

SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIODS ENDED
30 SEPTEMBER 2022
WITH
INDEPENDENT AUDITOR'S REVIEW REPORT

SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2022

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Report on review of interim condensed financial statements

To the shareholders of Saudi Kayan Petrochemical Company (Saudi Kayan)
(A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Saudi Kayan Petrochemical Company (Saudi Kayan) (the “Company”) as of 30 September 2022 and the related condensed statement of profit or loss and other comprehensive income for the three-month and nine-month periods then ended and the interim condensed statements of changes in equity and cash flows for the nine-month period ended 30 September 2022 and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 - “Interim Financial Reporting” (“IAS 34”), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

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

Conclusion

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

PricewaterhouseCoopers

Bader I. Benmohareb
License Number 471

30 October 2022





SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)
(A SAUDI JOINT STOCK COMPANY)


INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2022

(EXPRESSED IN SAUDI RIYALS IN THOUSANDS, UNLESS OTHERWISE STATED)

	Note	30 September 2022 (Unaudited)	31 December 2021 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	5	23,735,564	25,300,616
Right-of-use assets	6	282,427	292,603
Intangible assets		225,229	248,822
Other non-current assets		57,156	68,241
Total non-current assets		24,300,376	25,910,282
Current assets			
Inventories		1,496,407	1,758,316
Trade receivables		3,069,210	3,840,044
Prepayments		71,549	94,775
Other current assets		325,282	332,440
Cash and cash equivalents		1,291,632	918,594
Total current assets		6,254,080	6,944,169
Total assets		30,554,456	32,854,451
EQUITY AND LIABILITIES			
Equity			
Share capital		15,000,000	15,000,000
Statutory reserve		288,470	288,470
Other components of equity		620,874	620,874
Actuarial gain / (loss) reserve		206,486	(108,531)
Retained earnings		215,694	668,459
Total equity		16,331,524	16,469,272
Liabilities			
Non-current liabilities			
Term loans	7	8,095,385	11,266,857
Lease liabilities		236,795	268,652
Employees' benefits		669,866	906,557
Total non-current liabilities		9,002,046	12,442,066
Current liabilities			
Current portion of term loans	7	3,184,849	1,801,857
Current portion of lease liabilities		81,298	40,647
Trade payables		774,256	837,519
Accruals and other current liabilities		1,075,652	1,119,621
Zakat provision	4	104,831	143,469
Total current liabilities		5,220,886	3,943,113
Total liabilities		14,222,932	16,385,179
Total equity and liabilities		30,554,456	32,854,451


Aiman Fouad Khayat
(Finance and Planning Director)


Metab Zaid Al-Shahrani
(Company's President)



Waleed Ahmed Al-Shalfan
(Designate Member)


The accompanying notes 1 through 12 on pages 7 to 17 form an integral part of these interim condensed financial statements.

SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THREE AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2022**
(EXPRESSED IN SAUDI RIYALS IN THOUSANDS, UNLESS OTHERWISE STATED)

	Note	For the three-month period ended		For the nine-month period ended	
		30 September 2022	30 September 2021	30 September 2022	30 September 2021
		(Unaudited)	(Unaudited) (Restated) Note 11	(Unaudited)	(Unaudited) (Restated) Note 11
Sales		2,596,324	3,434,066	9,141,036	9,091,104
Cost of sales		(3,085,014)	(2,451,024)	(8,725,483)	(6,301,610)
Gross (loss) profit		(488,690)	983,042	415,553	2,789,494
Selling and distribution expenses		(68,013)	(67,903)	(178,709)	(151,428)
General and administrative expenses		(118,854)	(126,330)	(361,879)	(354,907)
Operating (loss) profit		(675,557)	788,809	(125,035)	2,283,159
Finance income		4,543	1,509	10,569	4,319
Finance cost		(121,890)	(68,791)	(266,945)	(212,485)
Other (expense) income - net		(21)	2,314	2,488	(10,694)
(Loss) profit before zakat		(792,925)	723,841	(378,923)	2,064,299
Zakat	4	(19,343)	(56,395)	(73,842)	(122,965)
(Loss) profit for the period		(812,268)	667,446	(452,765)	1,941,334
Other comprehensive income (loss)					
<i>Items that will not be reclassified to the interim condensed statement of profit or loss in subsequent periods:</i>					
Re-measurement of defined benefit obligations		106,872	(9,842)	315,017	23,793
Other comprehensive income (loss) for the period		106,872	(9,842)	315,017	23,793
Total comprehensive (loss) income for the period		(705,396)	657,604	(137,748)	1,965,127
Earnings per share					
Number of shares outstanding (in thousands)		1,500,000	1,500,000	1,500,000	1,500,000
Basic and diluted earnings per share attributable to the shareholders of the Company (Saudi Riyals)		(0.54)	0.44	(0.30)	1.29


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SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)

(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022

(EXPRESSED IN SAUDI RIYALS IN THOUSANDS, UNLESS OTHERWISE STATED)

	Share capital	Statutory reserve	Other components of equity	Actuarial (loss) / gain reserve	(Accumulated losses) / retained earnings	Total
As at 1 January 2021 - (Audited)	15,000,000	49,408	620,874	(178,321)	(1,483,095)	14,008,866
<i>Total comprehensive income for the period</i>						
Profit for the period	-	-	-	-	1,941,334	1,941,334
Other comprehensive income for the period	-	-	-	23,793	-	23,793
Total comprehensive income for the period	-	-	-	23,793	1,941,334	1,965,127
As at 30 September 2021 - (Unaudited)	15,000,000	49,408	620,874	(154,528)	458,239	15,973,993
As at 1 January 2022 (Audited)	15,000,000	288,470	620,874	(108,531)	668,459	16,469,272
<i>Total comprehensive income for the period</i>						
Loss for the period	-	-	-	-	(452,765)	(452,765)
Other comprehensive income for the period	-	-	-	315,017	-	315,017
Total comprehensive income (loss) for the period	-	-	-	315,017	(452,765)	(137,748)
As at 30 September 2022 (Unaudited)	15,000,000	288,470	620,874	206,486	215,694	16,331,524



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SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022

(EXPRESSED IN SAUDI RIYALS IN THOUSANDS, UNLESS OTHERWISE STATED)

	For the nine-month period ended	
	30 September 2022	30 September 2021
Note	(Unaudited)	(Unaudited) (Restated) Note 11
Cash flows from operating activities		
(Loss) / profit before zakat	(378,923)	2,064,299
<i>Adjustment for:</i>		
Depreciation of property, plant and equipment	1,738,169	1,742,674
Depreciation of right-of-use assets	43,534	43,948
Amortization of intangible assets	18,937	21,143
Employees' benefits	78,326	71,778
Loss on disposal of property, plant and equipment	1,410	13,339
Write-off of intangible assets	4,656	-
Finance cost	266,945	212,485
Finance income	(10,569)	(4,319)
	1,762,485	4,165,347
<i>Changes in:</i>		
Inventories	261,909	(376,202)
Trade receivables	770,834	(1,184,424)
Prepayments	23,226	22,197
Other current and non-current assets	18,756	(36,744)
Trade payables	(63,263)	65,874
Accruals and other current liabilities	(163,303)	187,001
Cash generated from operations	2,610,644	2,843,049
Zakat paid	(112,480)	(96,699)
Net cash generated from operating activities	2,498,164	2,746,350
Cash flows from investing activities		
Additions to property, plant and equipment	(174,527)	(373,984)
Additions to intangible assets	-	(485)
Short term investments made during the period	-	(768,750)
Finance income received	10,056	3,671
Net cash used in investing activities	(164,471)	(1,139,548)

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SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)
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INTERIM CONDENSED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022

(EXPRESSED IN SAUDI RIYALS IN THOUSANDS, UNLESS OTHERWISE STATED)

		For the nine-month period ended	
	Note	30 September 2022	30 September 2021
		(Unaudited)	(Unaudited) (Restated) Note 11
Cash flows from financing activities			
Repayment of term loans	7	(1,805,532)	(936,191)
Payment of lease liabilities		(36,658)	(36,190)
Finance cost paid		(118,465)	(128,626)
Cash used in financing activities		(1,960,655)	(1,101,007)
Net increase in cash and cash equivalents		373,038	505,795
Cash and cash equivalents at the beginning of the period		918,594	585,845
Cash and cash equivalents at the end of the period		1,291,632	1,091,640
Non-cash transactions			
Additions to right-of-use assets and lease liabilities		33,677	59,953
Transfer of intangible assets		-	421
Derecognition of right-of-use assets		319	-


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SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2022

(EXPRESSED IN SAUDI RIYALS IN THOUSANDS, UNLESS OTHERWISE STATED)

1. CORPORATE INFORMATION

Saudi Kayan Petrochemical Company (Saudi Kayan) ("the Company") is a Saudi Joint Stock Company registered under Commercial Registration No. 2055008450 issued in Al Jubail on 26 Jumada'I 1428 H (12 June 2007G). The registered address of the Company is P.O. Box 10302, Al Jubail Industrial City, the Kingdom of Saudi Arabia. 35% of the Company's shares are owned by Saudi Basic Industries Corporation ("SABIC") and remaining held by general public. Saudi Arabian Oil Company ("Saudi Aramco") acquired 70% of SABIC's shares effective 16 June 2020.

The Company is engaged in production of polypropylene, propylene, acetone, polyethylene, ethoxylate, ethylene, ethylene glycol, bisphenol, ethanolamine, industrial fatty alcohol, polycarbonate and other petrochemical products under an industrial license No. (218) dated 14 Shawwal 1443H (corresponding to 16 May 2022G) and ending on 14 Shawwal 1446H (corresponding to 13 April 2025G) issued by the Ministry of Energy, Industry and Mineral Resources.

The Company has 33.33% interest in Saudi Butanol Company (Sabuco), a Saudi Arabian Mixed Limited Liability Company. Sabuco's principal activities comprise of a Butanol plant in Jubail for the production of N-Butanol and Iso-Butanol.

All of the N-Butanol and Iso-Butanol produced by Sabuco is sold to the parties to the joint arrangement (i.e. the Company and its partners). Based on these facts and circumstances, it was assessed that the Company has rights to the assets and obligations for the liabilities relating to Sabuco. It has therefore been classified as a joint operation. The Company has accounted for its share of assets, liabilities, income and expenses based on its 33.33% shareholding interest. (Refer note 11)

These interim condensed financial statements have been approved on 27 Rabi-ul-Awal 1444H (corresponding to 23 October 2022G).

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These interim condensed financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" (IAS 34) that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA").

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2021 ("Last Annual Financial Statements"). However, changes in accounting policies, if any and selected explanatory notes are included to explain events and transactions that are significant to understanding of the changes in the Company's financial position and performance since the Last Annual Financial Statements.

SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2022
(EXPRESSED IN SAUDI RIYALS IN THOUSANDS, UNLESS OTHERWISE STATED)

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

2.2 Basis of preparation

These interim condensed financial statements are prepared using the historical cost convention using the accrual basis of accounting except for employees' benefit obligation which is measured at present value of the defined benefit obligation using the projected unit credit method.

2.3 Functional and presentation currency

These interim condensed financial statements are presented in Saudi Riyals ("SR") which is the functional and presentation currency of the Company. All financial information presented has been rounded to the nearest Saudi Riyal, unless otherwise stated.

2.4 Use of judgements and estimates

In preparing these interim condensed financial statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

During 2021, the Company reappraised certain critical management judgment, which it had previously applied and disclosed in the financial statements for the year ended 31 December 2020 relating to determination of whether control, joint control or significant influence is present with respect to Company's investment in Saudi Butanol Company. As a result of this reassessment, the Company has concluded that the investment in Saudi Butanol Company, which was previously accounted for as an investment in an associate as per IAS 28 'Investment in Associate and Joint Ventures', will be accounted for as Joint Operation as per IFRS 11 'Joint Arrangements'. Significant judgements were needed to provide a faithful representation of the arrangement and the underlying economics where an arrangement is classified as a joint operation. This change in accounting treatment is applied retrospectively in accordance with the requirements of IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors.

The restatement, reflecting the above changes, is set out in Note 11 to the interim condensed financial statements.

Management has considered the potential impact of COVID-19 pandemic on the Company's significant accounting judgements and estimates. However, there was no significant impact. Accordingly, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

2.5 Significant accounting policies

The accounting policies applied in these interim condensed financial statements are the same as those applied in the Company's financial statements as at and for the year ended 31 December 2021. A number of amendments to existing standards, as detailed in note 2.6 below, became effective from 1 January 2022 but they do not have a material effect on the interim condensed financial statements of the Company. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2022
(EXPRESSED IN SAUDI RIYALS IN THOUSANDS, UNLESS OTHERWISE STATED)

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

2.6 New standards and amendments to existing standards

New and amended standards adopted by the Company during the period

The Company has adopted the following standards and amendments:

- Property, Plant and Equipment - Proceeds before Intended Use (Amendments to IAS 16), effective for annual periods beginning on or after 1 January 2022.
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37), effective for annual periods beginning on or after 1 January 2022. The application of the revised IFRS did not have any material impact on the amounts reported for current and prior periods.
- Annual Improvements to IFRS Standards 2018-2020, effective for annual periods beginning on or after 1 January 2022. The application of the revised IFRS did not have any material impact on the amounts reported for current and prior periods.
- Reference to the Conceptual Framework (Amendments to IFRS 3), effective for annual periods beginning on or after 1 January 2022. The application of the revised IFRS did not have any material impact on the amounts reported for current and prior periods.

Standards and amendments to existing standards issued but not yet effective

Certain new amendments to existing accounting standards have been published that are not mandatory for reporting period and have not been early adopted by the Company. Management is assessing the impact, if any, these amendments may have on the Company's financial statements.

3. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent shareholders, parent company, ultimate parent company, key management personnel of the Company and entities controlled, jointly controlled or significantly influenced by such parties. Following is the list of the major related parties of the Company:

<u>Name of related party</u>	<u>Nature of relationship</u>
Saudi Arabian Oil Company ("Saudi Aramco")	Ultimate parent company
Saudi Basic Industries Corporation ("SABIC")	Parent company
SABIC affiliates	Affiliates (being entities controlled, jointly controlled or significantly influenced by SABIC)
Power and Water Utility Company for Jubail and Yanbu ("Marafiq")	Associate of ultimate parent company
Saudi Butanol Company	Joint Operation

SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**FOR THE THREE AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2022**

(EXPRESSED IN SAUDI RIYALS IN THOUSANDS, UNLESS OTHERWISE STATED)

3. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

The following table provides the total amount of significant transactions that have been entered into with related parties during the period ended 30 September 2022 and 30 September 2021:

Related party	Nature of Transaction	For the three-month period ended	For the nine-month period ended		
		30 September 2022	30 September 2021	30 September 2022	30 September 2021
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
SABIC	Sales	2,594,794	3,433,023	9,139,331	9,089,726
	Marketing fee	102,796	135,989	361,917	359,994
	Purchases and other services	239,534	232,274	745,650	553,288
	Shared services charges	13,965	13,848	40,957	39,699
	Technology and innovation cost	51,922	68,673	182,795	181,796
	Purchase of insurance policies through the parent company	8,035	8,499	23,026	26,064
	Supply chain services	39,683	30,179	98,429	73,707
Saudi Aramco	Purchases and other services	1,354,586	1,299,713	4,406,960	2,972,863
Marafiq	Purchases and other services	11,387	15,779	43,644	46,011
SABIC affiliates	Purchase of inventory, capital goods and services	17,724	27,801	52,712	60,900
Key management personnel	Salaries and other benefits	1,381	1,612	4,142	4,835
	Post-employment benefits	256	651	767	1,954

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2022
(EXPRESSED IN SAUDI RIYALS IN THOUSANDS, UNLESS OTHERWISE STATED)

3. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

The following table provides the related party balances as at 30 September 2022 and 31 December 2021:

	30 September 2022	31 December 2021
	(Unaudited)	(Audited)
a. Trade receivables (due from related parties)		
SABIC	3,029,223	3,805,254
SABIC affiliates and others	31,384	32,615
	3,060,607	3,837,869
b. Advances and other receivables (due from related parties)		
SABIC	122,076	124,030
SABIC affiliates	18	562
	122,094	124,592
c. Trade payables (due to related parties)		
SABIC	236,814	180,272
Saudi Aramco	531,299	611,206
SABIC affiliates and others	6,022	8,893
	774,135	800,371
d. Accruals and other current liabilities (due to related parties)		
SABIC	238,196	205,913
Saudi Aramco	393,757	517,454
Marafiq	4,069	4,901
	636,022	728,268

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at terms agreed by the management. Outstanding balances at the period ended 30 September 2022 and year ended 31 December 2021 are unsecured, interest free and settled in cash. For the nine-month period ended 30 September 2022 and 30 September 2021, the Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken by examining the financial position of the related party and the market in which the related party operates.

Significant transactions with related parties are described as follows:

- i) The Company has a service level agreement with SABIC (Shared Services Organization – SSO) for the provision of accounting, warehousing, human resources, information technology (ERP/SAP), transporting and arranging for delivery of materials related to the Company's spare parts, engineering, procurement and related services and other general services to the Company. The Company also has a logistics service agreement with SABIC.
- ii) Advances to SABIC represent the amount paid by the Company according to shared service agreement to finance the purchase of the Company's materials and services from SABIC and its affiliates.

SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**FOR THE THREE AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2022****(EXPRESSED IN SAUDI RIYALS IN THOUSANDS, UNLESS OTHERWISE STATED)****3. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)**

- iii) The Company's annual contribution to SABIC for research and technology is computed as 2% of total sales, which is charged to general and administrative expenses in the interim condensed statement of profit or loss and other comprehensive income.
- iv) The majority of the Company's products are sold to SABIC ("the Marketer") under marketing and off-take agreements. Upon delivery of the product, sales are recorded at net provisional price which are subsequently adjusted to actual selling prices received by SABIC from its customers after deducting shipping, distribution and selling cost, and 4% of marketing fee to cover all other marketing expenses.
- v) The Company has a gas allocation agreement, through which the Company can purchase a pre-set amount of gas from Saudi Aramco on a yearly basis.
- vi) The Company has issued a guarantee amounting to USD 1.1 million (SR 4.1 million) in favor of Saudi Aramco.

Prices and terms of payments for the above transactions are approved by the Company's management.

4. ZAKAT

The Company has finalized its zakat status with the Zakat, Tax and Customs Authority ("ZATCA") for all years up to 2015. During the year 2020, ZATCA issued assessments for the years from 2016 to 2018 with an additional liability of SR 22.5 million. The Company has filed an appeal against the additional liability. ZATCA has partially accepted the Company's appeal, however, the Company has opted to raise the appeal to the General Secretariat of Zakat, Tax and Customs Committees ("GSTC") to seek a more favorable decision. The assessment is still under study. The Company has booked a provision against such assessment amounting to SR 16.5 million.

During the year 2021, ZATCA issued assessments for the years 2019 and 2020 with an additional liability of SR 5.5 million and SR 3.7 million respectively. The Company has filed an appeal against the additional liability and ZATCA's response is still awaited in this regard. The Company has booked a provision against such assessments amounting to SR 7.6 million. The Company has issued bank guarantees in favor of ZATCA amounting to SR 2.7 million and SR 1.8 million respectively against these assessments.

5. PROPERTY, PLANT AND EQUIPMENT

5.1 The movement of property, plant and equipment is as follows:

	30 September 2022 (Unaudited)	31 December 2021 (Audited)
Carrying value at the beginning of the period / year	25,300,616	27,237,632
Additions	174,527	422,550
Write-off, net of accumulated depreciation	(1,410)	(22,325)
Transfer to housing program under other non-current assets	-	(10,578)
Depreciation for the period / year	(1,738,169)	(2,326,663)
Carrying value at the end of the period / year	23,735,564	25,300,616

All of the Company's property, plant and equipment have been pledged as security against term loans.

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FOR THE THREE AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2022
(EXPRESSED IN SAUDI RIYALS IN THOUSANDS, UNLESS OTHERWISE STATED)

5 PROPERTY, PLANT AND EQUIPMENT (Continued)

5.2 Asset under construction

The carrying value of property plant and equipment includes a balance amounting to SR 253.72 million (31 December 2021: SR 268.32 million) relating to asset under construction which relates to assets for other support facilities.

6. RIGHT OF USE ASSETS

The movement of right of use assets is as follows:

	30 September 2022	31 December 2021
	(Unaudited)	(Audited)
Carrying value at the beginning of the period / year	292,603	362,535
Additions	33,677	60,598
Derecognition, net of accumulated depreciation	(319)	(73,666)
Depreciation for the period / year	(43,534)	(56,864)
Carrying value at the end of the period / year	282,427	292,603

7. TERM LOANS

The details of term loans are as follows:

	30 September 2022	31 December 2021
	(Unaudited)	(Audited)
Public Investment Fund (PIF)	-	299,357
Islamic Facility Agreement (IFA)	-	596,273
Commercial facility from various commercial banks	-	420,319
Export Credit Agency (ECA)	-	359,242
Saudi Industrial Development Fund (SIDF)	275,857	397,583
Murabaha long term loans	11,004,377	10,995,940
Total	11,280,234	13,068,714
Total non-current	8,095,385	11,266,857
Total current	3,184,849	1,801,857

During the nine-month period ended 30 September 2022 and 30 September 2021, the Company made repayments of SR 1,805.5 million and SR 936.2 million, respectively.

8. FAIR VALUE MEASUREMENT

The Company's principal financial assets include cash and cash equivalents, trade receivables and certain other receivables that arise directly from its operations. The Company's principal financial liabilities comprise term loans, trade payables, due to related parties and other payables.

Fair value hierarchy

All financial instruments for which fair value is recognized or disclosed are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

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

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

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8 FAIR VALUE MEASUREMENT (Continued)

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

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

There were no changes in the Company's valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the period.

As at the reporting date all financial assets and financial liabilities are measured at amortized cost. The carrying value of the financial assets and financial liabilities of the Company approximate their fair value.

9. SEGMENT INFORMATION

A segment is a distinguishable component of the Company that is engaged in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

Substantial portion of the Company's sales are made to one customer in the Kingdom of Saudi Arabia, and all of the Company's operations are related to one operating segment which is petrochemicals. Accordingly, segmental analysis by geographical and operating segment has not been presented.

The Board of Directors of the Company monitor the results of the Company's operations and have been identified as the Chief Operating Decision Maker (CODM).

10. ECONOMIC ENVIRONMENT AND ITS EFFECTS ON BUSINESS

During the three-month period ended 30 September 2022, there was a significant decline in the sales prices of the Company's products in the global markets which resulted in a significant decrease in revenue, margin and profitability for the period. Management believes that such decrease in sales prices is short-term and the sales prices are expected to improve in the foreseeable future.

During the nine-month period ended 30 September 2022, management has also assessed the impact of COVID-19 on the Company's operations and business aspects, and considered factors like effects on supply chain, operating rates of its plants, additional cost in supply chain and product demand. Based on this assessment, management believes that the COVID-19 pandemic has had no material impact on the Company's reported financial results for the three-month and nine-month periods ended 30 September 2022 including the significant accounting judgements and estimates. The management continues to monitor the COVID-19 situation closely, although at this time management is not aware of any factors that are expected to change the impact of the pandemic on the Company's operations during 2022 or beyond.

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11. RESTATEMENT OF PRIOR PERIODS

As disclosed in note 2.4 to the interim condensed financial statements, during the year 2021, the Company has reappraised certain critical management judgment, which it had previously applied and disclosed in the financial statements for the year ended 31 December 2020 relating to determination of whether control, joint control or significant influence is present with respect to Company's investment in Saudi Butanol Company. As a result of this reassessment, the Company has changed the accounting treatment of the Company's investment in Saudi Butanol Company from investment in associate as per IAS 28 'Investment in Associate and Joint Ventures' to Joint Operation as per IFRS 11 'Joint Arrangements'. This has been reflected by restating each of the affected financial statements line items of prior periods in accordance with the requirements of IAS 8 – 'Accounting Policies, Changes in Accounting Estimates and Errors'. The table below summarizes the impacts on the Company's interim condensed financial statements:

Impact of the above adjustments in interim condensed statement of profit or loss and other comprehensive income for the three- month and nine-month periods ended 30 September 2021:

	For the three-month period ended			For the nine-month period ended		
	30 September 2021		30 September 2021	30 September 2021		30 September 2021
	(Unaudited)		(Unaudited)	(Unaudited)		(Unaudited)
	(Previously stated)	Adjustments	(Restated)	(Previously stated)	Adjustments	(Restated)
Sales	3,434,066	-	3,434,066	9,091,104	-	9,091,104
Cost of sales	(2,457,690)	6,666	(2,451,024)	(6,322,943)	21,333	(6,301,610)
Gross profit	976,376	6,666	983,042	2,768,161	21,333	2,789,494
Selling and distribution expenses	(67,903)	-	(67,903)	(151,428)	-	(151,428)
General and administrative expenses	(125,663)	(667)	(126,330)	(352,240)	(2,667)	(354,907)
Operating profit	782,810	5,999	788,809	2,264,493	18,666	2,283,159
Share of profit of an associate	4,016	(4,016)	-	12,792	(12,792)	-
Finance income	1,509	-	1,509	4,319	-	4,319
Finance cost	(67,458)	(1,333)	(68,791)	(208,152)	(4,333)	(212,485)
Other expenses, net	1,981	333	2,314	(8,027)	(2,667)	(10,694)
Profit before zakat	722,858	983	723,841	2,065,425	(1,126)	2,064,299
Zakat	(55,412)	(983)	(56,395)	(124,091)	1,126	(122,965)
Profit for the period	667,446	-	667,446	1,941,334	-	1,941,334

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11. RESTATEMENT OF PRIOR PERIODS (Continued)

	For the three-month period ended			For the nine-month period ended		
	30 September 2021 (Unaudited) (Previously stated)	Adjustments	30 September 2021 (Unaudited) (Restated)	30 September 2021 (Unaudited) (Previously stated)	Adjustments	30 September 2021 (Unaudited) (Restated)
Other comprehensive income						
<i>Items that will not be reclassified to the interim condensed statement of profit or loss in subsequent periods:</i>						
Re-measurement of defined benefit obligations	(9,842)	-	(9,842)	23,793	-	23,793
Other comprehensive (loss) income for the period	(9,842)	-	(9,842)	23,793	-	23,793
Total comprehensive income for the period	657,604	-	657,604	1,965,127	-	1,965,127
Earnings per share						
Number of shares outstanding (in thousands)	1,500,000		1,500,000	1,500,000		1,500,000
Basic and diluted earnings per share attributable to the shareholders of the Company (Saudi Riyals)	0.44		0.44	1.29		1.29

Impact of the above adjustments on the interim condensed statement of cash flows as of 30 September 2021:

	30 September 2021 (Unaudited) (Previously stated)	Adjustments	30 September 2021 (Unaudited) (Restated)
Net cash flows from operating activities	2,583,841	162,509	2,746,350
Net cash used in investing activities	(1,137,401)	(2,147)	(1,139,548)
Net cash used in financing activities	(927,717)	(173,290)	(1,101,007)
Net change in cash and cash equivalents	518,723	(12,928)	505,795

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12. SUBSEQUENT EVENTS

No significant subsequent event occurred between 30 September 2022 and the date of authorization of these interim condensed financial statements by the Board Audit Committee, which may have material impact on these interim condensed financial statements.