

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

INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED
31 MARCH 2022
WITH
INDEPENDENT AUDITOR'S REVIEW REPORT

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

INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022

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Commercial Registration No 2051062328

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

الطابق ١٦، برج البرعش
٦١٨٩ طريق الأمير تركي، الكورنيش
ص.ب. ٤٨٠٣
الخبير ٣٤٤١٢ - ٣١٤٦
المملكة العربية السعودية
سجل تجاري رقم ٢٠٥١٠٦٢٣٢٨

المركز الرئيسي في الرياض

Independent auditor's report on review of condensed interim financial statements

To the Shareholders of Saudi Kayan Petrochemical Company (Saudi Kayan)

Introduction

We have reviewed the accompanying 31 March 2022 condensed interim financial statements of **Saudi Kayan Petrochemical Company (Saudi Kayan)** ("the Company") which comprises:

- the condensed statement of financial position as at 31 March 2022;
- the condensed statement of profit or loss and other comprehensive income for the three-month period ended 31 March 2022;
- the condensed statement of changes in equity for the three-month period ended 31 March 2022;
- the condensed statement of cash flows for the three-month period ended 31 March 2022; and
- the notes to the condensed interim financial statements.

Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 2022 condensed interim financial statements of Saudi Kayan Petrochemical Company (Saudi Kayan) are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

KPMG Professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia. With the paid-up capital of (25,000,000) SAR. (Previously known as "KPMG Al Fozan & Partners Certified Public Accountants") A non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة مغلقة، مسجلة في المملكة العربية السعودية، رأس مالها (٢٥,٠٠٠,٠٠٠) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي للوزان وشركاه محاسبون ومراجعون قانونيون". وهي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة انجليزية محدودة بضمان. جميع الحقوق محفوظة.

Commercial Registration of the headquarters in Riyadh is 1010425494.



Independent auditor's report on review of condensed interim financial statements

To the Shareholders of Saudi Kayan Petrochemical Company (Saudi Kayan) (Continued)

Emphasis of Matter – Comparative Information

We draw attention to Note 11 to the condensed interim financial statements, which indicates that the comparative information presented for the three-month period ended 31 March 2021 has been restated. Our conclusion is not modified in respect of this matter.

Other Matter

The condensed interim financial statements of the Company for the three-month period ended 31 March 2021, were reviewed by another auditor who expressed an unmodified conclusion on those condensed interim financial statements on 10 Ramadan 1442H corresponding to 22 April 2021.

As part of our review of the condensed interim financial statements for the three-month period ended 31 March 2022, we reviewed the adjustments described in Note 11 that were applied to restate the comparative information presented for the three-month period ended 31 March 2021. We were not engaged to audit, review, or apply any procedures to the condensed interim financial statements for the three-month period ended 31 March 2021, other than with respect to the adjustments described in Note 11 to the condensed interim financial statements. Accordingly, we do not express an opinion, conclusion or any other form of assurance on those respective condensed interim financial statements taken as a whole. However, in our conclusion, the adjustments described in Note 11 are appropriate and have been properly applied.

For KPMG Professional Services

Abdulaziz Abdullah Alnaim
License no. 394



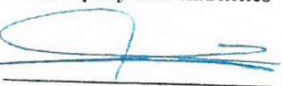
Al Khobar,
Date: 23 Ramadan 1443H
Corresponding to: 24 April 2022G


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


INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022

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

	Note	31 March 2022 (Unaudited)	31 December 2021 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	5	24,770,247	25,300,616
Right-of-use assets	6	285,425	292,603
Intangible assets		240,710	248,822
Other non-current assets		68,899	68,241
Total non-current assets		25,365,281	25,910,282
Current assets			
Inventories		1,756,695	1,758,316
Trade receivables		3,600,012	3,840,044
Prepayments		61,684	94,775
Other current assets		242,786	332,440
Short term investments		375,000	-
Cash and cash equivalents		1,513,951	918,594
Total current assets		7,550,128	6,944,169
Total assets		32,915,409	32,854,451
EQUITY AND LIABILITIES			
Equity			
Share capital		15,000,000	15,000,000
Statutory reserve		288,470	288,470
Other components of equity		620,874	620,874
Actuarial loss reserve		(15,810)	(108,531)
Retained earnings		877,836	668,459
Total equity		16,771,370	16,469,272
Liabilities			
Non-current liabilities			
Term loans	7	11,204,780	11,266,857
Lease liabilities		253,651	268,652
Employees' benefits		840,195	906,557
Total non-current liabilities		12,298,626	12,442,066
Current liabilities			
Current portion of term loans	7	1,806,554	1,801,857
Current portion of lease liabilities		55,107	40,647
Trade payables		781,692	837,519
Accruals and other current liabilities		1,025,612	1,119,621
Zakat provision	4	176,448	143,469
Total current liabilities		3,845,413	3,943,113
Total liabilities		16,144,039	16,385,179
Total equity and liabilities		32,915,409	32,854,451


Aiman Fouad Khayat
(Finance and Planning Director)


Omar Ali Al-Ruhaily
(Company's President)



Waleed Ahmed Al-Shalfan
(Designate Member)


The accompanying notes 1 through 12 on pages 6 to 15 form an integral part of these interim condensed financial statements.

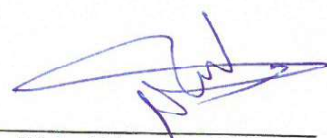
SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022**
(EXPRESSED IN SAUDI RIYALS IN THOUSANDS, UNLESS OTHERWISE STATED)

	Note	For the three-month period ended	
		31 March 2022 (Unaudited)	31 March 2021 (Unaudited) (Restated) Note 11
Sales		3,137,889	2,683,328
Cost of sales		(2,669,096)	(1,925,623)
Gross profit		468,793	757,705
Selling and distribution expenses		(51,333)	(49,043)
General and administrative expenses		(113,135)	(115,543)
Operating profit		304,325	593,119
Finance income		1,433	1,120
Other income - net		1,349	293
Finance cost		(64,751)	(71,740)
Profit before zakat		242,356	522,792
Zakat	4	(32,979)	(29,901)
Profit for the period		209,377	492,891
Other comprehensive income			
<i>Items that will not be reclassified to the interim condensed statement of profit or loss in subsequent periods:</i>			
Re-measurement of defined benefit obligations		92,721	56,835
Other comprehensive income for the period		92,721	56,835
Total comprehensive income for the period		302,098	549,726
Earnings per share (Saudi Riyals)			
Number of shares outstanding (in thousands)		1,500,000	1,500,000
Basic and diluted earnings per share attributable to the shareholders of the Company		0.14	0.33


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


INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022

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

	Share capital	Statutory reserve	Other components of equity	Actuarial loss reserve	Retained earnings / (accumulated losses)	Total
As at 1 January 2021 - (Audited)	15,000,000	49,408	620,874	(178,321)	(1,483,095)	14,008,866
Total comprehensive income for the period	-	-	-	-	492,891	492,891
Profit for the period	-	-	-	56,835	-	56,835
Other comprehensive income for the period	-	-	-	56,835	492,891	549,726
Total comprehensive income for the period	-	-	-	(121,486)	(990,204)	14,558,592
As at 31 March 2021 - (Unaudited)	15,000,000	49,408	620,874	(108,531)	668,459	16,469,272
As at 1 January 2022 (Audited)	15,000,000	288,470	620,874	(108,531)	668,459	16,469,272
Total comprehensive income for the period	-	-	-	-	209,377	209,377
Profit for the period	-	-	-	92,721	-	92,721
Other comprehensive income for the period	-	-	-	92,721	209,377	302,098
Total comprehensive income for the period	-	-	-	(15,810)	877,836	16,771,370
As at 31 March 2022 (Unaudited)	15,000,000	288,470	620,874	(15,810)	877,836	16,771,370


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(Finance and Planning Director)


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

INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022
(EXPRESSED IN SAUDI RIYALS IN THOUSANDS, UNLESS OTHERWISE STATED)

	For the three-month period ended	
	Note	31 March 2021
	31 March 2022	31 March 2021
	(Unaudited)	(Unaudited)
		(Restated)
		Note 11
Cash flows from operating activities		
Profit for the period	209,377	492,891
<i>Adjustment for:</i>		
Depreciation of property, plant and equipment	569,021	582,690
Depreciation of right-of-use assets	12,118	13,122
Amortization of intangible assets	6,147	6,673
Employees' benefits	28,669	30,117
Write-off of property, plant and equipment	1,410	627
Write-off of intangible assets	1,965	-
Zakat	32,979	29,901
Finance cost	64,751	71,740
Finance income	(1,433)	(1,120)
	925,004	1,226,641
<i>Changes in:</i>		
Inventories	1,621	(37,075)
Trade receivables	240,032	(206,078)
Prepayments	33,091	15,945
Other current and non-current assets	89,149	(25,473)
Trade payables	(55,827)	3,848
Accruals and other current liabilities	(141,622)	(164,519)
Cash generated from operations	1,091,448	813,289
Employee benefits paid	(2,310)	(3,367)
Net cash generated from operating activities	1,089,138	809,922
Cash flows from investing activities		
Additions to property, plant and equipment	(40,062)	(90,415)
Additions to intangible assets	-	(584)
Short term investments made during the period	(375,000)	(337,500)
Finance income received	1,280	687
Net cash used in investing activities	(413,782)	(427,812)


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SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)
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INTERIM CONDENSED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022

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

	For the three-month period ended	
Note	31 March 2022 (Unaudited)	31 March 2021 (Unaudited) (Restated)
Cash flows from financing activities		
Repayment of term loans		Note 11
Payment of lease liabilities	7 (63,333)	(63,333)
Finance cost paid	(9,493)	(5,718)
	(7,173)	(8,180)
Cash used in financing activities	(79,999)	(77,231)
Net increase in cash and cash equivalents	595,357	304,879
Cash and cash equivalents at the beginning of the period	918,594	585,845
Cash and cash equivalents at the end of the period	1,513,951	890,724
Non-cash transactions		
Additions to right-of-use assets and lease liabilities	4,940	-


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SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022

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

1. CORPORATE INFORMATION

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

The Company is engaged in production of polypropylene, propylene, acetone, polyethylene, ethoxylate, ethylene, ethylene glycol, bisphenol, ethanolamine, industrial fatty alcohol, polycarbonate and other petrochemical products under an industrial license No. (218) dated 7 Safar 1441H (corresponding to 7 October 2019G) and ending on 7 Safar 1444H (corresponding to 4 September 2022G) issued by the Ministry of Energy, Industry and Mineral Resources.

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

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

These interim condensed financial statements have been approved on 23 Ramadan 1443H (corresponding to 24 April 2022G).

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

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

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022**

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

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

2.2 Basis of preparation

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

2.3 Functional and presentation currency

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

2.4 Use of judgements and estimates

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

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

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

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

2.5 Significant accounting policies

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022
(EXPRESSED IN SAUDI RIYALS IN THOUSANDS, UNLESS OTHERWISE STATED)

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

2.6 New standards and amendments to existing standards

New and amended standards adopted by the Company during the period

The Company has adopted the following standards and amendments:

- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16), effective for annual periods beginning on or after 1 April 2021. The application of the revised IFRS did not have any material impact on the amounts reported for current and prior periods.
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37), effective for annual periods beginning on or after 1 January 2022. The application of the revised IFRS did not have any material impact on the amounts reported for current and prior periods.
- Annual Improvements to IFRS Standards 2018-2020, effective for annual periods beginning on or after 1 January 2022. The application of the revised IFRS did not have any material impact on the amounts reported for current and prior periods.
- Reference to the Conceptual Framework (Amendments to IFRS 3), effective for annual periods beginning on or after 1 January 2022. The application of the revised IFRS did not have any material impact on the amounts reported for current and prior periods.

Standards and amendments to existing standards issued but not yet effective

Certain new amendments to existing accounting standards have been published that are not mandatory for reporting period and have not been early adopted by the Company. The amendments to existing standards are not expected to have a material impact on the Company in the year of its adoption.

3. RELATED PARTY TRANSACTIONS AND BALANCES

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

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

SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022**

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

3. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

The following table provides the total amount of significant transactions that have been entered into with related parties during the period ended 31 March 2022 and 31 March 2021:

Related party	Nature of Transaction	For the three-month period ended	
		31 March 2022	31 March 2021
		(Unaudited)	(Unaudited)
SABIC	Sales	3,137,714	2,683,088
	Marketing fee	124,226	106,250
	Purchases and other services	240,425	200,419
	Shared services charges	13,835	12,343
	Technology and innovation cost	62,751	53,662
	Purchase of insurance policies through the parent company	6,955	8,499
	Supply chain	28,597	24,360
Saudi Aramco	Purchases and other services	1,374,839	803,877
Marafiq	Purchases and other services	14,490	15,054
SABIC affiliates	Purchase of inventory, capital goods and services	14,222	18,047

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

	31 March 2022	31 December 2021
	(Unaudited)	(Audited)
a. Trade receivables (due from related parties)		
SABIC	3,569,257	3,805,254
SABIC affiliates and others	27,773	32,615
	<u>3,597,030</u>	<u>3,837,869</u>
b. Advances and other receivables (due from related parties)		
SABIC	136,815	124,030
SABIC affiliates	312	562
	<u>137,127</u>	<u>124,592</u>
c. Trade payables (due to related parties)		
SABIC	244,086	180,272
Saudi Aramco	516,732	611,206
SABIC affiliates and others	19,893	8,893
	<u>780,711</u>	<u>800,371</u>

SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022**

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

3. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

	31 March 2022 (Unaudited)	31 December 2021 (Audited)
d. Accruals and other current liabilities (due to related parties)		
SABIC	82,804	205,913
Saudi Aramco	486,586	517,454
Marafiq	4,407	4,901
	573,797	728,268

Terms and conditions of transactions with related parties

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

Significant transactions with related parties are described as follows:

- i) The Company has a service level agreement with SABIC (Shared Services Organization – SSO) for the provision of accounting, warehousing, human resources, information technology (ERP/SAP), transporting and arranging for delivery of materials related to the Company's spare parts, engineering, procurement and related services and other general services to the Company. The Company has also logistic service agreement with SABIC.
- ii) Advances to SABIC represent the amount paid by the Company according to shared service agreement to finance the purchase of the Company's materials and services from SABIC and its affiliates.
- iii) The Company's annual contribution to SABIC for research and technology is 2% of total sales, which is charged to general and administrative expenses in the interim condensed statement of profit or loss and other comprehensive income.
- iv) The majority of Company's products are sold to SABIC ("the Marketer") under marketing and off-take agreements. Upon delivery of the product, sales are recorded at net provisional price which are subsequently adjusted to actual selling prices received by SABIC from its customers after deducting shipping, distribution and selling cost, and 4% of marketing fee to cover all other marketing expenses.
- v) The Company has gas allocation agreement, for which the Company can purchase a pre-set amount of gas from Saudi Aramco on a yearly basis.
- vi) The Company has issued a guarantee amounting to USD 1.1 million (SR 4.1 million) in favor of Saudi Aramco.

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

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4. ZAKAT

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

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

5. PROPERTY, PLANT AND EQUIPMENT

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

	31 March 2022 (Unaudited)	31 December 2021 (Audited)
Carrying value at the beginning of the period / year	25,300,616	27,237,632
Additions	40,062	422,550
Write-off, net of accumulated depreciation	(1,410)	(22,325)
Transfer to housing program under other non-current assets	-	(10,578)
Depreciation for the period / year	(569,021)	(2,326,663)
Carrying value at the end of the period / year	24,770,247	25,300,616

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

5.2 Asset under construction

The carrying value of property plant and equipment includes a balance amounting to SR 246.55 million (31 December 2021: SR 268.32 million) relating to asset under construction which mainly relates to other support facilities.

6. RIGHT OF USE ASSETS

The movement of right of use assets is as follows:

	31 March 2022 (Unaudited)	31 December 2021 (Audited)
Carrying value at the beginning of the period / year	292,603	362,535
Additions	4,940	60,598
Derecognition, net of accumulated depreciation	-	(73,666)
Depreciation for the period / year	(12,118)	(56,864)
Carrying value at the end of the period / year	285,425	292,603

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7. TERM LOANS

The details of term loans are as follows:

	31 March 2022 (Unaudited)	31 December 2021 (Audited)
Public Investment Fund (PIF)	299,600	299,357
Islamic Facility Agreement (IFA)	596,872	596,273
Commercial facility from various commercial banks	420,582	420,319
Export Credit Agency (ECA)	359,501	359,242
Saudi Industrial Development Fund (SIDF)	336,058	397,583
Murabaha long term loans	10,998,721	10,995,940
Total	13,011,334	13,068,714
Total non-current	11,204,780	11,266,857
Total current	1,806,554	1,801,857

During the three-month period ended 31 March 2022 and 31 March 2021, the Company made repayments of SR 63.33 million each respectively.

8. FAIR VALUE MEASUREMENT

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

Fair values hierarchy

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

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

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

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

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

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

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

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9. SEGMENT INFORMATION

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

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

10. ECONOMIC ENVIRONMENT AND ITS EFFECTS ON BUSINESS

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

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

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

11. RESTATEMENT OF PRIOR PERIODS

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

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11. RESTATEMENT OF PRIOR PERIODS (Continued)

Impact of the above adjustments in interim condensed statement of profit or loss and other comprehensive income for the three-month period ended 31 March 2021:

	For the three-month period ended		
	31 March 2021 (Unaudited) (Previously stated)	Adjustments	31 March 2021 (Unaudited) (Restated)
Sales	2,683,328	-	2,683,328
Cost of sales	(1,932,956)	7,333	(1,925,623)
Gross profit	<u>750,372</u>	<u>7,333</u>	<u>757,705</u>
Selling and distribution expenses	(49,043)	-	(49,043)
General and administrative expenses	(114,543)	(1,000)	(115,543)
Operating profit	<u>586,786</u>	<u>6,333</u>	<u>593,119</u>
Share of profit of an associate	4,016	(4,016)	-
Finance income	1,120	-	1,120
Other income, net	293	-	293
Finance cost	(70,073)	(1,667)	(71,740)
Profit before zakat	<u>522,142</u>	<u>650</u>	<u>522,792</u>
Zakat	(29,251)	(650)	(29,901)
Profit for the period	<u>492,891</u>	<u>-</u>	<u>492,891</u>
Other comprehensive income			
<i>Items that will not be reclassified to the interim condensed statement of profit or loss in subsequent periods:</i>			
Re-measurement of defined benefit obligations	56,835	-	56,835
Other comprehensive income for the period	<u>56,835</u>	<u>-</u>	<u>56,835</u>
Total comprehensive income for the period	<u>549,726</u>	<u>-</u>	<u>549,726</u>
Earnings per share (Saudi Riyals)			
Number of shares outstanding (in thousands)	<u>1,500,000</u>		<u>1,500,000</u>
Basic and diluted earnings per share attributable to the shareholders of the Company	<u>0.33</u>		<u>0.33</u>

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11. RESTATEMENT OF PRIOR PERIODS (Continued)*Impact of the above adjustments in interim condensed statement of cash flows as of 31 March 2021:*

	31 March 2021 (Unaudited) (Previously stated)	Adjustments	31 March 2021 (Unaudited) (Restated)
Net cash flows from operating activities	791,915	18,007	809,922
Net cash used in investing activities	(426,199)	(1,613)	(427,812)
Net cash used in financing activities	(45,718)	(31,513)	(77,231)
Net increase / (decrease) in cash and cash equivalent	319,998	(15,119)	304,879

12. SUBSEQUENT EVENTS

No significant subsequent event occurred between 31 March 2022 and the date of authorization of these interim condensed financial statements by the Board Audit Committee, which may have material impact on these interim condensed financial statements.