

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

**INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE THREE AND SIX MONTH PERIODS ENDED**  
**30 JUNE 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 SIX MONTH PERIODS ENDED 30 JUNE 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 June 2022 and the related condensed statement of profit or loss and other comprehensive income for the three-month and six-month periods then ended and the interim condensed statements of changes in equity and cash flows for the six-month period ended 30 June 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

2 August 2022


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

**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**

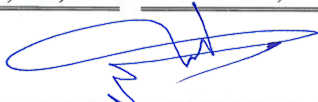
**AS AT 30 JUNE 2022**

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

	Note	30 June 2022 (Unaudited)	31 December 2021 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	24,250,213	25,300,616
Right-of-use assets	6	277,501	292,603
Intangible assets		231,689	248,822
Other non-current assets		61,702	68,241
<b>Total non-current assets</b>		<b>24,821,105</b>	<b>25,910,282</b>
<b>Current assets</b>			
Inventories		1,830,393	1,758,316
Trade receivables		3,633,176	3,840,044
Prepayments		37,947	94,775
Other current assets		359,543	332,440
Cash and cash equivalents		900,854	918,594
<b>Total current assets</b>		<b>6,761,913</b>	<b>6,944,169</b>
<b>Total assets</b>		<b>31,583,018</b>	<b>32,854,451</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		15,000,000	15,000,000
Statutory reserve		288,470	288,470
Other components of equity		620,874	620,874
Actuarial loss reserve		99,614	(108,531)
Retained earnings		1,027,962	668,459
<b>Total equity</b>		<b>17,036,920</b>	<b>16,469,272</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Term loans	7	8,157,660	11,266,857
Lease liabilities		240,886	268,652
Employees' benefits		749,453	906,557
<b>Total non-current liabilities</b>		<b>9,147,999</b>	<b>12,442,066</b>
<b>Current liabilities</b>			
Current portion of term loans	7	3,181,779	1,801,857
Current portion of lease liabilities		64,444	40,647
Trade payables		1,032,106	837,519
Accruals and other current liabilities		1,034,283	1,119,621
Zakat provision	4	85,487	143,469
<b>Total current liabilities</b>		<b>5,398,099</b>	<b>3,943,113</b>
<b>Total liabilities</b>		<b>14,546,098</b>	<b>16,385,179</b>
<b>Total equity and liabilities</b>		<b>31,583,018</b>	<b>32,854,451</b>

  
**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 16 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 SIX MONTH PERIODS ENDED 30 JUNE 2022**  
(EXPRESSED IN SAUDI RIYALS IN THOUSANDS, UNLESS OTHERWISE STATED)

	Note	For the three-month period ended		For the six-month period ended	
		30 June 2022	30 June 2021	30 June 2022	30 June 2021
		(Unaudited)	(Unaudited) (Restated) Note 11	(Unaudited)	(Unaudited) (Restated) Note 11
Sales		3,406,823	2,973,710	6,544,712	5,657,038
Cost of sales		(2,971,374)	(1,924,964)	(5,640,469)	(3,850,586)
<b>Gross profit</b>		<b>435,449</b>	1,048,746	<b>904,243</b>	1,806,452
Selling and distribution expenses		(59,363)	(34,482)	(110,696)	(83,525)
General and administrative expenses		(129,890)	(113,034)	(243,025)	(228,577)
<b>Operating profit</b>		<b>246,196</b>	901,230	<b>550,522</b>	1,494,350
Finance income		4,592	1,690	6,026	2,810
Other income (expense) - net		1,161	(13,301)	2,509	(13,008)
Finance cost		(80,304)	(71,954)	(145,055)	(143,694)
<b>Profit before zakat</b>		<b>171,645</b>	817,665	<b>414,002</b>	1,340,458
Zakat	4	(21,519)	(36,668)	(54,499)	(66,570)
<b>Profit for the period</b>		<b>150,126</b>	780,997	<b>359,503</b>	1,273,888
<b>Other comprehensive income (loss)</b>					
<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		115,424	(23,201)	208,145	33,635
<b>Other comprehensive income (loss) for the period</b>		<b>115,424</b>	(23,201)	<b>208,145</b>	33,635
<b>Total comprehensive income for the period</b>		<b>265,550</b>	757,796	<b>567,648</b>	1,307,523

**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)

**0.10**      0.52      **0.24**      0.85



**Aiman Fouad Khayat**  
(Finance and Planning Director)



**Metab Zaid Al-Shahrani**  
(Company's President)



**Waleed Ahmed Al-Shalfan**  
(Designate Member)

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**SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)**

(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY**

**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 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	-	-	-	-	1,273,888	1,273,888
Other comprehensive income for the period	-	-	-	33,635	-	33,635
Total comprehensive income for the period	-	-	-	33,635	1,273,888	1,307,523
As at 30 June 2021 - (Unaudited)	15,000,000	49,408	620,874	(144,686)	(209,207)	15,316,389
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>						
Profit for the period	-	-	-	-	359,503	359,503
Other comprehensive income for the period	-	-	-	208,145	-	208,145
Total comprehensive income for the period	-	-	-	208,145	359,503	567,648
As at 30 June 2022 (Unaudited)	15,000,000	288,470	620,874	99,614	1,027,962	17,036,920



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(Finance and Planning Director)



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

**INTERIM CONDENSED STATEMENT OF CASH FLOWS**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022**

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

	<b>For the six-month period ended</b>	
	<b>30 June 2022</b>	<b>30 June 2021</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
		<b>(Restated)</b>
		<b>Note 11</b>
<b>Cash flows from operating activities</b>		
Profit before Zakat	414,002	1,340,458
<i>Adjustment for:</i>		
Depreciation of property, plant and equipment	1,150,954	1,159,162
Depreciation of right-of-use assets	25,724	28,472
Amortization of intangible assets	12,476	14,020
Employees' benefits	51,041	48,749
Loss on disposal of property, plant and equipment	1,410	13,065
Write-off of intangible assets	4,656	-
Finance cost	145,055	143,694
Finance income	(6,026)	(2,810)
	<b>1,799,292</b>	<b>2,744,810</b>
<i>Changes in:</i>		
Inventories	(72,074)	(253,524)
Trade receivables	206,868	(269,137)
Prepayments	56,828	50,028
Other current and non-current assets	(20,786)	(1,728)
Trade payables	194,586	44,496
Accruals and other current liabilities	(96,855)	65,870
<b>Cash generated from operations</b>	<b>2,067,859</b>	<b>2,380,815</b>
Zakat paid	(112,479)	(95,716)
<b>Net cash generated from operating activities</b>	<b>1,955,380</b>	<b>2,285,099</b>
<b>Cash flows from investing activities</b>		
Additions to property, plant and equipment	(100,297)	(313,111)
Additions to intangible assets	(1,662)	(1,693)
Short term investments made during the period	-	(618,750)
Finance income received	6,246	3,328
<b>Net cash used in investing activities</b>	<b>(95,713)</b>	<b>(930,226)</b>

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

**INTERIM CONDENSED STATEMENT OF CASH FLOWS (CONTINUED)**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022**

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

	<u>Note</u>	<u>For the six-month period ended</u>	
		<u>30 June 2022</u> (Unaudited)	<u>30 June 2021</u> (Unaudited) (Restated) Note 11
<b>Cash flows from financing activities</b>			
Repayment of term loans	7	(1,741,902)	(872,390)
Payment of lease liabilities		(22,542)	(28,327)
Finance cost paid		(112,963)	(121,034)
<b>Cash used in financing activities</b>		<u>(1,877,407)</u>	<u>(1,021,751)</u>
<b>Net change in cash and cash equivalents</b>		<b>(17,740)</b>	<b>333,122</b>
Cash and cash equivalents at the beginning of the period		<u>918,594</u>	<u>585,845</u>
<b>Cash and cash equivalents at the end of the period</b>		<u><b>900,854</b></u>	<u><b>918,967</b></u>
<b>Non-cash transactions</b>			
Additions to right-of-use assets and lease liabilities		10,670	57,297
Transfer of intangible assets		1,663	802
Derecognition of right-of-use assets		48	-



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(Finance and Planning Director)



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(Designate Member)

The accompanying notes 1 through 12 on pages 7 to 16 form an integral part of these interim condensed financial statements.



# **SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)**

(A SAUDI JOINT STOCK COMPANY)

## **NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

**FOR THE THREE AND SIX MONTH PERIODS ENDED 30 JUNE 2022**

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

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### **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 7 Safar 1441H (corresponding to 7 October 2019G) and ending on 7 Safar 1444H (corresponding to 4 September 2022G) 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 28 Thul-Hijjah 1443H (corresponding to 27 July 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)**

(A SAUDI JOINT STOCK COMPANY)

## **NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

**FOR THE THREE AND SIX MONTH PERIODS ENDED 30 JUNE 2022**

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

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

#### **2.2 Basis of preparation**

These interim condensed financial statements are prepared using 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 have 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 in 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)**  
(A SAUDI JOINT STOCK COMPANY)

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

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

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**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:

**Name of related party**

Saudi Arabian Oil Company ("Saudi Aramco")  
Saudi Basic Industries Corporation ("SABIC")

SABIC affiliates

Power and Water Utility Company for Jubail and Yanbu ("Marafiq")  
Saudi Butanol Company

**Nature of relationship**

Ultimate parent company  
Parent company  
Affiliates (being entities controlled, jointly controlled or significantly influenced by SABIC)  
Associate of ultimate parent company  
Joint Operation

**SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)**

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS****FOR THE THREE AND SIX MONTH PERIODS ENDED 30 JUNE 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 June 2022 and 30 June 2021:

Related party	Nature of Transaction	For the three-month period ended		For the six-month period ended	
		30 June 2022	30 June 2021	30 June 2022	30 June 2021
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
SABIC	Sales	3,406,823	2,973,615	6,544,537	5,656,703
	Marketing fee	134,895	117,755	259,121	224,005
	Purchases and other services	265,690	120,595	506,116	321,014
	Shared services charges	13,157	13,508	26,992	25,851
	Technology and innovation cost	68,122	59,461	130,873	113,123
	Purchase of insurance policies through the parent company	8,036	9,066	14,991	17,565
	Supply chain	30,149	19,169	58,746	43,528
Saudi Aramco	Purchases and other services	1,677,536	869,274	3,052,374	1,673,150
Marafiq	Purchases and other services	17,767	15,178	32,257	30,232
SABIC affiliates	Purchase of inventory, capital goods and services	20,766	15,052	34,988	33,099

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

	30 June 2022	31 December 2021
	(Unaudited)	(Audited)
<b>a. Trade receivables (due from related parties)</b>		
SABIC	3,603,798	3,805,254
SABIC affiliates and others	27,114	32,615
	<u>3,630,912</u>	<u>3,837,869</u>
<b>b. Advances and other receivables (due from related parties)</b>		
SABIC	135,817	124,030
SABIC affiliates	12	562
	<u>135,829</u>	<u>124,592</u>



**SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)**

(A SAUDI JOINT STOCK COMPANY)

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

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

**c. Trade payables (due to related parties)**

SABIC	267,910	180,272
Saudi Aramco	652,075	611,206
SABIC affiliates and others	8,733	8,893
	<b>928,718</b>	<b>800,371</b>

**d. Accruals and other current liabilities (due to related parties)**

SABIC	92,756	205,913
Saudi Aramco	499,198	517,454
Marafiq	4,495	4,901
	<b>596,449</b>	<b>728,268</b>

**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 June 2022 and year ended 31 December 2021 are unsecured, interest free and settled in cash. For the six-month period ended 30 June 2022 and 30 June 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.
- 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.

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**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:

	<b>30 June 2022</b> <b>(Unaudited)</b>	<b>31 December 2021</b> <b>(Audited)</b>
Carrying value at the beginning of the period / year	<b>25,300,616</b>	27,237,632
Additions	<b>100,551</b>	422,550
Write-off, net of accumulated depreciation	-	(22,325)
Transfer to housing program under other non-current assets	-	(10,578)
Depreciation for the period / year	<b>(1,150,954)</b>	(2,326,663)
Carrying value at the end of the period / year	<b>24,250,213</b>	25,300,616

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

**5.2 Asset under construction**

The carrying value of property plant and equipment includes a balance amounting to SR 231.39 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:

	<b>30 June 2022</b> <b>(Unaudited)</b>	<b>31 December 2021</b> <b>(Audited)</b>
Carrying value at the beginning of the period / year	<b>292,603</b>	362,535
Additions	<b>10,670</b>	60,598
Derecognition, net of accumulated depreciation	<b>(48)</b>	(73,666)
Depreciation for the period / year	<b>(25,724)</b>	(56,864)
Carrying value at the end of the period / year	<b>277,501</b>	292,603

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**7. TERM LOANS**

The details of term loans are as follows:

	<b>30 June 2022</b> <b>(Unaudited)</b>	31 December 2021 (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)	<b>337,906</b>	397,583
Murabaha long term loans	<b>11,001,533</b>	10,995,940
Total	<b>11,339,439</b>	13,068,714
 Total non-current	 <b>8,157,660</b>	 11,266,857
Total current	<b>3,181,779</b>	1,801,857

During the six-month period ended 30 June 2022 and 30 June 2021, the Company made repayments of SR 1,680.16 million and SR 850 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.

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.

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### **NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

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#### **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**

On 11 March 2020, the World Health Organization declared COVID-19 coronavirus outbreak to be a pandemic. Consequently, asset prices became more volatile and a marked decline was seen in long-term interest rates in developed economies.

The Company, in response to these developments, implemented active prevention programs at its sites and devised contingency plans in order to minimize the risks related to COVID-19 and to continue business operations, ensuring the health and safety of its employees, customers, contractors and wider community.

Moreover, the management has considered potential impacts of the current economic uncertainties and volatility in determining the carrying amounts of the Company's financial and non-financial assets. These are based on management's best estimates based on observable information at the period end. The management also continues to monitor long term supplier contracts in order to ensure minimal disruption in operations and timely delivery of its products.

#### **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:



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**11. RESTATEMENT OF PRIOR PERIODS (Continued)**

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

	For the three-month period ended			For the six-month period ended		
	30 June 2021 (Unaudited) (Previously stated)	Adjustments	30 June 2021 (Unaudited) (Restated)	30 June 2021 (Unaudited) (Previously stated)	Adjustments	30 June 2021 (Unaudited) (Restated)
Sales	2,973,710	-	2,973,710	5,657,038	-	5,657,038
Cost of sales	(1,932,297)	7,333	(1,924,964)	(3,865,253)	14,667	(3,850,586)
<b>Gross profit</b>	<u>1,041,413</u>	<u>7,333</u>	<u>1,048,746</u>	<u>1,791,785</u>	<u>14,667</u>	<u>1,806,452</u>
Selling and distribution expenses	(34,482)	-	(34,482)	(83,525)	-	(83,525)
General and administrative expenses	(112,034)	(1,000)	(113,034)	(226,577)	(2,000)	(228,577)
<b>Operating profit</b>	<u>894,897</u>	<u>6,333</u>	<u>901,230</u>	<u>1,481,683</u>	<u>12,667</u>	<u>1,494,350</u>
Share of profit of an associate	4,760	(4,760)	-	8,776	(8,776)	-
Finance income	1,690	-	1,690	2,810	-	2,810
Other expenses, net	(10,301)	(3,000)	(13,301)	(10,008)	(3,000)	(13,008)
Finance cost	(70,621)	(1,333)	(71,954)	(140,694)	(3,000)	(143,694)
<b>Profit before zakat</b>	<u>820,425</u>	<u>(2,760)</u>	<u>817,665</u>	<u>1,342,567</u>	<u>(2,109)</u>	<u>1,340,458</u>
Zakat	(39,428)	2,760	(36,668)	(68,679)	2,109	(66,570)
<b>Profit for the period</b>	<u>780,997</u>	<u>-</u>	<u>780,997</u>	<u>1,273,888</u>	<u>-</u>	<u>1,273,888</u>

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**11. RESTATEMENT OF PRIOR PERIODS (Continued)****Other comprehensive income***Items that will not be reclassified to the interim condensed statement of profit or loss in subsequent periods:*

Re-measurement of defined benefit obligations	(23,201)	-	(23,201)	33,635	-	33,635
<b>Other comprehensive income (loss) for the period</b>	<b>(23,201)</b>	<b>-</b>	<b>(23,201)</b>	<b>33,635</b>	<b>-</b>	<b>33,635</b>
<b>Total comprehensive income for the period</b>	<b>757,796</b>	<b>-</b>	<b>757,796</b>	<b>1,307,523</b>	<b>-</b>	<b>1,307,523</b>
<b>Earnings per share</b>						
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)	0.52		0.52	0.85		0.85

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

	30 June 2021 (Unaudited) (Previously stated)	Adjustments	30 June 2021 (Unaudited) (Restated)
Net cash flows from operating activities	2,142,487	142,612	2,285,099
Net cash used in investing activities	(928,663)	(1,563)	(930,226)
Net cash used in financing activities	(878,772)	(142,979)	(1,021,751)
<b>Net change in cash and cash equivalents</b>	<b>335,052</b>	<b>(1,930)</b>	<b>333,122</b>

**12. SUBSEQUENT EVENTS**

No significant subsequent event occurred between 30 June 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.