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شركة آر إس إم المحاسبون المتحدون للإستشارات المهنية
RSM Allied Accountants Professional Services Co.

**BASIC CHEMICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)**

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022
AND INDEPENDENT AUDITOR'S REPORT**

BASIC CHEMICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Basic Chemical Industries Company
(A Saudi Joint Stock Company)

Opinion

We have audited the consolidated financial statements of Basic Chemical Industries Company (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, 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 endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia, that is relevant to our audit of the consolidated financial statements and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for 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 Matter	How our audit addressed the key audit matter
Impairment assessment of non-current assets	
As at 31 December 2022, the Group has non-current assets of Saudi Riyals 889.2 million, net of impairment losses of Saudi Riyals 6.1 million. At each reporting date, the Group reviews whether there are any events or changes in circumstances (impairment indicators) which indicate that the carrying amount of non-current assets may not be recoverable. If any impairment indicators are identified, management of the Group performs a detailed impairment assessment by calculating the recoverable amounts of non-current assets of the related Cash-Generating Units (the "CGUs") and compares them against their carrying amounts.	Our audit procedures included the following: <ul style="list-style-type: none">Assessed the reasonableness of management's identification of the Group's CGUs.Evaluated management's assessment of the identification of impairment indicators, including the conclusions reached.Evaluated the design and implementation of key controls over the impairment assessment process including identification of impairment indicators and estimation of recoverable amounts.Evaluated the reasonableness of management's assumptions used in the value-in-use workings to determine the recoverable amounts of non-current assets related to the Group's CGUs. This included:

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BASIC CHEMICAL INDUSTRIES COMPANY (Continued)

Key Audit Matter (Continued)	How our audit addressed the key audit matter
<p>In determining the recoverable amounts, management estimated the value-in-use of the non-current assets related to certain CGUs of the Group i.e (where impairment indicators had been identified), based on the business plans as approved by the Group's Board of Directors which reflect management's view of the external market conditions and certain key internal variables including estimation of appropriate growth and discount rates.</p> <p>We considered this as a key audit matter as the assessments of recoverable amounts of the non-current assets require significant estimations and judgments including product pricing, future economic and market conditions, growth and discount rates.</p> <p>Refer to Note 2.6 to the accompanying consolidated financial statements for the accounting policy relating to the impairment of non-current assets, Note 4 to the accompanying consolidated financial statements for the disclosure of critical estimates and judgments and Note 12 to the accompanying consolidated financial statements for the property, plant and equipment.</p>	<p>i. Assessing the appropriateness of the methodology and accuracy of the input data used by management to estimate the value-in-use based on discounted cash flow models;</p> <p>ii. Testing the reasonableness of discount and growth rates used in such discounted cash flow models. Our internal valuation experts were engaged to assist us to assess the reasonableness of the discount and growth rates used;</p> <p>iii. Performing sensitivity analyses over key assumptions in the calculation of the values-in-use in order to assess the potential impact of a range of possible outcomes.</p> <p>Assessed the adequacy and appropriateness of the related disclosures in the accompanying consolidated financial statements.</p>

Other Information

The Board of Directors of the Company (the "Directors") are responsible for the other information. The other information comprises information included in the Group's 2022 annual report, other than the consolidated financial statements and our auditors' report thereon, which is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Group's 2022 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 endorsed by SOCPA and 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 BASIC CHEMICAL INDUSTRIES COMPANY (Continued)

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 Board of Directors, are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional skepticism 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, 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 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 financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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



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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BASIC CHEMICAL INDUSTRIES COMPANY (Continued)

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

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, actions taken to eliminate threats or safeguards applied.

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.

RSM Allied Accountants Professional Services

Mohammed Bin Farhan Bin Nader
License No. 435
Khobar, Saudi Arabia
29 Sha'ban 1444 (corresponding 21 March 2023)



BASIC CHEMICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
Consolidated statement of profit or loss and other comprehensive income
 (All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended 31 December	
		2022	2021
Sales	6	674,665,582	513,378,612
Cost of sales	7	(498,520,468)	(369,616,789)
Gross profit		176,145,114	143,761,823
Selling and distribution expenses	8	(54,069,166)	(44,847,758)
General and administrative expenses	9	(32,401,125)	(24,580,050)
Other operating (loss) / income - net	10	(8,242,510)	59,600
Operating profit		81,432,313	74,393,615
Gain / (loss) on the fair value measurements of the derivative financial instrument	27.1	8,355,473	(5,500,000)
Finance costs		(9,754,311)	(91,500)
Profit before zakat and income tax		80,033,475	68,802,115
Zakat expense	25	(3,942,473)	(5,156,138)
Income tax expense	25	(5,695,615)	(5,926,898)
Profit for the year		70,395,387	57,719,079
Other comprehensive income			
<i>Item that will not be reclassified to profit or loss</i>			
Remeasurements of employee benefit obligations	21	2,791,577	(2,791,816)
Total comprehensive income for the year		73,186,964	54,927,263
Profit for the year is attributable to:			
Shareholders of Basic Chemical Industries Company		40,432,242	34,368,495
Non-controlling interests		29,963,145	23,350,584
		70,395,387	57,719,079
Total comprehensive income for the year is attributable to:			
Shareholders of Basic Chemical Industries Company		43,318,082	31,595,414
Non-controlling interests		29,868,882	23,331,849
		73,186,964	54,927,263

Earnings per share

Basic and diluted earnings per share	29	1.47	1.25
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The consolidated financial statements including notes and other explanatory information were authorized for issue by the Board of Directors on 21 March 2023 and were signed on their behalf by:


 Uthman Alhamaidan
 Designated Member


 Alaa Al-Shaikh
 Chief Executive Officer


 Fares Nehme Lahoud
 Chief Financial Officer

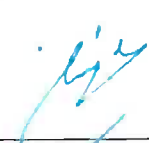
The accompanying notes are an integral part of these consolidated financial statements.

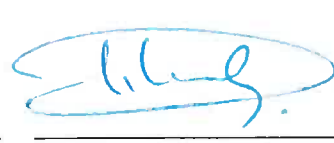
BASIC CHEMICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
Consolidated statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

	Note	31 December 2022	31 December 2021
Assets			
Non-current assets			
Property, plant and equipment	12	852,490,092	754,317,322
Right-of-use assets	13	15,712,170	17,089,027
Long-term investments	14	21,000,000	-
Total non-current assets		889,202,262	771,406,349
Current assets			
Inventories	15	130,048,867	88,924,053
Trade and other receivables	16	174,569,672	144,003,970
Cash and cash equivalents	17	61,960,384	71,364,737
Total current assets		366,578,923	304,292,760
Total assets		1,255,781,185	1,075,699,109
Equity and liabilities			
Equity			
Share capital	19	275,000,000	275,000,000
Statutory reserve	20	73,502,207	69,458,983
Retained earnings		264,961,024	225,686,166
Equity attributable to the shareholders of Basic Chemical Industries Company		613,463,231	570,145,149
Non-controlling interests	11	77,518,473	58,249,591
Total equity		690,981,704	628,394,740
Liabilities			
Non-current liabilities			
Long-term borrowings	18	321,900,000	207,093,635
Lease liabilities	13	13,362,487	15,525,570
Employee benefit obligations	21	24,019,278	35,332,477
Decommissioning liability	22	6,060,864	6,060,864
Derivative financial instruments	23	14,144,528	22,500,000
Total non-current liabilities		379,487,157	286,512,546
Current liabilities			
Trade and other payables	24	132,817,923	97,442,198
Lease liabilities - current portion	13	1,677,624	2,860,392
Long-term borrowings - current portion	18	39,300,000	52,400,000
Zakat and income tax payable	25	11,516,777	8,089,233
Total current liabilities		185,312,324	160,791,823
Total liabilities		564,799,481	447,304,369
Total equity and liabilities		1,255,781,185	1,075,699,109

The consolidated financial statements including notes and other explanatory information were authorized for issue by the Board of Directors on 21 March 2023 and were signed on their behalf by:


Uthman Alhormaidan
Designated Member


Alaa Al-Shaikh
Chief Executive Officer


Fares Nehme Lahoud
Chief Financial Officer

The accompanying notes are an integral part of these consolidated financial statements.

BASIC CHEMICAL INDUSTRIES COMPANY

(A Saudi Joint Stock Company)

Consolidated statement of changes in equity

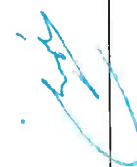
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Attributable to the shareholders of Basic Chemical Industries Company				
		Share capital	Statutory reserve	Retained earnings	Total	Non-controlling interests
At 1 January 2021		275,000,000	66,022,133	197,527,602	538,549,735	63,467,742
Profit for the year		-	-	34,368,495	34,368,495	23,350,584
Other comprehensive loss for the year		-	-	(2,773,081)	(2,773,081)	(18,735)
Total comprehensive income for the year		-	-	31,595,414	31,595,414	23,331,849
Transfer to statutory reserve	20	-	3,436,850	(3,436,850)	-	-
Dividends		-	-	-	-	(28,550,000)
At 31 December 2021		275,000,000	69,458,983	225,686,166	570,145,149	58,249,591
Profit for the year		-	-	40,432,242	40,432,242	29,963,145
Other comprehensive income (loss) for the year		-	-	2,885,840	2,885,840	(94,263)
Total comprehensive income (loss) for the year		-	-	43,318,082	43,318,082	29,868,882
Transfer to statutory reserve	20	-	4,043,224	(4,043,224)	-	-
Dividends		-	-	-	-	(10,600,000)
At 31 December 2022		275,000,000	73,502,207	264,961,024	613,463,231	77,518,473
						690,981,704

The consolidated financial statements including notes and other explanatory information were authorized for issue by the Board of Directors on 21 March 2023 and were signed on their behalf by:



Uthman Alhormaidan
Designated Member



Alaa Al-Shaikh
Chief Executive Officer



Fares Nehme Lahoud
Chief Financial Officer

The accompanying notes are an integral part of these consolidated financial statements.

BASIC CHEMICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
Consolidated statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended 31 December	
		2022	2021
Cash flows from operating activities			
Profit before zakat and income tax		80,033,475	68,802,115
Adjustments for:			
Depreciation	12, 13	23,122,916	18,647,252
Write off of capital work-in progress	10	13,561,027	-
Loss on disposal of property, plant and equipment		-	1,025,016
Finance costs		9,754,311	91,500
Loss on the fair value measurement of derivative financial instruments		(8,355,473)	5,500,000
Provision for employee benefit obligations	21	3,835,325	3,453,359
ECL allowances	16	(813,012)	845,039
Provision for inventory obsolescence	15	2,877,274	2,678,755
Changes in operating assets and liabilities:			
Increase in inventories		(44,002,088)	(14,212,308)
Increase in trade and other receivables		(29,752,690)	(26,517,126)
Increase (decrease) in trade and other payables		34,323,630	(2,461,442)
Cash generated from operations		84,584,695	57,852,160
Finance costs paid		(21,249,561)	(3,244,122)
Employee benefit obligations paid	21	(12,356,947)	(6,333,047)
Zakat and income tax paid	25	(6,103,915)	(7,971,964)
Net cash inflow from operating activities		44,874,272	40,303,027
Cash flows from investing activities			
Payments for purchases of property, plant and equipment	12	(121,958,077)	(198,292,193)
Proceeds from disposal of property and equipment		603,327	114,393
Long-term investments	14	(21,000,000)	-
Net cash outflow from investing activities		(142,354,750)	(198,177,800)
Cash flows from financing activities			
Proceeds from borrowings	18	102,300,000	174,900,000
Payments of lease liabilities		(3,623,876)	(1,558,116)
Dividends paid to non-controlling interests in subsidiaries		(10,600,000)	(28,550,000)
Net cash inflow from financing activities		88,076,125	144,791,884
Net change in cash and cash equivalents		(9,404,353)	(13,082,889)
Cash and cash equivalents at beginning of the year		71,364,737	84,447,626
Cash and cash equivalents at end of the year	17	61,960,384	71,364,737
Non-cash transactions:			
Finance costs of lease liabilities capitalized		330,826	604,375
Decommissioning capitalized	22	-	6,060,864
Finance costs on borrowings capitalized		11,785,523	2,271,813
Depreciation on right-of-use assets capitalized		314,554	463,343

The consolidated financial statements including notes and other explanatory information were authorized for issue by the Board of Directors on 21 March 2023 and were signed on their behalf by:


Uthman Alhamaidan
Designated Member


Alaa Al-Shaikh
Chief Executive Officer


Fares Nehme Lahoud
Chief Financial Officer

The accompanying notes are an integral part of these consolidated financial statements.

BASIC CHEMICAL INDUSTRIES COMPANY

(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended 31 December 2022

(All amounts in Saudi Riyals unless otherwise stated)

1 General information

Basic Chemical Industries Company (the "Company" or "BCI") and its subsidiaries (collectively the "Group") consist of the Company and its subsidiaries as listed in Note 11. The Group is principally engaged in the manufacturing of various chemicals as well as purchase, formulation, processing, export, import, marketing, distribution and acting as an agent for the sale of chemicals.

The Company is a joint stock company registered in the Kingdom of Saudi Arabia under Commercial Registration ("CR") number 2050002795 issued in Dammam on 28 Dhul Al Hijjah 1392H (corresponding to 2 February 1973). The registered address of the Company is P.O. Box 1053, Dammam 31431, Kingdom of Saudi Arabia.

The accompanying consolidated financial statements include the accounts of the Company, its branches and its various Saudi Arabian subsidiaries, operating under individual CRs. Also, see Note 11.

During 2022,

- the Company has decided to transfer the equity interest in Basic Chemicals National Company Limited ("BCNC") and Saudi Water Treatment Company ("SWTC"), wholly owned subsidiaries, to Chemical Marketing and Distribution Company Limited ("CMDC"), another wholly owned subsidiaries, and change the legal status of BCNC and SWTC from a limited liability company to branches of CMDC. The legal formalities related to change of the legal status and ownership were completed during the year;
- CMDC has changed the legal status of one of its branch Okaz Chemical Materials Marketing & Distribution L.L.C "OKAZ", incorporated in United Arab Emirates, to a limited liability company which is wholly owned by CMDC. All the assets, liabilities of the branch were transferred at book values;
- the Company completed the construction of its plant in Jubail with a total cost of Saudi Riyals 774.7 million and commenced commercial operations; and
- the Board of Directors of the Company, in order to optimize the usage of the land parcels owned by the Company, decided to abandon the construction of the administrative building at Dammam head office and wrote off the cost incurred amounting to Saudi Riyals 13.7 million.

The changes in the legal structure of the above subsidiaries and branches have not resulted in any gain or loss as the transactions were among the entities under common control.

2 Summary of significant accounting policies

The principal accounting policies applied for the preparation of consolidated financial statements of the Group are set out below. The accounting policies have been consistently applied to all the years presented.

2.1 Basis of preparation

1) Statement of compliance

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

BASIC CHEMICAL INDUSTRIES COMPANY

(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended 31 December 2022

(All amounts in Saudi Riyals unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

2) Historical cost convention

These consolidated financial statements are prepared under the historical cost convention except for the following as explained in the relevant accounting policies:

- a) Right-of-use assets and related lease liabilities
- b) Employee benefit obligations
- c) Derivative financial instruments

3) New standards and amendments to standards, interpretations and issued standards

3.1) New standards, amendments to standards and interpretations applied by the Group

The group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2022:

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37
- Annual Improvements to IFRS Standards 2018-2020
- Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

3.2) Standards issued but not yet effective

The following new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group:

- Amendments to IAS 1: Classification of Liabilities as Current or Non-current
- Definition of Accounting Estimates – (Amendments to IAS 8)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

2.2 Foreign currencies

(a) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the Group operates ('the functional currency'). The consolidated financial statements are presented in "Saudi Arabian Riyals", which is the Group's presentation as well as functional currency for all entities.

(b) Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies 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 at the dates of the initial transactions.

BASIC CHEMICAL INDUSTRIES COMPANY

(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended 31 December 2022

(All amounts in Saudi Riyals unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.3 Basis of consolidation and equity accounting

(a) Subsidiaries

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. 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, and
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Company's voting rights and potential voting rights

The Group reassesses 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 are attributed to the equity holders of the parent Company and to the non-controlling interests, even if this results in the non-controlling interests 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. 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 interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained; and
- Recognises any surplus or deficit in profit or loss.

Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

(b) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

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2 Summary of significant accounting policies (Continued)

2.3 Basis of consolidation and equity accounting (Continued)

(c) Investments in associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

Investments in associates are accounted for using the equity method (equity accounted investees) and are recognised initially at cost. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

2.4 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, except capital work-in-progress which are carried at cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Land is not depreciated as it is deemed to have an indefinite life.

Depreciation is calculated on property, plant and equipment so as to allocate its cost, less estimated residual value, on a straight line basis over the estimated useful lives of the assets. Depreciation is charged to profit or loss.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each annual reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

Major spare parts and stand-by equipment qualify for recognition as property, plant and equipment when the Group expects to use them during more than one year.

Assets in the course of construction or development are capitalised in the capital work-in-progress account. The asset under construction or development is transferred to the appropriate category in property, plant and equipment, once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of capital work-in-progress comprises its purchase price, construction / development costs and any other directly attributable costs to the construction or acquisition of an item of capital work-in-progress intended by management. Capital work-in-progress is not depreciated. Transfers are made to relevant operating assets category as and when such items are available for use.

BASIC CHEMICAL INDUSTRIES COMPANY**(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended 31 December 2022**(All amounts in Saudi Riyals unless otherwise stated)

2 Summary of significant accounting policies (Continued)**2.5 Financial instruments****2.5.1 Financial assets****1) Classification**

The Group's financial assets are classified and measured at amortised cost as such assets are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest.

2) Recognition and 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.

Subsequent measurement of Group's financial assets are at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented under "General and administrative expenses" in the profit or loss.

3) Impairment

The Group assesses, on a forward looking basis, the expected credit losses associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Also see Note 27.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9 'Financial Instruments' ("IFRS 9"), which requires lifetime expected credit losses to be recognised from initial recognition of the receivables.

2.5.2 Financial liabilities

All financial liabilities are recognised at the time when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are recognized initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using the effective interest rate method.

A financial liability is de-recognized when the obligation under the liability is discharged or cancelled or expired. Where 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 de-recognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in profit or loss.

2.5.3 Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss. The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in interest rates. At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

2.5.4 Offsetting financial assets and liabilities

Financial assets and liabilities are offset and net amounts reported in the consolidated financial statements, when the Group has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the assets and liabilities simultaneously.

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2 Summary of significant accounting policies (Continued)

2.6 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that a non-financial 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 unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups 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 pre-tax 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 to sell, an appropriate valuation model is used.

Impairment losses are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

For non-financial assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. 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 recognised for the asset in prior years. Such reversal is recognised in profit or loss. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.7 Inventories

Raw materials and consumable spares, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Provision for slow-moving inventories is made considering various factors including age of the inventory items, historic usage and expected utilization in future.

2.8 Trade receivables

Trade receivables are amounts due from customers for products sold and services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest rate method. Details about the Group's impairment policies and the calculation of the expected credit losses are provided in Notes 2.5, 16 and 27. Subsequent recoveries of amounts previously written-off are credited in profit or loss against "General and administrative expenses".

2.9 Cash and cash equivalents

Cash and cash equivalents comprises cash in hand and demand deposits and short-term, highly liquid investments, if any, that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. Investments normally only qualify as cash equivalent if they have a maturity of three months or less from the date of acquisition.

Also, for the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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2 Summary of significant accounting policies (Continued)

2.10 Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

2.11 Share capital

Ordinary shares are classified as equity.

2.12 Trade payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

2.13 Borrowings

Borrowings are initially recognized at fair value (being proceeds received), net of eligible transaction costs incurred, if any. Subsequent to initial recognition, borrowings are measured at amortized cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest rate method.

Borrowings are derecognised from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

2.14 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. Other borrowing costs are charged to profit or loss in the period in which they are incurred.

2.15 Employee benefit obligations

The Group operates a single employment benefit scheme of defined benefit plan driven by the Labor and Workman Laws of the Kingdom of Saudi Arabia which is based on most recent salary and number of service years.

The employment benefits plan is not funded. Accordingly, valuations of the obligations under the plan are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

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2 Summary of significant accounting policies (Continued)

2.15 Employee benefit obligations (Continued)

Current and past service costs related to employment benefits are recognized immediately in profit or loss while unwinding of the liability at discount rates used are recorded in profit or loss. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in the other comprehensive income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized directly in other comprehensive income and transferred to retained earnings in the consolidated statement of changes in equity in the period in which they occur.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs. End of service payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the Labor Laws of Kingdom of Saudi Arabia. The Group has no further payment obligations once the contributions have been paid.

2.16 Revenue from contracts with customers

Revenue from sale of goods is measured at the fair value of the consideration received or receivable in the ordinary course of the Group's activities. The Group recognizes revenue from the sale of goods when control of the goods is transferred to the customer, being when the products are delivered to the customer, the customer has full discretion over the use or sale of such goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. The Group's contracts with customers for the sale of goods include one performance obligation i.e. to deliver goods to the customer. Revenue is recognized at a point in time upon satisfaction of such performance obligation.

2.17 Leases

At inception of a contract, the Group assesses whether a contract is or contains a lease. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.17.1 Lease liabilities

The lease liability is initially measured at the net present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the incremental borrowing rate is used, being the rate that the individual lessee 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.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing for an individual lease contract as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- otherwise, uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the lessee, and
- makes adjustments specific to the lease, for example its term, country, currency and security.

Lease liabilities include the net present value of the following lease payments:

- fixed lease payments, less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

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2 Summary of significant accounting policies (Continued)

2.17 Leases (Continued)

2.17.1 Lease liabilities (Continued)

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

2.17.2 Right-of-use assets

The right-of-use assets are initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement dates, plus any initial direct costs incurred. The right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses, if any.

Right-of-use assets are depreciated over the shorter period of the lease term or the economic useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 "Impairment of Assets" to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

2.18 Provisions

a) General

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a discount rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

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2 Summary of significant accounting policies (Continued)

2.18 Provisions (Continued)

b) Decommissioning liabilities

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

2.19 Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders.

2.20 Zakat and income tax

The Group is subject to zakat and income tax in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"). Zakat is calculated based on combined zakat declaration for the Company and its wholly owned subsidiaries of 100% and separate zakat and tax declaration for partially owned subsidiaries. Zakat is calculated based on approximate zakat base and adjusted profit and is charged to profit or loss. Income tax on the share of the adjusted profit related to the foreign shareholders in the subsidiaries, is charged to profit or loss. Additional amounts, if any, are accounted for when determined to be required for payment.

Income tax based on the applicable income tax rate is adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.21 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Operating Decision Maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's Chief Executive Officer who is the Chief Operating Decision Maker, include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Sales between segments are usually carried out at arm's length and are eliminated on consolidation. The revenue from external parties is measured in the same way as in the statement of profit or loss. Segment assets and liabilities are measured in the same way as in the consolidated financial statements. These assets and liabilities are allocated based on the operations and the geographical location of the segment.

2.22 Earnings per share

Basic and diluted earnings per share is calculated by dividing the profit attributable to shareholders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period.

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3 Fair value of assets and liabilities

The fair values of the Group's financial instruments are estimated to approximate their carrying values since the financial instruments are short term in nature, carry interest rates which are based on prevailing market interest rates and are expected to be realized at their current carrying values within twelve months from the date of consolidated statement of financial position. The fair value of the non-current financial liabilities are estimated to approximate their carrying values as these carry interest rates which are based on prevailing market interest rates. Derivative financial instruments are carried at fair value.

4 Critical accounting estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year are discussed below:

Expected credit loss ("ECL") model measurement

Measurement of ECL is an estimate that involves determination methodology, models and data inputs. Details of ECL measurement methodology are disclosed in Note 16 and 27. The following components have a major impact on credit loss allowance: definition of default, significant increase in credit risk, probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD"), as well as models of macro-economic scenarios. The Company regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

Impairment assessment of property, plant and equipment

The Group's management, in accordance with the Group's accounting policy, tests assets or CGU for impairment, whenever impairment indicators exist. Among others, the events or changes in circumstances which could indicate that an asset or CGU may be impaired mainly include the following:

- A significant decrease in the market prices of Group's products;
- A significant change in the extent or manner in which an asset is being used or in its physical condition including a significant decrease in current and projected sales volumes; and
- Evidence is available from internal reporting that indicates that the economic performance of the asset is, or will be, worse than expected.

The Group's management determines the recoverable amounts of CGUs based on value-in-use calculations. These calculations require the use of estimates in relation to the future cash flows and use of an appropriate discount rate applicable to the circumstances of the Group.

Future events could cause the estimates used in these value-in-use calculations to change adversely with a consequent effect on the future results of the Group.

5 Segment information

The Group's operations are principally organized into the following business segments based on its products:

- **Chemicals:** this part of the business manufactures and sells industrial chemicals such as hydrochloric acid, caustic soda, chlorine gas, sodium hypochlorite, polyurethane chemicals etc. used in multiple industries. Various chemicals products are produced through using the same assets and liabilities. And segment results that are reported to the Group's Chief Executive Officer who is the Chief Operating Decision Maker, include items directly attributable to a segment includes only operational results.
- **Polymers:** this part of the business manufactures and sells rigid, and semi-rigid polyurethane systems for the manufacture of different density foams. Being the lightest insulation material with the lowest thermal conductivity and polyurethane foam.
- **Adhesives and other materials:** this part of the business manufactures and sells ferric chloride, hot and cold melt adhesives, sulfuric acid etc. used in multiple industries.

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5 Segment information (Continued)

Selected financial information as of 31 December 2022 and 2021 and for the years then ended, summarized by the above operating segments, is as follows.

2022	Chemicals products					Polymers	Adhesives	Total
	Basic Chemicals	Industrial Chemicals	Toll Manufacturing	Water Treatment	Total			
Sales	135,179,134	66,201,068	42,992,525	10,690,119	255,062,846	154,056,541	265,546,195	674,665,582
Cost of sales	(85,769,680)	(50,822,341)	(37,094,981)	(7,601,212)	(181,288,214)	(121,506,783)	(195,725,471)	(498,520,468)
Gross profit	49,409,454	15,378,727	5,897,544	3,088,907	73,774,632	32,549,758	69,820,724	176,145,114
Selling and distribution expenses	(12,108,955)	(8,355,776)	(4,490,249)	(1,668,759)	(26,623,739)	(2,831,326)	(24,614,101)	(54,069,166)
General and administrative expenses	(17,288,566)	(2,867,169)	(4,798,971)	(325,978)	(25,280,684)	(762,668)	(6,357,773)	(32,401,125)
Other operating income (loss) – net	(8,449,408)	399,154	(934,611)	157,005	(8,827,860)	464,928	120,422	(8,242,510)
Operating profit (loss)	11,562,525	4,554,936	(4,326,287)	1,251,175	13,042,349	29,420,692	38,969,272	81,432,313
Gain on the fair value of the derivative financial instrument					8,355,473	-	-	8,355,473
Finance costs					(9,754,311)	-	-	(9,754,311)
Profit before zakat and income tax					11,643,511	29,420,692	38,969,272	80,033,475
Zakat expense					(1,832,103)	(845,580)	(1,264,790)	(3,942,473)
Income tax expense					-	(2,753,649)	(2,941,966)	(5,695,615)
Profit for the year					9,811,408	25,821,463	34,762,516	70,395,387
Depreciation expense					20,498,427	717,245	1,907,244	23,122,916
Total assets					1,014,354,957	86,307,565	155,118,663	1,255,781,185
Total liabilities					499,803,316	19,197,958	45,798,207	564,799,481
Property, plant and equipment					842,831,705	1,533,880	8,124,507	852,490,092
Additions to property, plant and equipment					132,801,239	7,700	1,588,798	134,397,737

BASIC CHEMICAL INDUSTRIES COMPANY

(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended 31 December 2022

(All amounts in Saudi Riyals unless otherwise stated)

5 Segment information (Continued)

2021	Chemicals products					Polymers	Adhesives	Total
	Basic Chemicals	Industrial Chemicals	Toll Manufacturing	Water Treatment	Total			
Sales	90,122,047	58,982,841	39,437,468	7,075,022	195,617,378	99,492,467	218,268,767	513,378,612
Cost of sales	(62,562,480)	(42,183,850)	(28,419,661)	(4,784,217)	(137,950,208)	(77,282,833)	(154,383,748)	(369,616,789)
Gross profit	27,559,566	16,798,991	11,017,807	2,290,806	57,667,170	22,209,634	63,885,019	143,761,823
Selling and distribution expenses	(7,626,340)	(10,304,988)	(4,739,329)	(1,240,559)	(23,911,216)	(2,182,144)	(18,754,398)	(44,847,758)
General and administrative expenses	(8,477,179)	(3,787,322)	(3,172,445)	(256,497)	(15,693,443)	(1,230,673)	(7,655,934)	(24,580,050)
Other operating income (loss) – net	7,688	86,160	174,688	57,444	325,980	13,658	(280,038)	59,600
Operating profit	11,463,734	2,792,841	3,280,721	851,195	18,388,491	18,810,475	37,194,649	74,393,615
Loss on the fair value of the derivative financial instrument					(5,500,000)	-	-	(5,500,000)
Finance costs					(91,500)	-	-	(91,500)
Profit before zakat and income tax					12,796,991	18,810,475	37,194,649	68,802,115
Zakat expense					(2,878,981)	(852,931)	(1,424,226)	(5,156,138)
Income tax expense					-	(1,813,230)	(4,113,668)	(5,926,898)
Profit for the year					9,918,010	16,144,314	31,656,755	57,719,079
Depreciation expense					16,011,569	741,291	1,894,392	18,647,252
Total assets					886,350,418	63,156,984	126,191,707	1,075,699,109
Total liabilities					393,980,306	21,825,824	31,498,239	447,304,369
Property, plant and equipment					744,077,092	1,932,083	8,308,147	754,317,322
Additions to property, plant and equipment					206,649,838	2,900	1,039,851	207,692,589

Chemicals: Sales of approximately 21% are derived from three external customers (2021: 28% of sales are derived from three same external customers).

Polymers: Sales of approximately 26% are derived from three external customers (2021: 19% of sales are derived from three same external customers).

Adhesives and other materials: Sales of approximately 21% are derived from one external customer (2021: 25% of sales are derived from one same external customers).

BASIC CHEMICAL INDUSTRIES COMPANY**(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended 31 December 2022****(All amounts in Saudi Riyals unless otherwise stated)****6 Sales**

The Group principally derives sales from the delivery of goods at a point in time as follows:

	2022	2021
Local sales	558,176,040	412,155,051
Export sales	116,489,542	101,223,561
	674,665,582	513,378,612

7 Cost of sales

	Note	2022	2021
Cost of materials		395,387,772	295,805,596
Salaries and benefits		39,647,082	28,676,457
Power		21,190,314	16,878,028
Depreciation	12,13	21,084,502	13,623,275
Repair and maintenance		6,773,941	6,424,252
Provision for inventory obsolescence	15	2,877,274	2,678,755
Other		11,559,583	5,530,426
		498,520,468	369,616,789

8 Selling and distribution expenses

	Note	2022	2021
Transportation		19,793,982	11,525,820
Salaries and benefits		17,554,065	17,561,703
Royalty	26	9,739,985	8,016,162
Repair and maintenance		1,636,970	1,830,851
Depreciation	12	1,243,769	3,220,046
Travelling		693,770	441,896
Insurance		540,295	541,196
Commission		220,900	688,075
Other		2,645,430	1,022,009
		54,069,166	44,847,758

BASIC CHEMICAL INDUSTRIES COMPANY**(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended 31 December 2022**

(All amounts in Saudi Riyals unless otherwise stated)

9 General and administrative expenses

		2022	2021
	Note		
Salaries and benefits		22,421,025	12,616,891
Board of directors' fees	26	2,100,000	2,100,000
Professional fees		2,208,598	1,964,434
Depreciation	12	794,645	1,803,931
(Reversal) / provided for expected credit loss allowance	16	(813,012)	845,039
Bad debts written-off		-	523,275
Repair and maintenance		514,603	490,623
Insurance		344,176	329,231
Visa and related charges		329,736	328,460
Travelling		173,527	197,106
Utilities		75,572	112,498
Other		4,252,255	3,268,562
		32,401,125	24,580,050

10 Other operating (loss) / income, net

	2022	2021
Write off of Capital work-in-progress (see Note 1)	(13,561,027)	-
Pre-operation sales of products	3,059,902	-
Other income	2,258,615	59,600
	(8,242,510)	59,600

11 Interests in other entities**(a) Investment in subsidiaries**

	Country of incorporation	Effective ownership percentage		Principal activities
		2022	2021	
Chemical Marketing and Distribution Company Limited ("CMDC")	Saudi Arabia	100%	100%	Manufacture and wholesale and retail of chemicals
Basic Chemicals National Company Limited ("BCNC")	Saudi Arabia	-	100%	Manufacture and sale of chemicals
Saudi Water Treatment Company ("SWTC")	Saudi Arabia	-	100%	Manufacture and sale of chemicals
Huntsman APC ("HAPC")	Saudi Arabia	49%	49%	Manufacture and sale of chemicals
National Adhesives Company Limited ("NAL")	Saudi Arabia	47%	47%	Manufacture and sale of chemicals
OKAZ Chemical Materials Marketing and Distribution Company	United Arab Emirates	100%	-	Sale of basic industrial chemicals and solvents

The Company has consolidated the accounts of HAPC and NAL in the accompanying consolidated financial statements as a parent company by virtue of respective shareholders' agreements. Pursuant to such agreements:

- BCI appoints its representative as Chief Executive Officer for both HAPC and NAL for managing day to day operations; and
- BCI's representative(s) on the Board of Directors have the power to direct all key relevant business activities as a result of the voting arrangements under the terms of these agreements.

Accordingly, the Company has the right to exercise control through its ability to affect the amount of returns generated from these companies, its power over these companies and its exposure and right to the variable returns.

Also see Note 1 for change in the legal structure of certain of above subsidiaries.

BASIC CHEMICAL INDUSTRIES COMPANY**(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended 31 December 2022**

(All amounts in Saudi Riyals unless otherwise stated)

11 Interests in other entities (Continued)

Summarized financial information for subsidiaries that have material non-controlling interests i.e. NAL and HAPC are as follows:

(i) Summarized financial position

	HAPC		NAL	
	2022	2021	2022	2021
Current assets	69,410,451	60,550,324	140,836,882	117,591,481
Current liabilities	(17,860,351)	(20,255,044)	(40,927,040)	(26,601,323)
Net current assets	51,550,100	40,295,280	99,909,842	90,990,158
Non-current assets	16,897,114	2,606,660	14,281,781	8,600,226
Non-current liabilities	(1,337,607)	(1,570,780)	(4,871,167)	(4,896,916)
Net non-current assets	15,559,507	1,035,880	9,410,614	3,703,310
Net assets	67,109,607	41,331,160	109,320,456	94,693,468
Accumulated NCI	30,720,605	18,491,641	46,797,868	39,757,950

(ii) Summarized statement of profit or loss and other comprehensive income

	HAPC		NAL	
	2022	2021	2022	2021
Sales	154,056,541	99,492,467	265,936,725	218,268,767
Profit for the year	25,796,641	16,105,065	34,787,331	31,639,761
Other comprehensive loss	(18,198)	(20,749)	(160,343)	(15,383)
Total comprehensive income	25,778,443	16,084,316	34,626,988	31,624,378
Net profit allocated to NCI	12,238,245	7,760,095	17,724,900	15,590,489

(iii) Summarised statement of cash flows

	HAPC		NAL	
	2022	2021	2022	2021
Cash flows from operating activities	12,295,102	25,540,462	29,307,778	13,056,689
Cash flows from investing activities	(15,007,700)	(2,900)	(7,588,799)	(966,524)
Cash flows from financing activities	(328,747)	(30,321,100)	(20,145,278)	(25,139,030)
Net change cash and cash equivalents	(3,041,345)	(4,783,538)	1,573,701	(13,048,865)

(b) Investment in an associate

During 2013, CMDC acquired 50% equity interest in Mars Chemical Marketing and Distribution Company Limited ("Mars-CMDC"), a limited liability company incorporated in Qatar under CR number 56892 issued on 12 Ramadan 1433 H (corresponding to 31 July 2012). Mars-CMDC is engaged in marketing and distribution of various chemicals, solvents, additives, catalysts, plastics, polymers and resins.

During 2017, the Group recorded an impairment write-down on such investment equal to its carrying value amounting to Saudi Riyals 0.4 million. The Group has no obligation to provide any financial support to the associate beyond its investment amount. Accordingly, management has not recognized any share of loss during 2022 and 2021.

The unrecognized share of loss from investment in Mars-CMDC, as of 31 December 2022 was Saudi Riyals 0.4 million.

BASIC CHEMICAL INDUSTRIES COMPANY

(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended 31 December 2022

(All amounts in Saudi Riyals unless otherwise stated)

12 Property, plant and equipment

2022

Cost

	1 January	Additions	Disposals	Transfers	Adjustments *	31 December
Land	2,824,561	-	-	-	-	2,824,561
Buildings and leasehold improvements	101,779,529	9,829,464	-	321,278,697	(154,063)	432,733,627
Plant and machinery	444,888,461	2,365,795	(497,795)	449,513,665	(1,071,468)	895,198,658
Furniture, fixtures and office equipment	28,187,258	1,394,400	(187,462)	2,277,296	(8,465,416)	23,206,076
Vehicles	33,508,892	340,622	(816,711)	1,633,523	(1,859,014)	32,807,312
Capital work-in-progress	669,682,592	120,467,456	(13,671,295)	(774,703,181)	21,277	1,796,849
	1,280,871,293	134,397,737	(15,173,263)	-	(11,528,684)	1,388,567,083

Accumulated depreciation and impairment

Buildings and leasehold improvements	(74,653,164)	(5,776,914)	-	-	8,519,866	(71,910,212)
Plant and machinery	(396,678,026)	(14,822,207)	42,749	-	(3,847,822)	(415,305,306)
Furniture, fixtures and office equipment	(26,497,682)	(403,676)	149,460	-	6,796,826	(19,955,072)
Vehicles	(28,725,099)	(1,057,816)	816,700	-	59,814	(28,906,401)
	(526,553,971)	(22,060,613)	1,008,909	-	11,528,684	(536,076,991)
Net book value	754,317,322					852,490,092

BASIC CHEMICAL INDUSTRIES COMPANY

(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended 31 December 2022

(All amounts in Saudi Riyals unless otherwise stated)

12 Property, plant and equipment (Continued)

	1 January	Additions	Disposals	Transfers	31 December
2021					
<u>Cost</u>					
Land	2,824,561	-	-	-	2,824,561
Buildings and leasehold improvements	104,643,399	181,605	(6,650,851)	3,605,376	101,779,529
Plant and machinery	443,049,605	1,890,753	(334,065)	282,168	444,888,461
Furniture, fixtures and office equipment	27,603,993	1,045,037	(461,772)	-	28,187,258
Vehicles	33,876,425	127,067	(494,600)	-	33,508,892
Capital work-in-progress	469,122,009	204,448,127	-	(3,887,544)	669,682,592
	1,081,119,992	207,692,589	(7,941,288)	-	1,280,871,293
<u>Accumulated depreciation and impairment</u>					
Buildings and leasehold improvements	(75,771,392)	(4,280,275)	5,398,503	-	(74,653,164)
Plant and machinery	(385,531,375)	(11,806,185)	659,534	-	(396,678,026)
Furniture, fixtures and office equipment	(26,164,559)	(400,155)	67,032	-	(26,497,682)
Vehicles	(28,154,787)	(1,247,122)	676,810	-	(28,725,099)
	(515,622,113)	(17,733,737)	6,801,879	-	(526,553,971)
<u>Net book value</u>	565,497,879				754,317,322

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

Number of years

- Buildings and leasehold improvements 25
- Plant and machinery 15 - 20
- Furniture, fixtures and office equipment 3 - 5
- Vehicles 4 - 7

BASIC CHEMICAL INDUSTRIES COMPANY**(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended 31 December 2022**

(All amounts in Saudi Riyals unless otherwise stated)

12 Property, plant and equipment (Continued)

The depreciation has been allocated as follows:

	Note	2022	2021
Cost of sales	7	20,022,199	12,709,760
Selling and distribution expenses	8	1,243,769	3,220,046
General and administrative expenses	9	794,645	1,803,931
		22,060,613	17,733,737

Also see Note 1 for the capitalization of the Company production facility and write off of cost related to administrative building at Dammam.

Buildings and plant facilities of BCNC are also constructed on plot of land leased under a renewable lease agreement at annual rent from the Royal Commission for Jubail and Yanbu for 25 Hijri years beginning from 17 Shaban 1422 H (corresponding to 3 November 2001).

The manufacturing facility in Jubail is constructed on a land leased under a renewable lease agreement with Royal Commission for Jubail and Yanbu. The lease term is 30 Hijri years beginning from 21 Jumada Al Thani 1441H (corresponding to 16 February 2020) and carries an extension option for additional ten Hijri years. The Company's manufacturing and administrative facility are constructed on owned land in Dammam.

* Adjustments represent reclassification of assets among the categories without changing any useful lives and any impact on the profit or loss.

Also see Note 13 for the related right of use of assets and lease liabilities.

BASIC CHEMICAL INDUSTRIES COMPANY**(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended 31 December 2022**

(All amounts in Saudi Riyals unless otherwise stated)

13 Right of Use Assets and Lease Liabilities

This note provides information for leases where the Group is a lessee.

i) Amounts recognized in the consolidated statement of financial position

2022	1 January	Depreciation	31 December
Right-of-use assets			
Warehouse	1,026,162	(406,619)	619,543
Office space	689,023	(301,811)	387,212
Accommodation	76,268	(29,562)	46,706
Lands	15,297,574	(638,865)	14,658,709
	17,089,027	(1,376,857)	15,712,170

2021	1 January	Depreciation	31 December
Right-of-use assets			
Warehouse	1,432,781	(406,619)	1,026,162
Office space	990,834	(301,811)	689,023
Accommodation	105,832	(29,564)	76,268
Lands	15,936,438	(638,864)	15,297,574
	18,465,885	(1,376,858)	17,089,027

	2022	2021
Lease liabilities		
As at 1 January	18,385,962	19,248,202
Repayments	(3,623,875)	(1,558,116)
Finance costs	278,024	695,876
As at 31 December	15,040,111	18,385,962

Lease liabilities are presented as follows:

	2022	2021
Non-current portion of lease liabilities	13,362,487	15,525,570
Current portion of lease liabilities	1,677,624	2,860,392
	15,040,111	18,385,962

Depreciation on right-of-use asset relating to such leased land and finance costs on the corresponding lease liability up to July 2022 has been capitalized to capital-work-in-progress.

The incremental borrowing rate used by the Group for additions to lease liabilities and right-of-use assets was 3.67%.

BASIC CHEMICAL INDUSTRIES COMPANY**(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended 31 December 2022**

(All amounts in Saudi Riyals unless otherwise stated)

13 Right of Use Assets and Lease Liabilities (Continued)*ii) Amounts recognized in the consolidated statement of profit and loss and other comprehensive income*

The statement of profit or loss shows the following amounts relating to leases in addition to depreciation on right-of-use assets and finance costs on lease liabilities which have been separately disclosed:

Expenses relating to short-term leases	671,788	1,294,601
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Additional information about the Group's leasing activities

Rental contracts are typically made for fixed periods but may have extension options as explained in the summary of the accounting policies. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

14 Long-term investment

Long-term investments represent investment made during 2022 in various Sukuks issued by a Saudi commercial bank and earns profits at fixed rates. The initial maturity of these Sukuks falls due in 2027. Long-term investments are subsequently measured at amortised cost.

15 Inventories

	2022	2021
Raw materials	58,892,088	46,836,048
Finished products	67,025,240	39,645,972
Consumables spare parts and supplies not held for sale	18,885,464	18,684,040
Goods-in-transit	4,054,117	-
Other	1,273,278	962,039
	150,130,187	106,128,099
Less: provision for inventory obsolescence	(20,081,320)	(17,204,046)
	130,048,867	88,924,053

Movements in provision for inventory obsolescence are as follows:

	2022	2021
As at 1 January	17,204,046	15,436,233
Additions	2,877,274	2,678,755
Write-offs	-	(910,942)
As at 31 December	20,081,320	17,204,046

BASIC CHEMICAL INDUSTRIES COMPANY**(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended 31 December 2022****(All amounts in Saudi Riyals unless otherwise stated)**

16 Trade and other receivables	Note	2022	2021
Trade receivables - Third parties		148,880,003	121,768,097
Receivable from related parties	26(c)	6,385,188	3,662,901
		155,265,191	125,430,998
Less: allowance for expected credit losses		(11,574,723)	(12,387,735)
Net trade receivables		143,690,468	113,043,263
Advances to suppliers		14,718,515	8,819,846
Prepaid expenses		5,586,548	2,363,550
Due from employees		1,816,654	4,247,075
Advance income tax	25.2	3,106,508	1,755,302
Value added tax receivable		3,576,256	13,172,927
Other		2,074,723	602,007
		174,569,672	144,003,970

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables.

The expected loss rates are based on the payment profiles of sales over a period of 60 months before 31 December 2022 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the inflation rate to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Management considers trade receivables as default when they are past due over 1 year and are accordingly completely provided for (refer to note 27.1.c). Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

Age analysis of gross carrying amount of trade receivables is as follows:

	2022	2021
Not due	105,452,325	100,473,210
0-90 days past due	26,786,341	5,938,376
91-180 days past due	11,693,903	7,977,306
181-270 days past due	5,067,197	1,860,278
271-365 days past due	204,845	1,012,337
Over 365 days past due	6,060,580	8,169,491
	155,265,191	125,430,998

Movements in the ECL allowances for trade receivables are as follows:

	2022	2021
As at 1 January	12,387,735	11,542,696
Net impact of ECL allowance recognized in profit or loss during the year	(813,012)	845,039
As at 31 December	11,574,723	12,387,735

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to conclude a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 365 days past due. Where receivables have been written off, the Group continues to execute enforcement activities to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The other classes within trade and other receivables do not contain impaired assets. The maximum exposure to credit risk at reporting date is the carrying amount of each receivable. The Group does not hold any collateral as security.

BASIC CHEMICAL INDUSTRIES COMPANY**(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended 31 December 2022**

(All amounts in Saudi Riyals unless otherwise stated)

17 Cash and cash equivalents

	2022	2021
Cash at banks	61,740,561	71,148,707
Cash in hand	219,823	216,030
	61,960,384	71,364,737

18 Long-term borrowings

	2022	2021
Principal outstanding	361,200,000	258,900,000
Accrued financial costs	-	593,635
	361,200,000	259,493,635

Borrowings are presented as follows:

Non-current portion	321,900,000	207,093,635
Current portion	39,300,000	52,400,000
	361,200,000	259,493,635

The movements in borrowings are as follows:

	2022	2021
1 January	259,493,635	85,565,944
Proceeds from borrowings	102,300,000	174,900,000
Capitalized finance costs	6,531,453	2,271,813
Finance cost expense	6,141,611	-
Repayment of finance costs	(13,266,699)	(3,244,122)
31 December	361,200,000	259,493,635

During the year 2018, Basic Chemicals Industries Company entered into an agreement with a commercial bank for credit facilities amounting to Saudi Riyals 262 million to partially finance its project as explained in Note 12. During 2022, the Group renegotiated the terms of the agreement and increases the credit limit to Saudi Riyals 412 million and rescheduled the repayment period. In accordance with the terms of the amendment loan agreement, such borrowings will be repayable in twenty-eight non equal quarterly installments commencing March 2023. Borrowings as at 31 December 2022 represent the amount drawn by the Group from such facility.

The loan is denominated in Saudi Riyals and bears financial charges based on prevailing market rates. There are no financial covenants applicable to the Company under such agreement with the bank.

Borrowing costs capitalized during the year ended 31 December 2022 amounted to Saudi Riyals 6.5 million (31 December 2021: Saudi Riyals 2.3). Refer to Note 12.

18.1 Maturity profile

The maturity profile of the principal element of borrowings is as follows:

	2022	2021
Years ending 31 December:		
2022	-	52,400,000
2023	39,300,000	52,400,000
2024	45,600,000	52,400,000
2025	49,600,000	52,400,000
2026	53,200,000	52,400,000
2027	56,800,000	-
Afterwards	116,700,000	-
	361,200,000	262,000,000

BASIC CHEMICAL INDUSTRIES COMPANY**(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended 31 December 2022****(All amounts in Saudi Riyals unless otherwise stated)****19 Share capital**

The share capital of the Company as of 31 December 2022 and 2021 comprised 27,500,000 ordinary shares stated at Saudi Riyals 10 per share.

20 Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia and the Company's By-laws, the Company is required to transfer 10% of the profit for the year to a statutory reserve until such reserve equals 30% of its share capital. The statutory reserve in the accompanying consolidated financial statements is the statutory reserve of the Company. This reserve is not available for distribution to the shareholders of the Company.

21 Employee benefit obligations**21.1 General description of the plan**

The Group applies a defined benefit plan in line with the Labor Laws' requirements in the Kingdom of Saudi Arabia. The end of service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the Labor Laws of the Kingdom of Saudi Arabia. Employees' end of service benefit plan is an unfunded plan and the benefit payment obligations are met when they fall due upon termination of or resignation from employment. The latest valuation of employee benefit obligations under the projected unit credit method was carried out by an independent actuary as of 31 December 2021.

21.2 Movement in net liability recognized in the consolidated statement of financial position

	2022	2021
As at 1 January	35,332,477	35,420,349
Current service cost	2,986,240	2,736,493
Interest cost	849,085	716,866
Benefits paid	(12,356,947)	(6,333,047)
<u>Charged to other comprehensive income</u>		
Remeasurements of employees' benefits obligations	(2,791,577)	2,791,816
As at 31 December	24,019,278	35,332,477

21.3 Amounts recognized in consolidated statement of profit or loss and other comprehensive income

	2022	2021
Current service cost	2,986,240	2,736,493
Interest cost	849,085	716,866
Total amount recognised in profit or loss	3,835,325	3,453,359
Remeasurements		
Loss from change in financial assumptions	188,652	40,318
Loss due to change in demographic assumptions	(232,931)	2,061
Experience losses (gains)	(2,747,298)	2,749,437
Total amount recognised in other comprehensive income	(2,791,577)	2,791,816

21.4 Key actuarial assumptions

	2022	2021
Discount rate	4.70%	2.35%
Salary growth rate	4.70%	2.35%
Retirement age	60 years	60 years

BASIC CHEMICAL INDUSTRIES COMPANY**(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended 31 December 2022****(All amounts in Saudi Riyals unless otherwise stated)****21 Employee benefit obligations (Continued)****21.5 Sensitivity analysis for actuarial assumptions**

	Change in assumption		Impact on employee benefit obligations	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	0.5%	(975,673)	1,047,623
Salary growth rate	0.5%	0.5%	1,082,260	(1,016,887)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with projected unit credit method at the end of the reporting period) has been applied when calculating the employee termination.

21.6 Expected maturity analysis

The weighted average duration of the defined benefit obligation is 6.41 years (2021: 8.03 years). The expected maturity analysis of employee benefit obligations is as follows:

	Less than a year	1 - 2 years	2 - 5 years	5 - 10 years	Total
31 December 2022	1,533,511	3,888,047	5,608,209	20,829,727	31,859,494
31 December 2021	1,379,258	11,777,172	4,431,503	17,268,165	34,856,098

22 Decommissioning liability

	2022	2021
Balance as at 1 January	6,060,864	-
Additions during the year	-	6,060,864
Balance as at 31 December	6,060,864	6,060,864

The Group have obligations to dismantle and remove items of property, plant and equipment and restore the location of Jubail project upon the end of lease contract. The decommissioning liabilities have been measured at the present value of expected costs to settle the obligation using discounted cash flows.

23 Derivative financial instruments

During the year 2018, the Group entered into an agreement with commercial bank for derivative financial instruments to manage the exposure of volatility in interest rates with notional amount of Saudi Riyals 262 million with no upfront premium. At 31 December 2022, these derivative financial instruments agreements had negative fair values of Saudi Riyals 14.1 million (2021: Saudi Riyals 22.5 million).

24 Trade and other payables

	Note	2022	2021
Trade payables		44,367,205	33,493,917
Accrued expenses		37,807,550	24,064,178
Retentions payable		32,774,008	26,522,060
Due to related parties	26(d)	8,556,583	3,490,002
Advances from customers		5,835,058	1,317,655
Value added tax payable		3,061,040	-
Other		416,479	8,554,386
		132,817,923	97,442,198

BASIC CHEMICAL INDUSTRIES COMPANY**(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended 31 December 2022****(All amounts in Saudi Riyals unless otherwise stated)****25 Zakat and income tax matters****25.1 Components of zakat base**

The Group is subject to zakat and income tax in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"). Zakat is calculated based on combined zakat declaration for the Company and its wholly owned subsidiaries of 100% and separate zakat and tax declarations for partially owned subsidiaries. The significant components of the zakat base of each company under applicable zakat regulations principally comprise shareholders' equity, provisions at beginning of the year and adjusted net profit, less deduction for the net book value of property, plant and equipment and certain other items.

In accordance with the regulations of the ZATCA, zakat is payable at 2.578% on all components of zakat base except for adjusted net profit for the year which is subject to zakat at the rate of 2.5%.

25.2 Provision for zakat and income taxes

	Zakat	Income tax	Total
1 January 2022	5,561,817	2,527,416	8,089,233
Provisions			
- For current year	3,942,473	5,695,615	9,638,088
- Adjustments	(1,367,696)	1,261,067	(106,629)
Payments	(3,541,455)	(2,562,460)	(6,103,915)
31 December 2022	4,595,139	6,921,638	11,516,777
1 January 2021	3,852,317	1,125,844	4,978,161
Provisions			
- For current year	4,300,840	5,926,898	10,227,738
- Adjustments related to prior years	855,298	-	855,298
	5,156,138	5,926,898	11,083,036
Payments	(3,446,638)	(4,525,326)	(7,971,964)
31 December 2021	5,561,817	2,527,416	8,089,233

At 31 December 2022 the portion of advance income tax paid by one of the subsidiaries in excess of the income tax liability amounting to Saudi Riyals 3.1 million (2021: Saudi Riyals 1.8 million) has been classified under "Trade and other receivables". Also see Note 16. Subsequently, the amount has been settled against VAT payable in Feb 2023.

25.3 Numerical reconciliation of income tax expense to prima facie tax payable

	2022	2021
Profit before zakat and income taxes	66,360,781	69,137,051
Tax at Kingdom of Saudi Arabia tax rate of 20%	13,272,156	13,827,410
Less: Tax effect of amount subject to zakat	(7,576,541)	(7,900,512)
Income tax expense	5,695,615	5,926,898

25.4 Deferred tax

Deferred income tax assets, net arising out of temporary differences such as allowance for expected credit losses, slow-moving inventories, employee termination benefits and depreciation amounted to Saudi Riyals 1.4 million (2021: Saudi Riyals 1.3 million). Such amounts were not considered significant and, accordingly, were not recognized to the consolidated financial statements for the years ended 31 December 2022 and 2021.

BASIC CHEMICAL INDUSTRIES COMPANY**(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended 31 December 2022****(All amounts in Saudi Riyals unless otherwise stated)****25 Zakat and income tax matters (Continued)****25.5 Status of final assessments****a) Basic Chemicals Industries**

ZATCA has finalized the zakat assessments for the Company for the years through 2010 which have been agreed by the Company.

For the years 2011 to 2015, the ZATCA had issued assessments for the Company with an additional zakat liability of Saudi Riyals 12.9 million. The Company filed an appeal with the ZATCA requesting them to issue revised assessments based on their contentions in such appeals and correction of material errors. During the year ended 31 December 2019, issued revised the additional assessments for the years 2011 and 2015, partially accepting the Company's contentions and accordingly, reduced the additional zakat liability from Saudi Riyals 12.9 million to Saudi Riyals 3.2 million. Upon the request of the Company, the case was transferred to General Secretariat of Tax Committees ("GSTC") in respect of the matters not accepted by the ZATCA. The Company management believes that no additional zakat liability will arise upon finalisation of the appeal.

For the years 2016 to 2020, the ZATCA issued assessments for the Company with an additional zakat liability of Saudi Riyals 0.7 million. The Company has accepted such additional assessment and settled the amount.

b) National Adhesives Company Limited "NAL"

For the years 2015 to 2018, the ZATCA issued assessments with an additional zakat liability of Saudi Riyals 11.1 million. NAL has filed an appeal with the ZATCA requesting them to issue revised assessment based on their contentions in such appeals and correction of material errors. The Group management believes that no additional zakat liability will arise upon finalisation of the appeal.

For the years 2019 and 2021, no assessments have been received.

c) Chemical Marketing and Distribution Company limited "CMDC"

For the years 2016 to 2017, the ZATCA issued assessments with an additional zakat liability of Saudi Riyals 2.1 million. CMDC has filed an appeal with the ZATCA requesting them to issue revised assessment based on their contentions in such appeals and correction of material errors. The Group management believes that no additional zakat liability will arise upon finalisation of the appeal. For the year 2018, the ZATCA issued assessments for the Company with an additional zakat liability of Saudi Riyals twenty-five thousand. The Company has accepted such additional assessment and settled the amount. For the years 2019 to 2020, no assessments have been received.

d) Huntsman APC ("HAPC")

For the years 2015 to 2020, the ZATCA issued assessments with an additional zakat and tax liabilities and accepted and settled. For the year 2021, no zakat and tax assessments have been received.

The ZATCA has issued zakat and income tax assessments related to the remaining subsidiaries for certain years which have been agreed by the subsidiaries. Zakat and income tax assessments for certain years are currently under review by the ZATCA. The subsidiaries have received the respective zakat and income tax certificates for the years through 2021.

26 Related party transactions and balances

Related parties comprise the shareholders, directors, associated companies and key management personnel. Related parties also include business entities in which certain directors or senior management have an interest ("other related parties").

(a) *Following are the significant transactions with the associated entities entered into by the Group:*

Nature of transactions	Relationship	For the year ended 31 December	
		2022	2021
Sales of goods to related parties	Associated companies	23,421,839	15,909,107
Purchases from other related parties	Associated companies	74,670,310	47,164,709
Royalty charged by a related party	Associated companies	9,739,985	8,016,162

BASIC CHEMICAL INDUSTRIES COMPANY**(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended 31 December 2022**

(All amounts in Saudi Riyals unless otherwise stated)

26 Related party transactions and balances (Continued)*(b) Key management personnel compensation:*

	For the year ended 31 December	
	2022	2021
Salaries and other short-term employee benefits	7,983,362	4,642,505
Employee benefit obligations	1,182,569	1,142,282
	9,165,931	5,784,787

Board of directors' fee for the year ended 31 December 2022 was Saudi Riyals 2.1 million (2021: Saudi Riyals 2.1 million).

(c) Amounts receivable from related parties represent the following:

	2022	2021
Henkel Adhesives Limited and its affiliates	6,385,188	3,662,901

(d) Amounts due to related parties represent the following:

	2022	2021
Henkel Adhesives Limited and its affiliates	1,178,531	3,490,002
Henkel AG & CO. KGA	7,378,052	-
	8,556,583	3,490,002

These outstanding balances are unsecured, settled in the ordinary course of business and bear no financial charges.

27 Financial risk management**27.1 Financial risk factors**

The Group's activities expose it to a variety of financial risks including the effects of changes in market risk (including foreign currency risk, fair value and cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the difficulty of the predictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the management under policies approved by the Board of Directors.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyses the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Where all relevant criteria are met, hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item. This will effectively result in recognizing interest expense at a fixed interest rate for the hedged floating rate loans at the fixed foreign currency rate for the hedged purchases, when applicable.

BASIC CHEMICAL INDUSTRIES COMPANY**(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended 31 December 2022****(All amounts in Saudi Riyals unless otherwise stated)****27 Financial risk management (Continued)****27.1 Financial risk factors (continued)****a) Derivatives**

The group has the following derivative financial instruments in the following line items in the statement of financial position:

	2022	2021
Non-current liabilities		
Derivative financial instruments - Interest rate swap	14,144,528	22,500,000

Following are the details of the interest swap arrangement:

Effective date	Maturity date	Notional amount	Weighted average hedge rate for the year
31 December 2021	31 December 2026	262,000,000	3.50%

(i) Classification of derivatives

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as 'held for trading' for accounting purposes and are accounted for at fair value through profit or loss. They are presented as liabilities.

The group's accounting policy for its derivative financial instruments is set out in Note 2.5.3. Further information about the derivatives used by the group is provided in note 27(b- ii) below.

(ii) Fair value measurement

For information about the methods and assumptions used in determining the fair value of derivatives, see Note 3.

(iii) Amounts recognized in profit or loss

During the years ended 31 December 2022 and 2021, the following amounts were recognized in profit or loss in relation to derivatives:

	2022	2021
Fair value gain (loss) on derivative financial instrument		
interest rate swap	8,355,473	(5,500,000)

BASIC CHEMICAL INDUSTRIES COMPANY**(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended 31 December 2022****(All amounts in Saudi Riyals unless otherwise stated)****27 Financial risk management (Continued)****27.1 Financial risk factors (continued)***b) Market risk*

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks - currency / foreign currency risk, cash flow and fair value interest risk and price risk.

(i) Foreign 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's transactions are principally in Saudi Riyals, United States dollars (USD), United Arab Emirates dirhams (AED) and Euros (EUR). Since Saudi Riyal is pegged to USD and AED, management of the Group believes that the currency risk for the financial instruments related to USD and AED is not significant.

The Group's exposure to foreign currency risk in respect of EUR at the end of the reporting period, expressed in Saudi Riyals, was as follows:

	2022	2021
Trade and other receivables	9,379,866	8,460,138
Trade and other payables	3,186,737	1,482,994

At 31 December 2022 and 2021, if the EUR to Saudi Riyals exchange rate increased/decreased by 10%, profit for the year would have been higher/ lower by Saudi Riyals 0.1 and 0.1 million respectively.

(ii) Fair value and cash flow interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. As disclosed in Note 18, as at 31 December 2022, the Group has interest bearing bank borrowings of Saudi Riyals 412 million (2021: Saudi Riyals 262 million).

The Group's management monitors the fluctuations in interest rates on regular basis considering its long-term borrowings carry financial charges at prevalent market rates. At 31 December 2022, a change in interest rates, with all other variables held constant, would not have had a material impact on profit before zakat and tax since significant borrowings costs have been capitalized by the Group.

The swap contracts require settlement of net interest receivable or payable at last business day of every quarter ending 31 March, 30 June, 30 September and 31 December. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

(iii) Price risk

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group's financial assets and liabilities are not exposed to price risk.

BASIC CHEMICAL INDUSTRIES COMPANY**(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended 31 December 2022****(All amounts in Saudi Riyals unless otherwise stated)****27 Financial risk management (Continued)****27.1 Financial risk factors (continued)***c) Credit risk*

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from cash and cash equivalents as well as credit exposures to customers, including outstanding amounts from related parties and committed transactions.

With respect to exposures with banks, management considers the credit risk exposure to be minimal as the Group deals with reputed local commercial banks only. Management does not expect any losses from non-performance by these counterparties.

The Group has established credit policies and procedures that are considered appropriate and commensurate with the nature and size of receivables. Details of how credit risk relating to trade receivables is managed is disclosed in Note 16.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The loss allowance provision is determined as follows; the expected credit losses below also incorporate forward looking information.

<u>31 December 2022</u>	Expected loss rate	Gross Carrying amount	Loss allowance provision
Not due	0.34%	105,452,325	355,944
0-90 days past due	0.44%	26,786,341	91,202
91-180 days past due	1.09%	11,693,903	127,051
181-270 days past due	3.03%	5,067,197	153,611
271-365 days past due	100.00%	204,845	204,845
Over 365 days past due	100.00%	6,060,580	6,060,580
Specific default allowance	100.00%	-	4,581,490
		<u>155,265,191</u>	<u>11,574,723</u>
<u>31 December 2021</u>	Expected loss rate	Gross Carrying amount	Loss allowance provision
Not due	0.34%	100,473,210	339,137
0-90 days past due	0.44%	5,938,376	20,219
91-180 days past due	1.09%	7,977,306	286,671
181-270 days past due	3.03%	1,860,278	56,394
271-365 days past due	100.00%	1,012,337	1,012,337
Over 365 days past due	100.00%	8,169,491	8,169,491
Specific default allowance	100.00%	-	2,503,486
		<u>125,430,998</u>	<u>12,387,735</u>

BASIC CHEMICAL INDUSTRIES COMPANY**(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended 31 December 2022**

(All amounts in Saudi Riyals unless otherwise stated)

27 Financial risk management (Continued)**27.1 Financial risk factors (continued)***c) Credit risk (Continue)*

At 31 December 2022, 19.8% of accounts receivable were due from three customers (2021: 18% from three customers). Management believes that this concentration of credit risk is mitigated as the customers have established track record of regular and timely payments.

The Group categorizes its trade receivables as due from corporate and government related entities.

Major classification of trade receivable as at 31 December was as follows:

	2022		2021	
	Amount	%	Amount	%
Corporates	139,913,610	94	116,749,463	96
Government related entities	8,966,393	6	5,018,634	4
	148,880,003	100	121,768,097	100

d) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group considers the maturity of both its financial investments and financial assets (e.g. trade receivables, other financial assets) and projected cash flows from operations including access to borrowing facilities. This excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disaster.

The cash flows, funding requirements and liquidity of Group companies are monitored on a centralized basis, under the control of Group Treasury. The objective of this centralized system is to optimize the efficiency and effectiveness of the management of the Group's capital resources.

The table below summarizes the maturity profile of the Group's financial liabilities as at 31 December 2022 and 2021 based on contractual undiscounted payments:

	Less than one year	1 to 3 years	3 to 5 years	More than 5 years	Total
2022					
Interest bearing					
Long-term borrowings	39,300,000	148,400,000	173,500,000	-	361,200,000
Lease liabilities	2,180,042	2,785,701	1,799,900	8,776,886	15,542,529
Non-interest bearing					
Trade and other payables	85,697,796	-	-	-	85,697,796
	127,177,838	151,185,701	175,299,900	8,776,886	462,440,325

BASIC CHEMICAL INDUSTRIES COMPANY**(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended 31 December 2022**

(All amounts in Saudi Riyals unless otherwise stated)

27 Financial risk management (Continued)**27.1 Financial risk factors (continued)***d) Liquidity risk (continued)*

	Less than one year	1 to 3 years	3 to 5 years	More than 5 years	Total
2021					
Interest bearing					
Long-term borrowings	53,189,902	167,415,403	58,526,656	-	279,131,961
Lease liabilities	2,400,060	3,888,860	1,799,900	19,798,900	27,887,720
Non-interest bearing					
Trade and other payables	63,505,979	-	-	-	63,505,979
	<u>119,095,941</u>	<u>171,304,263</u>	<u>60,326,556</u>	<u>19,798,900</u>	<u>370,525,660</u>

Capital risk management

The Group's objective when managing capital is to safeguard Group's ability to continue as a going concern in order to provide returns for the shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Borrowings comprise long-term borrowings from a commercial bank. Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio which is analyzed as follows:

	2022	2021
Total equity	690,981,704	628,394,740
Long-term borrowings	361,200,000	259,493,635
Total	<u>1,052,181,704</u>	<u>887,888,375</u>
Gearing ratio	34.3%	29.2%

The management and Board of Directors do not consider lease liabilities for the purpose of calculating the gearing ratio.

27.2 Net debt reconciliation

The net debt of the Group is as follows:

	2022	2021
Cash and cash equivalents	61,960,384	71,364,737
Lease liabilities	(15,040,111)	(18,385,962)
Borrowings	<u>(361,200,000)</u>	<u>(259,493,635)</u>
Net debt	<u>(314,279,727)</u>	<u>(206,514,860)</u>

BASIC CHEMICAL INDUSTRIES COMPANY**(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended 31 December 2022****(All amounts in Saudi Riyals unless otherwise stated)****27 Financial risk management (Continued)****27.2 Net debt reconciliation**

The Group's net debt reconciliation is as follows:

2022	1 January	Cash flows	Others	31 December
Cash and cash equivalents	71,364,737	(9,404,353)	-	61,960,384
Lease liabilities	(18,385,962)	3,623,875	(278,024)	(15,040,111)
Long-term borrowings	(259,493,635)	(102,300,000)	593,635	(361,200,000)
Net debt	(206,514,860)			(314,279,727)

2021	1 January	Cash flows	Others	31 December
Cash and cash equivalents	84,447,626	(13,082,889)	-	71,364,737
Lease liabilities	(19,248,202)	1,926,746	(1,064,506)	(18,385,962)
Long-term borrowings	(85,565,944)	(174,900,000)	972,309	(259,493,635)
Net debt	(20,366,520)			(206,514,860)

28 Categories of financial assets and financial liabilities

As at 31 December 2022 and 2021, all financial assets and financial liabilities were carried at amortized cost.

	2022	2021
Assets as per consolidated statement of financial position		
Trade and other receivables	143,690,468	113,043,263
Long-term investments	21,000,000	-
Cash and cash equivalents	61,960,384	71,364,737
Total	226,650,852	184,408,000
	2022	2021
Liabilities as per consolidated statement of financial position		
Long-term borrowings	361,200,000	259,493,635
Derivative financial instrument - interest rate swap	14,144,528	22,500,000
Lease liabilities	15,040,111	18,385,962
Decommissioning liability	6,060,864	6,060,864
Trade and other payables	85,697,796	63,505,979
Total	482,143,299	369,946,440

At 31 December 2022, for the purpose of the financial instruments disclosure, non-financial assets and non-financial liabilities amounting to Saudi Riyals 15.4 million and Saudi Riyals 1.3 million respectively (2021: Saudi Riyals 9.7 million and Saudi Riyals 1.0 million, respectively) have been excluded from trade and other receivables and trade and other payables, respectively.

BASIC CHEMICAL INDUSTRIES COMPANY**(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended 31 December 2022****(All amounts in Saudi Riyals unless otherwise stated)**

29 Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the number of ordinary shares in issue during the year. As the Company does not have any dilutive potential shares, the diluted earnings per share is the same as the basic earnings per share.

	For the year ended 31 December	
	2022	2021
Profit attributable to the shareholders of Basic Chemical Industries Company	40,432,242	34,368,495
Ordinary shares for basic and diluted earnings per share	27,500,000	27,500,000
Basic and diluted earnings per share	1.47	1.25

30 Contingencies and commitments

- 1) The Group was contingently liable at 31 December 2022 for bank guarantees issued in the normal course of business amounting to Saudi Riyals 10.6 million (31 December 2021: Saudi Riyals 8.2 million).
- 2) Also see Note 25 for income tax and zakat contingencies.

31 Approval of the consolidated financial statements

These consolidated financial statements were approved by the Board of Directors on 29 Sha'ban 1444H (corresponding to 21 March 2023).