,935)</b>	(194,460)
<b>Profit / (loss) for the year</b>		<b>2,053,611</b>	(448,300)
<b>Attributable to:</b>			
Equity holders of parent		<b>1,356,388</b>	(446,747)
Non-controlling interests		<b>697,223</b>	(1,553)
		<b>2,053,611</b>	(448,300)
<b>Basic and diluted earnings / (loss) per share (SR)</b>	36		
From operating profit / (loss)		<b>3.76</b>	(0.01)
From profit / (loss) attributable to equity holders of parent		<b>2.03</b>	(0.67)



Chief Financial Officer



Chief Executive Officer



Authorized Board Member

The accompanying notes from (1) to (44) form an integral part of these consolidated financial statements.

**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**Consolidated Statement of Comprehensive Income**  
**For the year ended 31 December 2021**  
(All amounts in SR'000 unless otherwise stated)

	Note	2021	2020
<b>Profit / (loss) for the year</b>		<b>2,053,611</b>	<b>(448,300)</b>
<b>Other comprehensive income / (loss)</b>			
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>			
Cash flow hedge reserve	21	5,722	4,840
Share of other comprehensive loss from associates and joint ventures, net	21	(11,603)	(5,327)
<b>Total items that may be reclassified to profit or loss in subsequent periods</b>		<b>(5,881)</b>	<b>(487)</b>
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>			
Re-measurement of defined benefit plans	21, 24	39,039	(36,909)
Gain / (loss) from investments in equity instruments designated as FVOCI	13, 21	135,907	(50,019)
Share of other comprehensive loss from associates and joint ventures, net	21	(118,127)	(34,344)
<b>Total items that will not be reclassified to profit or loss in subsequent periods</b>		<b>56,819</b>	<b>(121,272)</b>
<b>Total other comprehensive income / (loss) for the year</b>		<b>50,938</b>	<b>(121,759)</b>
<b>Total comprehensive income / (loss) for the year</b>		<b>2,104,549</b>	<b>(570,059)</b>
<b>Attributable to:</b>			
Equity holders of Parent		1,432,408	(556,936)
Non-controlling interests		672,141	(13,123)
		<b>2,104,549</b>	<b>(570,059)</b>



Chief Financial Officer



Chief Executive Officer



Authorized Board Member

The accompanying notes from (1) to (44) form an integral part of these consolidated financial statements

**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**Consolidated Statement of Changes in Equity**  
**For the year ended 31 December 2021**  
**(All amounts in SR'000 unless otherwise stated)**

**As at 1 January 2020**

Loss for the year  
Other comprehensive loss  
Total comprehensive loss for the year  
Dividend paid by subsidiaries to non-controlling interests

**As at 31 December 2020**

Profit for the year  
Other comprehensive income  
Total comprehensive income for the year

Transfer to statutory reserve  
Dividend paid by subsidiaries to non-controlling interests

**As at 31 December 2021**

Attributable to the equity holders of parent					
Share capital (note 19)	Statutory reserve (note 20)	Other reserves (note 21)	Retained earnings / losses	Total shareholders' equity	Non- controlling interests (note 22)
6,689,142	1,354,512	(552,434)	335,372	7,826,592	2,366,030
-	-	-	(446,747)	(446,747)	(1,553)
-	-	(110,189)	-	(110,189)	(11,570)
-	-	(110,189)	(446,747)	(556,936)	(13,123)
-	-	-	-	-	(39,550)
6,689,142	1,354,512	(662,623)	(111,375)	7,269,656	2,313,357
-	-	-	1,356,388	1,356,388	697,223
-	-	76,020	-	76,020	(25,082)
-	-	76,020	1,356,388	1,432,408	672,141
-	135,639	-	(135,639)	-	-
-	-	-	-	-	(124,654)
6,689,142	1,490,151	(586,603)	1,109,374	8,702,064	2,860,844
					11,562,908



Chief Financial Officer



Chief Executive Officer



Authorized Board Member

The accompanying notes from (1) to (44) form an integral part of these consolidated financial statements.

**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**Consolidated Statement of Cash Flows**  
**For the year ended 31 December 2021**  
(All amounts in SR'000 unless otherwise stated)

	Note	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit / (loss) before zakat and income tax		<b>2,382,546</b>	(253,840)
<b>Adjustments for:</b>			
Depreciation and amortization	8,11	<b>251,321</b>	231,953
Right-of-use assets depreciation	10	<b>20,836</b>	26,706
Amortization of deferred settlement income	26.1	<b>(9,470)</b>	-
Impairment of non-financial assets	9	<b>180,000</b>	204,198
Impairment of goodwill	11	-	2,180
Loss on disposal of assets-MGT	26.3	-	321,894
Share of net profit from equity accounted associates and joint ventures	12	<b>(2,783,066)</b>	(869,133)
Provision for slow moving inventories	15	<b>6,921</b>	7,823
Impairment of financial assets	12,16	<b>482,027</b>	15,907
Accounts receivable written off	16	-	(15,286)
Employee benefits expenses	24	<b>74,184</b>	73,797
Finance costs	35	<b>192,464</b>	254,838
<b>Changes in operating assets and liabilities:</b>			
Other non-current assets	14	<b>49,319</b>	(36,538)
Inventories	15	<b>(126,912)</b>	(21,377)
Accounts receivables	16	<b>(610,301)</b>	256,037
Prepayments and other current assets	17	<b>31,326</b>	(151,393)
Provisions and other non-current liabilities	26	<b>258,526</b>	71,786
Accounts payables	27	<b>500,253</b>	40,570
Accruals, provisions and other current liabilities	28	<b>102,805</b>	16,993
<b>Cash generated from operations</b>		<b>1,002,779</b>	177,115
Employee benefits paid	24	<b>(44,392)</b>	(56,240)
Zakat and income tax paid	29	<b>(90,841)</b>	(91,906)
<b>Net cash generated from operating activities</b>		<b>867,546</b>	28,969
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment	8	<b>(46,789)</b>	(61,083)
Proceeds from disposal of property, plant and equipment	8	<b>1,612</b>	13,589
Additions to projects under progress	9	<b>(7,363)</b>	(44,010)
Proceeds from disposals of projects under progress	9	-	22,733
Additions to intangible assets, net	11	<b>(3,667)</b>	(1,224)
Proceeds from disposal of investment in equity instruments designated as FVOCI		-	6,704
Dividends received		<b>982,245</b>	725,446
Loan given to a joint venture	12.3	<b>(275,000)</b>	-
Additions in investments in associates and joint ventures	12	<b>(38,182)</b>	(4,315)
<b>Net cash generated from investing activities</b>		<b>612,856</b>	657,840
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Change in short-term facilities		-	(29,000)
Repayment of long-term borrowings		<b>(426,462)</b>	(425,681)
Finance costs paid		<b>(170,718)</b>	(228,097)
Payment of principal portion of lease liabilities	25	<b>(19,442)</b>	(32,858)
Dividend paid by subsidiaries to non-controlling interests	22	<b>(124,654)</b>	(39,550)
<b>Net cash used in financing activities</b>		<b>(741,276)</b>	(755,186)
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>739,126</b>	(68,377)
Cash and cash equivalents at beginning of the year		<b>2,654,849</b>	2,723,226
<b>Cash and cash equivalents at end of the year</b>	18	<b>3,393,975</b>	2,654,849

  
Chief Financial Officer

  
Chief Executive Officer

  
Authorized Board Member

The accompanying notes from (1) to (44) form an integral part of these consolidated financial statements.

**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in SR'000 unless otherwise stated)

**1. STATUS AND NATURE OF ACTIVITIES**

National Industrialization Company (the "Company" or "Tasnee" or "Parent") is a Saudi Joint Stock Company registered in Riyadh under Commercial Registration no. 1010059693 dated 7 Shawwal 1405H (corresponding to 25 June 1985G). The Company was formed pursuant to the Ministerial Resolution no. 601 dated 24 Dhul Hijja 1404H (corresponding to 19 September 1984G).

The principal activities of the Company and its subsidiaries (collectively referred to as "the Group") comprises of industrial investment, transfer of advanced industrial technology to the Kingdom of Saudi Arabia, and to the Arab region in general, in the areas of manufacturing and transforming petrochemical and chemical, engineering and mechanical industries, management and ownership of petrochemical and chemical projects and marketing their products. The activities also comprise rendering technical industrial services and manufacturing of steel and non-steel castings, producing towed steel wires, spring wires, and steel wires for cables, twisted reinforcement wires to carry electrical conductors, twisted re-enforcement wires for concrete and welding wires. It also includes production and marketing of liquid batteries for vehicles and for industrial usage and the production and marketing of lead and sodium sulphate. It also includes conducting technical tests on industrial facilities, chemical, petrochemical and metal plants, and water desalination and electricity generating plants; setting up all types of plastic industries and production and marketing of acrylic boards; the production and marketing ethylene, polyethylene, propylene and polypropylene.

The registered office address is:  
National Industrialization Company  
P. O. Box 26707  
Riyadh 11496, Kingdom of Saudi Arabia

The existence of continuing novel coronavirus (Covid-19) was confirmed in early 2020 and has spread across the globe causing business and economic disruption including the Kingdom of Saudi Arabia and the declaration of this pandemic by the World Health Organization necessitated the Group's management to revisit its significant judgments in applying the Group's accounting policies and the methods of computation and the key sources of estimation applied to the annual consolidated financial statements as at and for the year ended 31 December 2021.

The Group's management assessed the potential of the Covid-19 pandemic for any further regulatory and government restrictions both locally and in the market in which the Group operates that could adversely affect the Group's supply chain and production capabilities, demand of the Group's products, as well as the sales distribution network that could cause a negative impact on the Group's financial performance. Management has concluded that the critical accounting judgements, estimates and assumptions remain appropriate under the current circumstances and the Group has sufficient liquidity to meet its financial obligations for the foreseeable future.

Management believes that the Covid-19 pandemic has had no material adverse effect on financial results for the year ended 31 December 2021. However, in view of the current uncertainty, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future periods. Management will continue to assess the impact based on prospective developments. Based on these, management has a reasonable expectation that the Group has adequate resources to meet challenges.

**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in SR'000 unless otherwise stated)

**1. STATUS AND NATURE OF ACTIVITIES (continued)**

**1.1 Subsidiaries**

The following are the subsidiaries included in these consolidated financial statements and the combined direct and indirect ownership percentages:

Company Name	Legal Form	Effective Shareholding (%)	
		2021	2020
Rowad National Plastic Company ("Rowad") and its subsidiaries (1)	Limited liability	100.00	100.00
National Lead Smelting Company Ltd. ("Rassas") and its subsidiaries (2)	Limited liability	100.00	100.00
National Marketing and Industrial Services Company ("Khadamat II") (3)	Limited liability	100.00	100.00
Taldeen Plastic Solution Company Ltd. ("Taldeen") (4)	Limited liability	100.00	100.00
Al Khadra Environment Company for Industrials Waste Management ("Khadra") (5)	Limited liability	100.00	100.00
National Industrialization Petrochemical Marketing Company (6)	Limited liability	100.00	100.00
National Petrochemical Industrialization Company (7)	Limited liability	100.00	100.00
National Worldwide Industrial Advancement Company Ltd. (7)	Limited liability	100.00	100.00
NIPRAS National Technical Company Ltd. (7)	Limited liability	100.00	100.00
National Gulf Company for Petrochemical Technology (7)	Limited liability	100.00	100.00
National Industrialization Company for Industrial Investments (7)	Limited liability	100.00	100.00
National Operation and Industrial Services Company ("Khadamat") - under liquidation (8)	Limited liability	96.67	96.67
Advanced Metal Industries Cluster Company Ltd. ("AMIC") (9)	Limited liability	89.50	89.50
The National Titanium Dioxide Company Ltd. ("Cristal") and its subsidiaries (10)	Limited liability	79.00	79.00
National Inspection and Technical Testing Company Ltd. ("Fahss") (11)	Limited liability	73.42	73.42
TUV - Middle East WLL ("TUV") (12)	Limited liability	73.42	73.42
Tasnee and Sahara Olefins Company and its subsidiaries (13)	Closed joint stock	60.45	60.45

**1. Rowad National Plastic Company and its subsidiaries ("Rowad")**

Rowad National Plastic Company is a Saudi Limited Liability Company with its head office based in Riyadh, Saudi Arabia. Rowad is engaged in the manufacturing of all types of plastic production and managing and operating the industrial plants.

Rowad National Plastic Company owns 97% and 62.5% of equity interests in Rowad International Geosynthetics Company Ltd. and Rowad Global Packing Company Ltd., respectively, Saudi Limited Liability Companies registered in Dammam, Saudi Arabia.

**2. National Lead Smelting Company and its subsidiary ("Rassas")**

National Lead Smelting Company Ltd. ("Rassas") is a Saudi Limited Liability Company with its head office based in Riyadh, Saudi Arabia. Rassas is engaged in the manufacturing of lead as well as polypropylene and sodium sulphate. Rassas owns 100% of Technical Tetravalent Lead Smelting Company Limited ("TTLSP"), a Saudi Limited Liability Company, which is registered in Jeddah, Saudi Arabia. Also owns 90% of equity interest in National Batteries Company ("Battariat"), a Saudi Limited Liability Company, which is registered in Riyadh, Saudi Arabia.

**3. National Marketing and Industrial Services Company ("Khadamat II")**

National Marketing and Industrial Services Company is a Saudi Limited Liability Company based in Riyadh, Saudi Arabia. Khadamat II is engaged in marketing, sale and distribution of industrial products, including car batteries, plastic sheets, imports and exports, trading agencies for industrial products and investment in industrial services fields.

**4. Taldeen Plastic Solution Company limited ("Taldeen")**

Taldeen Plastic Solutions Company Ltd. is a Saudi Limited Liability Company based in Hail, Saudi Arabia. Taldeen has four plants and engaged in producing plastic pallets, plastic pipes, agri-film and waste-water treatment units.

**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in SR'000 unless otherwise stated)

**1. STATUS AND NATURE OF ACTIVITIES (continued)**

**1.1 Subsidiaries (continued)**

**5. Al Khadra Environment Company for Industrials Waste Management ("Khadra")**

Al Khadra Environment Company for Industrials Waste Management ("Khadra") is a Saudi Limited Liability Company based in Jeddah, Saudi Arabia. Khadra is engaged in sale, gathering and recycling of used and damaged batteries, lead, plastics, industrial materials and environmental waste.

**6. National Industrialization Petrochemical Marketing Company ("NIPMC")**

National Industrialization Petrochemical Marketing Company is a Saudi Limited Liability Company based in Riyadh, Saudi Arabia. NIPMC is engaged in the marketing services of chemical, petrochemical and plastic items including polypropylene and polyethylene.

**7. Other Subsidiaries**

These are direct subsidiaries and are incorporated in the Kingdom of Saudi Arabia. These subsidiaries are mainly holding companies for the Group's investments.

**8. National Operation and Industrial Services Company ("Khadamat") - under liquidation**

National Operating and Industrial Services Company is a Saudi Limited Liability Company based in Riyadh, Saudi Arabia. Khadamat is engaged in marketing, sale and distribution of industrial products, including car batteries, plastic sheets, imports and exports, trading agencies for industrial products and investment in industrial services fields. Khadamat is currently under liquidation and the procedures for liquidation are ongoing as at the date of these consolidated financial statements.

**9. Advanced Metal Industries Cluster Company Ltd. ("AMIC")**

Advanced Metal Industries Cluster Company Ltd. ("AMIC") was established with direct ownership percentage of 50% each by Tasnee and Cristal. AMIC is a Saudi Limited Liability Company and registered in Jeddah, Saudi Arabia. AMIC is engaged in setting up industrial projects related to Titanium metals of various type and other related substances including Titanium ore, Iron ore and manufacturing of Titanium dioxide through high pressure oxidation.

AMIC owns 100% equity interest in Advanced Smelting Industries Co. Ltd., a Saudi Limited Liability Company, registered during the year 2021 in Jazan, Saudi Arabia.

**10. The National Titanium Dioxide Limited Company ("Cristal")**

The National Titanium Dioxide Limited Company is a Saudi Limited Liability Company with its head office based in Jeddah, Saudi Arabia. Cristal owns 100% equity interest in Cristal International Holdings B.V., a limited liability company registered in The Netherlands, which owns shares in Tronox Holdings plc as disclosed in note 1.2. Cristal financial position and performance mainly represented by Tronox results, for related disclosures refer note 12.

**11. National Inspection and Technical Testing Company Ltd. ("Fahss")**

National Inspection and Technical Testing Company Ltd. is a Saudi Limited Liability Company based in Dammam, Saudi Arabia. Fahss is engaged in providing technical services in inspection, testing, calibration, maintenance and quality management and environment systems (ISO).

**12. TUV – Middle East WLL ("TUV")**

TUV - Middle East WLL is a Limited Liability Company incorporated in Kingdom of Bahrain. TUV is engaged in inspection of mechanical equipment and industrial instruments, quality management and environment systems (ISO), academic trainings, information technology consultancy and laboratory testing services for various products within GCC countries. TUV - Middle East WLL owns 100% beneficial ownership of a subsidiary, German Safety and Quality Inspection Company LLC, a limited liability company, which is registered in Doha, Qatar.

**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in SR'000 unless otherwise stated)

**1. STATUS AND NATURE OF ACTIVITIES (continued)**

**1.1 Subsidiaries (continued)**

**13. Tasnee and Sahara Olefins Company ("TSOC")**

Tasnee and Sahara Olefins Company is a Saudi Closed Joint Stock Company with its head office based in Riyadh, Saudi Arabia. The main objectives of TSOC are the production and marketing of petrochemical and chemical materials. TSOC owns 65% of Saudi Acrylic Acid Company ("SAAC"), a Saudi Limited Liability Company, which is registered in Riyadh, Saudi Arabia.

**1.2 Associates and Joint Arrangements**

The following are the list of the Group's associated companies and joint arrangements included in these consolidated financial statements and effective ownership percentages:

Company Name	Relationship	Legal Form	<i>Effective shareholding (%)</i>	
			2021	2020
Saudi Polyolefins Company ("SPC")	Joint Venture	Limited liability	<b>75.00</b>	75.00
Advanced Metal Industries Cluster and Toho Titanium Metal Company Limited ("ATTM")	Joint Venture	Limited liability	<b>58.18</b>	58.18
Saudi Ethylene and Polyethylene Company ("SEPC")	Joint Venture	Limited liability	<b>45.34</b>	45.34
Clariant Masterbatches (Saudi Arabia) Ltd.	Associate	Limited liability	<b>40.00</b>	40.00
Saudi Acrylic Monomers Company ("SAMCO")	Joint Venture	Limited liability	<b>39.22</b>	39.22
Saudi Acrylic Polymers Company ("SAPCO")	Joint Venture	Limited liability	<b>39.22</b>	39.22
National Metal Manufacturing and Casting Company ("Maadaniyah")	Associate	Saudi joint stock company	<b>34.93</b>	35.45
Evonik Tasnee Marketing Company ("ETM")	Associate	Limited liability	<b>25.00</b>	25.00
Tronox Holdings plc ("Tronox")	Associate	Listed in NYSE	<b>19.28</b>	20.68
Saudi Butanol Company ("SABUCO")	Joint Operations	Limited liability	<b>17.43</b>	17.43

Also refer to note 12 for further details.

**1.2 (a) Saudi Butanol Company ("SABUCO")**

Saudi Butanol Company is a mixed limited liability company registered in Jubail city, Kingdom of Saudi Arabia under commercial registration number 2055019713 dated 17 Rajab 1434H (corresponding to 27 May 2013). The Company's objective is to produce normal butanol and iso butanol. SABUCO is 33.33% owned by Saudi Acrylic Acid Company ("SAAC") (a Saudi limited liability company), 33.33% by Sadara Chemical Company (a Saudi limited liability company) and 33.33% by Saudi Kayan Petrochemical Company (a Saudi joint stock company).

**2. BASIS OF PREPARATION**

**(i) Statement of Compliance**

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

**(ii) Basis of measurement**

The financial statements have been prepared on a historical cost basis, except for the following:

- certain financial assets and liabilities (including derivative instruments) - measured at fair value, and
- the employee benefits obligations - is recognized at the present value of future obligations using the Projected Unit Credit Method.



**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in SR'000 unless otherwise stated)

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

**(iii) Functional and presentation currency**

These consolidated financial statements are presented in Saudi Riyals, which is the Parent Company's functional currency. All amounts have been rounded to the nearest thousand (SR in '000), unless otherwise indicated.

**3. BASIS OF CONSOLIDATION**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December except for joint operations which are consolidated based on the Group's relative share in the arrangement.

Subsidiaries are all entities over which the Group has control. 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.

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 to the non-controlling interests "NCI", even if this results in the NCI 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.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. When Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in the profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost. 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 profit or loss.
- Reclassifies the parent's share of components previously recognized 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.

**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in SR'000 unless otherwise stated)

**4. CHANGES IN ACCOUNTING POLICIES**

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020 except for the adoption of following amendments to existing standards that had no significant financial impact on these consolidated financial statements of the Group:

**(i) Amendments to IFRS 4, IFRS 7, IFRS 9 Phase 2: Interest Rate Benchmark Reform**

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The Group had no transactions for which the benchmark rate had been replaced with an alternative benchmark rate.

**(ii) Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions**

As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the International Accounting Standards Board ("IASB") published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can select to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted by the Group in preparing these consolidated financial statements are applied consistently and are described below:

**5.1. Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of fair value of the consideration transferred, which is measured at the acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. All contingent consideration (except that which is classified as equity) is measured at fair value with the changes in fair value in profit or loss. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held, over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, then the gain is recognized in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in SR'000 unless otherwise stated)

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**5.1. Business combinations and goodwill (continued)**

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which generally does not exceed one year from the date of acquisition, the Group retrospectively adjusts the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as at the acquisition date and, if known, would have affected the measurement of the amounts recognized as at that date. Any additional assets or liabilities are also recognized during the measurement period if new information is obtained about facts and circumstances that existed as at the acquisition date.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. CGU is the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups thereof. A CGU is identified consistently from period to period for the same asset or types of assets, unless a change is justified.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, 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.

**5.2. Investments in associates, joint arrangements and equity accounting**

**(i) Associates**

Associates are all entities over which the Group has significant influence but no control or joint control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control over those policies. This is generally the case where the Group holds between 20% and 50% of the voting rights. The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries. Investments in associates are accounted for using the equity method, after initially being recognized at cost.

**(ii) Joint arrangements**

Under IFRS 11 Joint Arrangements, 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 whether joint control exists or not are similar to those necessary to determine control over subsidiaries. Also refer to note 6 (v).

Investments in joint arrangements are classified as either joint ventures or joint operations. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has both joint ventures and joint operations. (Refer note 1.2 for the details)

**Joint ventures:**

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.

Interests in joint ventures are accounted for using the equity method, after initially being recognized at cost in the consolidated statement of financial position.

**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in SR'000 unless otherwise stated)

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**5.2. Investments in associates, joint arrangements and equity accounting (continued)**

**Joint operations:**

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and liabilities of the joint operation.

The Group recognizes its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the consolidated financial statements under the appropriate headings.

**Equity method**

Under the equity method of accounting, the investments are initially recognized at cost. Appropriate adjustments are made in order to account for the Group's share in the fair value of associate's or joint venture's net assets at the date of the acquisition. Excess of the Group's share in the fair value of associate's net assets over the cost is recognized in the consolidated statement of profit or loss. The net carrying amount of the investment is subsequently adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Adjustments are made to account for the Group's share of the associate's or joint venture's profit or loss after acquisition in order to account, for example, for depreciation of the depreciable assets based on their fair values at the acquisition date. Similarly, appropriate adjustments to the Group's share of the associate's or joint venture's profit or loss after acquisition are made for impairment losses such as for goodwill or property, plant and equipment.

Adjustments are made to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of other comprehensive income of the investee in other comprehensive income. Long term loans, which are not expected to be settled in the foreseeable future, are in substance considered as part of net investment. Where the carrying value of the investment is reduced to zero, a liability is recognized only to the extent that there is an obligation to fund the investee's operations, or any payments have been made on behalf of the investee. Dividends received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investment. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in the other comprehensive income ("OCI") of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate and joint venture are eliminated to the extent of the interest in the associate or joint venture. The financial statements of the associate or joint venture are prepared for the same reporting period as the Group.

When necessary, adjustments are made to bring the accounting policies of the associate or joint venture in line with those of the Group. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the loss separately within 'Share of profit or loss from associates and joint ventures' in the consolidated statement of profit or loss, as the Group considers this to be the most relevant classification for understanding of the Group's financial performance.

The Group assess at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods on its investment in its associate or joint venture may no longer exist or may have decreased. If any such indication exists, the Group estimates the recoverable amount of its investments. The reversal is limited so that the carrying amount of the investment does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, had no impairment loss been recognized for the investment in prior years. Such reversal is also recognized separately within 'Share of profit or loss from associates and joint ventures' in the consolidated statement of profit or loss.

Upon loss of significant influence over the associate 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 retaining investment and proceeds from disposal is recognized in profit or loss.

**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in SR'000 unless otherwise stated)

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**5.3 Non-current assets held for sale and discontinued operation**

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group).

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after zakat and income tax from discontinued operations in the consolidated statement of profit or loss.

**5.4. Revenue recognition**

The Group manufactures and sells a wide range of products including chemicals, polymers and plastics. Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties such as taxes.

Revenue is recognized when obligations under the terms of a contract with our customer are satisfied. This generally occurs at the time when performance obligations are fulfilled and control transfers to the customer. In most instances, control transfers upon the transfer of risk of loss and title to the customer, which usually occurs when we ship products to the customer from our facilities.

Some of the joint venture companies market their products through subsidiaries of the Group (referred hereto as "the Marketers"). For all such arrangements, the Group reviews whether it acts as a principal or agent. Based on this review, the Group when acts as principal, record sale on gross basis, while net accounting is followed where it acts as an agent.

Some of the subsidiaries provide services related to inspection of electrical, mechanical and industrial equipment, ISO Certification, academic training, information technology consultancy and laboratory testing under fixed-price and variable price contracts. Contract service revenues are recognized based on the value of work rendered to the customer in accordance with the terms and rates as specified in the service contracts. Revenue from providing services is recognized in the accounting period in which the services are rendered.

**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in SR'000 unless otherwise stated)

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**5.5. Cost of revenue, selling, distribution and general and administrative expenses**

Operating costs are recognized on a historical cost basis. Production costs which include consumption of inventory, direct labor and attributable overhead costs are classified as cost of revenue.

Selling and distribution expenses principally comprise costs incurred in marketing and sale of the subsidiaries' products. Other expenses are classified as general and administrative expenses.

General and administrative expenses include direct and indirect costs not specifically attributable to cost of revenue.

Allocations between general and administrative expenses and cost of revenue, when required, are made on a consistent basis.

**5.6. Foreign currency translation**

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Saudi Riyal ('SR'), which is Group functional and presentation currency.

**(i) 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.

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 transaction.

**(ii) Group companies**

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 statement of profit or loss are translated at exchange rate prevailing at the date of the transactions or the average rate for the period. All resulting exchange differences arising on the translation are recognized in consolidated statement of other comprehensive income. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to the consolidated statement of profit or loss.

**5.7. Zakat, income and deferred taxes**

**(i) Zakat**

Zakat is provided on an accruals basis and computed at the higher of adjusted net income for zakat purposes for the year or zakat base calculated per the General Authority of Zakat, Tax and Customs Authority ("ZATCA") regulations. Any difference in the previously recorded estimate is recognized when the final assessment is approved by ZATCA.

**(ii) Current income tax**

Foreign shareholders in the Group's subsidiaries in the Kingdom of Saudi Arabia are subject to income tax. Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in SR'000 unless otherwise stated)

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**5.7. Zakat, income and deferred taxes (continued)**

**(iii) Deferred taxes**

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Un-recognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**5.8. Property, plant and equipment and projects under progress**

**(a) Property, plant and equipment**

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment in value, except for land which is stated at cost and are not depreciated.

Cost includes all expenditure directly attributable to the construction or purchase of the item of property, plant and equipment. Such costs include the cost of replacing parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, costs of major maintenance and repairs incurred as part of substantial overhauls or turnarounds of major units at the Group's manufacturing facilities are capitalized and generally depreciated using the straight-line method over the period until the next planned turnaround, the cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statement of profit or loss as incurred. Any subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group and cost can be measured reliably.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows;

<b>Asset class</b>	<b>Useful lives (in years)</b>
Buildings	20 – 33
Leasehold improvements	Shorter of the lease term or useful life
Plant, machinery and equipment	3 – 25
Tools and capital spares	2 – 20
Furniture, fixtures and equipment	3 – 10
Motor vehicles	4 – 5
Computers	3 – 5
Catalyst	2 – 5

**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in SR'000 unless otherwise stated)

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**5.8. Property, plant and equipment and projects under progress (continued)**

**(a) Property, plant and equipment (continued)**

Property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Stores and spares having a useful life of more than one year are depreciated over their estimated useful lives.

An item of property, plant and equipment 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 consolidated statement of profit or loss 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.

**(b) Projects under progress**

Projects under progress represent costs relating directly to the new projects and other capital work in progress including cost of expansion of existing facilities. These are capitalized as property, plant and equipment when the project is completed, or the related assets is ready for its intended use. Projects under progress are stated at cost less accumulated impairment, if any.

**5.9. Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying 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.

**5.10. Leases**

The Group assesses whether a contract contains a lease, at inception of the contract. For all such lease arrangements, the Group recognize right of use assets and lease liabilities except for the short-term leases and leases of low value assets as follows:

**Right-of-use assets**

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

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

The Group has the option, under some of its leases to lease the assets for additional renewable periods. The Group applies judgment in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).



**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in SR'000 unless otherwise stated)

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**5.10. Lease (continued)**

**Lease liabilities**

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The discount rate used is the entity's incremental borrowing rate, being the rate that the entity would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

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

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

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

**5.11. Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. 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 consolidated statement of profit or loss when it is incurred.

The useful lives of intangible assets are assessed as 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 consolidated statement of profit or loss 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 or at each reporting date when there is an indicator of impairment, 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 statement of profit or loss when the asset is derecognized.

**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in SR'000 unless otherwise stated)

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**5.11. Intangible assets (continued)**

**(i) Goodwill**

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is not amortized but is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

**(ii) Technological and software licenses**

Acquisition cost of technological licenses and computer software licenses and implementation costs are amortized using the straight-line method over 5-20 years from the date of commencement of operation.

An intangible asset with an indefinite life is not being amortized but instead is measured for impairment at least annually, or when events indicate that impairment exists.

Research and development costs are charged to the consolidated statement of profit or loss during the period incurred, except for the clear and specified projects, in which development costs can be recovered through the commercial activities generated by these projects. In this case, the development costs are considered intangible assets and are amortized using the straight-line method over a period of seven to fifteen years.

**5.12. Impairment of non-financial assets**

Goodwill and assets with indefinite life are tested for impairment annually.

For other assets, the Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating units ("CGU") fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment calculation is based on detailed forecasts which are prepared separately for each of the Group's CGU to which the individual assets are allocated. These forecast calculations generally cover a period of five years. Long-term growth rate is calculated and applied to project future cash flows after the fifth year.

The Group assess at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of profit or loss.

Impairment recognized previously on goodwill is not reversed.

**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in SR'000 unless otherwise stated)

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**5.13. Inventories**

The cost of raw materials, consumables, spare parts and finished goods is determined on a weighted average cost basis. The cost of work in progress and finished goods includes cost of material, labor and an appropriate allocation of indirect overheads. Inventories are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to sell.

**5.14. Cash and cash equivalents**

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

**5.15. Employee benefits obligations**

**(i) Short-term obligations**

Liabilities for wages and salaries and any other short-term benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

**(ii) Post-employment obligations**

**Defined contribution plan**

A defined contribution plan is employee benefit plan under which the Group pays fixed contributions. The Group offers a saving plan to eligible employees to encourage them to make savings in a manner that will warrant an increase in their income and contribute to securing their future according to the established plan. The saving contributions from the participants are deposited in a separate bank account other than the Group's normal operating bank accounts (but not in any separate legal entity).

**Defined benefit plans**

The Group primarily has end of service benefits which qualify as defined benefit (unfunded) plan.

The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method, with actuarial valuation being carried out at regular interval. Re-measurements, comprising actuarial gains and losses, are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to other reserves through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

The present value of the defined benefit obligation for the Group has been determined by discounting the estimated future cash outflows by reference to US bond yields (as the Saudi Riyal is pegged to the US dollar) adjusted for an additional risk premium reflecting the possibility of the linkage being broken.

Past service costs are recognized in the consolidated statement of profit or loss on the earlier of the date of the plan amendment or curtailment and the date on which the Group recognises related restructuring costs. Net interest is calculated by applying the discount rate to the net defined benefit liability. The Group recognises the changes in the net defined benefit obligation under 'cost of revenue, 'general and administrative expenses' and 'selling and distribution expenses' in the consolidated statement of profit or loss.

**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in SR'000 unless otherwise stated)

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(iii) Employees House Ownership Program (HOP) and Employees Housing Loans (HLP)**

Certain companies within the Group have established employees HOP where eligible employees after paying a series of payments over a particular number of years can purchase houses constructed by these companies. Costs which are not directly related to residential units are absorbed by the Group. Ownership of these houses is transferred to the employees at the completion of full payment. Under the program, the amounts paid by the employees towards the houses are repayable back to the employees after certain adjustments in case of discontinued employment and the house is returned to the Group.

The Group also provides interest free home loan to its eligible employees for purposes related to purchase or building of a house or apartment. The loan is repaid in monthly instalment by deduction of employee's pay. HLP is recognized as a non-current financial asset at fair value and measured at amortised cost using the effective interest rate (EIR) method. The difference between the fair value and the actual amount of cash given to the employee is recognized as a 'prepaid employee benefit' and is amortised as an expense equally over the period of service. The same amount is also amortised as finance income against the receivable from employees.

**5.16. Provisions and contingent liabilities**

**(i) 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, 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 statement of profit or loss net of any reimbursement.

**(ii) Contingent liabilities**

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made.

**5.17. Accounts receivables**

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method less impairment. For impairment of financial assets, (refer to note 5.20 (iv)).

**5.18. Accounts payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial period, which are unpaid. The amounts are unsecured. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

**5.19. Deferred settlement income / expense**

Deferred settlement payments received are recognized where there is reasonable assurance that these will be received and all related conditions, if any, will be complied with. When the payment relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the payment relates to an asset, the amount received are deferred and recognized as income in equal amounts over the expected useful life of the related asset.

**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in SR'000 unless otherwise stated)

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**5.20. Financial instruments**

Financial instruments are recognized when the Group becomes a party to the contractual provisions of the instrument. 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.

**Financial assets**

The Group determines the classification of its financial assets at initial recognition. Regular way purchases and sales of financial assets are recognized on trade date, being the date on which the Group commits to purchase or sell the asset. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

**i. Classification**

The financial assets are classified in the following measurement categories:

- a) Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss); and
- b) Those to be measured at amortized cost.

For assets measured at fair value, gains and losses will either be recorded in the consolidated statement of profit or loss or the consolidated statement of other comprehensive income. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

**ii. Measurement**

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated statement of profit or loss as incurred.

**Debt instruments**

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies debt instruments at amortised cost based on the below:

- a) The asset is held within a business model with the objective of collecting the contractual cash flows; and
- b) The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. Employees' loans and shareholders' loans to joint venture entities are carried at amortized cost.

**Equity instruments**

Equity securities which are not held for trading, and which the group has irrevocably elected at initial recognition to recognise in the category of fair value through other comprehensive income ("FVOCI"). For strategic investments the Group considers this classification to be more relevant.

If the Group elects to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments shall continue to be recognized in the consolidated statement of profit or loss as other income when the Groups' right to receive payments is established. There are no impairment requirements for equity investments measured at fair value through other comprehensive income. Changes in the fair value of financial assets at fair value through profit or loss shall be recognized in other income / (expenses) in the consolidated statement of profit or loss as applicable.

**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in SR'000 unless otherwise stated)

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**5.20. Financial instruments (continued)**

**iii. De-recognition of financial assets**

The Group derecognizes a financial asset when the contractual rights to the cash flows from the assets expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interests in the asset and associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of the transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralized borrowing for the proceeds received.

**iv. Impairment of financial assets**

The Group assesses on a forward-looking basis the Expected Credit Losses ("ECL") associated with its debt instruments as part of its financial assets, carried at amortised cost.

For accounts receivables, the Group applies the simplified approach, which requires expected lifetime losses to be recognized from initial recognition of the receivables. To measure the expected credit losses, receivables are grouped based on shared credit risk characteristics and the days past due. Expected loss rates are derived from historical information of the Group and are adjusted to reflect the expected future outcome which also incorporates forward looking information for macroeconomic factors.

The financial assets, other than trade receivables, of the Group are categorized as follows:

- (a) Performing: these represent the financial assets where customers have a low risk of default and a strong capacity to meet contractual cash flows. Less than 30 days past due balances do not result in significant increase in credit risk and are considered as performing.
- (b) Underperforming: these represent the financial assets where there is a significant increase in credit risk and that is presumed if the customer is more than 30 days but less than 90 days past due in making a contractual payment.
- (c) Non-performing: these represent defaulted financial assets. A default on a financial asset is considered when the customer fails to make a contractual payment within 90 days after they fall due.

The Company measures the loss allowance for performing financial assets at an amount equal to 12-month expected credit losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime. 12-month expected credit losses are the portion of expected credit losses that results from default events on the financial assets that are possible within 12 months after the reporting date. The Group measures the loss allowance for underperforming and non-performing financial assets at an amount equal to lifetime expected credit losses.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the counterparty. The Group categorizes a financial asset for write off when a debtor fails to make contractual payments and no reasonable expectation of recovering the contractual cash flows. Where a financial asset has been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in consolidated statement of profit or loss.

**v. Income recognition**

**Murabaha income**

For all financial instruments measured at amortized cost and interest-bearing financial assets, Murabaha income is recognized using the effective interest rate (EIR), which is the rate that discounts the estimated future cash financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original EIR of the instrument and continues unwinding the discount as interest income. Interest income on impaired financial asset is recognized using the original EIR.

**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in SR'000 unless otherwise stated)

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**5.20. Financial instruments (continued)**

**Dividend income**

Dividends receivable from financial instruments are recognized in the consolidated statement of profit or loss only when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be measured reliably.

**Financial liabilities**

The Group determines the classification of its financial liabilities at initial recognition.

**i. Classification**

The financial liabilities are classified in the following measurement categories:

- a) Those to be measured as financial liabilities at fair value through profit or loss; and
- b) Those to be measured at amortized cost.

**ii. Measurement**

All financial liabilities are recognized initially at fair value. Financial liabilities accounted at amortized cost like borrowings are accounted at the fair value determined based on the effective interest rate method (EIR) after considering the directly attributable transaction costs.

The Group classifies all financial liabilities as subsequently measured at amortized cost, except for financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value.

EIR method calculates the amortized cost of a debt instrument by allocating interest charge over the relevant effective interest rate period. The effective interest rate is the rate that exactly discounts estimated future cash outflow (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. This category generally applies to borrowings, trade payables, etc.

The Group's financial liabilities include trade and other payables, borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments. The Group measures financial liabilities (except derivatives) at amortised cost.

**iii. Derecognition of financial liabilities**

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of profit or loss.

**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in SR'000 unless otherwise stated)

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**5.21. Derivative financial instruments and hedge accounting**

The Group's activities expose it to the financial risks of changes in foreign exchange rates and interest rates. Derivatives are used for economic hedge purposes and not as speculative investments.

Derivative financial instruments are initially measured at fair value on the contract date and are subsequently re-measured to fair value at each reporting date. 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 and the type of hedge relationship designated.

The Group's activities expose it to the financial risks of changes in foreign exchange rates and interest rates. The Group documents at the inception of the hedging transaction the economic relationship between hedging instruments and hedged items including whether the hedging instrument is expected to offset changes in cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking various hedge transactions at the inception of each hedge relationship.

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; and classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

**(i) Derivatives that are not designated as hedges**

The Group enters into certain derivative contracts to hedge risks which are not designated as hedges. Such contracts are accounted for at fair value through profit or loss, within other income / (losses).

**(ii) Derivatives that are designated as cash flow hedges**

The effective portion of changes in the fair value of derivatives such as forward contracts and interest rate swaps that are designated and qualify as cash flow hedges is recognized in the other comprehensive income in cash flow hedging reserve within equity, limited to the cumulative change in fair value of the hedged item on a present value basis from the inception of the hedge. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, within other income / (losses).

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss, within other income / (losses).

If the hedge ratio for risk management purposes is no longer optimal but the risk management objective remains unchanged and the hedge continues to qualify for hedge accounting, the hedge relationship will be rebalanced by adjusting either the volume of the hedging instrument or the volume of the hedged item so that the hedge ratio aligns with the ratio used for risk management purposes. Any hedge ineffectiveness is calculated and accounted for in profit or loss at the time of the hedge relationship rebalancing.



**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in SR'000 unless otherwise stated)

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**5.22. Current versus non-current classification**

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

- expected to be realised or intended to be sold or consumed in the normal operating cycle
- held primarily for the purpose of trading
- expected to be realised within 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
- held primarily for the purpose of trading
- due to be settled within 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.

**5.23. Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

**5.24. Statutory reserve**

In accordance with the Saudi companies' law, the Company transfers 10% of the annual net income to the statutory reserve until it reaches 30% of the share capital. This reserve is not available for distribution.

**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in SR'000 unless otherwise stated)

**6. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of consolidated financial statements requires the Group's management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying accounting disclosures, and the disclosures of contingent liabilities at the reporting date of the consolidated financial statements.

Estimates and assumptions are continually evaluated and are based on management's historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

However, as explained in Note 1, Management has proactively assessed the potential of the Covid-19 pandemic for any further regulatory and government restrictions both locally and in the market in which the Group operates that could adversely affect our supply chain and our production capabilities, demand of our products, as well as our sales distribution network that could cause a negative impact on our financial performance. Management has concluded that our critical accounting judgements, estimates and assumptions remain appropriate under the current circumstances.

The areas requiring the most significant judgments, estimates and assumptions in the preparation of the consolidated financial statements are explained below:

**(i) Recoverability of non- financial asset's carrying value**

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, projects under progress, intangible assets and investments in joint ventures and associates to determine whether there is any indication that those assets are impaired or require reversal thereof. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment or reversal. Impairment tests are undertaken on the basis of the smallest identifiable group of assets (cash-generating unit), or individual assets, for which there are largely independent cash inflows. The key assumptions used to determine the different cash-generating units, estimating the cost of disposal and VIU calculation involves significant judgments from management.

For the purposes of determining whether impairment of assets has occurred, and the extent of any impairment or its reversal, a recoverable amount is calculated. Recoverable amount is the higher of fair value less costs of disposal ("FVLCD") or value-in-use ("VIU").

In assessing FVLCD, judgment is generally involved in determining the cost of disposal including the time required to complete the disposal process. For fair value determination also refer note 39.

In assessing VIU, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted. The key assumptions management uses in estimating future cash flows for its VIU calculations are growth in earnings before interest, tax, depreciation and amortization (EBITDA), timing and quantum of future capital expenditure, long term growth rate, selection of discount rates to reflect the risks involved. There is an inherent uncertainty over forecasted information and assumptions. Changes in these assumptions and forecasts could impact the recoverable amounts of assets and any calculated impairment and reversals thereof.

**(ii) Post-employment obligations**

The costs of defined benefit plans are determined using actuarial valuations. The actuarial valuation involves making assumptions, which are periodically reviewed. Key assumptions include discount rates and future salary increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty.

**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in SR'000 unless otherwise stated)

**6. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

**(iii) Provision for zakat and income tax**

The Group's zakat and tax charge on ordinary activities is the sum of the total zakat and current and deferred income taxes charges. The calculation of the Group's zakat and income taxes charge necessarily involves a degree of estimation and judgment in respect of certain items whose treatment cannot be finally determined until resolution has been reached with the relevant tax authority or, as appropriate, through a formal legal process. The final resolution of some of these items may give rise to material profits / (losses) and/or cash flows. The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future, against which the reversal of temporary differences can be deducted. To determine the future taxable profits, reference is made to the latest available profit forecasts. Where the temporary differences are related to losses, relevant tax law is considered to determine the availability of the losses to offset against the future taxable profits.

**(iv) Estimation of useful life and residual value**

The useful life used to amortize or depreciate intangible assets or property, plant and equipment respectively relates to the expected future performance of the assets acquired and management's judgement based on technical evaluation of the period over which economic benefit will be derived from the asset. The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. An asset's expected life and residual value have a direct effect on the depreciation charged in the consolidated statement of profit or loss.

The useful lives and residual values of Group's assets are determined by management based on technical evaluation at the time the asset is acquired and reviewed annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events which may impact their life such as changes in technology.

**(v) Determination of control, joint control and significant influence**

Subsidiaries are all investees over which the Group has control. Management considers that it controls an entity when the Group is exposed to or has rights to the majority of the variable returns from its involvement with the investee and the ability to use its power over the investee, legal and contractual ability to exercise power, to affect the amount of those returns through its power to direct the relevant activities of the investees.

The determination about whether the Group has power depends on the way decisions about the relevant activities are made and the rights the Group has, in relation to the investees. Generally, there is a presumption that having majority of voting rights results in control. To support this presumption and when the Group has equal or less than a majority of the voting or similar rights of an investee, the Group considers all other relevant facts and circumstances in assessing whether it has power over an investee, including any contractual and other such arrangements which may affect the activities which impact investees' return.

Hence, the Group has consolidated investees, which meet the above criteria of control as part of the Group's consolidated financial statements.

**(vi) Recoverability of loans given to equity accounted investment**

Loans given to equity accounting investments which are in management judgment not expected to be recovered or settled in foreseeable future are considered for impairment as per the requirements of IFRS-9 general approach.

**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in SR'000 unless otherwise stated)

**7. NEW STANDARD AND AMENDMENTS TO EXISTING STANDARDS ISSUED BUT NOT YET EFFECTIVE**

The following standard and amendments to existing standards are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements:

**(i) IFRS 17 Insurance contracts**

In May 2017, the IASB issued IFRS 17 – Insurance Contracts, which is effective for annual periods beginning on or after 1 January 2021. The standard introduces a new measurement model for insurance contracts. Early adoption is permitted if IFRS 9 and 15 have been applied as on the application date for this standard. This standard is not relevant to the company therefore there will be no impact on the consolidated financial statements.

**(ii) Amendments to IAS 1- Classification of Liabilities as Current or Non-current**

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively.

**(iii) Amendments to IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use**

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling 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.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

**(iv) Amendments to IFRS 3 - Reference to the Conceptual Framework**

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

**(v) Amendments to IAS 37 - Onerous Contracts-Cost of Fulfilling a Contract**

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts. The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

**(vi) IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities**

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. 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. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in SR'000 unless otherwise stated)

**7. NEW STANDARD AND AMENDMENTS TO EXISTING STANDARDS ISSUED BUT NOT YET EFFECTIVE**  
(continued)

**(vii) Definition of Accounting Estimates - Amendments to IAS 8**

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

**(viii) Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2**

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023.

The Group will apply the above standard and amendment from their effective dates. The Group has not yet undertaken an assessment to determine potential impacts on the amounts reported and disclosures to be made under the applicable new standards or amendments to existing standards.

**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in SR'000 unless otherwise stated)

**8. PROPERTY, PLANT AND EQUIPMENT**

	Land, buildings and leasehold improvements	Plant, machinery and equipment	Tools and capital spares	Furniture, fixtures and equipment	Motor vehicles	Computers	Catalyst	Total
<b>Cost</b>								
<b>Balance as at 1 January 2020</b>	<b>1,242,635</b>	<b>2,904,974</b>	<b>71,673</b>	<b>26,396</b>	<b>23,416</b>	<b>18,119</b>	<b>35,588</b>	<b>4,322,801</b>
Additions	5,840	51,738	2,481	588	51	270	115	61,083
Disposals	(634)	(21,326)	(6,276)	(1,249)	(2,529)	(2,812)	-	(34,826)
Transfers – note 9	1,265	177,075	132	3,978	-	764	4,351	187,565
<b>Balance as at 31 December 2020</b>	<b>1,249,106</b>	<b>3,112,461</b>	<b>68,010</b>	<b>29,713</b>	<b>20,938</b>	<b>16,341</b>	<b>40,054</b>	<b>4,536,623</b>
Additions	3,546	33,603	3,908	331	1,259	479	3,663	46,789
Disposals	(412)	(16,800)	(35,375)	(1,273)	(4,697)	(393)	(108)	(59,058)
Transfers – note 9	4,884	21,969	-	-	-	1,044	1,183	29,080
<b>Balance as at 31 December 2021</b>	<b>1,257,124</b>	<b>3,151,233</b>	<b>36,543</b>	<b>28,771</b>	<b>17,500</b>	<b>17,471</b>	<b>44,792</b>	<b>4,553,434</b>
<b>Accumulated depreciation/impairment</b>								
<b>Balance as at 1 January 2020</b>	<b>317,662</b>	<b>917,535</b>	<b>52,265</b>	<b>22,796</b>	<b>20,446</b>	<b>14,631</b>	<b>26,949</b>	<b>1,372,284</b>
Charge for the year	50,365	141,416	7,048	1,957	1,279	1,464	3,806	207,335
Disposals	(598)	(12,012)	(213)	(1,200)	(2,528)	(2,809)	-	(19,360)
Transfers	-	(1,616)	-	794	-	-	822	-
<b>Balance as at 31 December 2020</b>	<b>367,429</b>	<b>1,045,323</b>	<b>59,100</b>	<b>24,347</b>	<b>19,197</b>	<b>13,286</b>	<b>31,577</b>	<b>1,560,259</b>
Charge for the year	51,851	159,955	5,171	1,753	1,040	1,873	3,512	225,155
Disposals	(322)	(13,428)	(38,160)	(1,099)	(4,389)	(43)	(5)	(57,446)
Transfers	-	-	-	-	-	(20)	-	(20)
<b>Balance as at 31 December 2021</b>	<b>418,958</b>	<b>1,191,850</b>	<b>26,111</b>	<b>25,001</b>	<b>15,848</b>	<b>15,096</b>	<b>35,084</b>	<b>1,727,948</b>
<b>Net carrying value</b>								
<b>As at 31 December 2021</b>	<b>838,166</b>	<b>1,959,383</b>	<b>10,432</b>	<b>3,770</b>	<b>1,652</b>	<b>2,375</b>	<b>9,708</b>	<b>2,825,486</b>
<b>As at 31 December 2020</b>	<b>881,677</b>	<b>2,067,138</b>	<b>8,910</b>	<b>5,366</b>	<b>1,741</b>	<b>3,055</b>	<b>8,477</b>	<b>2,976,364</b>

**8.1** Land, buildings and leasehold improvements includes freehold land amounting to SR 110 million (2020: SR 110 million).

**8.2** Leasehold improvements were built on certain lands which are leased from the government at nominal rents, for periods up to 30 years, and renewable for further periods.

**8.3** At 31 December 2021 property, plant and equipment with a net carrying value of SR 2,428 million (2020: SR 2,624 million) have been pledged as collateral for borrowings (also refer to note 23.1).

**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in SR'000 unless otherwise stated)

**9. PROJECTS UNDER PROGRESS**

	<b>2021</b>	<b>2020</b>
At 1 January	<b>1,916,318</b>	2,289,178
Additions	<b>7,363</b>	44,010
Disposal	<b>-</b>	(22,733)
Transfer to property, plant and equipment / intangible assets	<b>(33,737)</b>	(189,939)
Impairment loss	<b>(180,000)</b>	(204,198)
	<hr/> <b>1,709,944</b>	<hr/> 1,916,318
At 31 December		

Projects under progress mainly represent costs of establishing a project (Slagger) relating to Titanium metals of various types and other related substances including Titanium ore, Iron ore and manufacturing of Titanium dioxide through high pressure oxidation at Jizan by a subsidiary and certain costs of expansion of facilities of production lines, safety and environment improvement costs.

During 2021, the impairment loss of SR 180 million (2020: SR 204.2 million) was recognized in consolidated statement of profit or loss due to delay in commencement of operations, in order to match the carrying amount with anticipated fair value less cost of disposal.

During 2021, certain projects were completed, and cost of SR 33.7 million (2020: SR 189.9 million) was transferred to the property plant and equipment / intangible assets.

**9.1 Option agreement for slagger asset in AMIC**

AMIC, a subsidiary of the Group, has signed an option agreement with Tronox Holding Plc ("Tronox") with the following key terms:

(1) AMIC shall (a) incorporate a wholly owned Special Purpose Vehicle ("SPV") in the Kingdom of Saudi Arabia and (b) subject to certain exceptions as set out in the Option Agreement, transfer (or procure the transfer of) the assets, liabilities and contracts used for its Jazan-based titanium slag smelting Slagger Business (as defined in the Option Agreement) to the SPV;

(2) subject to the satisfaction of certain conditions precedent set out in the Option Agreement including reaching the Sustainable Operations (as defined in the Option Agreement), AMIC shall have an option to require Tronox to purchase, and Tronox shall have an option to require AMIC to sell, 90% of AMIC's ownership in the SPV.

As part of the Option Agreement, Tronox also advanced loan to AMIC USD 125 million (equivalent to SR 469 million) for capital expenditures and operational expenses (as detailed in the Option Agreement) at SAIBOR plus agreed margin.

At the consolidated statement of financial position date, the Group's management is of the view that the high probability test of transaction completion as required by IFRS 5: "Non-current Assets Held-for-Sale and Discontinued Operations" before assets and liabilities are reclassified as "held for sale" had not been met due to the conditions precedent for the exercise of call or put option, and consequently no reclassification has been made in these consolidated financial statements.

**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in SR'000 unless otherwise stated)

**10. RIGHT-OF-USE ASSETS**

The Group holds various properties and vehicles on lease. Rental contracts period after considering extension options reach between 3 to 40 years. Lease terms are negotiated on an individual basis and contain different terms and conditions. The lease agreements do not impose any covenants.

The carrying amounts of the Group's right-of-use assets and the movements during the year were as follows:

	<b>Land and buildings</b>	<b>Motor vehicles</b>	<b>Total</b>
<b>At 1 January 2020</b>	140,856	11,670	152,526
Additions	11,102	2,095	13,197
Depreciation expense	(19,210)	(7,496)	(26,706)
Disposals	-	(1,603)	(1,603)
<b>At 31 December 2020</b>	<b>132,748</b>	<b>4,666</b>	<b>137,414</b>
Additions	539	526	1,065
Depreciation expense	(17,091)	(3,745)	(20,836)
Disposals	(1,419)	(141)	(1,560)
<b>At 31 December 2021</b>	<b>114,777</b>	<b>1,306</b>	<b>116,083</b>

Set out below, are the amounts recognized in consolidated statement of profit or loss:

	<b>2021</b>	<b>2020</b>
Depreciation expense of right-of-use assets	<b>20,836</b>	26,706
Interest expense on lease liabilities	<b>1,353</b>	2,401
Rent expense - short-term leases	<b>709</b>	1,301
<b>Total amounts recognized in consolidated statement of profit or loss</b>	<b>22,898</b>	30,408

The Group had total cash outflows for leases of SR 19 million in 2021 (2020: SR 33 million).



**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in SR'000 unless otherwise stated)

**11. INTANGIBLE ASSETS**

	<b>Goodwill</b>	<b>Technological and software licenses</b>	<b>Total</b>
<b>Cost</b>			
<b>Balance as at 1 January 2020</b>	23,871	199,954	223,825
Additions	-	8,364	8,364
Disposal	-	(7,856)	(7,856)
Impairment	(2,180)	-	(2,180)
Transfer from project under progress	-	2,374	2,374
<b>Balance as at 31 December 2020</b>	21,691	202,836	224,527
Additions	-	3,667	3,667
Disposal	-	(923)	(923)
Transfer from project under progress	-	4,657	4,657
<b>Balance as at 31 December 2021</b>	<b>21,691</b>	<b>210,237</b>	<b>231,928</b>
<b>Amortization</b>			
<b>Balance as at 1 January 2020</b>	-	76,091	76,091
Charge for the year	-	24,618	24,618
Disposal	-	(716)	(716)
<b>Balance as at 31 December 2020</b>	-	99,993	99,993
Charge for the year	-	26,166	26,166
Disposal	-	(923)	(923)
Transfer	-	20	20
<b>Balance as at 31 December 2021</b>	-	<b>125,256</b>	<b>125,256</b>
<b>Net carrying value</b>			
<b>As at 31 December 2021</b>	<b>21,691</b>	<b>84,981</b>	<b>106,672</b>
<b>As at 31 December 2020</b>	21,691	102,843	124,534

The goodwill was generated from the acquisition of National Lead Smelting Company (Rassas) amounting to SR 11.1 million and Technical Tetravalent Lead Smelting Plant Company Limited (TTLSP) amounting to SR 10.6 million.

The group tests whether goodwill has suffered any impairment on an annual basis. For the 2021 and 2020 reporting periods, the recoverable amount of the cash-generating units (CGUs) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial forecast approved by management covering a five-year period as well as the factors used in computing terminal value. Terminal value was calculated using Gordon Growth Model for the final year of the forecast period. The key assumptions used are the growth rate of 2.2% (2020: 3%) to extrapolate cash flow projections beyond the period covered by the most recent forecasts and the discount rates of 11.7 % (2020: 9.29%) applied to the cash flow projections. Management believes that the estimated growth rates used do not exceed the average growth rates over the long term on the company's activities.

**Sensitivity Analysis**

If the discount rate applied to the cash flow projections of this CGU had been increased to 34.1% compared to management estimate of 11.7%, the Group would have to recognise an impairment against Goodwill. There were no reasonably possible changes in any of the key assumptions that would have resulted in an impairment write-down in the lead smelting CGU.

**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in SR'000 unless otherwise stated)

**12. INVESTMENTS IN EQUITY ACCOUNTED ASSOCIATES AND JOINT VENTURES**

	<b>2021</b>	<b>2020</b>
Investments in associates (refer note 12.1)	<b>2,968,264</b>	2,212,112
Investments in joint ventures (refer note 12.2)	<b>9,337,776</b>	8,450,194
	<b>12,306,040</b>	10,662,306

**12.1 Investments in associates**

	<b>2021</b>	<b>2020</b>
Investments in Tronox Holding plc (refer note 12.1.1)	<b>2,796,000</b>	2,066,375
Investments in other associates (refer note 12.1.2)	<b>172,264</b>	145,737
	<b>2,968,264</b>	2,212,112

The movement in investments in associates was as follows:

	<b>2021</b>	<b>2020</b>
Balance as at January 1	<b>2,212,112</b>	2,101,963
Additions during the year	<b>38,182</b>	-
Disposals during the year	-	(282)
Share of profit	<b>205,638</b>	881,796
Impairment reversal / (charge)	<b>692,795</b>	(692,795)
Share of other comprehensive loss	<b>(129,730)</b>	(39,108)
Dividend income	<b>(50,733)</b>	(39,462)
<b>Balance as at 31 December</b>	<b>2,968,264</b>	2,212,112

**12.1.1 Tronox Holdings plc**

Tronox Holdings plc ("Tronox") a public limited company incorporated under the laws of England and Wales is one of the world's leading producers of high-quality titanium products, including titanium dioxide pigment, specialty-grade titanium dioxide products and high-purity titanium chemicals and zircon. Tronox also mines titanium-bearing mineral sands and operate upgrading facilities that produce high-grade titanium feedstock materials, pig iron and other minerals. One of the subsidiaries of the Group owns 24.41% (2020: 26.18%) shareholding in Tronox. For Group effective shareholding percentage refer to note 1.2 of the consolidated financial statements.

Movement in the carrying amount of investment in Tronox using the equity method of accounting is as follows:

	<b>2021</b>	<b>2020</b>
Balance as at January 1	<b>2,066,375</b>	1,943,851
Share of profit	<b>216,207</b>	893,889
Impairment reversal / (charge)	<b>692,795</b>	(692,795)
Share of other comprehensive loss	<b>(128,644)</b>	(39,108)
Dividend income	<b>(50,733)</b>	(39,462)
<b>Balance as at 31 December</b>	<b>2,796,000</b>	2,066,375

Tronox is listed on the New York Stock Exchange and its shares are publicly traded. The value of the Group's investment in Tronox based on the closing price as at 31 December 2021 was SR 3,386 million (2020: SR 2,060 million).

The Group's share of profit from for the year ended 31 December 2020 includes one-time adjustment from the accounting of a deferred tax asset by Tronox amounting to SR 885 million, which resulted in recording of an impairment charge of SR 693 million to ensure that the carrying value of the Group' investment in Tronox is maintained at a recoverable amount using value in use method. During 2021, the fair value of Tronox shares significantly increased resulting in reversal of the impairment in compliance with the requirements of applicable accounting standards.

**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in SR'000 unless otherwise stated)

**12. INVESTMENTS IN EQUITY ACCOUNTED ASSOCIATES AND JOINT VENTURES (continued)**

**12.1 Investments in associates (continued)**

**12.1.1 Tronox Holdings plc (continued)**

The share of other comprehensive (loss) / income mainly represents the Group's net share in the foreign exchange translation differences, cash flow hedging reserve, and re-measurement of defined benefit plan as reported by Tronox and adjustments in relation to step up in the carrying values as a result of purchase price allocation exercise on the date of acquisition of Tronox by the Group.

The summarised financial information of Tronox was as follows:

	<b>2021</b>	<b>2020</b>
Current assets	<b>7,811,250</b>	9,581,000
Non-current assets	<b>20,651,072</b>	21,276,408
Current liabilities	<b>3,086,250</b>	3,019,000
Non-current liabilities	<b>13,745,499</b>	16,654,180
Non-controlling interest	<b>176,250</b>	645,000
Equity attributable to the shareholders	<b>11,454,323</b>	10,539,228
Group's share of equity	<b>2,796,000</b>	2,759,170
Impairment	<b>-</b>	(692,795)
Carrying value	<b>2,796,000</b>	2,066,375
Cash and cash equivalents	<b>870,000</b>	2,430,000
Financial liabilities – Non-current	<b>11,385,000</b>	12,236,000
Financial liabilities – Current (except trade and other payables)	<b>112,500</b>	218,000
	<b>2021</b>	<b>2020</b>
Revenue	<b>13,395,000</b>	10,342,500
Profit for the year	<b>885,731</b>	3,414,396
Other comprehensive loss	<b>(527,014)</b>	(149,380)
Total comprehensive income	<b>358,717</b>	3,265,016
Group's share of profit	<b>216,207</b>	893,889
Group share of other comprehensive loss	<b>(128,644)</b>	(39,108)
Interest expense	<b>(607,125)</b>	(727,875)
Income tax (expense) / reversal	<b>(266,513)</b>	3,381,750

**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in SR'000 unless otherwise stated)

**12. INVESTMENTS IN EQUITY ACCOUNTED ASSOCIATES AND JOINT VENTURES (continued)**

**12.1 Investments in associates (continued)**

**12.1.2 Investments in other associates**

Following are the other associates of the Group:

**National Metal Manufacturing and Casting Company**

National Metal Manufacturing and Casting Company ("Maadaniyah") is a Saudi Joint Stock Company. Its head office and principal place of business is in Jubail, Saudi Arabia. As at 31 December 2021, the Group owns 34.93% (2020: 35.46%) of the issued share capital. The main objectives of the company are manufacturing and marketing of drawn wire and related products, various sizes of axles and spare parts for trailers and dumping trucks, steel and non-steel casting, and trading in related products. Maadaniyah is listed on the Saudi stock exchange and its shares are publicly traded. The value of the Group's investment in Maadaniyah based on the closing price as at 31 December 2021 was SR 317.2 million (2020: SR 306.4 million).

**Clariant Masterbatches (Saudi Arabia) Ltd. Company**

Clariant Masterbatches (Saudi Arabia) Ltd. Company ("Clariant") is a Saudi Limited Liability Company with its head office based in Riyadh, Saudi Arabia. A subsidiary of the Group, Rowad own 40% of the issued share capital of SR 50 million. Clariant is engaged in manufacturing and sale of pigments master batch.

**Evonik Tasnee Marketing Company ("ETM")**

Evonik Tasnee Marketing Company ("ETM") is a mixed limited liability company, registered in Saudi Arabia with its head office in Riyadh, Saudi Arabia. A subsidiary of the Group, NIPMC own 25% of the issued share capital of SR 26.67 million. The principal activities of ETM are in wholesale of livestock feed for pharmaceutical feed additives, wholesale of non-pharmaceutical feed and feed additives, wholesale of chemical fertilizers and retail of livestock feed.

The movement in investments in other associates was as follows:

	2021	2020
Balance as at 1 January	145,737	158,112
Group's share of loss	(10,569)	(12,093)
Group share of other comprehensive income	(1,086)	-
Additions	38,182	-
Disposal	-	(282)
	<b>172,264</b>	<b>145,737</b>
Balance as at 31 December		

**12.2 Investments in joint ventures**

	2021	2020
Investment in SEPC	5,133,482	4,495,230
Investment in SPC	3,638,492	3,345,721
Investment in SAMCO	565,802	609,243
	<b>9,337,776</b>	<b>8,450,194</b>

**Saudi Ethylene and Polyethylene Company ("SEPC")**

SEPC is a mixed limited liability company with its head office and principal place of business based in Jubail, Saudi Arabia. The authorized and issued capital of SEPC is SR 2,737.5 million. The Company is 75% owned by TSOC and 25% of share capital is owned by Basell Moyen Orient Investments SAS. The main objectives of SEPC are producing ethylene, propylene and polyethylene. For Group effective shareholding percentage refer to note 1.2 of the consolidated financial statements.

**Saudi Polyolefins Company ("SPC")**

SPC is a mixed limited liability company with its head office and principal place of business based in Jubail, Saudi Arabia. The authorized and issued capital of SPC is SR 600 million. The Company is 75% owned by Tasnee and 25% of share capital is owned by Basell Holding Middle East GMBH. The main objectives of SPC are producing propylene and polypropylene.

**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in SR'000 unless otherwise stated)

**12. INVESTMENTS IN EQUITY ACCOUNTED ASSOCIATES AND JOINT VENTURES (continued)**

**12.2 Investments in joint ventures (continued)**

**Saudi Acrylic Monomers Company ("SAMCO")**

SAMCO is a mixed limited liability company with its head office and principal place of business based in Jubail, Saudi Arabia. The authorized and issued capital of SAMCO is SR 1,084.5 million. The Company is 75% owned by Saudi Acrylic Acids and 25% of share capital is owned by Rohm & Haas Nederland B.V. The main objectives of SAMCO are producing Crude Acrylic Acid, Glacial Acrylic Acid, Butyl Acrylate and Ethylhexyl Acrylate. For Group effective shareholding percentage refer to note 1.2 of the consolidated financial statements.

The movement in investments in significant joint ventures was as follows:

	2021	2020
Balance as at 1 January	8,450,194	8,177,645
Group's share of profit	1,884,633	944,952
Interest on loan to a joint venture	2,266	-
Adjustment during the year*	(88,626)	4,597
Dividend income	(910,691)	(677,000)
Balance as at 31 December	9,337,776	8,450,194

\* 2021 adjustment represents transfer to related party receivables (refer note 14).

The summarized financial information of significant joint ventures was as follows:

	2021			2020		
	SEPC	SPC	SAMCO	SEPC	SPC	SAMCO
Current assets	2,439,337	2,136,329	927,737	1,695,012	1,616,618	685,300
Non-current assets	5,112,128	1,689,045	2,607,151	5,263,145	1,829,627	2,738,034
Current liabilities	1,001,767	786,372	521,541	1,250,864	806,780	351,609
Current financial liabilities (excluding trade and other payables and provisions)	-	-	164,276	-	-	106,624
Non-current liabilities	189,570	36,806	2,255,405	197,278	40,072	2,368,609
Non-current financial liabilities	-	-	2,255,405	-	-	2,368,609
Net assets	6,360,128	3,002,196	757,942	5,510,015	2,599,393	703,116
Group's share of net assets	4,770,096	2,251,647	568,456	4,132,511	1,949,545	527,337
Goodwill	215,605	1,359,538	-	215,605	1,359,538	-
Loans (refer note 42)	-	-	-	-	-	86,243
Other adjustments*	147,781	27,307	(2,654)	147,114	36,638	(4,337)
Carrying value	5,133,482	3,638,492	565,802	4,495,230	3,345,721	609,243
Revenues	5,041,311	4,081,588	1,619,670	3,826,215	2,913,030	868,005
Profit for the year	1,350,113	1,002,802	54,826	600,106	597,997	30,335
Group's share of profit	1,058,660	783,054	42,919	461,125	461,737	22,090
Interest expense	5,219	17,560	69,457	42,785	16,094	83,047
Depreciation and amortisation	379,702	238,019	162,695	357,448	226,668	159,066
Zakat / income tax expense	109,621	99,266	14,999	87,402	43,963	8,863
Dividends	420,408	490,283	-	326,000	351,000	-

The current assets include cash and cash equivalents amounting to SR 229 million, SR 157 million, and SR 160 million for SPC, SEPC, and SAMCO respectively.

\* Other adjustments added to actualize JVs' retained earnings after absorption of zakat / tax by the shareholders.

**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in SR'000 unless otherwise stated)

**12. INVESTMENTS IN EQUITY ACCOUNTED ASSOCIATES AND JOINT VENTURES (continued)**

**12.3 Following are the other joint ventures of the Group:**

**Saudi Acrylic Polymers Company**

Saudi Acrylic Polymers Company ("SAPCO") is a mixed limited liability company with its head office and principal place of business based in Jubail, Saudi Arabia. The authorized and issued capital of SAPCO is SR 416.4 million. The Company is 75% owned by Saudi Acrylic Acids and 25% of share capital is owned by Stockhausen Nederland B.V. The main objectives of SAPCO are producing Super Absorbent Polymer. For Group effective shareholding percentage refer to note 1.2 of the consolidated financial statements.

**Advanced Metal Industries Cluster and Toho Titanium Metal Company Limited**

Advanced Metal Industries Cluster and Toho Titanium Metal Company Limited ("ATTM") is a mixed limited liability company with its head office based in Jeddah, Saudi Arabia. The authorized and issued capital of ATTM is SR 1,687.5 million. The company is 65% owned by AMIC and 35% owned by Toho Titanium Company Limited. The principal place of business of ATTM is in Yanbu, Saudi Arabia and the main objectives of ATTM are producing Titanium Sponge and its by-products. For Group effective shareholding percentage refer to note 1.2 of the consolidated financial statements.

The carrying value of these other joint ventures as at 31 December 2021 and 2020 is nil. The un-recognized share of loss of these joint ventures was SR 311 million for 2021 (2020: SR 10 million). Cumulatively, the un-recognized share of loss of these joint ventures are SR 791 million (2020: SR 479 million). The share of loss from such joint ventures is not required to be recognized in Group's profit / (loss), in accordance with applicable standards.

The Group has mitigated its exposure by recording an impairment against the loans provided to these joint ventures amounting to SR 686 million (2020: 214 million) due to continued losses and recovery risk associated with these joint ventures in foreseeable future. The impairment charge during the year amounts to SR 472 million (2020: SR nil). Also refer note 42.

**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in SR'000 unless otherwise stated)

**13. INVESTMENTS IN EQUITY INSTRUMENTS DESIGNATED AS FVOCI**

Equity investments at FVOCI comprise the following individual investments:

	2021	2020
<b>Quoted Securities</b>		
Sahara Petrochemical Co.	195,864	80,770
Yanbu National Petrochemicals Company SJSC	152,995	142,305
Saudi Aramco	63,521	62,093
	<b>412,380</b>	<b>285,168</b>
<b>Unquoted Securities</b>		
Industrialization and Energy Services Company (TAQA)	277,685	390,165
Al Masane Al Kobra Mining Company (AMAK) (refer note 43)	140,108	102,390
Others	111,157	27,700
	<b>528,950</b>	<b>520,255</b>
	<b>941,330</b>	<b>805,423</b>

Movements in investments in FVOCI equity instruments :

	2021		2020	
	Quoted equity shares	Unquoted equity shares	Quoted equity shares	Unquoted equity shares
As at 1 January,	285,168	520,255	277,484	584,662
Disposals	-	-	(6,704)	-
Fair value gains recognized in OCI	127,212	8,695	14,388	(64,407)
<b>As at 31 December,</b>	<b>412,380</b>	<b>528,950</b>	<b>285,168</b>	<b>520,255</b>

During the year, the following gains / (losses) were recognized in other comprehensive income:

	2021	2020
<b>Gains/(losses) recognized in other comprehensive income</b>		
Quoted Securities	127,212	14,388
Unquoted Securities	8,695	(64,407)
	<b>135,907</b>	<b>(50,019)</b>

For further details refer to note 21 and note 39.

**14. OTHER NON-CURRENT ASSETS**

	2021	2020
Home loan receivable (refer note 14.1)	156,339	167,929
Receivable against Housing Ownership Program (refer note 14.1)	195,726	237,117
Prepaid employee benefits	42,664	38,659
Long term advance (refer note 37.4)	82,015	78,562
Loan to joint venture – (refer note 12.2)	88,626	-
Other	-	3,796
	<b>565,370</b>	<b>526,063</b>

**14.1** These are secured receivable and repayable over a period of 8 to 15 years and in monthly instalments deducted from monthly payroll. The current portion of HOP and HLP amounting to SR 70.5 million (2020: SR 56.1 million) is disclosed as part of employee's receivable in note 17 of these consolidated financial statements. These loans are interest free and are measured at fair valued at market interest rate. Also refer note 40.1.

**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in SR'000 unless otherwise stated)

**15. INVENTORIES**

	<b>2021</b>	<b>2020</b>
Raw materials	<b>383,264</b>	347,374
Finished goods	<b>189,721</b>	111,245
Work in progress	<b>40,435</b>	35,391
Consumables and spares	<b>107,021</b>	102,012
	<b>720,441</b>	596,022
Less: provision for slow moving inventories	<b>(20,938)</b>	(16,510)
	<b>699,503</b>	579,512

Movement in the provision for slow moving inventory items was as below:

	<b>2021</b>	<b>2020</b>
Opening balance	<b>16,510</b>	8,687
Charge for the year	<b>6,921</b>	7,823
Write-offs	<b>(2,493)</b>	-
Closing balance	<b>20,938</b>	16,510

During 2021, a write down of inventory amounting to SR 6.9 million (2020: SR 7.8 million) was recognized as an expense in the consolidated statement of profit or loss to reduce certain inventory items to their net realizable value.

**16. ACCOUNTS RECEIVABLE**

	<b>2021</b>	<b>2020</b>
Trade receivables	<b>1,636,140</b>	1,090,197
Due from related parties - trade (note 37.2)	<b>146,017</b>	81,659
	<b>1,782,157</b>	1,171,856
Less: impairment of trade receivables	<b>(94,204)</b>	(83,995)
	<b>1,687,953</b>	1,087,861

The movement in the provision for impairment of receivables was as below:

	<b>2021</b>	<b>2020</b>
Opening balance	<b>83,995</b>	83,374
Charge for the year	<b>10,209</b>	15,907
Write-offs	-	(15,286)
Closing balance	<b>94,204</b>	83,995

The carrying value of the accounts receivable approximates their fair value. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

The Group sells a broad range of industrial and performance chemicals and plastic products to a diverse group of customers to various industries, operating throughout the world. The Group's credit risk management policies are disclosed in note 40.1.



**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in SR'000 unless otherwise stated)

**17. PREPAYMENTS AND OTHER CURRENT ASSETS**

	2021	2020
Due from related parties - non-trade (note 37.2 and note 42)	295,011	515,969
Employees' receivables (also refer note 14.1)	110,082	92,149
Prepaid expenses	34,604	109,346
VAT refund receivable	119,726	83,022
Advances to suppliers	67,967	39,658
Other receivables	445	10,078
	<b>627,835</b>	<b>850,222</b>

**18. CASH AND CASH EQUIVALENTS**

	2021	2020
Short-term deposits and Murabaha	2,743,277	2,233,008
Bank balances	650,698	421,841
	<b>3,393,975</b>	<b>2,654,849</b>

Short-term deposits and Murabaha represent Murabaha placed in local KSA commercial banks for different periods (varying from one day to three months), based on the cash requirements of the Group and earn a commission at normal commercial rates.

**19. SHARE CAPITAL**

Share capital amounted to SR 6,689,142 thousand as at 31 December 2021 (2020: SR 6,689,142 thousand) consisting of 668,914 thousand shares (2020: 668,914 thousand shares) of SR 10 each.

**20. STATUTORY RESERVE**

The Company is required to maintain the statutory reserve by allocating each year 10% from the net profit of the year until the statutory reserve reaches 30% of share capital.

**21. OTHER RESERVES**

As at 31 December 2021, details of other reserves were as follows:

	Foreign currency translation reserve	Cash flow hedge reserve (note 26)	Actuarial gains / (losses) reserve (note 24)	Financial asset at fair value through OCI (note 13)	Other (note 21.1)	Total
Opening balance, 1 January	(4,208)	(8,659)	(59,735)	336,296	(926,317)	(662,623)
Revaluation of cash flow hedge	-	5,722	-	-	-	5,722
Re-measurement of defined benefit plan	-	-	39,039	-	-	39,039
Gain on investments in equity instruments designated as FVOCI	-	-	-	135,907	-	135,907
Share of other comprehensive income / (loss) of associates and joint ventures	(125,747)	(11,603)	7,620	-	-	(129,730)
Other comprehensive income	(125,747)	(5,881)	46,659	135,907	-	50,938
NCI share of OCI	(26,406)	(2,436)	3,114	646	-	(25,082)
Net movement during the year	(99,341)	(3,445)	43,545	135,261	-	76,020
<b>Closing balance, 31 December</b>	<b>(103,549)</b>	<b>(12,104)</b>	<b>(16,190)</b>	<b>471,557</b>	<b>(926,317)</b>	<b>(586,603)</b>

**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in SR'000 unless otherwise stated)

**21. OTHER RESERVES (continued)**

As at 31 December 2020, details of other reserves were as follows:

	Foreign currency translation reserve	Cash flow hedge reserve (note 26)	Actuarial gains / (losses) reserve (note 24)	Financial asset at fair value through OCI (note 13)	Others (note 21.1)	Total
Opening balance, 1 January	8,849	(8,172)	(13,109)	386,315	(926,317)	(552,434)
Revaluation of cash flow hedge	-	4,840	-	-	-	4,840
Re-measurement of defined benefit plan	-	-	(36,909)	-	-	(36,909)
Losses on investments in equity instruments designated as FVOCI	-	-	-	(50,019)	-	(50,019)
Share of other comprehensive loss of associates and joint ventures	(16,528)	(5,327)	(17,816)	-	-	(39,671)
Other comprehensive loss	(16,528)	(487)	(54,725)	(50,019)	-	(121,759)
NCI share of OCI	(3,471)	-	(8,099)	-	-	(11,570)
Net movement during the year	(13,057)	(487)	(46,626)	(50,019)	-	(110,189)
<b>Closing balance, 31 December</b>	<b>(4,208)</b>	<b>(8,659)</b>	<b>(59,735)</b>	<b>336,296</b>	<b>(926,317)</b>	<b>(662,623)</b>

21.1 As at 31 December 2021, others represent reserve relating to the acquisition of non-controlling interests.

**22. NON-CONTROLLING INTERESTS**

22.1 Accumulated non-controlling interests as at the consolidated statement of financial position date were as follows:

Entity	2021	2020
TSOC – note 22.3	2,554,853	2,129,305
Others	305,991	184,052
	<b>2,860,844</b>	<b>2,313,357</b>

22.2 Consolidated statement of profit and loss allocated to non-controlling interests during the year were as follows:

Entity	2021	2020
TSOC – note 22.3	549,892	135,368
Others	147,331	(136,921)
	<b>697,223</b>	<b>(1,553)</b>

**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in SR'000 unless otherwise stated)

**22. NON-CONTROLLING INTERESTS** (continued)

22.3 Summarised financial information from TSOC's consolidated financial statements was as follows:

	2021	2020
<b>Non-controlling interests %</b>	<b>39.55%</b>	39.55%
Current assets	1,256,435	723,813
Non-current assets	7,487,725	6,899,814
Current liabilities	519,456	429,554
Non-current liabilities	1,566,407	1,745,628
Total equity	6,658,297	5,448,445
Equity Attributable to owners of the Company	6,459,804	5,383,831
Non-controlling interests	198,493	64,614
Revenue	999,892	526,153
Profit for the year	1,524,252	328,540
Profit attributable to owners of the Company	1,390,373	328,014
Profit attributable to non-controlling interests	133,879	526
Total comprehensive income attributable to owners of the Company	1,390,373	329,783
Total comprehensive income attributable to the non-controlling interests	133,879	1,479
Total comprehensive income for the year	1,524,252	331,262
Dividend paid to NCI	124,654	39,550
Cash generated from operating activities	599,287	58,337
Cash generated from investing activities	413,265	214,436
Cash used in financing activities	(508,799)	(255,859)

**23. LONG-TERM BORROWINGS**

	Note	2021	2020
Saudi Industrial Development Fund	23.1	1,246,680	1,409,264
Commercial banks	23.2	5,619,430	5,861,885
		<b>6,866,110</b>	7,271,149
Less: Unamortised finance cost		<b>(60,526)</b>	(81,058)
		<b>6,805,584</b>	7,190,091
Less: Long-term borrowings – current portion		<b>(940,241)</b>	(645,346)
<b>Total non-current loans</b>		<b>5,865,343</b>	6,544,745

**23.1 Saudi Industrial Development Fund ("SIDF")**

The Group has multiple long-term facilities from the Saudi Industrial Development Fund. The total outstanding balance of these loans as at 31 December 2021 amounted to SR 1,247 million (31 December 2020: SR 1,409 million). Up-front and annual administrative fees are charged by SIDF under the loan agreements. These facilities are secured by mortgages on all property, plant, and equipment of the subsidiaries for which the loans were granted and promissory notes, and corporate guarantees from the shareholders. The maturities of the loans based on their respective repayment schedules spread up to 2025. The loan agreements contain certain covenants which require that pertinent companies maintain specified financial ratios, mainly current ratio and tangible net worth ratio. There was no non-compliance with covenant which requires the loans to be repayable on demand.

**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in SR'000 unless otherwise stated)

**23. LONG-TERM BORROWINGS (continued)**

**23.2 Loans from commercial banks**

The Group has multiple Islamic long-term loan facilities from commercial banks. The outstanding balance of these loans as at 31 December 2021 amounted to SR 5,619 million (31 December 2020: SR 5,862 million). These loans are secured by promissory notes and carry a commission which commensurate with prevailing commercial rates which are mainly SAIBOR based plus agreed percentage. The maturities of the loans based on their respective repayment schedules spread up to 2029. The loan agreements contain certain covenants which among others, require that pertinent companies maintain specified financial ratios, mainly current ratio, gearing ratio and interest cover ratio. The covenants are monitored regularly by Management, and in case of breach, actions are taken to ensure compliance. As at 31 December 2021, the Group was in compliance of these covenants.

**23.3 Repayment schedule**

The maturity profile of long-term borrowings facilities was as follows:

	2021	2020
Within 1 year	940,241	555,347
1-2 years	749,778	604,934
2-5 years	3,369,561	2,023,318
Above 5 years	1,806,530	4,087,550
	<b>6,866,110</b>	<b>7,271,149</b>

**24. EMPLOYEE BENEFITS OBLIGATIONS**

The Group's employees in Kingdom of Saudi Arabia and other GCC countries are entitled for end of service benefits in accordance with the provisions of the local labour law and the Group policy. End of service benefit is based on employees' compensation and accumulated period of service and is payable upon termination, resignation or retirement. The Defined Benefit Obligation ("DBO") in respect of employees' end of service benefits is calculated by estimating the future benefit payment that employees have earned in return for their service. This amount applying an appropriate discount rate is used to determine the present value of the Group's obligation.

**24.1 Movements in defined benefit obligation**

Movements in the present value of defined benefit obligations was as follows:

	2021	2020
<b>Defined benefit obligation</b>		
Opening defined benefit obligation, 1 January	514,644	460,178
Amount of benefits recognized as an expense (refer note 24.2)	74,184	73,797
Benefits paid	(44,392)	(56,240)
Changes in assumptions	(29,925)	28,576
Changes on account of experience adjustments	(9,114)	8,333
	<b>(39,039)</b>	<b>36,909</b>
<b>Closing defined benefit obligation, 31 December</b>	<b>505,397</b>	<b>514,644</b>

**24.2 Amount of benefits recognized as an expense**

The amount recognized in consolidated statement of profit or loss in respect of these defined benefit plans are as follows:

	2021	2020
Service cost	58,154	56,191
Interest cost	16,030	17,606
<b>Net annual benefits expense</b>	<b>74,184</b>	<b>73,797</b>

**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in SR'000 unless otherwise stated)

**24. EMPLOYEE BENEFITS OBLIGATIONS (continued)**

**24.3 Significant assumptions**

The significant assumptions used in determining existing defined benefit obligations was as follows:

	2021	2020
Discount rate	3.75%	3.25%
Future salary increases	3.00%	3.00%

**24.4 Sensitivity analysis:**

The sensitivity analyses 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. It is based on a change in a significant assumption, keeping all other assumptions constant and 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 same method has been applied for the sensitivity analysis as when calculating the recognized pension liability.

	2021	2020
<b>Discount rate</b>		
Discount rate is 1% basis points higher, the DBO would decrease by	(52,469)	(66,637)
Discount rate is 1% basis points lower, the DBO would increase by	62,692	55,524
<b>Future salary increases</b>		
Future salary growth increase by 1%, the DBO would increase by	62,527	66,111
Future salary growth decrease by 1%, the DBO would decrease by	(53,292)	(56,145)

**24.5 The maturity profile of the undiscounted obligation within next 10 years was as follows:**

	2021	2020
Less than 1 year	45,668	43,067
1 year to 5 years	135,720	136,034
5 years to 10 years	246,818	266,251
	<b>428,206</b>	<b>445,352</b>

**24.6** The weighted average duration of the plan was 11 years as at 31 December 2021 and 2020.

**25. LEASE LIABILITIES**

Movement in lease liabilities was as follows:

	2021	2020
<b>At 1 January</b>	<b>142,485</b>	159,745
Repayments during the year	(19,442)	(32,858)
<u>Non-cash changes:</u>		
Additions during the year	1,065	13,197
Interest expenses	1,353	2,401
	<b>2,418</b>	15,598
<b>At 31 December</b>	<b>125,461</b>	142,485
Less: current portion	(13,816)	(22,705)
Non-current portion	<b>111,645</b>	119,780

For contractual maturities of lease liabilities refer to note 40.2.

**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in SR'000 unless otherwise stated)

**26. PROVISIONS AND OTHER NON-CURRENT LIABILITIES**

	<b>Note</b>	<b>2021</b>	<b>2020</b>
Loans due to related parties	37.2	<b>880,222</b>	914,291
Loans from minority shareholders	37.2	<b>325,921</b>	318,813
Deferred settlement income	26.1	<b>275,530</b>	-
Derivative financial instruments	26.2	<b>279</b>	7,868
Financial support to a joint venture	28.1	<b>373,000</b>	357,000
Deferred obligation on sale of MGT	26.3	<b>185,571</b>	187,907
Deferred obligation to joint venture	26.3	<b>126,522</b>	132,110
		<b>2,167,045</b>	<b>1,917,989</b>

**26.1 Deferred settlement income**

During 2021, the Group has entered into an agreement with one of its minority shareholders to settle the Group's claim in relation to certain conversion projects, which were executed by the Group in prior years. As per the agreement, minority shareholder paid SR 285 million to the Group as full and final settlement to abandon any rights and waive all obligations associated with these projects. This amount is recorded as deferred settlement income and is being amortised over the remaining useful lives of the respective conversion projects (14 – 18 years). During the year, amortization of SR 9.4 million has been recognized in the consolidated statement of profit or loss.

**26.2 Derivative financial instruments**

The Group is exposed to fluctuations in variable interest rates on its short-term and long-term borrowings. The Group maintains an interest rate risk management strategy that uses derivatives instruments to economically convert a portion of its variable rate borrowings to fixed rate borrowings. The Group has entered into interest rate caps with certain local banks which are designated as hedges.

**26.3 Deferred obligation on sale of MGT**

On 29 December 2019, Cristal, a subsidiary, entered into "Assets Sale and Purchase Agreement" (ASPA) with Tronox Saudi Industries Company ("TSIC"), a wholly owned subsidiary of Tronox Limited, for the sale of Metal Grade TiCl<sub>4</sub> Plant ("MGT asset"), for a consideration receivable of USD 36.1 million (equivalent to SR 135.375 million) which is subject to interest at SAIBOR plus a premium. In the same agreement, the Cristal also assumed an obligation to pay the fixed charges of \$125 per metric ton (total SR 323.8 million) to TSIC for the quantity of TiCl<sub>4</sub> delivered to ATTM till ASPA is terminated or supply reaches threshold specified in the ASPA. The purpose of the charges is to secure a long-term supply of TiCl<sub>4</sub> from TSIC to ATTM at below market price. The receivable balance is offset against the obligation to TSIC of SR 323.8 million over the period from actual supply of TiCl<sub>4</sub> by Tronox. On 17 December 2020, upon completion of regulatory approvals, the transaction was closed, and the Group ceased to have control on MGT assets from that date and a loss on disposal of MGT assets of SR 189 million was recorded during the year 2020. The related net obligation as of 31 December 2021 was 185.6 million (2020: 187.9 million).

Further as part of similar arrangement, the Group has signed a side letter with its joint venture ATTM, to rebase the price of TiCl<sub>4</sub> which Tronox Limited will supply to ATTM. This price differential will then be adjusted annually in accordance with the terms of the supply agreement of TiCl<sub>4</sub> delivered by TSIC to ATTM and reimbursed by the Group to ATTM to compensate for the increase in base unit price resulting from the sale of the MGT Assets to TSIC. This obligation is a financial liability based on management's best estimate of the future price differential and evaluated at every period close and the difference is charged to consolidated statement of profit or loss account. At 31 December 2021, the obligation to ATTM is amounted to SR 127 million (2020: SR 132 million).

**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in SR'000 unless otherwise stated)

**27. ACCOUNTS PAYABLE**

	2021	2020
Due to related parties - trade (refer note 37.2)	1,532,618	1,078,518
Trade payables	356,051	309,898
	<u>1,888,669</u>	<u>1,388,416</u>

**28. ACCRUALS, PROVISIONS AND OTHER CURRENT LIABILITIES**

	2021	2020
Accrued expenses	242,666	232,316
Financial support to a joint venture (refer note 28.1)	46,479	62,479
Accrued employee benefits (refer to note 28.2)	143,410	137,713
Dividends payable	107,955	113,592
Advance from customers	73,751	69,382
Other liabilities relating to research and development (refer note 28.3)	546,202	442,176
	<u>1,160,463</u>	<u>1,057,658</u>

**28.1** Movement in financial support to a joint venture was as follows:

	2021	2020
Balance as at 1 January	419,479	519,250
Additions	-	1,479
Payments	-	(101,250)
Balance as at 31 December	419,479	419,479
Less: current portion	(46,479)	(62,479)
Non-current portion	<u>373,000</u>	<u>357,000</u>

This financial support to a joint venture pertains to the obligation of the Group against the loan obtained by a loss-making joint venture from a lender.

**28.2** This includes the Group's obligation in respect of employees' defined contribution plan amounting to SR 22 million (2020: SR 14 million).

**28.3** This represents amount received by the Group from certain JV partners for research and development activities only. During the year, the Group received SR 157 million (2020: SR 115 million) from JV partners and utilized the balance of SR 53 million (2020: SR 77 million).

**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in SR'000 unless otherwise stated)

**29. ZAKAT AND INCOME TAX PAYABLE**

**29.1 Zakat and income tax**

Movement in the zakat and income tax provision was as follows:

	2021	2020
At the beginning of the year	526,570	424,016
Paid during the year	(90,841)	(91,906)
Provision during the year	328,935	194,460
At the end of the year	764,664	526,570

**29.2 Zakat**

Movement in zakat provision is as follows:

	2021	2020
At the beginning of the year	526,190	421,678
Paid during the year	(90,461)	(71,656)
Provision during the year	328,809	176,168
At the end of the year	764,538	526,190

**29.3 Income tax**

The foreign shareholders in the Group's Saudi based subsidiaries are subject to 20% of income tax. Movement in income tax provision is as follows:

	2021	2020
At the beginning of the year	380	2,338
Paid during the year	(380)	(20,250)
Provision during the year	126	18,292
At the end of the year	126	380

**29.4 Status of zakat and income tax returns and assessments**

**The Company**

During 2015, the Company received an approval from ZATCA in the Kingdom of Saudi Arabia to file consolidated zakat returns of the Company and its 100% owned Saudi subsidiaries since 2008. The Company has filed consolidated zakat returns while non-wholly owned subsidiaries have filed their zakat and income tax returns with ZATCA up to the years ended 31 December 2020. The Company has finalized its Zakat and income tax status with ZATCA up to 2007 and received initial assessments for the years up to 2018 resulting in additional liability of SR 246 million (2020: SR 246 million), which are still under review. The management believes that sufficient provisions are recorded, and no additional material liability is likely to arise from open assessments, once finalized.

**Subsidiaries**

Non-wholly owned subsidiaries in KSA file their Zakat and income tax returns individually. Some of these subsidiaries have received initial assessments for several years from the ZATCA, resulting in additional liability amounting to SR 323 million (2020: SR 220 million). The subsidiaries have submitted appeal against these assessments which are still under review. The management believes sufficient provisions are recorded by the Group wherever necessary and no material additional liability is likely to arise from open assessments, once finalized. Any additional zakat and income tax liabilities or adjustments are recorded when known and finalized.



**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in SR'000 unless otherwise stated)

**30. REVENUE**

	<b>2021</b>	<b>2020</b>
Sale of goods	<b>3,247,061</b>	1,972,481
Rendering of services	<b>110,952</b>	122,496
Commission income	<b>176,736</b>	162,407
Other	<b>138,336</b>	14,451
	<b>3,673,085</b>	2,271,835

Revenue from contracts with customers is measured at a transaction price agreed under the contract and the payment is generally due within 90 days from the invoice date depending on specific terms of the contract.

Transaction prices are not adjusted for the time value of money as Tasnee does not have any contracts where the period between the transfer of product or rendering of services to the customer and payment by the customer exceeds one year.

For disaggregated revenue refer to note 38.

**31. COST OF REVENUE**

	<b>2021</b>	<b>2020</b>
Raw materials, consumables and spare parts	<b>2,059,954</b>	1,314,543
Salaries, wages and benefits	<b>184,876</b>	198,692
Depreciation and amortization	<b>214,326</b>	206,110
Utilities	<b>200,061</b>	160,268
Other overheads	<b>26,864</b>	62,386
	<b>2,686,081</b>	1,941,999

**32. SELLING AND DISTRIBUTION EXPENSES**

	<b>2021</b>	<b>2020</b>
Freight and transportation	<b>73,535</b>	62,342
Salaries, wages and benefits	<b>38,227</b>	44,089
Distributors' incentives	<b>45,246</b>	41,634
Depreciation and amortization	<b>1,139</b>	1,875
Other	<b>15,375</b>	12,746
	<b>173,522</b>	162,686

**33. GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>2021</b>	<b>2020</b>
Salaries, wages and benefits	<b>231,468</b>	239,351
Subsidy to affiliates	-	112,549
Consulting and professional fees	<b>73,851</b>	65,286
Depreciation and amortization	<b>56,692</b>	50,674
Travel	<b>1,780</b>	3,008
Rent	<b>11,381</b>	9,254
Computer supplies and software expenses	<b>11,773</b>	12,891
Other	<b>32,463</b>	11,026
	<b>419,408</b>	504,039

**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in SR'000 unless otherwise stated)

**34. OTHER INCOME / (EXPENSES), NET**

	2021	2020
<u>Other expenses</u>		
Post closure charges for sale of Tio2 business	-	(56,250)
Other	(6,536)	-
	<b>(6,536)</b>	<b>(56,250)</b>
<u>Other income</u>		
Income on assets utilised by joint ventures	10,608	24,977
Dividend income from equity investments held at FVOCI	20,821	8,984
Other	12,306	909
	<b>43,735</b>	<b>34,870</b>
	<b>37,199</b>	<b>(21,380)</b>

**35. FINANCE COSTS, NET**

	Note	2021	2020
<u>Finance costs</u>			
Finance charges		155,236	211,823
Amortization of deferred charges		20,533	26,782
Interest on minority shareholders loans		15,230	13,636
Interest on lease liabilities	25	1,353	2,401
Other		112	196
		<b>192,464</b>	<b>254,838</b>
<u>Finance income</u>			
Income from murabaha and other		(22,698)	(32,133)
		<b>169,766</b>	<b>222,705</b>

**36. EARNINGS / (LOSS) PER SHARE**

Basic and diluted earnings per share are calculated by dividing operating profit / (loss) and profit / (loss) attributable to equity holders of parent by the weighted average number of ordinary shares issued, that is 668,914 thousand shares as at 31 December 2021 (2020: 668,914 thousand shares).

**37. RELATED PARTIES TRANSACTIONS AND BALANCES**

In the ordinary course of its activities, the Group conducts business with related parties, based on mutually agreed terms and conditions. Balances and transactions between the Company and its subsidiaries are eliminated. A summary of significant transactions and balances with the related parties is as follows:

**37.1 Trading transactions**

The following were the significant related party transactions reported in consolidated statement of profit or loss:

	<u>Sale of goods and services</u>		<u>Purchase of goods and services</u>	
	2021	2020	2021	2020
Associates	-	-	16,931	12,082
Joint ventures	1,189,093	652,589	1,103,560	426,937

Sale of goods include the provision of utilities and administrative services of SR 140 million (2020: SR 135 million) to its affiliates at cost plus basis and marketing services charge by National Industrialization Petrochemical Marketing Company from its affiliates of SR 184 million (2020: SR 130 million).

Purchases of goods include purchase of petrochemical products from affiliates at agreed prices.

**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in SR'000 unless otherwise stated)

**37. RELATED PARTIES TRANSACTIONS AND BALANCES (continued)**

**37.2 Amounts due from / to related parties**

The following balances were outstanding as at 31 December 2021:

	Due from related parties			Due to related parties		
	Associates	Joint Ventures	Total	Associates	Joint Ventures	Total
<b>Current</b>						
Trade	178	145,839	146,017	31,799	1,500,819	1,532,618
Other non-trade	1,330	293,681	295,011	-	-	-
	<b>1,508</b>	<b>439,520</b>	<b>441,028</b>	<b>31,799</b>	<b>1,500,819</b>	<b>1,532,618</b>
<b>Non-current</b>						
Long-term advance	-	82,015	82,015	-	-	-
Loans	-	88,626	88,626	498,419	381,803	880,222
	-	170,641	170,641	498,419	381,803	880,222
<b>Total</b>	<b>1,508</b>	<b>610,161</b>	<b>611,669</b>	<b>530,218</b>	<b>1,882,622</b>	<b>2,412,840</b>

The following balances were outstanding as at 31 December 2020:

	Due from related parties			Due to related parties		
	Associates	Joint Ventures	Total	Associates	Joint Ventures	Total
<b>Current</b>						
Trade	-	81,659	81,659	49,324	1,029,194	1,078,518
Other non-trade	11,296	504,673	515,969	-	-	-
	<b>11,296</b>	<b>586,332</b>	<b>597,628</b>	<b>49,324</b>	<b>1,029,194</b>	<b>1,078,518</b>
<b>Non-current</b>						
Long-term advance	-	78,562	78,562	-	-	-
Loans	-	-	-	491,532	422,759	914,291
	-	78,562	78,562	491,532	422,759	914,291
<b>Total</b>	<b>11,296</b>	<b>664,894</b>	<b>676,190</b>	<b>540,856</b>	<b>1,451,953</b>	<b>1,992,809</b>

- (i) For significant balances, refer to the respective note to these consolidated financial statements including:
- Other non-trade receivables from joint ventures mainly related to the provision of services to the Group's joint ventures. During the year, non-trade receivable from a joint venture amounting to SR 191 million (2020: SR nil) was converted to a long-term loan.
  - JV loans are recoverable as per the term of the agreements except for ATTM long term advances of SR 82 million which will be settled over a period of 3 years as explained in note 37.4.
  - Loans due from related parties are presented as net of provision. For details refer note 12.3 and 40.1.
  - For loans payable to associate refer to note 9.1.
  - Loans payable to JV mainly includes loan provided for HOP and HLP. Refer note 14 for additional details.
- (ii) For related parties obligations pertaining to the sale of MGT asset, refer note 26.3.
- (iii) Loans payable to minority shareholders are interest bearing at market rate. For related balances refer note 26.

**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in SR'000 unless otherwise stated)

**37. RELATED PARTIES TRANSACTIONS AND BALANCES (continued)**

**37.3 Compensation of key management personnel**

Key managerial personnel are those individuals having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, includes senior management and board of directors (executive or otherwise). The remuneration of key management personnel during the year was as follows:

	<b>2021</b>	<b>2020</b>
Short-term benefits (salaries and allowances)	<b>24,721</b>	29,304
Post-employment benefits	<b>2,471</b>	2,245

**37.4 Long-term advance to a joint venture in relation to forward sale agreement**

On 15 July 2020, a subsidiary AMIC entered into 'Forward sale agreement' with a joint venture ATTM, according to which it is agreed that ATTM shall sell to AMIC 3,000 tons of its product for an aggregate purchase price of USD 20.7 million (equivalent to SR 78 million) with a delivery date three years from the date of the agreement. Additionally, AMIC has 'Put Option' available at its discretion, requiring ATTM to repurchase the inventory at an exercise price of USD 23.286 million (equivalent to SR 87.3 million) within 30 days from the agreed delivery date. The full amount was paid by the Group during 2020 and considered as financing in accordance with applicable standards. The amount outstanding as of 31 December 2021 was SR 82 million (2020: SR 78 million).

**38. SEGMENT INFORMATION**

**38.1** For management purposes, the Group is organized into business units based on their products and services and has three reportable segments, Chemicals, Petrochemicals and Downstream & Others described as follows:

<b>Segment</b>	<b>Description of activities</b>
<b>Chemicals</b>	Includes the Group's investment in TiO <sub>2</sub> business, production of Titanium sponge and its by-products, project under progress for production of Titanium metals of various types and related substances including Titanium and Iron ore.
<b>Petrochemicals</b>	Includes basic chemicals and polymers. The Group sold several products including Ethylene, Propylene, Butanol, High density polyethylene (HDPE), Low density polyethylene (LDPE), Polypropylene (PP), Butyl Acrylic (BA), Acetic acid and Super absorbent polymers (SAP).
<b>Downstream &amp; Others</b>	Includes the production of liquid batteries for cars, production of lead and sodium sulphate, all kinds of plastic productions and the production of acrylic panels. Also includes the operations of the head office, and technical centres, innovations and investment activities.

The Board of Directors (BoD), which has been identified as the Chief Operating Decision Maker (CODM), monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Transactions between the operating segments are on terms approved by the management.

**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in SR'000 unless otherwise stated)

**38. SEGMENT INFORMATION** (continued)

**38.2** The Group's total revenue, expenses items for the year then ended from continuing operations, by operating segments, was as follows:

	Chemicals	Petro-chemicals	Downstream & others	Total
<b>2021</b>				
Sale of goods	-	1,978,372	1,268,689	3,247,061
Rendering of services	-	-	110,952	110,952
Others	-	298,198	16,874	315,072
<b>Total Segment revenue</b>	-	<b>2,276,570</b>	<b>1,396,515</b>	<b>3,673,085</b>
Segment expenses	1,011,126	1,686,820	1,243,092	3,941,038
Share of profit (loss) from associates and joint ventures, net	908,444	1,884,633	(10,011)	2,783,066
Depreciation and amortization	6,386	103,530	162,241	272,157
Segment EBITDA	90,105	1,787,316	947,049	2,824,470
<b>2020</b>				
Sale of goods	-	1,057,758	1,077,130	2,134,888
Rendering of services	-	-	122,496	122,496
Others	-	1,278	13,173	14,451
<b>Total Segment revenue</b>	-	<b>1,059,036</b>	<b>1,212,799</b>	<b>2,271,835</b>
Segment expenses	811,343	1,112,029	905,457	2,828,829
Share of profit (loss) from associates and joint ventures, net	(61,605)	939,861	(9,123)	869,133
Depreciation and amortization	5,086	104,123	149,450	258,659
Segment EBITDA	(518,201)	567,449	178,276	227,524

**38.3** The Group's total assets and liabilities as at 31 December 2021 and 2020 by operating segments was as follows:

	Chemicals	Petro-chemicals	Downstream & others	Total
<b>2021</b>				
Segment assets	5,343,054	10,261,098	9,376,039	24,980,191
Segment liabilities	2,716,238	3,207,188	7,493,857	13,417,283
Investments in equity accounted associates and joint ventures	<b>2,796,000</b>	<b>9,348,190</b>	<b>161,850</b>	<b>12,306,040</b>
<b>2020</b>				
Segment assets	5,093,140	8,585,532	8,642,194	22,320,866
Segment liabilities	2,772,202	2,731,294	7,234,357	12,737,853
Investments in equity accounted associates and joint ventures	<b>2,066,375</b>	<b>8,458,905</b>	<b>137,026</b>	<b>10,662,306</b>

**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in SR'000 unless otherwise stated)

**38. SEGMENT INFORMATION** (continued)

**38.4** The geographical distribution of revenue based on final customers' locations is as follows:

	Chemicals	Petro-chemicals	Downstream & others	Total
<b>2021</b>				
KSA	-	1,189,171	763,411	1,952,582
Middle East and Asia	-	899,604	290,594	1,190,198
Europe	-	34,702	81,720	116,422
Africa	-	131,222	239,393	370,615
Others	-	21,871	21,397	43,268
	-	1,087,399	633,104	1,720,503
<b>Total</b>	-	2,276,570	1,396,515	3,673,085
<b>2020</b>				
KSA	-	455,098	745,577	1,200,675
Middle East and Asia	-	547,059	276,786	823,845
Europe	-	12,334	25,905	38,239
Africa	-	44,433	152,452	196,885
Others	-	112	12,079	12,191
	-	603,938	467,222	1,071,160
<b>Total</b>	-	1,059,036	1,212,799	2,271,835

**38.5** The Group's majority of the revenue was recognized at a point in time. In downstream segment, service revenue was recognized over the period of time. As at 31 December 2021, the unfulfilled performance obligations amounted to SR 6.9 million (2020: SR 4.8 million).

**39. FAIR VALUATION AND FINANCIAL INSTRUMENTS**

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Group takes into account the characteristics of the assets or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

All financial assets and liabilities have been accounted at amortized cost except for the investments in equity instruments designated at FVOCI and derivative instruments which have been carried at fair value either through the consolidated statement of profit or loss or other comprehensive income depending on whether hedge accounting is followed or not.

The management assessed that other current financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

**39.1 Fair valuation techniques**

For financial reporting purposes, the Group has used the fair value hierarchy categorized in level 1, 2 and 3 based on the degree to which the inputs to the fair value measurement are observable and significance of the inputs to the fair value measurement in its entirety, and describe as follows:

- **Level 1** - quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can assess at the measurement date.
- **Level 2** - inputs other than quoted prices included in 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).

The valuation of each publicly traded investment is based upon the closing market price of that stock as at the valuation date, less a discount if the security is restricted.

**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in SR'000 unless otherwise stated)

**39. FAIR VALUATION AND FINANCIAL INSTRUMENTS (continued)**

**39.1 Fair valuation techniques (continued)**

Fair values of investments in unquoted equity shares classified in Level 3 are determined based on the EBITDA Multiple and Value in Use model based on the information of the said company as at the date of consolidated statement of financial position.

Interest rate caps are classified as Level 2. The Group relies on the counterparty for the valuation of these derivatives. The valuation techniques applied by the counterparties include the use of forward pricing standard models using present value calculations and mid-market valuations.

Details of financial instruments carried at fair value was as below:

Nature of financial instrument	Carrying value	Level 1	Level 2	Level 3
<b>December 2021</b>				
Investments in quoted equity shares	412,380	412,380	-	-
Investments in unquoted equity shares	528,950	-	-	528,950
Interest rate caps	279	-	279	-
<b>December 2020</b>				
Investments in quoted equity shares	285,168	285,168	-	-
Investments in unquoted equity shares	520,255	-	-	520,255
Interest rate caps	7,868	-	7,868	-

Apart from the above financial instruments, other financial instruments have been carried at amortized cost. At the respective reporting dates, the fair value for these instruments approximates the amortized cost considered for financial reporting and disclosed in the respective schedules.

**39.2 Transfers between Levels 1 and Level 2**

There have been no transfers between Level 1 and Level 2 during the reporting periods.

**40. FINANCIAL RISK MANAGEMENT**

Financial risk is inherent in the Group's activities are managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability. The Group's activities are exposed to a variety of financial risks which mainly include market risk, credit risk and liquidity risk. The Group seeks to minimize the effects of these financial risks by various methods, including derivative financial instruments where appropriate, to hedge risk exposures. The use of financial derivatives is governed by the Group's policies which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

**40.1 Credit risk**

Credit risk is the risk that one party will fail to discharge an obligation and cause the other party to incur a financial loss. The Group has established procedures to manage credit exposure including evaluation of customer credit worthiness, formal credit approvals, assigning credit limits, monitoring the outstanding receivable, maintaining receivable ageing details and ensuring the close follow up.

**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in SR'000 unless otherwise stated)

**40. FINANCIAL RISK MANAGEMENT (continued)**

**40.1 Credit risk (continued)**

**Trade receivables**

a) Customer credit risk is managed by each business unit in accordance with the Group's established credit policy and procedures. The Group has a policy of only dealing with creditworthy counterparties. Credit rating information of customers are obtained from independent rating agencies where available, and if not available, the Group uses publicly available information and its own trading records to rate its major customers. The Credit limits are established for all customers based on internal rating criteria. Collateral is generally not required, but may be used under certain circumstances as well as letters of credit insurance, post-dated cheques, cash in advance and bank guarantees in certain markets, particularly in lesser developed markets.

Trade receivables are non-interest bearing and generally have a credit period at par with industry norms which range between 30 days to 90 days. Outstanding customer receivables are regularly monitored. A default on a financial asset is generally when the counterparty fails to make contractual payments within 90 days of when they fall due or it becomes probable a customer will enter into a bankruptcy or will not be able to pay the Group's due amounts.

An impairment analysis is performed at each reporting date on an individual basis for major clients, where applicable. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. Receivables from group companies and secured receivables are excluded for the purposes of this analysis since no credit risk is perceived on them.

The expected credit loss is calculated based on a loss rate methodology. Loss rates are calculated using a 'roll rate' method (provision matrix approach) based on the probability of a receivable progressing through successive stages of delinquency to write-off. Loss rates are based on the default probability calculated on average flow rates of past 12 quarters. The loss rates are adjusted based on factor considering the future economic outlook and the estimated loss giving default (LGD) as per the management judgment (considering the quality of collaterals such as letter of credit, guarantees and other securities, where applicable) applied consistently. Roll rates are calculated separately for exposures in different segments/homogenous populations based on the following common credit risk characteristics – based on the quality to collaterals. This assessment is performed at each subsidiary level and consistent with last year. There have been no significant changes in the quality of collaterals held against financial assets during the reporting period.

**b) Changes in assumptions including incorporation of forward-looking information**

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Group has used gross domestic product (GDP) growth rate and long-term inflation as their key macroeconomic factors giving equal weightages to each of these, separately for each country from where the receivables is due. The macro-economic factors have been updated based on the latest available information.

The average credit losses of trade receivables of wide range of customers with shared risk characteristics at the Group level is a reasonable estimate of the probability weighted amounts.

**c) Concentration risk**

The Group evaluates the concentration of risk with respect to trade receivables as low, considering the companies' operations relates to diversified segments. As at 31 December 2021, from geographical concentrations perspective, the Group's receivables are from customers in more than 20 countries, however, major concentration of net receivables was in Saudi Arabia, UAE, and Turkey as cumulatively the receivables from these countries represent more than 40% of the total trade receivables.



**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in SR'000 unless otherwise stated)

**40. FINANCIAL RISK MANAGEMENT (continued)**

**40.1 Credit risk (continued)**

**Trade receivables (continued)**

d) On the basis explained above, the loss allowance for trade receivables as at 31 December 2021 and 31 December 2020 was determined as follows:

<b>2021</b>	<b>Neither past due not impaired</b>	<b>Less than 90 days</b>	<b>90 - 180 days</b>	<b>181- 270 days</b>	<b>271-364 days</b>	<b>365- 730 days</b>	<b>More than two years</b>	<b>Total</b>
Average expected loss rates	1.03%	2.32%	8.07%	14.33%	14.44%	53.35%	100.00%	5.27%
Gross carrying amount – trade receivable	1,445,197	181,783	22,627	16,183	27,968	46,003	42,396	1,782,157
Loss allowance	(14,855)	(4,225)	(1,827)	(2,319)	(4,038)	(24,544)	(42,396)	(94,204)
Net balance	1,430,342	177,558	20,800	13,864	23,930	21,459	-	1,687,953

<b>2020</b>	<b>Neither past due not impaired</b>	<b>Less than 90 days</b>	<b>90 – 180 days</b>	<b>181- 270 days</b>	<b>271-364 days</b>	<b>365- 730 days</b>	<b>More than two years</b>	<b>Total</b>
Average expected loss rates	1.2%	2.6%	11.1%	20.3%	48.7%	52.1%	100%	7.2%
Gross carrying amount - trade receivable	915,340	124,193	17,206	17,783	8,887	60,570	27,877	1,171,856
Loss allowance	(11,424)	(3,288)	(1,913)	(3,605)	(4,329)	(31,559)	(27,877)	(83,995)
Net balance	903,916	120,905	15,293	14,178	4,558	29,011	-	1,087,861

**Other financial assets**

This comprises mainly of deposits with banks, investments in unquoted equity shares, receivables from equity accounted investees and joint ventures, employee home loan receivable and derivative assets. Credit risk arising from these financial assets is limited and there is no collateral held against these except for employee home loan receivable, because the counterparties are equity accounted investees, banks and recognized financial institutions. Banks and recognized financial institutions have high credit ratings ranging from A- to BBB+ assigned by the international credit rating agencies. In case of employee home loan receivable, the loan is secured against the charge on the property purchased. Trade and non-trade receivables from related parties have low credit risk and the impact of applying ECL is immaterial. As at year end, the balances were unsecured and there was no default by any of the counter party therefore these are considered as performing. Loans due from related parties are assessed individually for impairment on an annual basis.

**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in SR'000 unless otherwise stated)

**40. FINANCIAL RISK MANAGEMENT** (continued)

**40.2 Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments that are settled by delivering cash or another financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. The Group's objective is to; at all times maintain optimum levels of liquidity to meet its cash and collateral requirements. The Group closely monitors its liquidity position and deploys a robust cash management system. It maintains adequate sources of financing including syndicated and bilateral term loans, overdraft facilities, and working capital facilities, from both domestic and international banks.

The table below analyses non-derivative financial liabilities of the Group by relevant maturity groupings based on the remaining period from the reporting date to the contractual maturity date. The amounts disclosed under the ageing buckets are the contractual undiscounted cash flows and includes contractual future commission payments.

	Within 1 year	1 to 5 years	Greater than 5 years	Total
<b>2021</b>				
Long-term borrowings	1,172,148	4,757,822	1,919,577	7,849,547
Accounts payable - third party	356,051	-	-	356,051
Lease liabilities	13,816	112,175	16,227	142,218
Payable to related parties-current and non-current	1,532,618	1,379,923	-	2,912,541
Other current liabilities	372,041	-	-	372,041
Other non-current liabilities	-	357,378	-	357,378
	<b>3,446,674</b>	<b>6,607,298</b>	<b>1,935,804</b>	<b>11,989,776</b>
<b>2020</b>				
Long-term borrowings	903,373	4,034,168	3,502,934	8,440,475
Accounts payable - third party	309,898	-	-	309,898
Lease liabilities	22,705	122,194	15,826	160,725
Payable to related parties-current and non-current	1,078,518	1,233,104	-	2,311,622
Other current liabilities	345,907	-	-	345,907
Other non-current liabilities	-	327,885	-	327,885
	<b>2,660,401</b>	<b>5,717,351</b>	<b>3,518,760</b>	<b>11,896,512</b>

For financial guarantees, refer note 41.

The calculation of net debt analysed by the management were as follows:

	2020	Net cash flows	Non-cash changes	2021
Cash and cash equivalents	2,654,849	739,126	-	3,393,975
Long-term borrowings	(7,190,091)	560,276	(175,769)	(6,805,584)
Lease liabilities	(142,485)	19,442	(2,418)	(125,461)
<b>Net debt</b>	<b>(4,677,727)</b>	<b>1,318,844</b>	<b>(178,187)</b>	<b>(3,537,070)</b>

**40.3 Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk, commission rate risk, currency risk, and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include borrowings, investments, trade and other receivables and accounts payable.

**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in SR'000 unless otherwise stated)

**40. FINANCIAL RISK MANAGEMENT (continued)**

**40.4 Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is subject to the risk of fluctuations in foreign exchange rates through its normal course of business. The Group monitors the fluctuations in currency exchange rates and charge the effects on the consolidated financial statements accordingly. The Group covers the foreign currency risks by using derivative financial instruments, where appropriate and as per the Group's policies.

The Group mainly deals in Saudi Riyal and USD. The exposure to currency risk primarily arises from transactions denominated in USD, GBP and EUR. For transactions denominated in USD, there is minimal currency risk since the SR to USD exchange rate is pegged and hence not considered.

The Group has the following significant financial asset / (liability) exposures, denominated in foreign currencies:

	2021	2020
GBP	293	312
EUR	6,493	(5,266)

Potential impact of a 5% appreciation as well as depreciation of exchange rate of Saudi Riyal with foreign currencies has been summarized below:

Currency	Change in exchange rate	2021	2020
GBP	+5%	15	16
	-5%	(15)	(16)
EURO	+5%	325	(263)
	-5%	(325)	263

**40.5 Commission rate risk**

Commission rate risk is the risk that the value of financial instruments or their associated cash flows will fluctuate due to changes in market commission rates. The Group has no significant commission-bearing assets but has commission bearing liabilities as at 31 December 2021 and 2020.

The Group manages its borrowings made at floating rates by using floating-to-fixed interest rate caps where appropriate and as per the Group policies. Such interest rate caps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate caps the Group agrees with the counterparty to receive payments on the specified dates when market commission rate exceeds the agreed strike price.

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

Currency	Change in exchange rate	Gain / (loss) through the consolidated statement of profit or loss	
		2021	2020
6 Months SAIBOR	+100 basis points	(49,950)	(52,475)
	-100 basis points	49,950	52,475

The Group does not account for any financial liabilities at fair value through profit or loss. Further, the Group does not have any material variable rate financial assets. Therefore, a change in special commission rate of fixed rate financial assets at the reporting date would not affect profit for the year.

**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
 (All amounts in SR'000 unless otherwise stated)

**40. FINANCIAL RISK MANAGEMENT (continued)**

**40.6 Capital management**

The primary objective of the Group's capital management is to ensure that it maintains a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Group objectives when managing capital are to safeguard the Group ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, or increase or decrease borrowings. The amount of capital (Total equity + total debt) that the Group managed as at 31 December 2021 was SR 18,494 million (2020: SR 16,916 million).

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net external debt divided by total equity (as shown in the consolidated statement of financial position, including non-controlling interests). The Group is not subject to any externally imposed capital requirements throughout 2021 and 2020.

**41. COMMITMENTS AND CONTINGENCIES**

**41.1 Capital and purchase commitments:**

The Group's capital and purchase commitments as at the reporting date was as follows:

	<b>2021</b>	<b>2020</b>
Capital commitments for projects under progress and purchase of property, plant and equipment	<b>208,599</b>	317,135
<b>41.2 Contingencies:</b>		
	<b>2021</b>	<b>2020</b>
Letters of guarantee	<b>304,069</b>	314,623
Letters of credit	<b>2,564</b>	913
	<b>306,633</b>	315,536

Additionally, the Group has issued corporate guarantees to commercial banks and SIDF against loans obtained by certain joint ventures, in proportion to its shareholding in those joint ventures. As at 31 December 2021 such guarantees amounted to SR 1,921 million (2020: SR 2,020 million).

The Group bears the obligation for tax and zakat liabilities resulting from any final assessments determined by relevant tax authorities pertains to certain subsidiaries sold in prior years. The ultimate outcome of any such final assessments and their timeline are not presently known, however, the management based on its best estimates has provided for such potential obligations in the consolidated financial statements.

The Group is involved in legal litigation claims in the ordinary course of business, which are being defended; there are also some claims under the process of final settlement. The ultimate results of these claims cannot be determined with certainty as at the date of preparing the consolidated financial statements; the Group's management does not expect that these claims will have a material adverse effect on the Group's consolidated financial statements.

**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in SR'000 unless otherwise stated)

**42. NON-CASH INVESTING AND FINANCING ACTIVITIES**

In relation to investing and financing activities during the year, following non-cash transactions were recorded during the year:

- (i) The transfer of SR 33.7 million (2020: 189.9 million) from Projects under progress to Property, plant and equipment and Intangible assets.
- (ii) Additions to right-of-use assets and lease liabilities of SR 1.1 million in 2021 (2020: SR 13.2 million).
- (iii) Transfer from investment to long-term loan receivable from a joint venture amounting to SR 88.6 million (2020: SR nil) based on expected settlement period.
- (iv) Short-term due from related parties (non-trade) amounting to SR 191 million (2020: SR nil) was converted to long term loan to joint ventures.

**43. EVENTS AFTER THE REPORTING DATE**

No material events have occurred subsequent to the reporting date and before the issuance of these consolidated financial statements which require adjustment to, or disclosure, in these consolidated financial statements except that an investee company AMAK, which is included in these consolidated financial statements as unquoted securities carried at FVOCI, is in the process of listing on the Saudi Stock Exchange. The Group owns 4,916 thousand shares in AMAK as at 31 December 2021.

**44. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS**

These consolidated financial statements were approved from the Board of Directors on 09 March 2022 (corresponding to 6 Sha'aban 1443H).