

ADVANCED POLYOLEFINS INDUSTRY COMPANY
(Mixed Closed Joint Stock Company)
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

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(Mixed Closed Joint Stock Company)
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FOR THE YEAR ENDED 31 DECEMBER 2022

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ADVANCED POLYOLEFINS INDUSTRY COMPANY (MIXED CLOSED JOINT STOCK COMPANY)

Opinion

We have audited the financial statements of Advanced Polyolefins Industry Company (Mixed Closed Joint Stock Company) (the "Company"), which comprise of the statement of financial position as at 31 December 2022, and the statements of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and its financial performance and its 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 that are endorsed by Saudi Organization for Chartered and Professional Accountants.

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 Financial Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia that is relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with this Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and Those Charged with Governance for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by Saudi Organization for Chartered and Professional Accountants and the provisions of Companies' Law and the Company's By-laws, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company'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 the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance is responsible for overseeing the Company's financial reporting process.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ADVANCED POLYOLEFINS INDUSTRY COMPANY (MIXED CLOSED JOINT STOCK COMPANY) (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' 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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ADVANCED POLYOLEFINS
INDUSTRY COMPANY (MIXED CLOSED JOINT STOCK COMPANY) (continued)**

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

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

for Ernst & Young Professional Services



Marwan S. AlAfaliq
Certified Public Accountant
License No. (422)

Al Khobar: 7 Shawwal 1444H
27 April 2023



ADVANCED POLYOLEFINS INDUSTRY COMPANY
(Mixed Closed Joint Stock Company)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

		2022	<i>For the period from 26 April 2021 to 31 December 2021</i>
	Note	<u>SR</u>	<u>SR</u>
General and administrative expenses	16	(14,289,152)	(24,081,200)
Other income		<u>167,222</u>	-
LOSS BEFORE ZAKAT		(14,121,930)	(24,081,200)
<i>Zakat</i>	15	<u>(2,462,089)</u>	<u>(264,200)</u>
LOSS FOR THE YEAR / PERIOD		(16,584,019)	(24,345,400)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR / PERIOD		<u>(16,584,019)</u>	<u>(24,345,400)</u>

The attached notes 1 to 21 form an integral part of these financial statements.

ADVANCED POLYOLEFINS INDUSTRY COMPANY
(Mixed Closed Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	2022 SR	2021 SR
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	3,689,810,474	1,410,370,728
Right-of-use asset	8	94,072,744	97,334,747
TOTAL NON-CURRENT ASSETS		3,783,883,218	1,507,705,475
CURRENT ASSETS			
Cash and cash equivalents	10	939,885,626	81,750,721
Other current assets	9	42,104,960	9,209,819
TOTAL CURRENT ASSETS		981,990,586	90,960,540
TOTAL ASSETS		4,765,873,804	1,598,666,015
EQUITY AND LIABILITIES			
EQUITY			
Share capital	12	2,210,625,000	440,625,000
Proposed increase in share capital	1	354,000,000	1,062,000,000
Accumulated losses		(40,929,419)	(24,345,400)
TOTAL EQUITY		2,523,695,581	1,478,279,600
NON-CURRENT LIABILITIES			
SIDF loan	11	2,042,424,024	-
Non current portion of lease liability	8	85,953,046	87,550,098
Retentions payable		81,604,052	11,615,633
TOTAL NON-CURRENT LIABILITIES		2,209,981,122	99,165,731
CURRENT LIABILITIES			
Trade payable		58,714	357,071
Current portion of lease liability	8	5,468,887	5,468,887
Accruals and other current liabilities	13	3,763,651	5,099,578
Amounts due to a related party	14	20,179,560	10,030,948
Zakat provision	15	2,726,289	264,200
TOTAL CURRENT LIABILITIES		32,197,101	21,220,684
TOTAL LIABILITIES		2,242,178,223	120,386,415
TOTAL EQUITY AND LIABILITIES		4,765,873,804	1,598,666,015

The attached notes 1 to 21 form an integral part of these financial statements.

ADVANCED POLYOLEFINS INDUSTRY COMPANY

(Mixed Closed Joint Stock Company)

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	<u>Accumulated losses</u>					<u>Total</u> <u>SR</u>
	<u>Share capital</u> <u>SR</u>	<u>Proposed increase</u> <u>in share capital</u> <u>SR</u>	<u>Advanced</u> <u>Global</u> <u>Investment</u> <u>Company (Saudi</u> <u>partner)</u> <u>SR</u>	<u>SK Gas</u> <u>Petrochemic</u> <u>al Pte. Ltd (</u> <u>non Saudi</u> <u>partner)</u> <u>SR</u>	<u>Total</u> <u>accumulated</u> <u>losses</u> <u>SR</u>	
Issuance of share capital	440,625,000	-	-	-	-	440,625,000
Increase in share capital (note 1)	-	1,062,000,000	-	-	-	1,062,000,000
Loss before zakat	-	-	(20,469,020)	(3,612,180)	(24,081,200)	(24,081,200)
Provision for zakat (note 15)	-	-	(264,200)	-	(264,200)	(264,200)
Loss for the period	-	-	(20,733,220)	(3,612,180)	(24,345,400)	(24,345,400)
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	(20,733,220)	(3,612,180)	(24,345,400)	(24,345,400)
Balance at 31 December 2021	440,625,000	1,062,000,000	(20,733,220)	(3,612,180)	(24,345,400)	1,478,279,600
Increase in share capital (note 1)	1,770,000,000	(708,000,000)	-	-	-	1,062,000,000
Loss before zakat	-	-	(12,003,641)	(2,118,290)	(14,121,930)	(14,121,930)
Provision for zakat (note 15)	-	-	(2,462,089)	-	(2,462,089)	(2,462,089)
Loss for the year	-	-	(14,465,730)	(2,118,290)	(16,584,019)	(16,584,019)
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	(14,465,730)	(2,118,290)	(16,584,019)	(16,584,019)
Balance at 31 December 2022	2,210,625,000	354,000,000	(35,198,950)	(5,730,470)	(40,929,419)	2,523,695,581

The attached notes 1 to 21 form an integral part of these financial statements.

ADVANCED POLYOLEFINS INDUSTRY COMPANY
(Mixed Closed Joint Stock Company)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

		<i>For the period from</i>	
		<i>26 April 2021 to</i>	
		<i>31 December</i>	
		2022	2021
	Note	SR	SR
OPERATING ACTIVITIES			
Loss before zakat		(14,121,930)	(24,081,200)
<i>Adjustments to reconcile loss before zakat to net cash flows:</i>			
Depreciation of property, plant and equipment		325,569	183,824
		(13,796,361)	(23,897,376)
Working capital adjustments:			
Other current assets		(32,895,141)	(9,209,819)
Trade payable		(298,357)	357,071
Accruals and other current liabilities		(1,335,927)	5,099,578
Net cash flows used in operating activities		(48,325,786)	(27,650,546)
INVESTING ACTIVITIES			
Additions to property, plant and equipment		(2,276,503,312)	(1,409,869,526)
Movement in retentions payable		69,988,419	11,615,633
Net cash used in investing activities		(2,206,514,893)	(1,398,253,893)
FINANCING ACTIVITIES			
Capital contributed/proposed during the year		1,062,000,000	1,502,625,000
Proceeds from SIDF loan - net		2,042,424,024	-
Net movement in amounts due to a related party		8,551,560	5,030,160
Net cash from financing activities		3,112,975,584	1,507,655,160
INCREASE IN CASH AND CASH EQUIVALENTS			
		858,134,905	81,750,721
Cash and cash equivalents at the beginning of year / period		81,750,721	-
CASH AND CASH EQUIVALENT AT THE END OF THE YEAR / PERIOD			
	10	939,885,626	81,750,721
Significant non-cash transactions:			
Additions in right-of-use assets by crediting lease liabilities	8	-	97,862,104
Lease payment made by a related party on behalf of the Company		5,468,887	5,468,887
Depreciation on property, plant and equipment capitalised under asset under construction		1,970,610	1,041,668
Increase in share capital through proposed capital increase account		708,000,000	-
Depreciation on right-of-use assets capitalised under asset under construction		3,262,003	527,357
Finance cost on lease liability charged to a related party		3,871,835	625,768
Net book value of assets transferred from a related company		-	157,669

The attached notes 1 to 21 form an integral part of these financial statements.

ADVANCED POLYOLEFINS INDUSTRY COMPANY
(Mixed Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

1 CORPORATE INFORMATION

Advanced Polyolefins Industry Company ("APOC" or the "Company") is a mixed closed joint stock company incorporated during the year 2021 and is registered in Jubail, Kingdom of Saudi Arabia under commercial registration number 2055130313 dated 14 Ramadan 1442H (corresponding to 26 April 2021). The registered address of the Company is P.O. Box 11022, Jubail Industrial City 31961, Kingdom Of Saudi Arabia.

The Company is licensed to engage in the establishment of manufacturing facilities and marketing, sale, delivery and production of Propylene, Polypropylene and Isopropyl Alcohol. The Company has not commenced its commercial operations as its plants are under construction phase, which are expected to be completed by the end of second quarter of 2024.

The subscribed share capital of the Company is Saudi Riyals two billion five hundred and sixty four million six hundred and twenty five thousand (SR 2,564,625,000), divided into two hundred and fifty six million four hundred sixty two thousand and five hundred (256,462,500) shares of SR 10 each. The initial paid-up share capital of the Company was Saudi Riyals Four hundred and forty million six hundred and twenty five thousand (440,625,000) divided into forty four million sixty two thousand and five hundred (SR 44,062,500) share of SR 10 each. During the year 2022, the paid-up share capital of the Company increased from SR 440,625,000 to SR 1,502,625,000 by injecting additional share capital of SR 1,062,000,000 which was approved by the shareholders in Extraordinary General Assembly meeting held on 3 Jumada Al-Alkhirah 1443H (corresponding to 6 January 2022). Further during the year 2022, paid up share capital was increased by SR 708 million through capital injection approved by Extraordinary General Assembly meetings held on 13 June 2022 and 26 September 2022. Legal formalities relating to the above increases in capital were also completed during the year 2022. Additionally SR 354 million is also injected by both shareholders through cash contribution in November 2022 to increase the share capital. Legal formalities relating to the above increase in share capital by SR 354 million is under process at year end.

As of 31 December 2022 and 2021, the Company's shareholders are as follows:

<u>Name of shareholders</u>	<u>Shareholding</u>
Advanced Global Investment Company ("AGIC"), a single shareholder limited liability company	85%
SK Gas Petrochemical Pte. Ltd., (a company organized and existing under the laws of Republic of Singapore).	15%

2 BASIS OF PREPARATION

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRSs") that are endorsed in the Kingdom of Saudi Arabia ("KSA") and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA").

These financial statements have been prepared under the historical cost convention using the accrual basis of accounting. These financial statements are presented in Saudi Riyal (SR) which is the currency of the country in which the Company is domiciled and the Company's functional currency.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Current versus non-current classification

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

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current

ADVANCED POLYOLEFINS INDUSTRY COMPANY
(Mixed Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Current versus non-current classification (continued)

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Fair value measurement

The Company measures financial instruments and non-financial assets at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, In the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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 recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, if required. The involvement of external valuers is decided by the Company after discussion and approval by the Company's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Company decides, after discussion with the Company's external valuers, which valuation technique and inputs to use for each case.

ADVANCED POLYOLEFINS INDUSTRY COMPANY
(Mixed Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

At each reporting date, the Company analyses the movements in the values of assets and liabilities, which are required to be remeasured or re-assessed as per the Company's accounting policies. For this analysis, the Company verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Company also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Expenses

General and administration expenses include costs not specifically part of direct costs and the major portion represents the employee costs incurred, which are not eligible for capitalisation.

Zakat and income tax

Zakat and current tax

Zakat is provided in accordance with the Regulations of the Zakat, Tax and Customs Authority ("the ZATCA") in the Kingdom of Saudi Arabia. Zakat and tax provision is charged to the statement of profit or loss and other comprehensive income, as IAS 12 'Income Taxes' do not provide any guidance on the accounting treatment of zakat. Non-Saudi shareholder in the Company are subject to income tax in the Kingdom of Saudi Arabia.

Current income tax assets and liabilities for current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date. Current income tax is recognised in the statement of profit or loss and other comprehensive income. Management periodically evaluates positions taken in the Company's tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised on all deductible temporary difference, carry forward of unused tax credits and unused tax losses only to the extent that it is probable that taxable profit will be available against which these assets can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset/liability to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

ADVANCED POLYOLEFINS INDUSTRY COMPANY
(Mixed Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Zakat and income tax (continued)

Withholding tax

The entity withholds taxes on certain transactions with non-resident parties in the KSA, including dividend payments to the non-resident shareholders, as required under Saudi Arabian Income Tax Law.

Value added tax

Expenses and assets are recognised net of the amount of Value added tax, except:

- When the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of value added tax included. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Foreign currencies

The Company's financial statements are presented in Saudi Riyal, which is also the Company's functional currency.

Transactions and balances

Transactions in foreign currencies is initially recorded by the Company at its functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss and other comprehensive income with the exception of monetary items that are designated as part of the hedge of the Company's net investment in a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to statement of profit or loss and comprehensive income. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

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. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or statement of profit or loss are also recognised in the statement of profit or loss and other comprehensive income).

Property, plant and equipment

Property, plant and equipment and capital work-in-progress are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects (qualifying assets), if the recognition criteria are met.

ADVANCED POLYOLEFINS INDUSTRY COMPANY
(Mixed Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (Continued)

When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of profit or loss and other comprehensive income as incurred. Further, the Company capitalised the spare parts having value above SR 50,000 and meeting the capitalization criteria; and depreciate them over the life of the related equipment.

Depreciation is calculated from the date the item of property, plant and equipment are available for intended use or in respect of self-constructed assets, from the date such assets are completed and ready for the intended use.

Depreciation is calculated on a straight-line basis over the useful life of the asset as follows:

	<u>Years</u>
Machinery and equipment	10 to 40
Buildings	10 to 33
Furniture, fixtures and office equipment	3 to 8
Vehicles	4 to 10

Capital work-in-progress is not depreciated.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income when the asset is derecognised.

The assets residual values, useful lives and methods of depreciation are reviewed, and adjusted prospectively if appropriate, at each financial year-end.

Leases

The entity assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The entity applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The entity recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

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

ADVANCED POLYOLEFINS INDUSTRY COMPANY
(Mixed Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Lease liabilities

At the commencement date of the lease, the entity recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the entity and payments of penalties for terminating a lease, if the lease term reflects the entity exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

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

Short-term leases and leases of low-value assets

The entity applies the short-term lease recognition exemption to its short-term leases of equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below SR 18,750). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Variable lease payments

Some leases contain variable payments that are linked to the usage / performance of the leased asset. Such payments are recognised in statement of profit or loss and other comprehensive income.

Significant judgement in determining the lease term of contracts with renewal options

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

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

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the assets 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 group of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and is written down to its recoverable amount.

In assessing the value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

ADVANCED POLYOLEFINS INDUSTRY COMPANY
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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

The Company's impairment calculation is based on detailed budgets and forecast calculations which are prepared separately for each of the Company's CGU's to which the individual assets are allocated. These budgets and forecast calculations are generally covering a five-year period. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the budget period.

Impairment losses of continuing operations, including impairment on working capital, if applicable, are recognised in the statement of profit or loss and other comprehensive income in those expense categories consistent with the function of the impaired asset.

For assets other than goodwill, an assessment is made at each financial year-end 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 Company 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. This reversal is limited such that the recoverable amount doesn't exceed what the carrying amount would have been, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss and other comprehensive income.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Investment income earned on the temporary investment of specific borrowings pending their expenditure on the qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Financial assets and financial liabilities

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially 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.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and financial liabilities (continued)

Financial assets (continued)

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss and other comprehensive income when the asset is derecognised, modified or impaired.

Financial assets at fair value through OCI (debt instruments)

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling and;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and other comprehensive income and computed in the same manner as for financial assets measured at amortised cost. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss and other comprehensive income when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

ADVANCED POLYOLEFINS INDUSTRY COMPANY
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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and financial liabilities (continued)

Financial assets (continued)

Subsequent measurement (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss and other comprehensive income.

This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss and other comprehensive income when the right of payment has been established.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the entity's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
 - (a) the Company has transferred substantially all the risks and rewards of the asset, or
 - (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

ADVANCED POLYOLEFINS INDUSTRY COMPANY
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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and financial liabilities (continued)

Financial assets (continued)

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Company applies the low credit risk simplification. At every reporting date, the Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the internal credit rating of the debt instrument. In addition, the Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include SIDF loan, accruals, amount due to related party, retentions and zakat provision.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and financial liabilities (continued)

Financial liabilities (continued)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss and other comprehensive income. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss and other comprehensive income. This category generally applies to interest-bearing loans and borrowings.

Derecognition

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalent

Cash and cash equivalent in the statement of financial position comprise bank balances, cash in hand, short term deposits, demand deposits and highly liquid investments with original maturity of three months or less when purchased which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents consist of bank balances, cash in hand and short-term deposits as defined above.

Provisions

Provisions are recognised when the Company 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 management of the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement.

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions (continued)

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Onerous contract

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligation under the contract.

Statutory reserve

In accordance with the Saudi Arabian Regulations for Companies, the Company must set aside 10% of its income for the year after deducting losses brought forward in each year until it has built up a reserve equal to 30% of the share capital. The reserve is not available for distribution.

Contingencies

Contingent liabilities are not recognised in the statement of financial position. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Liabilities which are probable are recorded in statement of financial position under accounts payable and accruals. A contingent asset is not recognised in the statement of financial position but disclosed when an inflow of economic benefits is probable.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these financial statements requires management to make judgments, estimates and assumptions that may affect the reported amount of assets and liabilities, revenues, expenses and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates which could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future years.

Useful lives of property, plant and equipment

The management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Impairment test of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing off the asset. The value in use calculation is based on a Discounted Cash Flow ("DCF") model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the Cash Generating Unit ("CGU") being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future net cash-inflows and the growth rate used for extrapolation purposes.

ADVANCED POLYOLEFINS INDUSTRY COMPANY
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4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Provisions

By their nature, provisions are dependent upon estimates and assessments whether the criteria for recognition have been met, including estimates of the probability of cash outflows. Management's estimates related to provisions for environmental matters are based on the nature and seriousness of the contamination, as well as on the technology required for clean up. Provisions for litigation are based on an estimate of the costs, taking into account legal advice and other information presently available. Provisions for termination benefits and exit costs, if any, also involve management's judgement in estimating the expected cash outflows for severance payments and site closures or other exit costs. Provisions for uncertain liabilities involve management's best estimate of whether cash outflows are probable.

5 CHANGES IN ACCOUNTING POLICIES

Following are the new and amended standards and interpretations effective as of 1 January 2022:

New and amended standards and interpretations

Listed below are the new standards and amendments effective for annual periods beginning on or after 1 January 2022. The Company has not early adopted any other standard, interpretation or amendment that has been issued but are not yet effective.

Although these new standards and amendments applied for the first time in 2022, they did not have any material impact on the financial statements of the Company.

STANDARD	DESCRIPTION
<i>Amendments to IAS 37</i>	<i>Onerous Contracts - Costs of Fulfilling Contracts</i>
<i>Amendments to IFRS 3</i>	<i>Reference to the Conceptual Framework</i>
<i>Amendments to IAS 16</i>	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
<i>Amendments to IFRS 9</i>	<i>Fees in the "10 per cent" test for derecognition of financial liabilities</i>
<i>Amendments to IFRS 1</i>	<i>Subsidiary as a first-time adopter</i>
<i>Amendments to IAS 41</i>	<i>Taxation in fair value measurements</i>

6 STANDARDS ISSUED BUT NOT EFFECTIVE

Standards and interpretations including annual improvements that have been issued, but not yet effective, up to the date of issuance of the Company's financial statements are listed below. The Company intends to adopt these standards, if applicable, when they become effective.

STANDARD / INTERPRETATION	DESCRIPTION	EFFECTIVE FROM PERIODS BEGINNING ON OR AFTER THE FOLLOWING DATE
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
IFRS 17	Insurance Contracts	1 January 2023
IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12	Deferred Taxes related to Assets and Liabilities arising from a single Transaction	1 January 2023
IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023

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7 PROPERTY, PLANT AND EQUIPMENT

	<i>Buildings</i> SR	<i>Machinery and equipment</i> SR	<i>Furniture, fixtures & office equipment</i> SR	<i>Vehicles</i> SR	<i>Assets under construction</i> SR	<i>Total</i> SR
<i>Cost:</i>						
Additions during the period	9,046,585	4,851,360	1,164,583	-	1,396,376,023	1,411,438,551
Transfer from a related party (note 14)	-	-	-	537,233	-	537,233
At 31 December 2021	<u>9,046,585</u>	<u>4,851,360</u>	<u>1,164,583</u>	<u>537,233</u>	<u>1,396,376,023</u>	<u>1,411,975,784</u>
Additions during the year	-	-	-	550,000	2,281,185,925	2,281,735,925
At 31 December 2022	<u>9,046,585</u>	<u>4,851,360</u>	<u>1,164,583</u>	<u>1,087,233</u>	<u>3,677,561,948</u>	<u>3,693,711,709</u>
<i>Accumulated Depreciation:</i>						
Charge for the period	386,476	682,652	143,656	12,708	-	1,225,492
Transfer from a related party (note 14)	-	-	-	379,564	-	379,564
At 31 December 2021	<u>386,476</u>	<u>682,652</u>	<u>143,656</u>	<u>392,272</u>	<u>-</u>	<u>1,605,056</u>
Charge for the year	979,631	1,065,810	166,124	84,614	-	2,296,179
At 31 December 2022	<u>1,366,107</u>	<u>1,748,462</u>	<u>309,780</u>	<u>476,886</u>	<u>-</u>	<u>3,901,235</u>
<i>Net book amounts:</i>						
At 31 December 2022	<u>7,680,478</u>	<u>3,102,898</u>	<u>854,803</u>	<u>610,347</u>	<u>3,677,561,948</u>	<u>3,689,810,474</u>
At 31 December 2021	<u>8,660,109</u>	<u>4,168,708</u>	<u>1,020,927</u>	<u>144,961</u>	<u>1,396,376,023</u>	<u>1,410,370,728</u>

ADVANCED POLYOLEFINS INDUSTRY COMPANY
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7 PROPERTY, PLANT AND EQUIPMENT (continued)

Allocation of depreciation charge for the year is as follows:

	<i>For the period from 26 April 2021 to 31 December</i>	
	2022	2021
	SR	SR
Depreciation cost capitalised under asset under construction	1,970,610	1,041,668
General and administration expenses (note 16)	325,569	183,824
	<u>2,296,179</u>	<u>1,225,492</u>

Capital work-in-progress primarily represents costs incurred for the new Propane Dehydrogenation (PDH) & Polypropylene plant (PP) Project. Depreciations on property, plant and equipment and right-of-use assets amounting to SR 1,970,610 (2021: SR 1,041,668) and SR 3,262,003 (2021: SR 527,357) respectively are capitalised under asset under construction. Financial charges on lease liabilities against right-of-use assets amounting to SR 3,871,835 (2021: SR 625,768) are also capitalised under asset under construction. Further, assets under construction amounting to SR 3,677.6 million mortgaged against SIDF loan (refer note 11).

Buildings and plant facilities of the Company are being constructed on a land sub-leased at nominal annual rent from Advanced Global Investment Company (AGIC) for 30 Hijra years ending 1473H. Refer note 8.

8 LEASES

The Company recognised right-of-use asset and lease liability with respect to land lease with a term of 30 Hijri years from a shareholder (AGIC) based on sub-lease agreement signed between APOC and AGIC. During 2021, AGIC have signed a 30-year primary land lease agreement with Royal Commission for Jubail and Yanbu to be used as a plant site for APOC and its future projects with total area of 2,235,088.9 square meters. Within the same year, after securing approval from the lessor, a portion of the leased land was sub-leased to APOC having area of 1,215,308.2 square meters and the remaining area was reserved by AGIC for future projects.

Set out below are the carrying amount of right-of-use asset recognised and the movements during the year / period:

Right-of-use asset

	<i>For the period from 26 April 2021 to 31 December</i>	
	2022	2021
	SR	SR
At the beginning of the year / period	97,334,747	-
Additions	-	97,862,104
Depreciation expense	(3,262,003)	(527,357)
At 31 December	<u>94,072,744</u>	<u>97,334,747</u>

ADVANCED POLYOLEFINS INDUSTRY COMPANY
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8 LEASES (continued)

Allocation of depreciation charge for the year is as follows:

	<i>2022</i>	<i>For the period from 26 April 2021 to 31 December 2021</i>
	<i>SR</i>	<i>SR</i>
Depreciation cost capitalised under asset under construction (AUC)	<u>3,262,003</u>	<u>527,357</u>
	<u>3,262,003</u>	<u>527,357</u>

Set out below are the carrying amount of lease liability and the movements during the period:

Lease liability

	<i>2022</i>	<i>For the period from 26 April 2021 to 31 December 2021</i>
	<i>SR</i>	<i>SR</i>
At the beginning of the year / period	<u>93,018,985</u>	-
Additions	-	97,862,104
Finance cost *	3,871,835	625,768
Payment	<u>(5,468,887)</u>	<u>(5,468,887)</u>
At 31 December	<u>91,421,933</u>	<u>93,018,985</u>

* Finance cost was charged to a related party (Note 14).

Lease liability are allocated into current and non-current, based on the maturity as follows:

	<i>2022</i>	<i>2021</i>
	<i>SR</i>	<i>SR</i>
Current	5,468,887	5,468,887
Non-current	<u>85,953,046</u>	<u>87,550,098</u>
	<u>91,421,933</u>	<u>93,018,985</u>

The maturity analysis of lease liabilities is disclosed in note 18.

ADVANCED POLYOLEFINS INDUSTRY COMPANY
(Mixed Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

9 OTHER CURRENT ASSETS

	<i>2022</i>	<i>2021</i>
	<i>SR</i>	<i>SR</i>
Interest receivable on murabaha deposits	<u>3,277,819</u>	-
Refundable Input VAT	<u>38,827,141</u>	9,209,819
	<u>42,104,960</u>	<u>9,209,819</u>

10 CASH AND CASH EQUIVALENTS

	<i>2022</i>	<i>2021</i>
	<i>SR</i>	<i>SR</i>
Murabaha deposits	<u>890,000,000</u>	-
Bank balances	<u>49,840,626</u>	81,705,721
Cash in hand	<u>45,000</u>	45,000
	<u>939,885,626</u>	<u>81,750,721</u>

Murabaha deposits placed with the commercial banks, with maturity period of three months or less from date of placement and yield finance income at rates ranging from 4.15% to 5.1% per annum.

11 LOANS AND BORROWINGS

11.1 SIDF LOAN

During the year, the Company obtained a term loan facility from Saudi Industrial Development Fund ("SIDF") with total amount of SR 3 billion to finance the construction of new PDH and PP Project. Up-front and administrative fees are charged by SIDF under the loan agreement, amortized as finance cost using the effective interest rate and presented as unamortized transaction costs deducted from the loan. As at 31 December 2022, an amount of SR 2.2 billion was withdrawn by the Company from the loan facility. The loan is secured by a mortgage over the assets under construction amounting to SR 3,677.6 million (refer note 7) and by promissory notes. The loan is payable in 16 un-equal semi-annual instalments, with first instalment payable on 15 Safar 1448H (corresponding to 29 July 2026). The facility agreement with SIDF contains certain covenants, which requires among other things, certain financial ratios to be maintained. At 31 December 2022, the Company was compliant with covenants.

	<i>2022</i>	<i>2021</i>
Saudi Industrial Development Fund	<u>2,220,026,114</u>	-
Less: unamortised transaction costs	<u>(177,602,090)</u>	-
Net amount received	<u>2,042,424,024</u>	<u>-</u>

The maturity analysis of SIDF loan is disclosed in note 18.

11.2 ISLAMIC LOAN FACILITIES

During the year, the Company signed multiple Islamic loan facilities with a consortium of financial institutions with total amount of SR 6.1 billion to finance the construction of new PDH, PP and IPA plants. These loans are secured by promissory notes and Debt Service Undertaking of USD 250 million from the Ultimate Parent Company and carry a commission which commensurate with prevailing commercial rates which are mainly SIBOR based plus agreed margins. These loans are repayable in unequal semi-annual instalments and maturities of these facilities are based on their respective repayment schedules spread up to year 2035. These loan agreements include covenants to maintain certain financial ratios during the loans period. As at 31 December 2022, no amount is withdrawn from the above loan facilities.

ADVANCED POLYOLEFINS INDUSTRY COMPANY
(Mixed Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

12 SHARE CAPITAL

	2022	2021
	SR	SR
<i>Subscribed shares</i>		
Number of ordinary shares of SR 10 each	<u>256,462,500</u>	<u>176,250,000</u>
<i>Shares issued and fully paid (See Note 1)</i>		
Number of ordinary shares of SR 10 each	<u>221,062,500</u>	<u>44,062,500</u>
Ordinary shares in SR	<u>2,210,625,000</u>	<u>440,625,000</u>

13 ACCRUALS AND OTHER CURRENT LIABILITIES

	2022	2021
	SR	SR
Withholding taxes payable	<u>2,174,229</u>	<u>3,700,124</u>
Accrued expenses	<u>1,589,422</u>	<u>1,399,454</u>
	<u>3,763,651</u>	<u>5,099,578</u>

14 RELATED PARTY TRANSACTIONS AND BALANCES

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

<i>Name</i>	<i>Relationship</i>
Advanced Petrochemical Company	Ultimate parent Company
Advanced Global Investment Company ("AGIC")	Shareholder
SK Gas Petrochemical Pte. Ltd	Shareholder

Major transactions with related parties other than those already disclosed elsewhere in these financial statements were as follows:

<i>Related party</i>	<i>Nature of transactions</i>	<i>Amounts of transactions</i>	
		<i>For the period from 26 April 2021 to 31 December</i>	
		2022	2021
		SR	SR
Advanced Petrochemical Company	Lease payment made by a related party on behalf of the Company	5,468,887	5,468,887
	Finance cost on lease liability charged to a related party	3,871,835	625,768
	Net book value of assets transferred from a related company	-	157,669

Pricing policies and terms of payments of transactions with related parties are approved by the Company's management.

a) The breakdown of amounts due from and due to a related party shown in the balance sheet is as follows:

Amounts due to a related party – presented under current liabilities in the balance sheet:

	2022	2021
	SR	SR
Advanced Petrochemical Company	<u>20,179,560</u>	<u>10,030,948</u>

The amount mainly represents the payment made to supplier on behalf of the Company and salaries to employees. The amount due to related party is payable on demand.

ADVANCED POLYOLEFINS INDUSTRY COMPANY
(Mixed Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

14 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

b) Compensation of key management personnel

Below are the details of key management personnel compensation recorded during the period;

- i) The Company has paid total remuneration of SR 8.6 million (2021: 12.8 million) to its key executives during the year.
- ii) The non-executive directors do not receive pension entitlements from the Company.
- iii) The Company has paid SR 2.4 million as directors' remuneration during the period.

15 ZAKAT AND INCOME TAX

a) **Zakat**

	2022 SR	For the period from 26 April 2021 to 31 December 2021 SR
Provision for the year / period	2,726,289	264,200
Prior period adjustment	(264,200)	-
	<u>2,462,089</u>	<u>264,200</u>

The principal elements of zakat are as follows:

	2022 SR	2021 SR
Opening shareholders' equity	1,478,279,600	-
Non-current assets	(3,783,883,218)	(1,507,705,475)
	<u>(2,305,603,618)</u>	<u>(1,507,705,475)</u>
Net loss for the year before zakat	(14,121,930)	(24,081,200)
Zakat base	<u>125,678,004</u>	<u>76,861,659</u>

b) **Movement in the zakat payable**

The movement in zakat provisions for the year was as follows;

	2022 SR	For the period from 26 April 2021 to 31 December 2021 SR
Opening balance	264,200	-
Provision for the year / period	2,462,089	264,200
As at 31 December	<u>2,726,289</u>	<u>264,200</u>

c) **Income tax**

No income tax has been provided for , due to estimated tax losses for the period.

d) **Status of assessments**

The Company has filed its tax/zakat declaration with Zakat, Tax and Customs Authority (ZATCA) for the first period ended 31 December 2021 and ZATCA's review is awaited.

ADVANCED POLYOLEFINS INDUSTRY COMPANY
(Mixed Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

16 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>For the period from 26 April 2021 to 31 December</i>	
	<i>2022</i>	<i>2021</i>
	<i>SR</i>	<i>SR</i>
Employees' costs	10,594,741	21,032,880
Director's remuneration, allowances and expenses	2,447,700	311,188
Support services	339,416	676,121
Depreciation on property, plant and equipment (note 7)	325,569	183,824
Software licenses and fees	133,441	727,997
Legal and professional	-	768,750
Others	448,285	380,440
	14,289,152	24,081,200

17 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.

The Company's management is of the view that all activities and operations of the Company comprise of a single operating segment for the purpose of decision making with respect to performance appraisal and resources allocation and therefore, the financial statements are prepared on the basis of a single reporting segment. Accordingly, segmental analysis by geographical and operating segment has not been presented.

18 RISK MANAGEMENT

Overview

The Company's principal financial liabilities comprise SIDF loan, lease liability, accounts payable, accruals and other current liabilities, retentions payable and amounts due to a related party. The main purpose of these financial liabilities is to finance the Company's construction activities. The Company's principal financial assets include bank balances and cash and other current assets that derive directly from contribution from shareholders. The Company's management reviews and agrees policies for managing each of these risks which are summarised below.

Risk management framework

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

The Company's risk management policies are established to identify and analyse the risks faced by the Company, 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 Company's activities. The Company, 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.

ADVANCED POLYOLEFINS INDUSTRY COMPANY
(Mixed Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

18 RISK MANAGEMENT (continued)

Risk management framework (continued)

The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by Group Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is not exposed to any significant credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 90 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. Additionally, access to sources of funding is available and debt maturing within 12 months can be rolled over with existing lenders, if required.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Company's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. Selective hedging is used within the Group to manage risk concentrations at both the relationship and industry levels.

ADVANCED POLYOLEFINS INDUSTRY COMPANY
(Mixed Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

18 RISK MANAGEMENT (continued)

Risk management framework (continued)

Liquidity risk (continued)

Excessive risk concentration (continued)

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments except for short term murabaha loans which have options of roll-over:

<i>Year ended 31 December 2022</i>	<i>On Demand</i>	<i>Less than 3 months</i>	<i>3 to 12 months</i>	<i>2 to 5 years</i>	<i>More than 5 years</i>	<i>Total</i>
SIDF loan	-	-	-	162,801,915	2,057,224,199	2,220,026,114
Lease liabilities	-	-	5,468,887	21,875,548	125,784,399	153,128,834
Long term retentions	-	-	-	81,604,052	-	81,604,052
Trade payables	-	58,714	-	-	-	58,714
Amounts due to a related party	20,179,560	-	-	-	-	20,179,560
	20,179,560	58,714	5,468,887	266,281,515	2,183,008,598	2,474,997,274
<i>Year ended 31 December 2021</i>	<i>On Demand</i>	<i>Less than 3 months</i>	<i>3 to 12 months</i>	<i>2 to 5 years</i>	<i>More than 5 years</i>	<i>Total</i>
Lease liabilities	-	-	5,468,887	21,875,548	131,253,286	158,597,721
Long term retentions	-	-	-	11,615,633	-	11,615,633
Trade payables	-	357,071	-	-	-	357,071
Amounts due to a related party	10,030,948	-	-	-	-	10,030,948
	10,030,948	357,071	5,468,887	33,491,181	131,253,286	180,601,373

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is exposed to currency risk on purchases and borrowings that are denominated in a currency other than the entity, primarily US Dollars. The Company is not significantly subject to fluctuations in foreign exchange rates in the normal course of its business as the entity did not undertake significant transactions during the year in currencies other than Saudi Riyals and US Dollars which is pegged against Saudi Riyal.

ADVANCED POLYOLEFINS INDUSTRY COMPANY
(Mixed Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

18 RISK MANAGEMENT (continued)

Risk management framework (continued)

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is currently not subject to interest rate risk as SIDF loan is not subject to interest rate.

Capital management

For the purpose of the Company's capital management, capital includes issued share capital and all other equity reserves attributable to the shareholders of the Company.

The Company manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the year ended on 31 December 2022.

Fair Value

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. As the financial statements are prepared under the historical cost convention, differences can arise between the book values and fair value estimates. The Company's financial assets mainly consists of cash and bank balances and other current assets. It's financial liabilities include SIDF loan, accruals, amount due to a related party, retentions payable, other current liabilities and zakat provision. Management believes that the fair values of the financial assets and liabilities are not materially different from their carrying values.

19 SUBSEQUENT EVENT

In the opinion of management, other than as disclosed in the notes to the financial statements, there have been no significant subsequent events since the year ended 31 December 2022 that would have a material impact on the financial position of the Company as reflected in these financial statements.

20 COMMITMENTS AND CONTINGENCIES

At 31 December 2022, capital commitments contracted but not yet incurred amounted to SR 4.9 billion (2021: SR 6.11 billion) in respect of the new plants being constructed by the Company.

At 31 December 2022, the Company's banker has issued letter of credit amounting to SR 18 million towards the EPC contractor for its project work.

21 APPROVAL OF FINANCIAL STATEMENTS

The financial statements of the Company for the year ended 31 December 2022 were authorised for issuance on 7 Shawwal 1444H (corresponding to 27 April 2023).

ADVANCED POLYOLEFINS INDUSTRY COMPANY
(Mixed Closed Joint Stock Company)
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2024

ADVANCED POLYOLEFINS INDUSTRY COMPANY
(Mixed Closed Joint Stock Company)
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2024

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Statement of changes in equity	6
Statement of cash flows	7
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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ADVANCED POLYOLEFINS INDUSTRY COMPANY (MIXED CLOSED JOINT STOCK COMPANY)

Opinion

We have audited the financial statements of Advanced Polyolefins Industry Company (Mixed Closed Joint Stock Company) (the "Company"), which comprise of the statement of financial position as at 31 December 2024, and the statements of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by Saudi Organization for Chartered and Professional Accountants.

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 Financial Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia that is relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with that Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by Saudi Organization for Chartered and Professional Accountants and the applicable provisions of the Regulations for Companies and the Company's By-laws, and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance i.e. the Audit Committee is responsible for overseeing the Company's financial reporting process.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ADVANCED POLYOLEFINS INDUSTRY COMPANY (MIXED CLOSED JOINT STOCK COMPANY) (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the management' 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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ADVANCED POLYOLEFINS
INDUSTRY COMPANY (MIXED CLOSED JOINT STOCK COMPANY) (continued)**

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

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

for Ernst & Young Professional Services



Marwan S. AlAfaliq
Certified Public Accountant
License No. (422)



Al Khobar: 23 Thul-Hijjah 1446H
19 June 2025

ADVANCED POLYOLEFINS INDUSTRY COMPANY
(Mixed Closed Joint Stock Company)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	<i>2024</i> <i>SR</i>	<i>2023</i> <i>SR</i>
General and administrative expenses	16	(38,625,154)	(27,732,762)
Other income		12,000	-
LOSS BEFORE ZAKAT		(38,613,154)	(27,732,762)
<i>Zakat</i>	15	1,247,734	(758,062)
LOSS FOR THE YEAR		(37,365,420)	(28,490,824)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(37,365,420)	(28,490,824)

The attached notes 1 to 21 form an integral part of these financial statements.

ADVANCED POLYOLEFINS INDUSTRY COMPANY
(Mixed Closed Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024

	Note	31 December 2024 SR	31 December 2023 SR
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	9,031,562,838	7,019,685,479
Right-of-use asset	8	87,548,738	90,810,741
TOTAL NON-CURRENT ASSETS		9,119,111,576	7,110,496,220
CURRENT ASSETS			
Cash and cash equivalents	10	40,830,500	55,494,454
Amounts due from a related party	14	4,175	6,904,175
Inventories		28,654,599	-
Prepayments and other receivables	9	88,610,512	97,308,392
TOTAL CURRENT ASSETS		158,099,786	159,707,021
TOTAL ASSETS		9,277,211,362	7,270,203,241
EQUITY AND LIABILITIES			
EQUITY			
Share capital	12	2,210,625,000	2,210,625,000
Proposed increase in share capital	1	354,000,000	354,000,000
Accumulated losses		(106,785,663)	(69,420,243)
TOTAL EQUITY		2,457,839,337	2,495,204,757
NON-CURRENT LIABILITY			
SIDF loan	11	2,819,459,193	2,789,691,638
Islamic Loan Facilities	11	2,762,256,666	1,421,932,991
Subordinated term loan from a related party		400,000,000	200,000,000
Non current portion of lease liability	8	82,565,160	84,288,883
TOTAL NON-CURRENT LIABILITY		6,064,281,019	4,495,913,512
CURRENT LIABILITIES			
Current portion of Islamic Loan Facilities	11	428,390,832	-
Current portion of lease liability	8	10,937,774	5,468,887
Trade payable		1,803,547	-
Accruals and other current liabilities	13	44,007,127	17,547,679
Retentions payable		217,163,070	185,398,488
Amounts due to a related party	14	52,037,025	68,670,553
Zakat provision	15	751,631	1,999,365
TOTAL CURRENT LIABILITIES		755,091,006	279,084,972
TOTAL EQUITY AND LIABILITIES		9,277,211,362	7,270,203,241

The attached notes 1 to 21 form an integral part of these financial statements.

ADVANCED POLYOLEFINS INDUSTRY COMPANY

(Mixed Closed Joint Stock Company)

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2024

	<u>Accumulated losses</u>					
	<i>Share capital SR</i>	<i>Proposed increase in share capital SR</i>	<i>Advanced Global Investment Company (Saudi partner) SR</i>	<i>SK Gas Petrochemical Pte. Ltd (non Saudi partner) SR</i>	<i>Sub Total SR</i>	<i>Total SR</i>
Balance at 31 December 2022	2,210,625,000	354,000,000	(35,198,949)	(5,730,470)	(40,929,419)	2,523,695,581
Loss before zakat	-	-	(23,572,848)	(4,159,914)	(27,732,762)	(27,732,762)
Provision for zakat (note 15)	-	-	(758,062)	-	(758,062)	(758,062)
Loss for the year	-	-	(24,330,910)	(4,159,914)	(28,490,824)	(28,490,824)
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	(24,330,910)	(4,159,914)	(28,490,824)	(28,490,824)
Balance at 31 December 2023	2,210,625,000	354,000,000	(59,529,859)	(9,890,384)	(69,420,243)	2,495,204,757
Loss before zakat	-	-	(32,821,181)	(5,791,973)	(38,613,154)	(38,613,154)
Provision for zakat (note 15)	-	-	1,247,734	-	1,247,734	1,247,734
Loss for the period	-	-	(31,573,447)	(5,791,973)	(37,365,420)	(37,365,420)
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	(31,573,447)	(5,791,973)	(37,365,420)	(37,365,420)
Balance at 31 December 2024	2,210,625,000	354,000,000	(91,103,306)	(15,682,357)	(106,785,663)	2,457,839,337

The attached notes 1 to 21 form an integral part of these financial statements.

ADVANCED POLYOLEFINS INDUSTRY COMPANY
(Mixed Closed Joint Stock Company)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	2024 <i>SR</i>	2023 <i>SR</i>
OPERATING ACTIVITIES			
Loss before zakat		(38,613,154)	(27,732,762)
<i>Adjustments to reconcile loss before zakat to net cash flows:</i>			
Depreciation of property, plant and equipment		729,295	360,818
		(37,883,859)	(27,371,944)
Working capital adjustments:			
Prepayments and other receivables		11,959,883	(51,941,429)
Inventories		(28,654,599)	-
Trade payable		1,803,547	-
Accruals and other current liabilities		26,459,448	13,725,314
		(26,315,580)	(65,588,059)
Zakat paid	15	-	(1,484,986)
Net cash flows used in operating activities		(26,315,580)	(67,073,045)
INVESTING ACTIVITY			
Additions to property, plant and equipment		(2,008,861,490)	(3,326,431,099)
Movement in retentions payable		31,764,582	103,794,436
Net cash used in an investing activity		(1,977,096,908)	(3,222,636,663)
FINANCING ACTIVITIES			
Drawdown of SIDF Loan		29,767,555	747,267,614
Drawdown of Islamic Loan Facilities		1,768,714,507	1,421,932,991
Advance from Parent Company		200,000,000	200,000,000
Net movement in amounts due to a related party		(9,733,528)	36,117,931
Net cash from financing activities		1,988,748,534	2,405,318,536
INCREASE IN CASH AND CASH EQUIVALENTS		(14,663,954)	(884,391,172)
Cash and cash equivalents at the beginning		55,494,454	939,885,626
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	10	40,830,500	55,494,454
Significant non-cash transactions:			
Lease payment made by a related party on behalf of the Company		-	5,468,887
Depreciation on property, plant and equipment capitalised under asset under construction		1,715,279	2,044,636
Finance cost on lease liability capatilized under asset under construction		3,745,164	3,804,724

The attached notes 1 to 21 form an integral part of these financial statements.

ADVANCED POLYOLEFINS INDUSTRY COMPANY

(Mixed Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

1 CORPORATE INFORMATION

Advanced Polyolefins Industry Company ("APOC" or the "Company") is a mixed closed joint stock company incorporated during the year 2021 and is registered in Jubail, Kingdom of Saudi Arabia under unified identification number 7023285054 and commercial registration number 2055130313 dated 14 Ramadan 1442H (corresponding to 26 April 2021). The registered address of the Company is P.O. Box 11022, Jubail Industrial City 31961, Kingdom Of Saudi Arabia.

The Company is licensed to engage in the establishment of manufacturing facilities and marketing, sale, delivery and production of Propylene, Polypropylene and Isopropyl Alcohol. The Company has not commenced its commercial operations as its plants are under construction phase, which are expected to be completed by the end of first quarter of 2025.

The subscribed share capital of the Company is Saudi Riyals one billion seven hundred and sixty two million five hundred thousand (SR 1,762,500,000), divided into one hundred and seventy six million and two hundred and fifty thousand (176,250,000) shares of SR 10 each. The initial paid-up share capital of the Company was Saudi Riyals Four hundred and forty million and six hundred and twenty five thousand (440,625,000) divided into forty four million and sixty two thousand and five hundred (44,062,500) share of SR 10 each. During the year 2021, the paid-up share capital of the Company increased from SR 440,625,000 to SR 1,502,625,000 by injecting additional share capital of SR 1,062,000,000 which was approved by the shareholders subsequent to the year-end in Extraordinary General Assembly meeting held on 3 Jumada Al-Alkhirah 1443H (corresponding to 6 January 2022). Further during the year 2022, paid up share capital was increased by SR 708 million through capital injection approved by AGM held on 13 June 2022 and 26 september 2022. Legal formalities relating to the above increase in capital are completed after the reporting date. Proposed capital of SR 354 million is awaiting for the legal formalities to be completed.

As of 31 December 2023, the Company's shareholders are as follows:

<u>Name of shareholders</u>	<u>Shareholding</u>
Advanced Global Investment Company ("AGIC"), a single shareholder limited liability company	85%
SK Gas Petrochemical Pte. Ltd., (a company organized and existing under the laws of Republic of Singapore).	15%

2 BASIS OF PREPARATION

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRSs") that are endorsed in the Kingdom of Saudi Arabia ("KSA") and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA").

These financial statements have been prepared under the historical cost convention using the accrual basis of accounting. These financial statements are presented in Saudi Riyal (SR) which is the currency of the country in which the Company is domiciled and the Company's functional currency.

3 MATERIAL ACCOUNTING POLICY INFORMATION

Current versus non-current classification

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

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current

ADVANCED POLYOLEFINS INDUSTRY COMPANY
(Mixed Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2024

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Current versus non-current classification (continued)

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Fair value measurement

The Company measures financial instruments and non-financial assets at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, In the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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 recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, if required. The involvement of external valuers is decided by the Company after discussion and approval by the Company's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Company decides, after discussion with the Company's external valuers, which valuation technique and inputs to use for each case.

ADVANCED POLYOLEFINS INDUSTRY COMPANY
(Mixed Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2024

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Fair value measurement (continued)

At each reporting date, the Company analyses the movements in the values of assets and liabilities, which are required to be remeasured or re-assessed as per the Company's accounting policies. For this analysis, the Company verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Company also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Expenses

General and administration expenses include costs not specifically part of direct costs and the major portion represents the employee costs incurred, which are not eligible for capitalisation.

Zakat and income tax

Zakat and current tax

Zakat is provided in accordance with the Regulations of the Zakat, Tax and Customs Authority ("the ZATCA") in the Kingdom of Saudi Arabia. Zakat and tax provision is charged to the statement of profit or loss and other comprehensive income, as IAS 12 'Income Taxes' do not provide any guidance on the accounting treatment of zakat. Non-Saudi shareholder in the Company are subject to income tax in the Kingdom of Saudi Arabia.

Current income tax assets and liabilities for current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date. Current income tax is recognised in the statement of profit or loss and other comprehensive income. Management periodically evaluates positions taken in the Company's tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised on all deductible temporary difference, carry forward of unused tax credits and unused tax losses only to the extent that it is probable that taxable profit will be available against which these assets can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset/liability to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

ADVANCED POLYOLEFINS INDUSTRY COMPANY
(Mixed Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2024

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Zakat and income tax (continued)

Withholding tax

The entity withholds taxes on certain transactions with non-resident parties in the KSA, including dividend payments to the non-resident shareholders, as required under Saudi Arabian Income Tax Law.

Value added tax

Sales, expenses and assets are recognised net of the amount of Value added tax, except when the value added tax incurred on purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

- When the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

- When receivables and payables are stated with the amount of value added tax included. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Foreign currencies

The Company's financial statements are presented in Saudi Riyal, which is also the Company's functional currency.

Transactions and balances

Transactions in foreign currencies is initially recorded by the Company at its functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss and other comprehensive income with the exception of monetary items that are designated as part of the hedge of the Company's net investment in a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to statement of profit or loss and comprehensive income. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

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. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or statement of profit or loss are also recognised in the statement of profit or loss and other comprehensive income).

Property, plant and equipment

Property, plant and equipment and capital work-in-progress are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects (qualifying assets), if the recognition criteria are met.

ADVANCED POLYOLEFINS INDUSTRY COMPANY
(Mixed Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2024

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Property, plant and equipment (Continued)

When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of profit or loss and other comprehensive income as incurred. Further, the Company capitalised the spare parts having value above SR 50,000 and meeting the capitalization criteria; and depreciate them over the life of the related equipment.

Depreciation is calculated from the date the item of property, plant and equipment are available for intended use or in respect of self-constructed assets, from the date such assets are completed and ready for the intended use.

Depreciation is calculated on a straight-line basis over the useful life of the asset as follows:

	<u>Years</u>
Machinery and equipment	10 to 40
Buildings	10 to 33
Furniture, fixtures and office equipment	3 to 8
Vehicles	4 to 10

Capital work-in-progress is not depreciated.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income when the asset is derecognised.

The assets residual values, useful lives and methods of depreciation are reviewed, and adjusted prospectively if appropriate, at each financial year-end.

Leases

The entity assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The entity applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The entity recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

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

ADVANCED POLYOLEFINS INDUSTRY COMPANY
(Mixed Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2024

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Leases (continued)

Lease liabilities

At the commencement date of the lease, the entity recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the entity and payments of penalties for terminating a lease, if the lease term reflects the entity exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

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

Short-term leases and leases of low-value assets

The entity applies the short-term lease recognition exemption to its short-term leases of equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below SR 18,750). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Variable lease payments

Some leases contain variable payments that are linked to the usage / performance of the leased asset. Such payments are recognised in statement of profit or loss and other comprehensive income.

Significant judgement in determining the lease term of contracts with renewal options

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

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

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is principally based on the weighted average principle, and includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to complete a sale.

ADVANCED POLYOLEFINS INDUSTRY COMPANY
(Mixed Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2024

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Impairment of non-current assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the assets 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 group of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and is written down to its recoverable amount.

In assessing the value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

The Company's impairment calculation is based on detailed budgets and forecast calculations which are prepared separately for each of the Company's CGU's to which the individual assets are allocated. These budgets and forecast calculations are generally covering a five-year period. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the budget period.

Impairment losses of continuing operations, including impairment on working capital, if applicable, are recognised in the statement of profit or loss and other comprehensive income in those expense categories consistent with the function of the impaired asset.

For assets other than goodwill, an assessment is made at each financial year-end 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 Company 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. This reversal is limited such that the recoverable amount doesn't exceed what the carrying amount would have been, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss and other comprehensive income.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Investment income earned on the temporary investment of specific borrowings pending their expenditure on the qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Financial assets and financial liabilities

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially 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.

ADVANCED POLYOLEFINS INDUSTRY COMPANY
(Mixed Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2024

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial assets and financial liabilities (continued)

Financial assets (continued)

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss and other comprehensive income when the asset is derecognised, modified or impaired.

Financial assets at fair value through OCI (debt instruments)

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling and;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and other comprehensive income and computed in the same manner as for financial assets measured at amortised cost. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

ADVANCED POLYOLEFINS INDUSTRY COMPANY
(Mixed Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2024

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial assets and financial liabilities (continued)

Financial assets (continued)

Subsequent measurement (continued)

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss and other comprehensive income when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss and other comprehensive income.

This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss and other comprehensive income when the right of payment has been established.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the entity's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; Or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; And either:
 - (a) the Company has transferred substantially all the risks and rewards of the asset, or
 - (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

ADVANCED POLYOLEFINS INDUSTRY COMPANY
(Mixed Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2024

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial assets and financial liabilities (continued)

Financial assets (continued)

Derecognition (continued)

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Company applies the low credit risk simplification. At every reporting date, the Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the internal credit rating of the debt instrument. In addition, the Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ADVANCED POLYOLEFINS INDUSTRY COMPANY
(Mixed Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2024

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial assets and financial liabilities (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include accruals, amount due to related party, retentions and zakat provision.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss and other comprehensive income. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss and other comprehensive income. This category generally applies to interest-bearing loans and borrowings.

Derecognition

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

ADVANCED POLYOLEFINS INDUSTRY COMPANY
(Mixed Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2024

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise bank balances and cash in hand. For the purpose of the statement of cash flows, Bank balances and cash consist of bank balances and cash in hand as defined above.

Provisions

Provisions are recognised when the Company 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 management of the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Onerous contract

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligation under the contract.

Provision for inventory obsolescence

When inventories become old or obsolete, an estimate is made for their net realisable value. For individually significant amounts, this amount is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively, and an allowance applied according to the inventory type and degree of ageing or obsolescence based on expected selling prices. Inventories are measured at the lower of cost and net realisable value.

Statutory reserve

In accordance with the Saudi Arabian Regulations for Companies, the Company must set aside 10% of its income for the year after deducting losses brought forward in each year until it has built up a reserve equal to 30% of the capital. The reserve is not available for distribution.

Contingencies

Contingent liabilities are not recognised in the statement of financial position. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Liabilities which are probable are recorded in statement of financial position under accounts payable and accruals. A contingent asset is not recognised in the statement of financial position but disclosed when an inflow of economic benefits is probable.

ADVANCED POLYOLEFINS INDUSTRY COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2024

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these financial statements requires management to make judgments, estimates and assumptions that may affect the reported amount of assets and liabilities, revenues, expenses and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates which could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future years.

Useful lives of property, plant and equipment

The management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Impairment test of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing off the asset. The value in use calculation is based on a Discounted Cash Flow ("DCF") model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the Cash Generating Unit ("CGU") being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future net cash-inflows and the growth rate used for extrapolation purposes.

Provisions

By their nature, provisions are dependent upon estimates and assessments whether the criteria for recognition have been met, including estimates of the probability of cash outflows. Management's estimates related to provisions for environmental matters are based on the nature and seriousness of the contamination, as well as on the technology required for clean up. Provisions for litigation are based on an estimate of the costs, taking into account legal advice and other information presently available. Provisions for termination benefits and exit costs, if any, also involve management's judgement in estimating the expected cash outflows for severance payments and site closures or other exit costs. Provisions for uncertain liabilities involve management's best estimate of whether cash outflows are probable.

Impairment of inventories

Inventories are held at the lower of cost and net realizable value. When inventories become old or obsolete, an estimate is made of their net realizable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on anticipated selling prices.

ADVANCED POLYOLEFINS INDUSTRY COMPANY
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5 CHANGES IN ACCOUNTING POLICIES

New and amended standards and interpretations

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2024 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback

The amendments in IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendment had no impact on the Company's financial statements.

Amendments to IAS 1 - Classification of Liabilities as Current or Non-current

The amendments to IAS 1 specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

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

In addition, an entity is required to disclose when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments had no impact on the Company's financial statements.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

The amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The amendments had no impact on the Company's financial statements.

ADVANCED POLYOLEFINS INDUSTRY COMPANY
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FOR THE YEAR ENDED 31 DECEMBER 2024

6 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Lack of exchangeability – Amendments to IAS 21

In August 2023, the IASB issued amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted, but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

The amendments are not expected to have a material impact on the Company's financial statements.

IFRS 18: Presentation and disclosure in financial statements

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes.

In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

In May 2024, the IASB issued IFRS 19, which allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards.

IFRS 19 will become effective for reporting periods beginning on or after 1 January 2027, with early application permitted.

The amendments are not expected to have a material impact on the Company's financial statements.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2024

7 PROPERTY, PLANT AND EQUIPMENT

	<i>Buildings</i> <i>SR</i>	<i>Machinery and equipment</i> <i>SR</i>	<i>Furniture, fixtures & office</i> <i>equipment</i> <i>SR</i>	<i>Vehicles</i> <i>SR</i>	<i>Assets under construction</i> <i>SR</i>	<i>Total</i> <i>SR</i>
<i>Cost:</i>						
At 1st January 2024	11,627,547	5,001,960	1,164,583	1,887,233	7,006,310,845	7,025,992,168
Additions during the year	-	-	-	-	2,014,321,933	2,014,321,933
At 31 December 2024	11,627,547	5,001,960	1,164,583	1,887,233	9,020,632,778	9,040,314,101
<i>Accumulated Depreciation:</i>						
At 1st January 2024	2,357,061	2,771,303	478,940	699,385	-	6,306,689
Charge for the year	1,115,502	789,768	169,165	370,139	-	2,444,574
At 31 December 2024	3,472,563	3,561,071	648,105	1,069,524	-	8,751,263
<i>Net book amounts:</i>						
At 31 December 2024	8,154,984	1,440,889	516,478	817,709	9,020,632,778	9,031,562,838
	<i>Buildings</i> <i>SR</i>	<i>Machinery and equipment</i> <i>SR</i>	<i>Furniture, fixtures & office</i> <i>equipment</i> <i>SR</i>	<i>Vehicles</i> <i>SR</i>	<i>Assets under construction</i> <i>SR</i>	<i>Total</i> <i>SR</i>
<i>Cost:</i>						
At 1st January 2023	9,046,585	4,851,360	1,164,583	1,087,233	3,677,561,948	3,693,711,709
Additions during the year	2,444,505	-	287,057	800,000	3,328,748,897	3,332,280,459
At 31 December 2023	11,491,090	4,851,360	1,451,640	1,887,233	7,006,310,845	7,025,992,168
<i>Accumulated Depreciation:</i>						
At 1st January 2023	1,366,107	1,748,462	309,780	476,886	-	3,901,235
Charge for the year	990,954	1,022,841	169,160	222,499	-	2,405,454
At 31 December 2023	2,357,061	2,771,303	478,940	699,385	-	6,306,689
<i>Net book amounts:</i>						
At 31 December 2023	9,134,029	2,080,057	972,700	1,187,848	7,006,310,845	7,019,685,479

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7 PROPERTY, PLANT AND EQUIPMENT

Allocation of depreciation charge for the year is as follows:	<i>31 December</i>	<i>31 December</i>
	<i>2024</i>	<i>2023</i>
	<i>SR</i>	<i>SR</i>
Depreciation cost capitalised under asset under construction	<u>1,715,279</u>	<u>2,044,636</u>
General and administration expenses (note 16)	<u>729,295</u>	<u>360,818</u>
	<u><u>2,444,574</u></u>	<u><u>2,405,454</u></u>

8 Leases

The Company recognised right-of-use asset and lease liability with respect to land lease with a term of 30 Hijri years from a shareholder (AGIC) based on sub-lease agreement signed between APOC and AGIC. During 2021, AGIC have signed a 30-year primary land lease agreement with Royal Commission for Jubail and Yanbu to be used as a plant site for APOC and its future projects with total area of 2,235,088.9 square meters. Within the same year, after securing approval from the lessor, a portion of the leased land was sub-leased to APOC having area of 1,215,308.2 square meters and the remaining area was reserved by AGIC for future projects. During the year 2024, no addition of lease were made.

Set out below are the carrying amount of right-of-use asset recognised and the movements during the year:

Right-of-use asset

	<i>2024</i>	<i>2023</i>
	<i>SR</i>	<i>SR</i>
At 1 January	<u>90,810,741</u>	<u>94,072,744</u>
Depreciation expense	<u>(3,262,003)</u>	<u>(3,262,003)</u>
At 31 December	<u><u>87,548,738</u></u>	<u><u>90,810,741</u></u>

Set out below are the carrying amount of lease liability and the movements during the period:

Lease liability

	<i>2024</i>	<i>2023</i>
	<i>SR</i>	<i>SR</i>
At 1 January	<u>89,757,770</u>	<u>91,421,933</u>
Finance cost *	<u>3,745,164</u>	<u>3,804,724</u>
Payment	<u>-</u>	<u>(5,468,887)</u>
At 31 December	<u><u>93,502,934</u></u>	<u><u>89,757,770</u></u>

ADVANCED POLYOLEFINS INDUSTRY COMPANY
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8 Leases

Lease liability are allocated into current and non-current, based on the maturity as follows:

	<i>2024</i>	<i>2023</i>
	<i>SR</i>	<i>SR</i>
Current	10,937,774	5,468,887
Non-current	82,565,160	84,288,883
	93,502,934	89,757,770

* Finance cost was charged to a related party.

9 OTHER CURRENT ASSETS

	<i>31 December</i>	<i>31 December</i>
	<i>2024</i>	<i>2023</i>
	<i>SR</i>	<i>SR</i>
Advances to suppliers	20,268,505	-
Refundable Input VAT	65,867,250	93,405,639
Other receivables	2,474,757	3,902,753
	88,610,512	97,308,392

10 CASH AND CASH EQUIVALENTS

	<i>2024</i>	<i>2023</i>
	<i>SR</i>	<i>SR</i>
Bank balances	40,710,500	55,449,454
Cash in hand	120,000	45,000
	40,830,500	55,494,454

11 LOANS AND BORROWINGS

11.1) SIDF LOAN

During 2022, the Company obtained a term loan facility from Saudi Industrial Development Fund (“SIDF”) with total amount of SR 3 billion to finance the construction of new PDH and PP Project. Up-front and administrative fees are charged by SIDF under the loan agreement, amortized as finance cost using the effective interest rate and presented as unamortized transaction costs deducted from the loan. As at 31 December 2024, full amount of SR 3 billion (2023: SR 3 billion) was withdrawn by the Company from the loan facility. The loan is secured by a mortgage over the property, plant and equipment amounting to SR 9 billion (2023: SR 7 billion) (refer note 7) and by promissory notes. The loan is payable in 16 un-equal semi-annual instalments, with first instalment payable on 15 Safar 1448H (corresponding to 29 July 2026). The facility agreement with SIDF contains certain covenants, which requires among other things, certain financial ratios to be maintained. At 31 December 2024, the Company was compliant with covenants.

	<i>2024</i>	<i>2023</i>
	<i>SR</i>	<i>SR</i>
Saudi Industrial Development Fund (“SIDF”)	3,000,000,000	3,000,000,000
Less: 8% front end fees - Capitalized	(180,540,807)	(210,308,362)
Net amount received	2,819,459,193	2,789,691,638

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11 SECURED LOAN (continued)

11.2) ISLAMIC LOAN

During the year ended 31 December 2022, APOC (“a subsidiary”) signed multiple Islamic loan facilities with a consortium of financial institutions with total amount of SR 6.1 billion to finance the construction of new PDH, PP and IPA plants. These loans are secured by promissory notes and Debt Service Undertaking of USD 250 million from the Parent Company and carry a commission which commensurate with prevailing commercial rates which are mainly SIBOR based plus agreed margins. These loans are repayable in unequal semi-annual installments and maturities of these facilities are based on their respective repayment schedules spread up to 2035, with first instalment payment starting from 2025. These loan agreements include covenants to maintain certain financial ratios during the loans period. As at 30 September 2023, an amount of SR 1.42 billion was withdrawn by the Company.

	<i>2024</i>	<i>2023</i>
	<i>SR</i>	<i>SR</i>
Islamic Loan Facilities-Current portion	428,390,832	-
Add: Islamic Loan Facilities-Non-Current portion	2,762,256,666	1,421,932,991
Total	3,190,647,498	1,421,932,991

12 SHARE CAPITAL

	<i>2024</i>	<i>2023</i>
	<i>SR</i>	<i>SR</i>
<i>Subscribed shares</i>		
Number of ordinary shares of SR 10 each	256,462,500	256,462,500
<i>Shares issued and fully paid (See Note 1)</i>		
Number of ordinary shares of SR 10 each	221,062,500	221,062,500
Ordinary shares in SR	2,210,625,000	2,210,625,000

13 ACCRUALS AND OTHER CURRENT LIABILITIES

	<i>31 December</i>	<i>31 December</i>
	<i>2024</i>	<i>2023</i>
	<i>SR</i>	<i>SR</i>
Withholding taxes payable	2,527,987	527,002
Accrued expenses	41,479,140	17,020,677
	44,007,127	17,547,679

14 RELATED PARTY TRANSACTIONS AND BALANCES

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

<i>Name</i>	<i>Relationship</i>
Advanced Petrochemical Company	Ultimate parent Company
Advanced Global Investment Company ("AGIC")	Shareholder
SK Gas Petrochemical Pte. Ltd	Shareholder

Major transactions with related parties other than those already disclosed elsewhere in these financial statements were as follows:

ADVANCED POLYOLEFINS INDUSTRY COMPANY
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FOR THE YEAR ENDED 31 DECEMBER 2024

14 RELATED PARTY TRANSACTIONS AND BALANCES

<i>Related party</i>	<i>Nature of transactions</i>	<i>Amounts of transactions</i>	
		<i>2024</i>	<i>2023</i>
		<i>SR</i>	<i>SR</i>
Advanced Petrochemical Company	Lease payment made by a related party on behalf of the Company	-	5,468,887

Pricing policies and terms of payments of transactions with related parties are approved by the Company's management.

a) The breakdown of amounts due from and due to a related party shown in the balance sheet is as follows:

(a) *Amount due from a related party – presented under current assets:*

	<i>2024</i>	<i>2023</i>
	<i>SR</i>	<i>SR</i>
Advanced Global Investment Company	<u>4,175</u>	<u>6,904,175</u>

(b) *Subordinated term loan from a related party– presented under non-current liabilities:*

	<i>2024</i>	<i>2023</i>
	<i>SR</i>	<i>SR</i>
Advanced Petrochemical Company*	<u>400,000,000</u>	<u>200,000,000</u>

*During the year ended 31 December 2024, the Company obtained an advance from the ultimate parent company of SR 400 million (2023: SR 200 million) which carry interest commensurating with the prevailing commercial rates mainly SIBOR based plus agreed margins.

(c) *Amounts due to a related party – presented under current liabilities:*

	<i>2024</i>	<i>2023</i>
	<i>SR</i>	<i>SR</i>
Advanced Petrochemical Company	<u>52,037,025</u>	<u>68,670,553</u>

The amount mainly represents the payment of salaries to the employees. The amount due to related party is payable on demand and free of commission.

b) Compensation of key management personnel

Below are the details of key management personnel compensation recorded during the period;

- i) The Company has paid salaries and allowances of SR 3.9 million (2023: SR 4.7 million) and short term and other benefits of SR 0.7 million (2023: SR 1.1 million) to its key executives during the year.
- ii) The non-executive directors do not receive pension entitlements from the Company.
- iii) The Company has paid SR 2.1 million (2023: SR 2.56 million) as directors' remuneration during the period.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2024

15 ZAKAT AND INCOME TAX

a) Zakat

	<u>2024</u>	<u>2023</u>
	<u>SR</u>	<u>SR</u>
(Reversal) provision for the year	(1,247,734)	758,062
The principal elements of zakat are as follows;		
	<u>2024</u>	<u>2023</u>
	<u>SR</u>	<u>SR</u>
Opening shareholders' equity	2,495,204,757	2,523,695,581
Other adjustments	6,662,519,973	4,687,092,979
Non-current assets	(9,119,111,576)	(7,110,496,220)
	38,613,154	100,292,340
Net loss for the year before zakat	(38,613,154)	(23,434,184)
Zakat base	-	76,858,156

b) Movement in the zakat payable

The movement in zakat provisions for the year was as follows;

	<u>2024</u>	<u>2023</u>
	<u>SR</u>	<u>SR</u>
As at 1 January 2024	1,999,365	2,726,289
Provision for the period	-	758,062
Prior year adjustment	(1,247,734)	-
Payments during the period	-	(1,484,986)
As at 31 December 2024	751,631	1,999,365

c) Income tax

No income tax has been provided for , due to estimated tax losses for the year.

d) Status of assessments

The Company is in the process to file its first zakat and income tax returns with the Zakat, Tax and Customs Authority ("ZATCA") for the period ending 31 December 2024.

16 GENERAL AND ADMINISTRATIVE EXPENSES

	<u>2024</u>	<u>2023</u>
	<u>SR</u>	<u>SR</u>
Employees' costs	28,151,925	24,135,490
Depreciation on right-of use asset	6,524,006	-
Director's remuneration, allowances and expenses	2,430,000	2,559,980
Depreciation on property, plant and equipment (note 7)	729,295	360,818
Legal and professional	232,350	71,050
Support services	-	210,806
Others	557,578	394,618
	38,625,154	27,732,762

ADVANCED POLYOLEFINS INDUSTRY COMPANY
(Mixed Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2024

17 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.

The Company's management is of the view that all activities and operations of the Company comprise of a single operating segment for the purpose of decision making with respect to performance appraisal and resources allocation and therefore, the financial statements are prepared on the basis of a single reporting segment. Accordingly, segmental analysis by geographical and operating segment has not been presented.

18 RISK MANAGEMENT

Overview

The Company's principal financial liabilities comprise lease liability, accounts payable, accruals and other current liabilities, retentions payable and amounts due to a related party. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include bank balances and cash and other current assets that derive directly from contribution from shareholders. The Company's management reviews and agrees policies for managing each of these risks which are summarised below.

Risk management framework

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

The Company's risk management policies are established to identify and analyse the risks faced by the Company, 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 Company's activities. The Company, 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.

The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is not exposed to any significant credit risk.

ADVANCED POLYOLEFINS INDUSTRY COMPANY
(Mixed Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2024

18 RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company is not exposed to liquidity risk as the Company does not have any operations during the period.

The Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 90 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. Additionally, access to sources of funding is available and debt maturing within 12 months can be rolled over with existing lenders, if required.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments except for short term murabaha loans which have options of roll-over:

<i>Year ended 31 December 2024</i>	<i>On Demand</i>	<i>Less than 3 months</i>	<i>3 to 12 months</i>	<i>2 to 5 years</i>	<i>More than 5 years</i>	<i>Total</i>
SIDF loan				772,000,000	2,228,000,000	3,000,000,000
Islamic loan facilities	-	-	2,762,256,666	428,390,832	-	3,190,647,498
loan from a related party	-	-	-	400,000,000	-	400,000,000
Lease liabilities	-	-	5,468,887	21,875,548	125,784,399	153,128,834
Long term retentions	-	-	217,163,070	-	-	217,163,070
Amounts due to a related party	52,037,025	-	-	-	-	52,037,025
	52,037,025	-	2,984,888,623	1,622,266,380	2,353,784,399	7,012,976,427

<i>Year ended 31 December 2023</i>	<i>On Demand</i>	<i>Less than 3 months</i>	<i>3 to 12 months</i>	<i>2 to 5 years</i>	<i>More than 5 years</i>	<i>Total</i>
SIDF loan	-	-	-	772,000,000	2,228,000,000	3,000,000,000
Islamic loan facilities	-	-	-	1,421,932,991	-	1,421,932,991
Subordinated term	-	-	-	200,000,000	-	200,000,000
Lease liabilities	-	-	5,468,887	21,875,548	125,784,399	153,128,834
Long term retentions	-	-	185,398,488	-	-	185,398,488
Amounts due to a related party	68,670,553	-	-	-	-	68,670,553
	68,670,553	-	190,867,375	2,415,808,539	2,353,784,399	5,029,130,866

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

ADVANCED POLYOLEFINS INDUSTRY COMPANY
(Mixed Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2024

18 RISK MANAGEMENT (continued)

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the entity, primarily US Dollars. The Company is not significantly subject to fluctuations in foreign exchange rates in the normal course of its business as the entity did not undertake significant transactions during the period in currencies other than Saudi Riyals and US Dollars which is pegged against Saudi Riyal.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is currently not subject to interest rate risk.

Capital management

For the purpose of the Company's capital management, capital includes issued share capital and all other equity reserves attributable to the shareholders of the Company.

The Company manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the period ended on 31 December 2024.

Fair Value

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. As the financial statements are prepared under the historical cost convention, differences can arise between the book values and fair value estimates. The Company's financial assets mainly consists of cash and bank balances and other current assets. It's financial liabilities include accruals, amount due to a related party, retentions payable, other current liabilities and zakat provision. Management believes that the fair values of the financial assets and liabilities are not materially different from their carrying values.

19 SUBSEQUENT EVENT

In the opinion of management, other than as disclosed in the notes to the financial statements, there have been no significant subsequent events since the period ended 31 December 2024 that would have a material impact on the financial position of the Company as reflected in these financial statements.

20 COMMITMENTS AND CONTINGENCIES

At 31 December 2024, capital commitments contracted but not yet incurred amounted to SR 1.63 billion (2023: SR 2.4 billion) in respect of the new PDH and PP Plants being constructed by the Company.

21 APPROVAL OF FINANCIAL STATEMENTS

The financial statements of the Company for the year ended 31 December 2024 were authorised for issuance on 23 Thul-Hijjah 1446H (corresponding to 19 June 2025).

ADVANCED POLYOLEFINS INDUSTRY COMPANY
(Mixed Closed Joint Stock Company)
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023

ADVANCED POLYOLEFINS INDUSTRY COMPANY
(Mixed Closed Joint Stock Company)
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023

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Statement of changes in equity	6
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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ADVANCED POLYOLEFINS INDUSTRY COMPANY (MIXED CLOSED JOINT STOCK COMPANY)

Opinion

We have audited the financial statements of Advanced Polyolefins Industry Company (Mixed Closed Joint Stock Company) (the "Company"), which comprise of the statement of financial position as at 31 December 2023, and the statements of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, and its financial performance and its 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 that are endorsed by Saudi Organization for Chartered and Professional Accountants.

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 Financial Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia that is relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with that Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by Saudi Organization for Chartered and Professional Accountants and the provisions of Companies' Law and the Company's By-laws, and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance is responsible for overseeing the Company's financial reporting process.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ADVANCED POLYOLEFINS INDUSTRY COMPANY (MIXED CLOSED JOINT STOCK COMPANY) (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the management' 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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ADVANCED POLYOLEFINS
INDUSTRY COMPANY (MIXED CLOSED JOINT STOCK COMPANY) (continued)**

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

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

for Ernst & Young Professional Services



Marwan S. Alafaliq
Certified Public Accountant
License No. (422)



Al Khobar: 19 Duh Al-Qi'dah 1445H
27 May 2024

ADVANCED POLYOLEFINS INDUSTRY COMPANY
(Mixed Closed Joint Stock Company)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 <u>SR</u>	2022 <u>SR</u>
General and administrative expenses	16	(27,732,762)	(14,289,152)
Other income, net		-	167,222
LOSS BEFORE ZAKAT		(27,732,762)	(14,121,930)
Zakat	15	(758,062)	(2,462,089)
LOSS FOR THE YEAR		(28,490,824)	(16,584,019)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(28,490,824)	(16,584,019)

The attached notes 1 to 21 form an integral part of these financial statements.

ADVANCED POLYOLEFINS INDUSTRY COMPANY
(Mixed Closed Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Note	2023 SR	2022 SR
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	7,019,685,479	3,689,810,474
Right-of-use asset	8	90,810,741	94,072,744
TOTAL NON-CURRENT ASSETS		7,110,496,220	3,783,883,218
CURRENT ASSETS			
Cash and cash equivalents	10	55,494,454	939,885,626
Amounts due from a related party	14	6,904,175	-
Other current assets	9	97,308,392	42,104,960
TOTAL CURRENT ASSETS		159,707,021	981,990,586
TOTAL ASSETS		7,270,203,241	4,765,873,804
EQUITY AND LIABILITIES			
EQUITY			
Share capital	12	2,210,625,000	2,210,625,000
Proposed increase in share capital	1	354,000,000	354,000,000
Accumulated losses		(69,420,243)	(40,929,419)
TOTAL EQUITY		2,495,204,757	2,523,695,581
NON-CURRENT LIABILITIES			
SIDF loan	11	2,789,691,638	2,042,424,024
Islamic loan	11	1,421,932,991	-
Retentions payable		-	81,604,052
Non current portion of lease liability	8	84,288,883	85,953,046
Subordinated term loan from a related party	14	200,000,000	-
TOTAL NON-CURRENT LIABILITIES		4,495,913,512	2,209,981,122
CURRENT LIABILITIES			
Retentions payable		185,398,488	-
Current portion of lease liability	8	5,468,887	5,468,887
Accruals and other current liabilities	13	17,547,679	3,822,365
Amounts due to a related party	14	68,670,553	20,179,560
Zakat provision	15	1,999,365	2,726,289
TOTAL CURRENT LIABILITIES		279,084,972	32,197,101
TOTAL EQUITY AND LIABILITIES		7,270,203,241	4,765,873,804

The attached notes 1 to 21 form an integral part of these financial statements.

ADVANCED POLYOLEFINS INDUSTRY COMPANY
(Mixed Closed Joint Stock Company)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

			<i>Accumulated losses</i>		<i>Sub Total</i>	<i>Total</i>
	<i>Share capital</i>	<i>Proposed increase in share capital</i>	<i>Advanced Global Investment Company (Saudi partner)</i>	<i>SK Gas Petrochemical Pte. Ltd (non Saudi partner)</i>		
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
As at 1 January 2022	440,625,000	1,062,000,000	(20,733,220)	(3,612,180)	(24,345,400)	1,478,279,600
Increase in share capital (note 1)	1,770,000,000	(708,000,000)	-	-	-	1,062,000,000
Loss before zakat	-	-	(12,003,640)	(2,118,290)	(14,121,930)	(14,121,930)
Provision for zakat (note 15)	-	-	(2,462,089)	-	(2,462,089)	(2,462,089)
Loss for the year	-	-	(14,465,729)	(2,118,290)	(16,584,019)	(16,584,019)
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	(14,465,729)	(2,118,290)	(16,584,019)	(16,584,019)
Balance at 31 December 2022	2,210,625,000	354,000,000	(35,198,949)	(5,730,470)	(40,929,419)	2,523,695,581
Loss before zakat	-	-	(23,572,848)	(4,159,914)	(27,732,762)	(27,732,762)
Provision for zakat (note 15)	-	-	(758,062)	-	(758,062)	(758,062)
Loss for the year	-	-	(24,330,910)	(4,159,914)	(28,490,824)	(28,490,824)
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	(24,330,910)	(4,159,914)	(28,490,824)	(28,490,824)
Balance at 31 December 2023	2,210,625,000	354,000,000	(59,529,859)	(9,890,384)	(69,420,243)	2,495,204,757

The attached notes 1 to 21 form an integral part of these financial statements.

ADVANCED POLYOLEFINS INDUSTRY COMPANY
(Mixed Closed Joint Stock Company)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 SR	2022 SR
OPERATING ACTIVITIES			
Loss before zakat		(27,732,762)	(14,121,930)
<i>Adjustments to reconcile loss before zakat to net cash flows used in operating activities:</i>			
Depreciation of property, plant and equipment	7	360,818	325,569
		(27,371,944)	(13,796,361)
Working capital adjustments:			
Other current assets		(51,941,429)	(32,895,141)
Trade payable		-	(298,357)
Accruals and other current liabilities		13,725,314	(1,335,927)
Cash used in operations		(65,588,059)	(48,325,786)
Zakat paid	15	(1,484,986)	-
Net cash flows used in operating activities		(67,073,045)	(48,325,786)
INVESTING ACTIVITIES			
Additions to property, plant and equipment		(3,326,431,099)	(2,272,631,477)
Movement in retentions payable		103,794,436	69,988,419
Net cash used in investing activities		(3,222,636,663)	(2,202,643,058)
FINANCING ACTIVITIES			
Capital contributed		-	1,062,000,000
Proceeds from SIDF loan - net		747,267,614	2,042,424,024
Islamic loan		1,421,932,991	-
Subordinated term loan from a related party		200,000,000	-
Net movement in amounts due/from to a related party		36,117,931	4,679,725
Net cash from financing activities		2,405,318,536	3,109,103,749
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(884,391,172)	858,134,905
Cash and cash equivalents at the beginning of the year		939,885,626	81,750,721
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	10	55,494,454	939,885,626
<u>Significant non-cash transactions:</u>			
Lease payment made by a related party on behalf of the Company	8 & 14	5,468,887	5,468,887
Depreciation on property, plant and equipment capitalised under asset under construction	7	2,044,636	1,970,610
Increase in share capital through proposed capital increase account		-	708,000,000
Finance cost on lease liability capatilized under asset under construction	8 & 14	3,804,724	3,871,835

The attached notes 1 to 21 form an integral part of these financial statements.

ADVANCED POLYOLEFINS INDUSTRY COMPANY

(Mixed Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

1 CORPORATE INFORMATION

Advanced Polyolefins Industry Company ("APOC" or the "Company") is a mixed closed joint stock company incorporated during the year 2021 and is registered in Jubail, Kingdom of Saudi Arabia under commercial registration number 2055130313 dated 14 Ramadan 1442H (corresponding to 26 April 2021). The registered address of the Company is P.O. Box 11022, Jubail Industrial City 31961, Kingdom of Saudi Arabia.

The Company is licensed to engage in the establishment of manufacturing facilities and marketing, sale, delivery and production of Propylene, Polypropylene and Isopropyl Alcohol. The Company has not commenced its commercial operations as its plants are under construction phase, which are expected to be completed by the end of third quarter of 2024.

The subscribed share capital of the Company is Saudi Riyals two billion five hundred and sixty four million six hundred and twenty five thousand (SR 2,564,625,000), divided into two hundred and fifty six million four hundred sixty two thousand and five hundred (256,462,500) shares of SR 10 each. The initial paid-up share capital of the Company was Saudi Riyals Four hundred and forty million six hundred and twenty five thousand (440,625,000) divided into forty four million sixty two thousand and five hundred (SR 44,062,500) share of SR 10 each. During the year 2022, the paid-up share capital of the Company increased from SR 440,625,000 to SR 1,502,625,000 by injecting additional share capital of SR 1,062,000,000 which was approved by the shareholders in Extraordinary General Assembly meeting held on 3 Jumada Al-Alkhirah 1443H (corresponding to 6 January 2022). Further during the year 2022, paid up share capital was increased by SR 708 million through capital injection approved by Extraordinary General Assembly meetings held on 13 June 2022 and 26 September 2022. Legal formalities relating to the above increases in capital were also completed during the year 2022. Additionally SR 354 million is also injected by both shareholders through cash contribution in November 2022 to increase the share capital. Legal formalities relating to the above increase in share capital by SR 354 million is under process at year end.

As of 31 December 2023, the Company's shareholders are as follows:

<u>Name of shareholders</u>	<u>Shareholding</u>
Advanced Global Investment Company ("AGIC"), a single shareholder limited liability company	85%
SK Gas Petrochemical Pte. Ltd., (a company organized and existing under the laws of Republic of Singapore).	15%

2 BASIS OF PREPARATION

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRSs") that are endorsed in the Kingdom of Saudi Arabia ("KSA") and other standards and pronouncements that are endorsed by Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA").

These financial statements have been prepared under the historical cost convention using the accrual basis of accounting. These financial statements are presented in Saudi Riyal (SR) which is the currency of the country in which the Company is domiciled and the Company's functional currency.

3 MATERIAL ACCOUNTING POLICY INFORMATION

Current versus non-current classification

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

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current

ADVANCED POLYOLEFINS INDUSTRY COMPANY
(Mixed Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Current versus non-current classification (continued)

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Fair value measurement

The Company measures financial instruments and non-financial assets at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, In the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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 recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, if required. The involvement of external valuers is decided by the Company after discussion and approval by the Company's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Company decides, after discussion with the Company's external valuers, which valuation technique and inputs to use for each case.

ADVANCED POLYOLEFINS INDUSTRY COMPANY
(Mixed Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Fair value measurement (continued)

At each reporting date, the Company analyses the movements in the values of assets and liabilities, which are required to be remeasured or re-assessed as per the Company's accounting policies. For this analysis, the Company verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Company also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Expenses

General and administration expenses include costs not specifically part of direct costs and the major portion represents the employee costs incurred, which are not eligible for capitalisation.

Zakat and income tax

Zakat and current tax

Zakat is provided in accordance with the Regulations of the Zakat, Tax and Customs Authority ("the ZATCA") in the Kingdom of Saudi Arabia. Zakat and tax provision is charged to the statement of profit or loss and other comprehensive income, as IAS 12 'Income Taxes' do not provide any guidance on the accounting treatment of zakat. Non-Saudi shareholder in the Company are subject to income tax in the Kingdom of Saudi Arabia.

Current income tax assets and liabilities for current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date. Current income tax is recognised in the statement of profit or loss and other comprehensive income. Management periodically evaluates positions taken in the Company's tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised on all deductible temporary difference, carry forward of unused tax credits and unused tax losses only to the extent that it is probable that taxable profit will be available against which these assets can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset/liability to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

Withholding tax

The entity withholds taxes on certain transactions with non-resident parties in the KSA, including dividend payments to the non-resident shareholders, as required under Saudi Arabian Income Tax Law.

ADVANCED POLYOLEFINS INDUSTRY COMPANY
(Mixed Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Zakat and income tax (continued)

Value added tax

Sales, expenses and assets are recognised net of the amount of Value added tax, except when the value added tax incurred on purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

- When the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of value added tax included. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Foreign currencies

The Company's financial statements are presented in Saudi Riyal, which is also the Company's functional currency.

Transactions and balances

Transactions in foreign currencies is initially recorded by the Company at its functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss and other comprehensive income with the exception of monetary items that are designated as part of the hedge of the Company's net investment in a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to statement of profit or loss and comprehensive income. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

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. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or statement of profit or loss are also recognised in the statement of profit or loss and other comprehensive income).

Property, plant and equipment

Property, plant and equipment and capital work-in-progress are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects (qualifying assets), if the recognition criteria are met.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of profit or loss and other comprehensive income as incurred. Further, the Company capitalised the spare parts having value above SR 50,000 and meeting the capitalization criteria; and depreciate them over the life of the related equipment.

Depreciation is calculated from the date the item of property, plant and equipment are available for intended use or in respect of self-constructed assets, from the date such assets are completed and ready for the intended use.

ADVANCED POLYOLEFINS INDUSTRY COMPANY
(Mixed Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Property, plant and equipment (Continued)

Depreciation is calculated on a straight-line basis over the useful life of the asset as follows:

	<u>Years</u>
Machinery and equipment	10 to 40
Buildings	10 to 33
Furniture, fixtures and office equipment	3 to 8
Vehicles	4 to 10

Capital work-in-progress is not depreciated.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income when the asset is derecognised.

The assets residual values, useful lives and methods of depreciation are reviewed, and adjusted prospectively if appropriate, at each financial year-end.

Leases

The entity assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The entity applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The entity recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

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

Lease liabilities

At the commencement date of the lease, the entity recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the entity and payments of penalties for terminating a lease, if the lease term reflects the entity exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

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

ADVANCED POLYOLEFINS INDUSTRY COMPANY
(Mixed Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Leases (continued)

Short-term leases and leases of low-value assets

The entity applies the short-term lease recognition exemption to its short-term leases of equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below SR 18,750). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Variable lease payments

Some leases contain variable payments that are linked to the usage / performance of the leased asset. Such payments are recognised in statement of profit or loss and other comprehensive income.

Significant judgement in determining the lease term of contracts with renewal options

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

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

Impairment of non-current assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the assets 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 group of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and is written down to its recoverable amount.

In assessing the value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

The Company's impairment calculation is based on detailed budgets and forecast calculations which are prepared separately for each of the Company's CGU's to which the individual assets are allocated. These budgets and forecast calculations are generally covering a five-year period. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the budget period.

Impairment losses of continuing operations, including impairment on working capital, if applicable, are recognised in the statement of profit or loss and other comprehensive income in those expense categories consistent with the function of the impaired asset.

ADVANCED POLYOLEFINS INDUSTRY COMPANY

(Mixed Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Impairment of non-current assets (continued)

For assets other than goodwill, an assessment is made at each financial year-end 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 Company 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. This reversal is limited such that the recoverable amount doesn't exceed what the carrying amount would have been, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss and other comprehensive income.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Investment income earned on the temporary investment of specific borrowings pending their expenditure on the qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Financial assets and financial liabilities

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially 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.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

ADVANCED POLYOLEFINS INDUSTRY COMPANY

(Mixed Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial assets and financial liabilities (continued)

Financial assets (continued)

Subsequent measurement (continued)

Financial assets at amortised cost (debt instruments)

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss and other comprehensive income when the asset is derecognised, modified or impaired.

Financial assets at fair value through OCI (debt instruments)

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling and;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and other comprehensive income and computed in the same manner as for financial assets measured at amortised cost. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss and other comprehensive income when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss and other comprehensive income.

ADVANCED POLYOLEFINS INDUSTRY COMPANY

(Mixed Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial assets and financial liabilities (continued)

Financial assets (continued)

Subsequent measurement (continued)

Financial assets at fair value through profit or loss (Continued)

This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss and other comprehensive income when the right of payment has been established.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the entity's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; Or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; And
 - (a) the Company has transferred substantially all the risks and rewards of the asset, or
 - (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

ADVANCED POLYOLEFINS INDUSTRY COMPANY
(Mixed Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial assets and financial liabilities (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For debt instruments at fair value through OCI, the Company applies the low credit risk simplification. At every reporting date, the Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the internal credit rating of the debt instrument. In addition, the Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include accruals, amount due to related party, retentions and zakat provision.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss and other comprehensive income. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss and other comprehensive income. This category generally applies to interest-bearing loans and borrowings.

ADVANCED POLYOLEFINS INDUSTRY COMPANY
(Mixed Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial assets and financial liabilities (continued)

Financial liabilities (continued)

Derecognition

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Bank Balances and cash

Bank balances and cash in the statement of financial position comprise bank balances and cash in hand. For the purpose of the statement of cash flows, Bank balances and cash consist of bank balances and cash in hand as defined above.

Provisions

Provisions are recognised when the Company 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 management of the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Onerous contract

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligation under the contract.

Contingencies

Contingent liabilities are not recognised in the statement of financial position. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Liabilities which are probable are recorded in statement of financial position under accounts payable and accruals. A contingent asset is not recognised in the statement of financial position but disclosed when an inflow of economic benefits is probable.

ADVANCED POLYOLEFINS INDUSTRY COMPANY

(Mixed Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these financial statements requires management to make judgments, estimates and assumptions that may affect the reported amount of assets and liabilities, revenues, expenses and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates which could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future years.

Useful lives of property, plant and equipment

The management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Impairment test of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing off the asset. The value in use calculation is based on a Discounted Cash Flow ("DCF") model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the Cash Generating Unit ("CGU") being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future net cash-inflows and the growth rate used for extrapolation purposes.

Provisions

By their nature, provisions are dependent upon estimates and assessments whether the criteria for recognition have been met, including estimates of the probability of cash outflows. Management's estimates related to provisions for environmental matters are based on the nature and seriousness of the contamination, as well as on the technology required for clean up. Provisions for litigation are based on an estimate of the costs, taking into account legal advice and other information presently available. Provisions for termination benefits and exit costs, if any, also involve management's judgement in estimating the expected cash outflows for severance payments and site closures or other exit costs. Provisions for uncertain liabilities involve management's best estimate of whether cash outflows are probable.

ADVANCED POLYOLEFINS INDUSTRY COMPANY

(Mixed Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

5 CHANGES IN ACCOUNTING POLICIES

Following are the new and amended standards and interpretations effective as of 1 January 2023:

New and amended standards and interpretations

Listed below are the new standards and amendments effective for annual periods beginning on or after 1 January 2023. The Company has not early adopted any other standard, interpretation or amendment that has been issued but are not yet effective.

Although these new standards and amendments applied for the first time in 2023, they did not have any material impact on the financial statements of the Company.

STANDARD	DESCRIPTION
<i>IFRS 17</i>	<i>Insurance Contracts</i>
<i>Amendments to IAS 8</i>	<i>Definition of Accounting Estimates</i>
<i>Amendments to IAS 1 and IFRS Practice Statement 2</i>	<i>Disclosure of Accounting Policies</i>
<i>Amendments to IAS 12</i>	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
<i>Amendments to IAS 12</i>	<i>International Tax Reform - Pillar Two Model Rules</i>

6 STANDARDS ISSUED BUT NOT EFFECTIVE

Standards and interpretations including annual improvements that have been issued, but not yet effective, up to the date of issuance of the Company's financial statements are listed below. The Company intends to adopt these standards, if applicable, when they become effective.

STANDARD / INTERPRETATION	DESCRIPTION	EFFECTIVE FROM PERIODS BEGINNING ON OR AFTER THE FOLLOWING DATE
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements	1 January 2024

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7 PROPERTY, PLANT AND EQUIPMENT

	<i>Buildings</i> SR	<i>Machinery and equipment</i> SR	<i>Furniture, fixtures & office equipment</i> SR	<i>Vehicles</i> SR	<i>Assets under construction</i> SR	<i>Total</i> SR
Cost:						
At 1 January 2023	9,046,585	4,851,360	1,164,583	1,087,233	3,677,561,948	3,693,711,709
Additions during the year	2,444,505	-	287,057	800,000	3,328,748,897	3,332,280,459
At 31 December 2023	<u>11,491,090</u>	<u>4,851,360</u>	<u>1,451,640</u>	<u>1,887,233</u>	<u>7,006,310,845</u>	<u>7,025,992,168</u>
Accumulated Depreciation:						
At 1 January 2023	1,366,107	1,748,462	309,780	476,886	-	3,901,235
Charge for the year	990,954	1,022,841	169,160	222,499	-	2,405,454
At 31 December 2023	<u>2,357,061</u>	<u>2,771,303</u>	<u>478,940</u>	<u>699,385</u>	<u>-</u>	<u>6,306,689</u>
Net book amounts:						
At 31 December 2023	<u>9,134,029</u>	<u>2,080,057</u>	<u>972,700</u>	<u>1,187,848</u>	<u>7,006,310,845</u>	<u>7,019,685,479</u>

	<i>Buildings</i> SR	<i>Machinery and equipment</i> SR	<i>Furniture, fixtures & office equipment</i> SR	<i>Vehicles</i> SR	<i>Assets under construction</i> SR	<i>Total</i> SR
Cost:						
At 1 January 2022	9,046,585	4,851,360	1,164,583	537,233	1,396,376,023	1,411,975,784
Additions during the year	-	-	-	550,000	2,281,185,925	2,281,735,925
At 31 December 2022	<u>9,046,585</u>	<u>4,851,360</u>	<u>1,164,583</u>	<u>1,087,233</u>	<u>3,677,561,948</u>	<u>3,693,711,709</u>
Accumulated Depreciation:						
At 1 January 2022	386,476	682,652	143,656	392,272	-	1,605,056
Charge for the year	979,631	1,065,810	166,124	84,614	-	2,296,179
At 31 December 2022	<u>1,366,107</u>	<u>1,748,462</u>	<u>309,780</u>	<u>476,886</u>	<u>-</u>	<u>3,901,235</u>
Net book amounts:						
At 31 December 2022	<u>7,680,478</u>	<u>3,102,898</u>	<u>854,803</u>	<u>610,347</u>	<u>3,677,561,948</u>	<u>3,689,810,474</u>

Allocation of depreciation charge for the year is as follows:

	2023	2022
	SR	SR
Depreciation cost capitalised under asset under construction	2,044,636	1,970,610
General and administration expenses (note 16)	360,818	325,569
	<u>2,405,454</u>	<u>2,296,179</u>

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7 PROPERTY, PLANT AND EQUIPMENT (continued)

Capital work-in-progress primarily represents costs incurred for the new Propane Dehydrogenation (PDH) & Polypropylene plant (PP) Project. Depreciations on property, plant and equipment amounting to SR 2,044,636 (2022: SR 1,970,610) are capitalised under asset under construction. Financial charges on lease liabilities against right-of-use assets amounting to SR 3,804,724 (2022: SR 3,871,835) are also capitalised under asset under construction. Further, the Company's property, plant and equipment are mortgaged against SIDF loan (refer note 11.1).

Buildings and plant facilities of the Company are being constructed on a land sub-leased at nominal annual rent from AGIC for 30 Hijra years ending 1473H. Refer note 8.

8 LEASES

The Company recognised right-of-use asset and lease liability with respect to land lease with a term of 30 Hijri years from a shareholder (AGIC) based on sub-lease agreement signed between APOC and AGIC. During 2021, AGIC have signed a 30-year primary land lease agreement with Royal Commission for Jubail and Yanbu to be used as a plant site for APOC and its future projects with total area of 2,235,088.9 square meters. Within the same year, after securing approval from the lessor, a portion of the leased land was sub-leased to APOC having area of 1,215,308.2 square meters and the remaining area was reserved by AGIC for future projects.

Set out below are the carrying amount of right-of-use asset recognised and the movements during the year:

Right-of-use asset

	2023 <u>SR</u>	2022 <u>SR</u>
At 1 January	94,072,744	97,334,747
Depreciation expense	(3,262,003)	(3,262,003)
At 31 December	<u>90,810,741</u>	<u>94,072,744</u>

Set out below are the carrying amount of lease liability and the movements during the period:

Lease liability

	2023 <u>SR</u>	2022 <u>SR</u>
At 1 January	91,421,933	93,018,985
Finance cost*	3,804,724	3,871,835
Payment by a related party (note 14)	(5,468,887)	(5,468,887)
At 31 December	<u>89,757,770</u>	<u>91,421,933</u>

Lease liability are allocated into current and non-current, based on the maturity as follows:

	2023 <u>SR</u>	2022 <u>SR</u>
Current	5,468,887	5,468,887
Non-current	84,288,883	85,953,046
	<u>89,757,770</u>	<u>91,421,933</u>

* Finance cost capitalized under asset under construction.

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9 OTHER CURRENT ASSETS

	<u>2023</u>	<u>2022</u>
	<u>SR</u>	<u>SR</u>
Refundable input VAT	93,405,639	38,827,141
Interest receivable on Murabaha deposits	-	3,277,819
Other current assets	3,902,753	-
	<u>97,308,392</u>	<u>42,104,960</u>

10 CASH AND CASH EQUIVALENTS

	<u>2023</u>	<u>2022</u>
	<u>SR</u>	<u>SR</u>
Murabaha deposits	-	890,000,000
Bank balances	55,449,454	49,840,626
Cash in hand	45,000	45,000
	<u>55,494,454</u>	<u>939,885,626</u>

Murabaha deposits placed with the commercial banks, with maturity period of three months or less from date of placement and yield finance income at rates ranging from 4.15% to 5.1% per annum.

11 LOANS AND BORROWINGS

11.1 SIDF LOAN

During 2022, the Company obtained a term loan facility from Saudi Industrial Development Fund ("SIDF") with total amount of SR 3 billion to finance the construction of new PDH and PP Project. Up-front and administrative fees are charged by SIDF under the loan agreement, amortized as finance cost using the effective interest rate and presented as unamortized transaction costs deducted from the loan. As at 31 December 2023, full amount of SR 3 billion (2022: SR 2.2 billion) was withdrawn by the Company from the loan facility. Further, the Company's property, plant and equipment are mortgaged against SIDF loan and by promissory notes. The loan is payable in 16 un-equal semi-annual instalments, with first instalment payable on 15 Safar 1448H (corresponding to 29 July 2026). The facility agreement with SIDF contains certain covenants, which requires among other things, certain financial ratios to be maintained. At 31 December 2023, the Company was compliant with covenants.

	<u>2023</u>	<u>2022</u>
SIDF Loan	3,000,000,000	2,220,026,114
Less: unamortised transaction costs	(210,308,362)	(177,602,090)
Net amount received	<u>2,789,691,638</u>	<u>2,042,424,024</u>

11.2 ISLAMIC LOAN FACILITIES

During the year ended 31 December 2022, the Company signed multiple Islamic loan facilities with a consortium of financial institutions with total amount of SR 6.1 billion to finance the construction of new PDH, PP and IPA plant. These loans are secured by promissory notes and Debt Service Undertaking of USD 250 million from Advanced Petrochemical Company (the ultimate parent company) and carry a commission which commensurate with prevailing commercial rates which are mainly SIBOR based plus agreed margins. These loans are repayable in unequal semi-annual installments and maturities of these facilities are based on their respective repayment schedules spread up to 2035, with first instalment payable on 31 May 2025. These loan agreements include covenants to maintain certain financial ratios after the commencement of commercial operation. As at 31 December 2023, an amount of SR 1.42 billion was withdrawn from the Islamic loan facilities

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11 LOANS AND BORROWINGS (continued)

11.2 ISLAMIC LOAN FACILITIES (continued)

During 2023, SIDF bridge facility of SR 600 million and VAT Murabaha facility amounting to SR 356.4 million has been cancelled by the Company as these facilities are no longer required.

	<u>2023</u> <u>SR</u>	<u>2022</u> <u>SR</u>
Islamic loan facilities	<u>1,421,932,991</u>	<u>-</u>

12 SHARE CAPITAL

	<u>2023</u> <u>SR</u>	<u>2022</u> <u>SR</u>
<i>Subscribed shares</i>		
Number of ordinary shares of SR 10 each	<u>256,462,500</u>	<u>256,462,500</u>
<i>Shares issued and fully paid (See Note 1)</i>		
Number of ordinary shares of SR 10 each	<u>221,062,500</u>	<u>221,062,500</u>
Ordinary shares in SR	<u>2,210,625,000</u>	<u>2,210,625,000</u>

13 ACCRUALS AND OTHER CURRENT LIABILITIES

	<u>2023</u> <u>SR</u>	<u>2022</u> <u>SR</u>
Withholding taxes payable	<u>527,002</u>	<u>2,174,229</u>
Accrued expenses	<u>17,020,677</u>	<u>1,648,136</u>
	<u>17,547,679</u>	<u>3,822,365</u>

14 RELATED PARTY TRANSACTIONS AND BALANCES

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

<u>Name</u>	<u>Relationship</u>
Advanced Petrochemical Company	Ultimate parent Company
Advanced Global Investment Company ("AGIC")	Shareholder
SK Gas Petrochemical Pte. Ltd	Shareholder

Major transactions with related parties other than those already disclosed elsewhere in these financial statements were as follows:

<i>Related party</i>	<i>Nature of transactions</i>	<i>Amounts of transactions</i>	
		<u>2023</u> <u>SR</u>	<u>2022</u> <u>SR</u>
Advanced Petrochemical Company	Lease payment made by a related party on behalf of the Company	<u>5,468,887</u>	<u>5,468,887</u>

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14 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Pricing policies and terms of payments of transactions with related parties are approved by the Company's management.

a) The breakdown of amounts due from and due to a related party shown in the balance sheet is as follows:

(a) *Amount due from a related party – presented under current assets:*

	2023	2022
	SR	SR
Advanced Global Investment Company	<u>6,904,175</u>	<u>-</u>

(b) *Subordinated term loan from a related party– presented under non-current liabilities:*

	2023	2022
	SR	SR
Advanced Petrochemical Company*	<u>200,000,000</u>	<u>-</u>

*During the year ended 31 December 2023, the Company obtained an advance from the ultimate parent company of SR 200 million which carry interest commensurating with the prevailing commercial rates mainly SIBOR based plus agreed margins.

(c) *Amounts due to a related party – presented under current liabilities:*

	2023	2022
	SR	SR
Advanced Petrochemical Company	<u>68,670,553</u>	<u>20,179,560</u>

The amount mainly represents the payment of salaries to the employees. The amount due to related party is payable on demand and free of commission.

b) Compensation of key management personnel

Below are the details of key management personnel compensation recorded during the period;

- i) The Company has paid total remuneration of SR 7.7 million (2022: SR 8.6 million) to its key executives during the year.
- ii) The non-executive directors do not receive pension entitlements from the Company.
- iii) The Company has paid SR 2.56 million (2022: SR 2.45 million) as directors' remuneration

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15 ZAKAT AND INCOME TAX

a) Zakat

	2023 <u>SR</u>	2022 <u>SR</u>
Provision for the year	<u>758,062</u>	<u>2,462,089</u>

The principal elements of zakat are as follows;

	2023 <u>SR</u>	2022 <u>SR</u>
Opening shareholders' equity	2,523,695,581	1,478,279,600
Other adjustments	4,687,092,979	
Non-current assets	(7,110,496,220)	(3,783,883,218)
	<u>100,292,340</u>	<u>(2,305,603,618)</u>
Net loss for the year before zakat	(23,434,184)	(14,121,930)
Zakat base	<u>76,858,156</u>	<u>125,678,004</u>

b) Movement in the zakat payable

The movement in zakat provisions for the year was as follows;

	2023 <u>SR</u>	2022 <u>SR</u>
As at 1 January	2,726,289	264,200
Provision for the year	758,062	2,462,089
Payments during the year	(1,484,986)	-
As at 31 December	<u>1,999,365</u>	<u>2,726,289</u>

c) Income tax

No income tax has been provided for, due to estimated tax losses for the period.

d) Status of assessments

APOC has filed its tax/zakat declaration with ZATCA for the first period ended 31 December 2021 and for the year ended 31 December 2022 and ZATCA's review is awaited.

Zakat and income tax base has been computed based on the Company's understanding of the zakat and income tax regulations enforced in the Kingdom of Saudi Arabia. The zakat and income tax regulations in Saudi Arabia are subject to different interpretations. The assessments to be raised by the ZATCA could be different from the declarations filed by the Company.

16 GENERAL AND ADMINISTRATIVE EXPENSES

	2023 <u>SR</u>	2022 <u>SR</u>
Employees' costs	24,135,490	10,594,741
Director's remuneration, allowances and expenses (note 14)	2,559,980	2,447,700
Depreciation on property, plant and equipment (note 7)	360,818	325,569
Support services	210,806	339,416
Legal and professional	71,050	-
Software licenses and fees	-	133,441
Others	394,618	448,285
	<u>27,732,762</u>	<u>14,289,152</u>

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17 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.

The Company's management is of the view that all activities and operations of the Company comprise of a single operating segment for the purpose of decision making with respect to performance appraisal and resources allocation and therefore, the financial statements are prepared on the basis of a single reporting segment. Accordingly, segmental analysis by geographical and operating segment has not been presented.

18 RISK MANAGEMENT

Overview

The Company's principal financial liabilities comprise loans, lease liability, accounts payable, accruals and other current liabilities, retentions payable and amounts due to a related party. The main purpose of these financial liabilities is to finance the Company's construction activities. The Company's principal financial assets include bank balances and cash and other current assets that derive directly from contribution from shareholders and loan. The Company's management reviews and agrees policies for managing each of these risks which are summarised below.

Risk management framework

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

The Company's risk management policies are established to identify and analyse the risks faced by the Company, 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 Company's activities. The Company, 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.

The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by Internal Audit function at Group level. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is not exposed to any significant credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 90 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. Additionally, access to sources of funding is available and debt maturing within 12 months can be rolled over with existing lenders, if required.

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FOR THE YEAR ENDED 31 DECEMBER 2023

18 RISK MANAGEMENT (continued)

Liquidity risk (continued)

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments except for short term murabaha loans which have options of roll-over:

<i>Year ended 31 December 2023</i>	<i>On Demand</i>	<i>Less than 3 months</i>	<i>3 to 12 months</i>	<i>2 to 5 years</i>	<i>More than 5 years</i>	<i>Total</i>
SIDF loan				772,000,000	2,228,000,000	3,000,000,000
Islamic loan facilities	-	-	-	1,421,932,991	-	1,421,932,991
Subordinated term loan from a related party	-	-	-	200,000,000	-	200,000,000
Lease liabilities	-	-	5,468,887	21,875,548	125,784,399	153,128,834
Long term retentions	-	-	185,398,488	-	-	185,398,488
Amounts due to a related party	68,670,553	-	-	-	-	68,670,553
	68,670,553	-	190,867,375	2,415,808,539	2,353,784,399	5,029,130,866

<i>Year ended 31 December 2022</i>	<i>On Demand</i>	<i>Less than 3 months</i>	<i>3 to 12 months</i>	<i>2 to 5 years</i>	<i>More than 5 years</i>	<i>Total</i>
SIDF loan	-	-	-	162,801,915	2,057,224,199	2,220,026,114
Lease liabilities	-	-	5,468,887	21,875,548	131,253,286	158,597,721
Long term retentions	-	-	-	81,604,052	-	81,604,052
Amounts due to a related party	20,179,560	-	-	-	-	20,179,560
	20,179,560	58,714	5,468,887	266,281,515	2,188,477,485	2,480,407,447

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Company's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. Selective hedging is used within the Group to manage risk concentrations at both the relationship and industry levels.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the entity, primarily US Dollars. The Company is not significantly subject to fluctuations in foreign exchange rates in the normal course of its business as the entity did not undertake significant transactions during the year in currencies other than Saudi Riyals and US Dollars which is pegged against Saudi Riyal.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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18 RISK MANAGEMENT (continued)

Capital management

For the purpose of the Company's capital management, capital includes issued share capital and all other equity reserves attributable to the shareholders of the Company.

The Company manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the year ended on 31 December 2023.

Fair Value

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. As the financial statements are prepared under the historical cost convention, differences can arise between the book values and fair value estimates. The Company's financial assets mainly consists of cash and bank balances and other current assets. It's financial liabilities include SIDF loan, Islamic loan facilities, accruals, amount due to a related party, retentions payable, other current liabilities and zakat provision. Management believes that the fair values of the financial assets and liabilities are not materially different from their carrying values.

19 SUBSEQUENT EVENT

In the opinion of management, other than as disclosed in the notes to the financial statements, there have been no significant subsequent events since the year ended 31 December 2023 that would have a material impact on the financial position of the Company as reflected in these financial statements.

20 COMMITMENTS

At 31 December 2023, capital commitments contracted but not yet incurred amounted to SR 2.4 billion (2022: SAR 4.9 billion) in respect of the new PDH and PP Plants being constructed by the Company.

21 APPROVAL OF FINANCIAL STATEMENTS

The financial statements of the Company for the year ended 31 December 2023 were authorised for issuance on 19 Duh Al-Qi'dah 1445H (corresponding to 27 May 2024).