

SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)

(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 WITH
INDEPENDENT AUDITOR'S REPORT

Annual financial statements

For the year ended 31 December 2022

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Independent auditor's report to the shareholders of Saudi Kayan Petrochemical Company (Saudi Kayan)

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Saudi Kayan Petrochemical Company (Saudi Kayan) (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 issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2022;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), that is relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements.

Our audit approach

Overview

Key audit matter	Impairment assessment of non-current assets
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As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.



Independent auditor's report to the shareholders of Saudi Kayan Petrochemical Company (Saudi Kayan) (continued)

Our audit approach (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><i>Impairment assessment of non-current assets</i></p> <p>As at 31 December 2022, the Company has property, plant and equipment, of Saudi Riyals 23.3 billion and intangible assets of Saudi Riyals 219.7 million (collectively referred to as “non-current assets”).</p> <p>At each reporting date, management assesses whether there are any events or changes in circumstances (“impairment indicators”) which may indicate that the carrying amount of the non-current assets may not be recoverable. If any impairment indicators are identified, management performs a detailed impairment assessment. This entails (i) identifying cash generating units (CGUs) where a CGU is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets; and (ii) calculating the recoverable amounts of the CGUs and comparing them against their carrying amounts.</p> <p>For the purpose of the financial statements for the year ended 31 December 2022, the decrease in the actual prices of the Company’s products achieved in 2022 that are forecasted to persist in the short-term was considered by the management as an impairment indicator. Accordingly, management performed a detailed impairment assessment.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • Assessed, with the assistance of our IFRS experts, the reasonableness of management’s identification of the Company’s non-current assets as a single CGU. • Evaluated management’s assessment of the identification of impairment indicators, including the conclusions reached. • Evaluated the design and implementation of key manual controls over the impairment assessment process comprising of identification of impairment indicators, identification of the CGU and estimation of its recoverable amount. • Evaluated the reasonableness of management’s assumptions used in the value-in-use calculations to determine the recoverable amount of the Company’s CGU. This included: <ul style="list-style-type: none"> (i) Assessing the appropriateness of the methodology used by management to estimate the value-in-use of the CGU and checking the accuracy and appropriateness of the input data used by management in the discounted cash flow model by tracing to supporting documentation, such as the approved business plans. We tested the reasonableness of the business plans by comparing them to historical results;



Independent auditor's report to the shareholders of Saudi Kayan Petrochemical Company (Saudi Kayan) (continued)

Our audit approach (continued)

Key audit matters (continued)

Key audit matter (continued)	How our audit addressed the key audit matter (continued)
<p>Management concluded that the Company's non-current assets constitute a single CGU. In determining the recoverable amount of the CGU, management estimated the value-in-use of the CGU based on the business plans as approved by the Company's Board of Directors which reflect management's view of the external market conditions and certain key internal variables including the estimation of appropriate growth and discount rates.</p> <p>Management has concluded that the recoverable amount of the Company's CGU was higher than its carrying amount, and accordingly, there was no impairment loss in the year ended 31 December 2022.</p> <p>We considered this as a key audit matter as the CGU determination was complex requiring management to consider a range of factors that are specific to the Company's circumstances. Further, the assessment of the recoverable amount of the CGU requires significant estimates and judgments including product pricing, future economic and market conditions, growth and discount rates.</p> <p>Refer to Note 6.10 to the accompanying financial statements for the accounting policy relating to the impairment of non-current assets and Note 7 to the accompanying financial statements for the disclosure of critical accounting estimates and judgments related to the impairment assessment of non-current assets.</p>	<p>(ii) In addition to assisting us with a number of the above procedures, we engaged our internal valuation experts to also:</p> <ul style="list-style-type: none"> a) assess the reasonableness of margin forecasts; b) assess the reasonableness of discount and growth rates; c) test the mathematical accuracy of the underlying calculations used in the discounted cash flow model; and d) assess the potential impact of a range of possible outcomes by performing sensitivity analyses over key assumptions in the discounted cash flow model. <ul style="list-style-type: none"> • Assessed the adequacy and appropriateness of the related disclosures in the accompanying financial statements.



Independent auditor's report to the shareholders of Saudi Kayan Petrochemical Company (Saudi Kayan) (continued)

Other information

The directors are responsible for the other information. The other information comprises the Company's annual report but does not include the financial statements and our auditor's report thereon, which is expected to be made available to us after the date of this auditor's report.

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

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

When we read the Company's annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the 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 issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's By-laws, and for such internal control as 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 Board of Directors, are responsible for overseeing the Company's financial reporting process.

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.



Independent auditor's report to the shareholders of Saudi Kayan Petrochemical Company (Saudi Kayan) (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

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 scepticism 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 management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers


Bader I. Benmohareb
License Number 471



27 February 2023

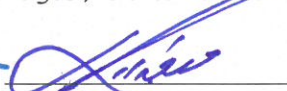
Statement of financial position

(All amounts in Saudi Riyals '000 unless otherwise stated)


	Notes	As at 31 December 2022	As at 31 December 2021*
ASSETS			
Non-current assets			
Property, plant and equipment	7	23,304,124	25,300,616
Right-of-use assets	8	281,064	292,603
Intangible assets	9	219,654	248,822
Other assets and receivables	10	47,293	68,241
Total non-current assets		23,852,135	25,910,282
Current assets			
Inventories	12	1,381,467	1,758,316
Trade receivables	13	2,241,066	3,840,044
Prepayments		100,173	94,775
Other assets and receivables	10	283,559	332,440
Cash and cash equivalents	14, 35	414,837	960,770
Total current assets	35	4,421,102	6,986,345
TOTAL ASSETS	35	28,273,237	32,896,627
EQUITY AND LIABILITIES			
Equity			
Share capital	15	15,000,000	15,000,000
Statutory reserve	16	288,470	288,470
Other components of equity	17	620,874	620,874
Actuarial reserve		143,373	(108,531)
(Accumulated losses) / Retained earnings		(575,431)	668,459
TOTAL EQUITY		15,477,286	16,469,272
LIABILITIES			
Non-current liabilities			
Debt	18	7,460,655	11,266,857
Lease liabilities	19	270,512	268,652
Employees' benefits	20, 35	620,933	872,303
Other non-current liability	21	140,000	-
Total non-current liabilities	35	8,492,100	12,407,812
Current liabilities			
Current portion of debt	18	2,303,976	1,801,857
Current portion of lease liabilities	19	36,618	40,647
Current portion of employees' benefits	20, 35	83,226	76,430
Trade payables	21	1,029,393	836,474
Accruals and other current liabilities	22	794,563	1,120,666
Zakat provision	23	56,075	143,469
Total current liabilities	35	4,303,851	4,019,543
TOTAL LIABILITIES	35	12,795,951	16,427,355
TOTAL EQUITY AND LIABILITIES		28,273,237	32,896,627

*In respect of 2021 comparative year, refer to Note 35 for certain reclassifications made.


Aiman Fouad Khayat
(Finance and Planning Director)


Metab Zaid Al-Shahrani
(Company's President)


Waleed Ahmed Al-Shalfan
(Designate Member)


Ahmed Trais Al-Shaikh
(Chairman of the Board of Directors)

The accompanying notes from 1 to 38 form an integral part of these financial statements.

Statement of profit or loss and other comprehensive income

(All amounts in Saudi Riyals '000 unless otherwise stated)

	Notes	For the year ended 31 December 2022	For the year ended 31 December 2021*
Sales	24	11,157,015	12,656,207
Cost of sales	25	(11,253,855)	(9,098,554)
Gross (loss) / profit		(96,840)	3,557,653
General and administrative expenses	25	(512,059)	(519,809)
Selling and distribution expenses	25	(227,166)	(213,710)
Other operating income and expenses	27, 35	(21,239)	(35,933)
Operating (loss) / profit		(857,304)	2,788,201
Finance income	26	22,579	6,012
Finance cost	26	(382,853)	(279,142)
(Loss) / profit before zakat		(1,217,578)	2,515,071
Zakat expense	23	(26,312)	(124,455)
(Loss) / profit for the year		(1,243,890)	2,390,616
Other comprehensive income			
<i>Items that will not be reclassified to the statement of profit or loss:</i>			
- Re-measurement gain on defined benefit plans	20	251,904	69,790
Other comprehensive income		251,904	69,790
Total comprehensive (loss) / income for the year		(991,986)	2,460,406
(Loss) / earnings per share (Saudi Riyals):			
- Basic and diluted (loss) / earnings per share from (loss) / profit for the year attributable to the equity holders of the Company	28	(0.83)	1.59

*In respect of 2021 comparative year, refer to Note 35 for certain reclassifications made.



Aiman Fouad Khayat
(Finance and Planning Director)



Metab Zaid Al-Shahrani
(Company's President)



Waleed Ahmed Al-Shalfan
(Designate Member)


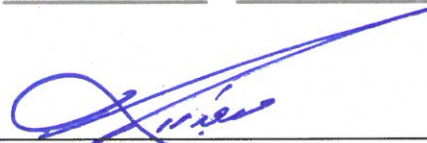

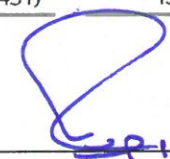


Ahmed Trais Al-Shaikh
(Chairman of the Board of Directors)

The accompanying notes from 1 to 38 form an integral part of these financial statements.

Statement of changes in equity

(All amounts in Saudi Riyals '000 unless otherwise stated)

	Share capital	Statutory reserve	Other components of equity	Actuarial reserve	Retained earnings / (accumulated losses)	Total equity
Balance as at 1 January 2021	15,000,000	49,408	620,874	(178,321)	(1,483,095)	14,008,866
Profit for the year	-	-	-	-	2,390,616	2,390,616
Other comprehensive income for the year	-	-	-	69,790	-	69,790
Total comprehensive income for the year	-	-	-	69,790	2,390,616	2,460,406
Transfer to statutory reserve	-	239,062	-	-	(239,062)	-
Balance as at 31 December 2021	15,000,000	288,470	620,874	(108,531)	668,459	16,469,272
Balance as at 1 January 2022	15,000,000	288,470	620,874	(108,531)	668,459	16,469,272
Loss for the year	-	-	-	-	(1,243,890)	(1,243,890)
Other comprehensive income for the year	-	-	-	251,904	-	251,904
Total comprehensive income / (loss) for the year	-	-	-	251,904	(1,243,890)	(991,986)
Balance as at 31 December 2022	15,000,000	288,470	620,874	143,373	(575,431)	15,477,286
<div style="display: flex; justify-content: space-between; align-items: flex-end;"> <div style="text-align: center;">  Aiman Fouad Khayat (Finance and Planning Director) </div> <div style="text-align: center;">  Metab Zaid Al-Shahrani (Company's President) </div> <div style="text-align: center;">  Waleed Ahmed Al-Shalfan (Designate Member) </div> <div style="text-align: center;">  Ahmed Trais Al-Shaikh (Chairman of the Board of Directors) </div> </div>						

The accompanying notes from 1 to 38 form an integral part of these financial statements.

Statement of cash flows

(All amounts in Saudi Riyals '000 unless otherwise stated)

		For the year ended	For the year ended
	Notes	31 December 2022	31 December 2021*
Cash flows from operating activities:			
(Loss) / profit before zakat		(1,217,578)	2,515,071
<i>Adjustment for:</i>			
- Depreciation of property, plant and equipment	7	2,325,983	2,326,663
- Depreciation of right-of-use assets	8	49,538	56,864
- Amortisation of intangible assets	9	24,528	37,490
- Write-off of property, plant and equipment	27	24,974	22,325
- Write-off of intangible assets	9	4,640	-
- Employees' benefits	35	95,174	100,150
- Finance cost	26, 35	382,853	279,142
- Gain on derecognition of right of use assets		-	(1,845)
- Finance income	26, 35	(22,579)	(6,012)
		1,667,533	5,329,848
<i>Changes in:</i>			
Inventories		376,849	(452,329)
Trade receivables		1,598,978	(1,196,350)
Prepayments		(5,398)	1,253
Other current assets		48,722	(75,067)
Other non-current assets		20,948	57,904
Trade payables		332,919	136,500
Accruals and other current liabilities		(432,121)	342,738
Cash generated from operations		3,608,430	4,144,497
Employees' benefits paid	20, 35	(20,758)	(15,019)
Finance income received	35	22,740	6,611
Finance cost paid	35	(316,300)	(210,474)
Zakat paid	23	(113,706)	(97,495)
Net cash generated from operating activities	35	3,180,406	3,828,120
Cash flows from investing activities:			
Additions to property, plant and equipment	7	(354,465)	(422,550)
Additions to intangible assets	9	-	(891)
Short term investments made during the year		-	(15,736,800)
Short term investments redeemed during the year		-	16,351,800
Net cash (used in) / generated from investing activities	35	(354,465)	191,559

*In respect of 2021 comparative year, refer to Note 35 for certain reclassifications made.





The accompanying notes from 1 to 38 form an integral part of these financial statements.

Statement of cash flows (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

	Notes	For the year ended 31 December 2022	For the year ended 31 December 2021*
Cash flows from financing activities:			
Repayment of debt	18	(4,224,090)	(3,623,880)
Proceeds of debt	18	900,000	-
Payment of lease liabilities	19	(47,784)	(59,220)
Net cash used in financing activities	35	(3,371,874)	(3,683,100)
Net (decrease) / increase in cash and cash equivalents	35	(545,933)	336,579
Cash and cash equivalents at the beginning of the year	14, 35	960,770	624,191
Cash and cash equivalents at the end of the year	14, 35	414,837	960,770
Non-cash transactions			
Additions to right-of-use assets and lease liabilities	8	14,934	60,598
Derecognition of right-of-use assets	8	35,061	73,666
Derecognition of lease liabilities	19	35,061	75,511
Impact of reassessment of lease terms	8	58,126	-
Transfer from property, plant and equipment to other non current assets	7	-	10,578
Employees transferred to related parties	20	90,454	39,039

*In respect of 2021 comparative year, refer to Note 35 for certain reclassifications made.

 Aiman Fouad Khayat (Finance and Planning Director)	 Metab Zaid Al-Shahrani (Company's President)	 Waleed Ahmed Al-Shalfan (Designate Member)	 Ahmed Trais Al-Shaikh (Chairman of the Board of Directors)
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The accompanying notes from 1 to 38 form an integral part of these financial statements.

Notes to the financial statements (continued)

(All amounts in Saudi Riyals '000 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'l 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.

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

The Company has 33.33% interest in Saudi Butanol Company (Sabuco), a Saudi Arabian Mixed Limited Liability Company. Sabuco's principal activities comprise of a Butanol plant in Jubail for the production of N-Butanol and Iso-Butanol. All of the N-Butanol and Iso-Butanol produced by Sabuco is sold to the parties to the joint arrangement (i.e. the Company and its partners). Based on these facts and circumstances, it was assessed that the Company has rights to the assets and obligations for the liabilities relating to Sabuco. It has therefore been classified as a joint operation. The Company has accounted for its share of assets, liabilities, income and expenses based on its 33.33% shareholding interest.

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

These financial statements were approved by the Board of Directors and authorised for issue on 21 February 2023G (corresponding to 1 Shaban 1443H).

2. Basis of preparation

2.1 Statement of compliance

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

2.2 Basis of measurement

The financial statements are prepared under the historical cost convention using accrual basis of accounting, except for employees' end-of-service benefits obligation which is measured at the present value of the obligations using the projected unit credit method. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services at the time of the transaction.

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, regardless of whether that price is directly observable or estimated using another technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within scope of IFRS 16 'Leases', and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 'Inventories' or value in use in IAS 36 'Impairment of Assets'.

The Company has categorized its financial assets and liabilities into a three-level fair value hierarchy, based on the degree to which the inputs to fair value measurement are observable and the significance of the inputs to the fair value measurement in its entirety, which are described 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

Notes to the financial statements (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

2. Basis of preparation (continued)

2.3 Functional and presentation currency

These financial statements are presented in Saudi Riyals (SR), which is the functional currency of the Company. All financial information presented in these financial statements has been rounded off to the nearest thousands Saudi Riyals, unless otherwise stated.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at transaction date. 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 recognized in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. 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 gain or loss on change in fair value of the item.

	31 December 2022		31 December 2021	
	Closing rates	Average rates	Closing rates	Average rates
- USD	3.75	3.75	3.75	3.75
- Euro	4.03	3.96	4.25	4.31

3. Significant accounting estimates, assumptions and judgements

The preparation of these financial statements requires management to make judgements, estimates and assumptions at reporting date that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require material adjustments in the future to the carrying amount of the asset or liability affected.

The 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 period in which the estimates are revised, if the changed estimates affect both current and future periods.

Other disclosures relating to the exposure to risks and uncertainties include:

- Capital management, financial instrument risk management and policies (Note 33)
- Sensitivity analyses disclosures (Notes 20 and 33)

3.1 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing material differences in the carrying amounts of assets and liabilities within the next financial period, are disclosed below. The Company used these assumptions and estimates on the basis available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

3.1.1. Impairment of non-financial assets

Impairment of non-financial assets occur when the carrying value of an asset or Cash Generating Unit ("CGU") 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 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 is based on a Discounted Cash Flow ("DCF") model. The cash flows are derived from the budget and business plan for the next five years and do not include restructuring activities that the Company has not yet committed to or significant future investments that will enhance the performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future selling prices. Also see Note 7.

Notes to the financial statements (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

3. Significant accounting estimates, assumptions and judgements (continued)

3.1.2. Incremental borrowing rate for lease agreements

The Company cannot readily determine the interest rate implicit in the lease agreement, therefore, it uses its Incremental Borrowing Rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available. The Company estimates the IBR using observable inputs, such as market interest rates when available and is required to make certain entity-specific estimates.

3.1.3. Provisions

By their nature, the measurement of provisions depends upon estimates and assessments whether the criteria for recognition have been met, including estimates of the probability of cash outflows. Provisions for litigation are based on an estimate of costs, taking into account legal advice and other information available. Provisions for termination benefits and exit costs, if any, also involve management's judgment 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.

3.1.4. Defined employee benefit plans

Post-employment defined benefits plans, end-of-service benefits plans, indemnity payments and other long-term employee related liabilities represent obligations that will be settled in the future and require actuarial valuations to determine these obligations. Management is required to make further assumptions regarding variables such as discount rates, rate of salary increase, longevity, employee turnover and future healthcare costs, if applicable. Periodically, management of the Company consults with external actuaries regarding these assumptions. Changes in key assumptions can have a significant impact on the projected benefit obligations and employee defined benefit costs. The assumptions are reviewed at each reporting date.

3.1.5. Useful lives of property, plant and equipment

Management determines the estimated useful lives of property, plant and equipment for calculating depreciation. This estimate is determined after considering expected usage of the assets and physical wear and tear. Management reviews the residual value and useful lives annually and change in depreciation charges, if any, are adjusted in current and future periods.

3.1.6. Useful lives of intangible assets

Management reviews the amortization period and the amortization method at each reporting date. If the expected useful life of the asset is different from previous estimates, the Company changes the amortization period accordingly. If there has been a change in the expected pattern of consumption of the future economic benefits embodied in the asset, the Company changes the amortization method to reflect the changed pattern.

3.1.7. Zakat

The Company is subject to Zakat in accordance with the Zakat, Tax and Custom Authority ("ZATCA") regulations. Zakat computation involves relevant knowledge and judgement of the Zakat rules and regulations to assess the impact of Zakat liability at a particular period end. This liability is considered an estimate until the final assessment by ZATCA is carried out until which the Company retains exposure to additional Zakat liability.

3.1.8. Provisional price

The Company markets and sells its petrochemical products primarily through the distribution platform of SABIC (the marketer). The sales are initially recorded at provisional prices agreed with the marketer at the time of shipment, which requires estimation. These prices are subsequently adjusted based on actual selling prices received by the marketer from their customers deducting shipping, distribution and selling cost, and a marketing fee to cover all other marketing expenses.

3.2 Critical judgements in applying accounting standards

In addition to the application of the judgement in the above-mentioned estimates and assumptions, the following critical judgements have the most significant effect on the amounts recognised in the financial statements:

Notes to the financial statements (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

3. Significant accounting estimates, assumptions and judgements (continued)

3.2.1. Determination of single cash generating unit

The management believes that all constructed plants were pre-conditioned with gas allocation agreement, and the Company does not have the option to curtail/discontinue any one of these plants, accordingly the lowest level of identifiable cash inflows that are largely independent of the cash inflows from other assets or group of assets is the cash inflows generated by all plants together. Therefore, the Company as a whole is considered as a single cash generating unit for the purpose of impairment testing.

3.2.2. Component parts of plant and equipment

The Company's plant and equipment are broken down into significant components and depreciated on a straight-line basis over their economic useful lives. Judgement is required in ascertaining the significant components of a larger asset. In defining the significance of a component, management considers quantitative materiality of the component part as well as qualitative factors such as difference in useful life as compared to related asset.

3.2.3. Determining the lease term of contracts with renewal and terminations options

The Company determines the lease term as 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 Company has several lease contracts that include extension and termination clauses. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for the Company and for the lessor to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change. In the circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate the contract. Also see note 8.

4. Changes in accounting policies

The amendments to IFRS, which are relevant to the Company and that have been applied on 1 January 2022 by the Company are described below:

4.1 Reference to the Conceptual Framework – Amendments to IFRS 3

Amendments to IFRS 3 'Business Combinations' are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting without significantly changing its requirements.

The amendment includes an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 'Levies', if incurred separately. In addition, it clarifies existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The Company applied the amendment prospectively effective 1 January 2022. This amendment has no material impact on these financial statements of the Company.

4.2 IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment to IFRS 9 'Financial Instruments' clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment was applied while performing the 10 per cent test for any loan modified or refinanced during the year. The amendment has no material impact on these financial statements of the Company.

Notes to the financial statements (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

4. Changes in accounting policies (continued)

4.3 Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

The IASB has issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

The Company has applied the amendment in the current reporting period and this amendment has no material impact on these financial statements of the Company.

5. IFRS issued but not yet effective

The IFRS standards and interpretations that are issued and relevant for the Company, but not yet effective, up to the date of issuance of the Company's financial statements are elaborated below. These standards will be adopted by the Company when they become effective.

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

The amendment to IAS 1 ‘Financial Statements’ elaborates 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

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The amendment will not affect the Company's classification of current and non-current liabilities.

5.2 Definition of Accounting Estimates – (Amendments to IAS 8)

The IASB issued amendments to IAS 8, in which it introduces a definition of ‘accounting estimates’. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Company.

5.3 Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

On 7 May 2021, the IASB issued ‘Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12’. The amendments apply to annual reporting periods beginning on or after 1 January 2023, with earlier application permitted. The amendment narrows the scope of the initial recognition exception under IAS 12 Income Taxes, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. The amendments are not applicable as the Company has not applied the initial recognition exception to such transactions or events.

Notes to the financial statements (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

6. Summary of significant accounting policies

The significant accounting policies adopted by the Company in preparing these financial statements are applied consistently as follows:

6.1 Investments in joint arrangements

Investments in joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

- Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control on the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The Company recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses for its joint operations.

- Joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the statement of financial position.

Under the equity method of accounting, the investments in an associate or joint venture are initially recognised at cost and adjusted thereafter to recognise the Company's share of the post-acquisition results in the statement of profit or loss, and the Company's share of movements in OCI in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Company's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Company does not recognise further losses, unless it is liable due to constructive or legal obligations on behalf of the other entity.

Unrealised gains on transactions between the Company and its associates and joint ventures are eliminated to the extent of the Company's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Notes to the financial statements (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

6. Summary of significant accounting policies (continued)

6.2 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 normal operating cycle; or
- Held primarily for the purpose of trading; or
- 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.

A liability is current when:

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

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Company classifies all other liabilities as non-current.

6.3 Zakat

Zakat

Zakat is levied based on adjusted income subject to zakat or the zakat base in accordance with the Regulations of the Zakat, Tax and Customs Authority ("ZATCA") in KSA whatever is higher. The Company computes its zakat by using the zakat base. The zakat provision is charged to the statement of profit or loss. Differences, if any, resulting from the final assessments are adjusted in the period of their finalisation.

Uncertain zakat and tax positions

Uncertain positions relate to risk or uncertainty over complex zakat and tax treatments. Such uncertain zakat and tax positions are measured using the single most likely amount or the expected value method, depending on which method is expected to better predict the resolution of the uncertainty.

Notes to the financial statements (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

6. Summary of significant accounting policies (continued)

6.4 Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such costs include 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. Where such assets are constructed inhouse, their cost includes all amounts necessary to bring the asset to the present condition and location to be ready for intended use by management and excludes all costs such as general and administrative expenses and training costs. Any feasibility study costs are expensed as incurred unless they relate to specifically identifiable asset being constructed inhouse and are directly attributable to it.

When parts of property, plant and equipment are significant in cost in comparison to the total cost of the item, and where such parts/components have a useful life different than other parts and are required to be replaced at different intervals, the Company shall recognize such parts as individual assets with specific useful lives and depreciate them accordingly. Likewise, when a major inspection (turnaround/shutdown, planned) is performed, its directly attributable cost is recognized in the carrying amount of the property, plant and equipment if the recognition criteria are satisfied. This is recorded as a separate component with a useful life generally equal to the time period up to the next scheduled major inspection (turnaround). If the next turnaround occurs prior to the planned date, any existing book value of the previous turnaround is expensed immediately. All other repair and maintenance costs are recognized in the statement of profit or loss and other comprehensive income as incurred.

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met and the amounts are material. The Company will periodically assess the expectation and estimation for the decommissioning liability.

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

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

Plant and equipment	4 – 50 years
Buildings	13 – 40 years
Furniture, fixtures and office equipment	3 – 10 years
Vehicles	4 – 20 years
Catalysts	1.5 – 20 years

The assets residual values, useful lives and methods of depreciation are reviewed, and adjusted prospectively if appropriate, at each reporting date.

Assets under construction, which are not ready for their intended use, are not depreciated. An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition 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.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The assets' residual values, useful lives and methods of depreciation are periodically reviewed, and adjusted prospectively in case of a significant change in the assets technological capabilities or estimated planned use.

Notes to the financial statements (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

6. Summary of significant accounting policies (continued)

6.5 Right of use assets

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Lands	3 – 99 years
Tanks	11 years
Housing	2 – 10 years
Vehicles	4 years
Pipelines	20 years

6.6 Leases

The Company 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.

Leases are recognised as right-of-use assets along with their corresponding liabilities at the date of which the leased assets are available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is recognised in the statement of profit or loss over the lease term. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Right-of-use assets are initially measured at cost comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs, and restoration costs; if applicable.

Lease liabilities include, if applicable, the net present value of fixed payments including in-substance fixed payments, less any lease incentives receivable, variable lease payment that are based on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Short-term and low value assets' leases

Short-term leases are leases with a lease term of 12 months or less. Low-value assets are items that do not meet the Company's capitalisation threshold and are considered to be insignificant for the statement of financial position for the Company as a whole. Payments for short-term leases and leases of low-value assets are recognised on a straight-line basis in the statement of profit or loss.

Variable lease payments

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

Extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated. The Company assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within control.

Notes to the financial statements (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

6. Summary of significant accounting policies (continued)

6.7 Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

6.8 Short term investments

Short term investments represent Murabaha commodity deposits with maturity over three months and less than a year upon acquisition are presented under current assets. These deposits are maintained with local and foreign commercial banks in Saudi Riyals and US dollars and carry profit at commercial rates. These are measured at amortized cost.

6.9 Intangible assets

Intangible assets acquired separately are measured at cost upon initial recognition. Intangible assets acquired in a business combination are measured at fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indicator that the intangible asset may be impaired. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss in the expense category that is consistent with the function of the intangible asset.

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset

Amortization of the intangible asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortization is recorded in the statement of profit or loss. During the period of development, the asset is tested for impairment annually.

Technology and innovation expense related to product development is recorded in the statement of profit or loss in general and administrative expenses and expense related to process improvement is recorded in cost of sales.

The amortization period for intangible assets with a finite useful life is as follows:

Licenses	3 – 20 years
Softwares and IT development	5 years

Notes to the financial statements (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

6. Summary of significant accounting policies (continued)

6.10 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 CGU fair value less costs of disposal and its value in use. The recoverable amount 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. When 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 post-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. These budgets and forecast calculations are generally covering a five-year period. A long-term growth rate is calculated and applied to project future cash flows after the budget period using a terminal value.

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

An assessment is made at each reporting date to determine whether there is an indication that previously recognized 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 recognized 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 recognized. This reversal is limited such that the recoverable amount does not exceed what the carrying amount would have been, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

6.11 Financial assets

Classification of financial assets depends on the Company's business model for managing its financial assets and the contractual terms of the cash flows. The Company classifies its financial assets as:

- Financial assets measured at amortised cost, or
- Financial assets measured at fair value through statement of profit or loss or through other comprehensive income.

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. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Revenue contracts provide for provisional pricing at the time of shipment to the marketer with the final pricing based on the final price realised by the marketer from the final customer after deducting certain expenses and marketing fee. Such trade receivables are measured at fair value because the contractual cash flows are not solely payments of principal and interest. Other trade receivables meet the criteria for amortized cost under IFRS 9.

Initial measurement

Financial assets are initially measured at their fair value plus transaction costs. Transaction costs of financial assets carried at fair value through profit or loss are recognised in the statement of profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows meet the requirements as solely payment of principal and interest.

Notes to the financial statements (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

6. Summary of significant accounting policies (continued)

6.11 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 amortised cost are subsequently measured using the Effective Interest Rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Company's financial assets at amortised cost includes cash and cash equivalents, short-term investments and trade and other receivables, other than those subsequently measured at FVTPL.

- *Financial assets at 'Fair Value through Other Comprehensive Income' ("FVOCI") with recycling of cumulative gains and losses (Debt Instruments)*

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 computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

- *Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (Equity Instruments)*

The Company measures all equity investments at fair value and presents changes in fair value of equity investments in OCI. Dividends from such investments continue to be recognised in the statement of profit or loss as other income when the Company's right to receive payments is established. Gains and losses on these financial assets are never recycled to the statement of profit or loss.

- *Financial assets at Fair Value Through Profit or Loss ("FVTPL")*

Financial assets that do not meet the criteria for subsequent recognition at amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and which is not part of a hedging relationship is recognised and presented net in the statement of profit or loss in the period in which it arises. Trade receivables related to contracts with provisional pricing arrangements are subsequently measured at FVTPL.

De-recognition

A financial asset or a part of a financial asset is de-recognised 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.

Notes to the financial statements (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

6. Summary of significant accounting policies (continued)

6.11 Financial assets (continued)

Impairment

The Company assesses on a forward-looking basis the Expected Credit Loss ("ECL") associated with its debt instruments as part of its financial assets, which are carried at amortised cost and FVOCI. The ECL is based on a 12-month ECL or a lifetime ECL. The 12-month ECL results from default events on a financial instrument that are possible within 12 months after the reporting date. When there has been a significant increase in credit risk since initial recognition, the allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (the lifetime ECL).

For accounts receivables, other than those subsequently measured at FVTPL, the Company applies the simplified approach in calculating ECL's. Therefore, the Company does not track changes in credit risk, but instead recognized a loss allowance base on lifetime ECL's 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.

6.12 Financial liabilities

Initial recognition and measurement

Financial liabilities are classified under either of the below two classes:

- Financial liabilities at FVTPL; and
- Other financial liabilities measured at amortised cost using the EIR method.

The category of financial liability at FVTPL has two sub-categories:

- *Designated:* A financial liability that is designated by the entity as a liability at FVTPL upon initial recognition; and
- *Held for trading:* A financial liability classified as held for trading, such as an obligation for securities borrowed in a short sale, which have to be returned in the future. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

All financial liabilities are recognised initially when the Company becomes party to contractual provisions and obligations under the financial instrument. The liabilities are recorded at fair value, and in the case of loans and borrowings and payables, the proceeds received net of directly attributable transaction costs.

Subsequent measurement

Financial liabilities at FVTPL continue to be recorded at fair value with changes being recorded in the statement of profit or loss.

For other financial liabilities, including loans and borrowings, after initial recognition, these are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in statement of 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 method. The EIR amortisation is included as finance costs in the statement of profit or loss.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial period which are unpaid. The amounts are unsecured and are usually paid within 30 to 60 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the EIR method.

Notes to the financial statements (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

6. Summary of significant accounting policies (continued)

6.12 Financial liabilities (continued)

De-recognition

A financial liability is derecognised when the obligation under the liability is settled or discharged. 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 de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

6.13 Offsetting of financial instruments

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

6.14 Provisions

General

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 obligation amount. If the effect of the time value of money is material, provisions are discounted using a current pre-zakat 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 finance cost.

De-commissioning liability

The Company records a provision for de-commissioning costs of manufacturing facilities when an obligation exists and the amounts are material. De-commissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the de-commissioning liability. The unwinding of the discount is expensed as incurred and recognised in the statement of profit or loss as a finance cost. The estimated future cost of de-commissioning is reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

6.15 Inventories

Inventories, including raw materials, work in progress, finished goods, and consumables and spare parts are measured at the lower of cost i.e. historical purchase prices based on the weighted average principle plus directly attributable costs or the net realisable value.

Inventories of work in progress and finished goods include cost of materials, labour and an appropriate proportion of direct overheads.

Abnormal inventory losses due to quality or other issues and overheads incurred during unplanned maintenance / shut down period are excluded from inventory costs. The allocation of overheads at period end for the purpose of inventory valuation are based on the higher of normal capacity or actual production for the period. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable 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.

Notes to the financial statements (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

6. Summary of significant accounting policies (continued)

6.15 Inventories (continued)

Scrap inventory, co-product and by-product

Production process in the Company sometimes results in production of co-product simultaneously, or may result in some by-products or scraps (either non-usable or recyclable). When the costs of conversion of such co/by-product and/or scrap are not separately identifiable from the main product cost, they are allocated on a rational and consistent basis to such products and co/by-product and scrap. The allocation is based on the relative sales value of each product either at the stage in the production process when the products become separately identifiable, or at the completion of production.

Where by-products and scrap are immaterial and where costs cannot be allocated to them or it is inefficient to do so, these items are measured under inventory at net realizable value and this value is deducted from the cost of the main product. As a result, the carrying amount of the main product inventory is not materially different from its cost. In the statement of profit or loss, the net realizable value for the by-products and scrap reduces the cost of sales for the period. Upon subsequent sale of such by-product, the proceeds is recorded as revenue with a corresponding cost of sale being recorded based on earlier recorded net realizable value, while for scrap, the proceeds, net of cost is recorded as other income.

Consumable spare parts

Consumables are ancillary materials which are consumed in the production of semi-finished and finished products. Consumables may include engineering materials, one-time packaging materials and certain catalysts.

Capital spare parts

Spare parts are the interchangeable parts of property, plant and equipment, which are considered to be essential to support routine maintenance, repair and overhaul of plant and equipment or to be used in emergency situations for repairs. The Company maintains the following different types of spare parts:

- Stand-by equipment items acquired together with the plant/production line or purchased subsequently but related to a particular plant or production line and will rarely be required are critical to plant operation and must be available at standby at all times. These are capitalized as part of property, plant and equipment and depreciated from purchase date over a period which is shorter of the component's useful life or the remaining useful life of the plant in which it is to be utilized. These do not form part of inventory provided capitalization criteria under property, plant and equipment is met.
- Repairable items that are plant/production line specific with long lead times and will be replaced and refurbished frequently (mostly during turnarounds). These are capitalized as part of property, plant and equipment where the capitalization criteria are met. Depreciation is started from day of installation of these items in the plant, and the depreciation period is the shorter of the useful life of the component and the remaining useful life of the related property, plant and equipment in which it is installed. These do not form part of inventory.
- General spares and other consumables items which are not of a critical nature and are of a general nature, i.e., not plant specific and can be used in multiple plants or production lines and any other items which may be required at any time for facilitating plant operations. They are generally classified as 'consumables and spare parts' under inventory, unless they exceed the capitalisation threshold and have a useful life of more than one year, under which case they are recorded under property, plant and equipment. Items recorded under inventory are subject to assessment for obsolescence provision and are charged to the statement of profit or loss and other comprehensive upon their installation or use. Where such items meet criteria for capitalization, their depreciation method is similar to repairable items as noted above.

Notes to the financial statements (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

6. Summary of significant accounting policies (continued)

6.16 Employee benefits

Long-term employee benefits obligations

Long-term employee benefit obligations are measured at the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method and recorded as non-current liabilities. Consideration is given to expected future salary increase and historic attrition rates. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate or government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Re-measurements as a result of changes in actuarial assumptions are recognised in other comprehensive income. The Company offers various post-employment schemes, including both defined contribution and defined benefit plans, and post-employment medical and life insurance plans for eligible employees and their dependents.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions to a separate entity and will have no legal or constructive obligation to pay amounts. The contributions are recognised as employee benefit expense when these are due.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company primarily has end of service benefits and post-retirement medical and life insurance plans, which qualify as defined benefit plans.

Savings plan

The Company offers a savings plan to encourage its Saudi employees to make savings in a manner that will warrant an increase in their income and contribute to securing their future according to the established plan. The saving contributions from the participants are deposited in a separate bank account other than the Company's normal operating bank accounts (but not in any separate legal entity).

End of service benefits

For the liability for employees' end of service benefits, the actuarial valuation process takes into consideration the provisions of the Saudi Arabian Labour and Workmen Law as well as the Company policy.

The liability is recognised in the statement of financial position in respect of defined benefit post-employment plans is the present value of the projected Defined Benefits Obligation ("DBO") at the reporting date.

DBO is re-measured on a periodic basis by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used. The net interest cost are calculated by applying the discount rate to the net balance of the DBO and the fair value of plan assets.

Services costs are calculated, using the actuarially determined pension cost rate at the end of the prior year, adjusted for significant market fluctuations and for any significant one-off events, such as plan amendments, curtailments and settlements. In the absence of such significant market fluctuations and one-off events, the actuarial liabilities are rolled forward based on the assumptions as at the beginning of the year. If there are significant changes to the assumptions or arrangements during the interim period, consideration is given to re-measure such liabilities and the related costs.

Notes to the financial statements (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

6. Summary of significant accounting policies (continued)

6.16 Employee benefits (continued)

Re-measurement gains and losses arising from changes in actuarial assumptions are recognised in the period in which they occur in OCI. Changes in the present value of the DBO resulting from plan amendments or curtailments are recognised immediately in the statement of profit or loss as past service costs.

When the benefits plan are amended, the portion of the change in benefit relating to the past service by employees is recognised as an expense or income; if applicable, on a straight-line basis over the average period until the benefits become vested in the statement of profit or loss. To the extent that benefits vest immediately, the expense or income, if applicable is recognised immediately in the statement of profit or loss.

Current and past service costs related to post-employment benefits are recognised immediately in the statement of profit or loss while unwinding of the liability at discount rates used are recorded as finance cost. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in OCI.

Employee Home Ownership Program ("HOP")

The Company has established employee's HOP that offer eligible employees the opportunity to buy residential units constructed by the Company through a series of payments over a particular number of years. Ownership of the houses is transferred upon completion of full payment.

Under the HOP, the amounts paid by the employee towards the house are repayable back to the employee in case the employee discontinues employment and the house is returned back to the Company. HOP is recognised as a non-current prepayment asset at time the residential units are allocated to the employees and are amortised over the repayment period of the facility due from employees.

Employee Home Loan Program ("HLP")

The Company provides interest free home loan to its eligible employees for purposes related to purchase or building of a house or apartment. The loan is repaid in monthly instalment by deduction of employee's pay.

HLP is recognised as a non-current financial asset at fair value and measured at amortised cost using the EIR method. The difference between the fair value and the actual amount of cash given to the employee is recognised as a "non-current prepaid employee benefit" and is amortised as an expense equally over the period of service. The same amount is also amortised as finance income against the receivable from employees.

Medical insurance

The Company provides post-retirement healthcare benefits to its eligible retirees and certain family members for 5 years. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit plans. Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited as other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

The accounting for these plans requires that management makes certain assumptions relating to discount rates used to measure future obligations and expenses, salary scale inflation rates, health care cost trend rates, mortality and other assumptions. These estimates are highly susceptible to change from period to period based on the performance of plan assets (if any), actuarial valuations, market conditions and contracted benefit changes. The selection of assumptions is based on historical trends, future estimates based on economic and market conditions at the time of valuation. However, actual results may differ substantially from the estimates that were based on the critical assumptions used.

Notes to the financial statements (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

6. Summary of significant accounting policies (continued)

6.17 Earnings per share

Basic earnings per share is calculated by dividing the net income attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

6.18 Revenue recognition

The Company recognises revenue when control of the products sold, transfers to the customer, which shall be considered in the context of a five-step approach and applying the applicable shipping terms.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. Revenue arrangements are assessed against specific criteria to determine whether the Company is acting as a principal or agent.

All the product sales made to SABIC (referred to as the 'Marketer') under the marketing and offtake agreements, and upon the delivery of products to the Marketer, sales are recorded at provisional selling prices which are later adjusted based upon actual selling prices received by the Marketer from third parties, after deducting costs of shipping, distribution and marketing. Adjustments are recorded as they become known to the Company.

Provisional pricing

Revenue contracts with the marketer provide for provisional pricing at the time of shipment, with final pricing based on price realised by the marketer from the final customer after deducting certain expenses and marketing fee. Revenue on these contracts is recorded at the provisional price at the time control is transferred to the marketer. Any difference between the provisional and the final price is recorded as a change in fair value of the related receivable, as part of revenue, in the statement of profit or loss.

6.19 Expenses

Cost of sales

All expenses are recognized on an accrual basis. Operating costs are recognized on a historical cost basis. Production costs and direct manufacturing expenses are classified as cost of sales. This includes raw material, direct labor and other attributable overhead costs. Other costs such as selling costs are recorded as selling and distribution expenses while all remaining other costs are presented as general and administrative expenses.

Selling and distribution expenses

These include any costs incurred to carry out or facilitate all selling activities at the Company. These costs typically include distribution and logistics expenses as well as allocations of certain general overheads.

General and administrative expenses

These pertain to operation expenses which are not directly related to the production or selling of any goods or services. These also include allocations of general overheads which are not specifically attributed to cost of sales or selling and distribution expenses. Allocation of overheads between cost of sales, selling and distribution expenses, and general and administrative expenses, where required, is made on a consistent basis based on predetermined rates as appropriate by the Company.

Notes to the financial statements (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

6. Summary of significant accounting policies (continued)

6.20 Statutory reserve

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

6.21 Finance income

For all financial instruments measured at amortised cost and interest-bearing financial assets, finance income is recorded using the EIR, which is the rate that discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

6.22 Finance cost

Finance cost is recognised for the interest due to the lender of all financial liabilities measured at amortised cost, using the EIR. EIR is the rate that discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial liability. These include bonds, conventional notes, Murabaha, etc. Additionally the finance cost also includes time value of money for all the lease liabilities recognised. Finance cost is also recognised due to passage of time whenever a provision or liability has been discounted to its present value.

Notes to the financial statements (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

7. Property, plant and equipment

	For the year ended 31 December 2022						
	Plant and equipment	Buildings	Furniture, fixtures and office equipment	Vehicles	Catalyst	Assets under construction	Total
Cost:							
At the beginning of the year	44,385,129	2,571,225	337,326	11,001	566,300	268,316	48,139,297
Additions	86,395	381	3,261	532	878	263,018	354,465
Write off	(535)	-	-	(1,327)	-	(24,020)	(25,882)
Transfers	97,528	291	6,248	-	39,624	(143,691)	-
At the end of the year	44,568,517	2,571,897	346,835	10,206	606,802	363,623	48,467,880
Accumulated depreciation:							
At the beginning of the year	21,255,435	772,799	319,846	10,329	480,272	-	22,838,681
Charge for the year	2,208,307	78,601	6,585	118	32,372	-	2,325,983
Related to write off	(236)	-	-	(672)	-	-	(908)
At the end of the year	23,463,506	851,400	326,431	9,775	512,644	-	25,163,756
Net book value:							
As at 31 December 2022	21,105,011	1,720,497	20,404	431	94,158	363,623	23,304,124
As at 31 December 2021	23,129,694	1,798,426	17,480	672	86,028	268,316	25,300,616

The asset under construction mainly relates to other turnaround costs, site projects and other support facilities with a total cost of SR 363.6 million (2021: SR 268.3 million).

Property, plant and equipment are constructed on a land leased by the Company from Royal Commission for Jubail and Yanbu under a long-term renewable lease agreement with an initial term of 30 years effective from 21 Rabi'ul 1428H (corresponding to 9 April 2007).

Property, plant and equipment of the Company are pledged as security for its debt (note 18).

Depreciation charge for 2022 of SR 2,317.8 million (2021: SR 2,318.5 million) and SR 8.2 million (2021: SR 8.1 million) has been allocated to cost of sales and general and administrative expenses, respectively.

Impairment indicators and assessment

As explained in Note 1, management identified the significant decrease in the market prices of the Company's products along with a current-period operating loss as an impairment indicator. Accordingly, the management performed a detailed impairment assessment of its non-current assets and determined the recoverable amount based on the value-in-use calculation using the approved business plan. As a result of such assessment, as at 31 December 2022, the recoverable amount of the non-current assets was higher than the carrying amount.

Management has performed a sensitivity analysis around the key assumptions used in the value-in-use calculation and believes that the recoverable amount of non-current assets would equal their carrying amount if the following key assumptions were to change as follows:

- Forecasted sales prices decreased by 4.8%; or
- Discount rate increased by 160 bps.

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

Notes to the financial statements (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

7. Property, plant and equipment (continued)

	For the year ended 31 December 2021						
	Plant and equipment	Buildings	Furniture, fixtures and office equipment	Vehicles	Catalyst	Assets under construction	Total
Cost:							
At the beginning of the year	43,982,244	2,571,153	333,924	11,001	489,562	383,061	47,770,945
Additions	270,795	72	607	-	44,336	106,740	422,550
Write off	(42,129)	-	(33)	-	-	(1,458)	(43,620)
Transfers to housing program under other non-current assets (note 10)	-	-	-	-	-	(10,578)	(10,578)
Transfers	174,219	-	2,828	-	32,402	(209,449)	-
At the end of the year	44,385,129	2,571,225	337,326	11,001	566,300	268,316	48,139,297
Accumulated depreciation:							
At the beginning of the year	19,050,214	694,131	311,806	10,256	466,906	-	20,533,313
Charge for the year	2,226,491	78,668	8,065	73	13,366	-	2,326,663
Related to write off	(21,270)	-	(25)	-	-	-	(21,295)
At the end of the year	21,255,435	772,799	319,846	10,329	480,272	-	22,838,681
Net book value:							
As at 31 December 2021	23,129,694	1,798,426	17,480	672	86,028	268,316	25,300,616
As at 31 December 2020	24,932,030	1,877,022	22,118	745	22,656	383,061	27,237,632

Notes to the financial statements (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

8. Right-of-use assets

	For the year ended 31 December 2022					
	Lands	Tanks	Housing	Vehicles	Pipelines	Total
Cost:						
At the beginning of the year	113,267	93,039	188,590	26,537	14,329	435,762
Additions	750	12,384	1,800	-	-	14,934
Modifications*	58,126	-	-	-	-	58,126
Derecognition	(956)	-	(99,236)	(1,753)	-	(101,945)
At the end of the year	171,187	105,423	91,154	24,784	14,329	406,877
Accumulated depreciation:						
At the beginning of the year	14,595	30,034	71,962	16,539	10,029	143,159
Charge for the year	7,104	9,951	26,723	5,044	716	49,538
Related to derecognition	(955)	-	(64,176)	(1,753)	-	(66,884)
At the end of the year	20,744	39,985	34,509	19,830	10,745	125,813
Net book value:						
As at 31 December 2022	150,443	65,438	56,645	4,954	3,584	281,064
As at 31 December 2021	98,672	63,005	116,628	9,998	4,300	292,603

The Company leases lands, tanks, housing for employees, vehicles and pipelines for period ranging from 2 to 99 years, with an option to renew the lease after that date. Lease payments are agreed at the time of inception of the lease which may change based on mutual consent of both the parties.

Depreciation charge for 2022 of SR 33.4 million (2021: SR 40.5 million), SR 11.0 million (2021: SR 10.8 million) and SR 5.2 million (2021: SR 5.5 million) has been allocated to cost of sales, selling and distribution expenses and general and administrative expenses, respectively.

The land on which plant and related facilities are constructed are leased from the Royal Commission for Jubail and Yanbu under renewable lease agreements for a period up to 99 years.

* During 2022, certain estimates in the assessment of land lease contracts with the Royal Commission have been reassessed and accordingly for the computation of the lease liabilities, the lease terms applied have been extended to reflect Company's reasonable expectations of the period during which the underlying asset will be used. Considering the broader economics of these contracts and recent developments, the Company is reasonably certain that both parties will exercise extension options given in the land lease agreements. As a consequence of this change in assessment as at 31 December 2022 an additional SR 58.1 million have been recorded in right-of-use assets and lease liabilities.

Notes to the financial statements (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

8. Right-of-use assets (continued)

	For the year ended 31 December 2021					
	Land	Tank	Housing	Vehicles	Pipelines	Total
Cost:						
At the beginning of the year	55,517	187,339	192,493	30,487	14,329	480,165
Additions	57,750	-	2,848	-	-	60,598
Derecognition	-	(94,300)	(6,751)	(3,950)	-	(105,001)
At the end of the year	113,267	93,039	188,590	26,537	14,329	435,762
Accumulated depreciation:						
At the beginning of the year	7,512	34,881	50,943	14,981	9,313	117,630
Charge for the year	7,083	15,864	27,693	5,508	716	56,864
Related to derecognition	-	(20,711)	(6,674)	(3,950)	-	(31,335)
At the end of the year	14,595	30,034	71,962	16,539	10,029	143,159
Net book value:						
As at 31 December 2021	98,672	63,005	116,628	9,998	4,300	292,603
As at 31 December 2020	48,005	152,458	141,550	15,506	5,016	362,535

9. Intangible assets

	For the year ended 31 December 2022			
	Licenses	Software and IT development	Intangibles under development	Total
Cost:				
At the beginning of the year	375,678	51,459	19,684	446,821
Transfers	-	4,093	(4,093)	-
Write off	-	(14)	(4,640)	(4,654)
At the end of the year	375,678	55,538	10,951	442,167
Accumulated amortisation:				
At the beginning of the year	168,503	29,496	-	197,999
Charge for the year	17,972	6,556	-	24,528
Related to write off	-	(14)	-	(14)
At the end of the year	186,475	36,038	-	222,513
Net book amount:				
As at 31 December 2022	189,203	19,500	10,951	219,654
As at 31 December 2021	207,175	21,963	19,684	248,822

Notes to the financial statements (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

9. Intangible assets (continued)

	For the year ended 31 December 2021			
	Licenses	Software and IT development	Intangibles under development	Total
<i>Cost:</i>				
At the beginning of the year	375,678	47,781	23,393	446,852
Additions during the year	-	-	891	891
Transfers	-	4,600	(4,600)	-
Write off	-	(922)	-	(922)
At the end of the year	375,678	51,459	19,684	446,821
<i>Accumulated amortisation:</i>				
At the beginning of the year	149,719	11,712	-	161,431
Charge for the year	18,784	18,706	-	37,490
Related to write off	-	(922)	-	(922)
At the end of the year	168,503	29,496	-	197,999
<i>Net book amount:</i>				
As at 31 December 2021	207,175	21,963	19,684	248,822
As at 31 December 2020	225,959	36,069	23,393	285,421

Intangibles under development represent the advance given to the parent company for the implementation of certain IT projects.

Amortisation charge for 2022 of SR 17.4 million (2021: SR 18.9 million) and SR 7.1 million (2021: SR 18.5 million) has been allocated to cost of sales and general and administrative expenses, respectively.

10. Other assets and receivables

	31 December 2022	31 December 2021
<i>Non-current:</i>		
Employees' loans and other advances (i)	42,896	63,112
HOP site development costs	4,397	5,129
	47,293	68,241
<i>Current:</i>		
Advances and other receivable due from related parties (note 29)	127,846	124,592
Value added tax (VAT) receivable, net	116,502	164,726
Employees' loans and advances	18,520	30,577
Others	20,691	12,545
	283,559	332,440
	330,852	400,681

(i) Employee advances represents receivables from employees related to Housing Ownership Program ("HOP") and other benefits.

Notes to the financial statements (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

11. Financial assets and financial liabilities

	31 December 2022	31 December 2021
<i>Financial assets at fair value through profit or loss</i>		
Trade receivables	2,225,610	3,805,254
<i>Financial assets at amortised cost</i>		
Trade receivables	15,456	34,790
Cash and cash equivalents	414,837	960,770
Other financial assets	82,107	106,234
	2,738,010	4,907,048
	31 December 2022	31 December 2021
<i>Financial liabilities at amortized cost</i>		
Debt	9,764,631	13,068,714
Lease liabilities	307,130	309,299
Trade payables	1,169,393	836,474
Other financial liabilities	794,563	1,120,666
	12,035,717	15,335,153

- The Company has assessed the fair value of cash and cash equivalents, lease liabilities, trade payables and other financial assets and liabilities to approximate their carrying amounts largely due to the short-term maturities of these instruments or because the balances carry markup at market rates.
- Other financial assets include other receivables, employee housing loans and interest receivables, net of expected credit losses, where applicable. Other financial liabilities include payables related to utilities, feedstock, employees and other payables.
- Lease liabilities are recognised according to IFRS 16.

12. Inventories

	31 December 2022	31 December 2021
Spare parts	694,219	698,445
Less: provision for slow moving, obsolete and dormant spare parts	(269,765)	(253,693)
	424,454	444,752
Raw materials	120,307	87,165
Goods in transit	48,848	32,402
Finished goods, net	787,858	1,193,997
	1,381,467	1,758,316

During 2022, SR 97.1 million was recognised as a provision for inventories carried at net realisable value (2021: SR 0.3 million as a reversal). This is recognised in cost of sales.

The movement in provision for slow moving, obsolete and dormant spare parts inventory is as follows:

	For the year ended 31 December 2022	For the year ended 31 December 2021
At the beginning of the year	253,693	317,413
Charge for the year	16,072	35,895
Write offs	-	(99,615)
At the end of the year	269,765	253,693

Notes to the financial statements (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

13. Trade receivables

	31 December 2022	31 December 2021
Trade receivables - due from related parties (note 29)	2,240,177	3,837,869
Trade receivables - due from third parties	6,440	7,726
	2,246,617	3,845,595
Less: allowance for expected credit losses	(5,551)	(5,551)
	2,241,066	3,840,044

The credit term is 90 to 105 days, other terms and conditions for related party transactions and balances are disclosed under note 33 of these financial statements. Trade receivables relating to contracts with provisional pricing arrangements are measured at fair value. These trade receivables are classified as level 3 in the fair value hierarchy due to the inclusion of unobservable inputs including specific terms of the contract. For trade receivables carried at amortised cost, the carrying amount as at December 31, 2022 and 2021 approximates their fair value due to their short-term nature.

Movement in the allowance for expected credit losses is as follows:

	For the year ended 31 December 2022	For the year ended 31 December 2021
At the beginning of the year	5,551	5,545
Charge for the year	-	6
At the end of the year	5,551	5,551

The aging analysis of trade receivables is as follows:

	Total	Neither past due nor impaired	Less than 30 days	31-60 days	61-90 days	More than 90 days
31 December 2022	2,246,617	2,240,347	231	494	-	5,545
31 December 2021	3,845,595	3,839,030	534	486	-	5,545

Notes to the financial statements (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

13. Trade receivables (continued)

The aging analysis of trade receivable with third parties is as follows:

	Total	Neither past due nor impaired	Less than 30 days	31-60 days	61-90 days	More than 90 days
31 December 2022						
Expected credit loss rate		0.01%	0.02%	0.81%	3.0%	100%
Gross carrying amount	6,440	170	231	494	-	5,545
Expected credit loss	5,551	1	1	4	-	5,545
31 December 2021						
Expected credit loss rate		0.03%	0.10%	0.87%	2.39%	100%
Gross carrying amount	7,726	1,161	534	486	-	5,545
Expected credit loss	5,551	1	1	4	-	5,545

Trade receivables are non-interest bearing and the Company's credit period is 90 - 105 days after which trade receivables are considered to be past due. Unimpaired trade receivables are unsecured and are expected, on the basis of past experience, to be fully recoverable.

14. Cash and cash equivalents

	31 December 2022	31 December 2021*
Current accounts	56,347	863,603
Current murabaha (including fixed time deposits)	358,490	97,167
	414,837	960,770
Non-conventional cash and cash equivalents (note 35)	414,837	960,770
Cash and cash equivalents	414,837	960,770

*In respect of 2021 comparative year, refer to Note 35 for certain reclassifications made.

Term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates. These placements yield finance income at commission rates ranging from 0.10% to 4.75% (2021: 0.05% to 0.85%).

At 31 December 2022, the Company has funds amounting to SAR 49.8 million (2021: SAR 42.2 million) (note 20) that are held in separate bank accounts and are not used as part of normal business operations.

The table below provides details of amounts of cash and cash equivalents placed in various currencies:

	31 December 2022	31 December 2021
USD	293,475	886,853
SAR	121,362	73,917
	414,837	960,770

15. Share capital

The authorised, issued and paid up share capital is SR 15,000 million, which is divided into 1,500 million shares (2021: 1,500 million shares) of SR 10 each.

Notes to the financial statements (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

16. Statutory reserve

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

17. Other components of equity

Other components of equity of SR 620.87 million represents contribution a surplus for the fair value differential in respect of subordinated loans provided from a shareholder in prior years and fully settled in 2019.

18. Debt

	Effective Interest rate (%)	Maturity	31 December 2022	31 December 2021
Long term debt				
Public Investment Fund (PIF)	LIBOR+0.50	31 December 2022	-	299,357
Islamic Facility Agreement (IFA)	LIBOR+0.75	31 December 2022	-	596,273
Commercial facility from various commercial banks	LIBOR+0.75	31 December 2022	-	420,319
Export Credit Agency (ECA)	LIBOR+0.12 to 0.25	31 December 2022	-	359,242
Saudi Industrial Development Fund (SIDF)	Follow up Cost	13 February 2025	277,418	397,583
Murabaha long term loans	SIBOR & LIBOR+ 0.75 to 1.3	2023 to 2027	8,591,570	10,995,940
Short term debt				
Revolving Credit Facility	SIBOR & LIBOR+ 0.40 to 0.55	16 November 2027	895,643	-
Total			9,764,631	13,068,714
Total non-current			7,460,655	11,266,857
Total current			2,303,976	1,801,857

The above loans are secured either by mortgage of the assets or letter of credit. In accordance with the loan agreement, SABIC will maintain 35% ownership in the Company during the repayment period of these borrowings.

Movement in debt is as follows:

	For the year ended 31 December 2022	For the year ended 31 December 2021
At the beginning of the year	13,068,714	16,665,409
Additions	900,000	-
Repayments during the year	(4,224,090)	(3,623,880)
Amortisation of transaction cost	20,007	27,185
At the end of the year	9,764,631	13,068,714

During the year, the Company made early repayments of loans amounting to SR 4.2 billion.

Notes to the financial statements (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

18. Debt (continued)

Public Investment Fund (PIF)

The loan agreement with PIF provided for a loan facility of US dollars 1,067 million (SR 4,001.2 million) to partially finance the construction of the Company's production facilities. The loan bore financial charges on London Inter Bank Offer Rate ("LIBOR") and an agreed margin. The loan has been fully paid during 2022. The loan was denominated in US dollars.

Islamic Facility Agreement (IFA)

The loan agreement with IFA provided for a loan facility of US dollars 1,030.1 million (SR 3,863.7 million) to partially finance the construction of the Company's production facilities. The loan bore financial charges on London Inter Bank Offer Rate ("LIBOR") and an agreed margin. The loan has been fully paid during 2022. The loan was denominated in US dollars.

Commercial facility

The loan agreement provided for a loan facility of US dollars 725.9 million (SR 2,722.3 million) from various commercial banks. The loan bore financial charges on London Inter Bank Offer Rate ("LIBOR") and an agreed margin. The loan has been fully paid during 2022. The loan was denominated in US dollars.

Export Credit Agency

The Company entered into four ECA backed facilities amounting to US dollars 1,938.1 million (SR 7,267.7 million). The loan bore financial charges on London Inter Bank Offer Rate ("LIBOR") and an agreed margin. The loan has been fully paid during 2022. The loan was denominated in US dollars.

Saudi Industrial Development Fund

The loan agreements with SIDF provided for loans of SR 479 million to finance construction of the Company's production facilities. Up-front and annual administrative fees are charged by SIDF under the loan agreements. The loans are payable in 12 un-equal semi-annual instalments which commenced in October 2019. The covenants of the borrowing facility with SIDF require the Company to maintain certain level of financial conditions. As at 31 December 2022, the Company was in compliance with such covenants.

The Company's joint operation, Saudi Butanol Company (Sabuco), obtained a debt facility from Saudi Industrial Development Fund ("SIDF") with total amount of SR 865 million (SR 288.33 million share of Saudi Kayan). The loan is fully utilized by Sabuco. The loan is secured by a mortgage over Sabuco's property, plant and equipment and by promissory notes. The loan is payable in 15 un-equal semi-annual instalments starting from 15 Shaa'ban 1438H corresponding to 12 May 2017. The facility agreement with SIDF contains certain covenants, which requires among other things, certain financial ratios to be maintained. As at 31 December 2022, Sabuco was in compliance with such covenants.

Up-front and annual administrative fees are charged by SIDF under the loan agreements. The loans are commission free but carry fees which have been amortized as finance cost using the effective interest rate.

Murabaha long term loans

During 2019, the Company entered into murabaha long term loan agreements with a local commercial bank amounting to US dollars 2.0 billion (SR 7.5 billion) to settle a portion of the Company's subordinated loans and to finance working capital requirements. The loan bears financial charges on LIBOR plus an agreed margin. This loan is payable in instalments ending on 30 June 2026.

In addition, the Company has also entered into Murabaha long term loan agreement with another local commercial bank amounting to SR 1.5 billion to settle a portion of the Company's subordinated loans. The loan bears financial charges on SIBOR plus an agreed margin. This loan is payable on 30 December 2027.

Notes to the financial statements (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

18. Debt (continued)

The agreements for murabaha long term loans include cross default clauses linked to other borrowings of the Company. As at 31 December 2022, the Company was in compliance with such covenants.

Revolving Credit Facility

During 2022, the Company entered into Multicurrency Murabaha Revolving Credit Facility agreement with a local commercial bank amounting to US dollars 800 million (SR 3.0 billion) to finance working capital requirements. The loan bears financial charges on SIBOR/LIBOR plus an agreed margin. Each murabaha period for a transaction shall be one, three or six months, with a maximum extension option for the same term as the initial Murabaha transaction, up to a maximum of 12 months tenor for each transaction. The Revolving Credit Master Facility maturity date is 16 November 2027.

The aggregate repayment schedule of debt is as follows:

	<u>31 December 2022</u>	<u>31 December 2021</u>
2022	-	1,801,857
2023	2,303,976	3,815,293
2024	1,375,131	1,373,308
2025	1,310,728	1,308,908
2026	3,274,796	3,284,352
Thereafter	1,500,000	1,484,996
	9,764,631	13,068,714

19. Lease liabilities

The Company leases several lands, tanks, housing for employees, vehicles and pipelines for a period ranging from 2 to 99 years, with an option to renew the lease after that date. Lease payments are agreed at the time of inception of the lease which may change based on mutual consent of both the parties.

Property, plant and equipment are constructed on a land leased by the Company from Royal Commission for Jubail and Yanbu under a long-term renewable lease agreement with an initial term of 30 years effective from 21 Rabi'ul 1428H (corresponding to 9 April 2007).

The Company has leases approximately amounting to SR 6.0 million (2021: SR 8.1 million) with contract terms of less than 12 months. These leases are short term or leases of low-value items. The Company has elected not to recognise right-of-use assets and lease liabilities for these leases.

	<u>31 December 2022</u>	<u>31 December 2021</u>
Non-current	270,512	268,652
Current	36,618	40,647
	307,130	309,299

These leases are discounted using interest rates ranging from 1.18% to 8.00% based on the terms in the agreement.

Notes to the financial statements (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

19. Lease liabilities (continued)

Movement in lease liabilities is as follows:

	For the year ended 31 December 2022	For the year ended 31 December 2021
At the beginning of the year	309,299	362,023
Additions to lease liabilities	14,934	60,598
Modification of lease terms	58,126	-
Payment of lease liabilities	(47,784)	(59,220)
Derecognition of lease liabilities*	(35,061)	(75,511)
Finance cost	7,616	21,409
At the end of the year	307,130	309,299

* During the year, the Company has modified a lease arrangement due to which a lease related to certain houses and tanks were derecognized as these were no longer required by the Company.

Amount recognised in statement of profit or loss

	For the year ended 31 December 2022	For the year ended 31 December 2021
Finance cost on lease liabilities	7,616	21,409
Depreciation	49,538	56,864
Expenses relating to short-term or low value leases	5,962	8,134
	63,116	86,407

	31 December 2022		
	Third party	Related party	Total
Less than 1 year	53,593	1,993	55,586
Later than one year to five years	166,804	12,313	179,117
More than five years	688,890	122,279	811,169
	909,287	136,585	1,045,872
Total minimum lease payments	909,287	136,585	1,045,872
Less amounts representing finance charges	(642,266)	(96,476)	(738,742)
Present value of minimum lease payments	267,021	40,109	307,130

	31 December 2021		
	Third party	Related party	Total
Less than 1 year	54,052	1,438	55,490
Later than one year to five years	176,123	5,753	181,876
More than five years	154,803	1,519	156,322
	384,978	8,710	393,688
Total minimum lease payments	384,978	8,710	393,688
Less amounts representing finance charges	(82,596)	(1,793)	(84,389)
Present value of minimum lease payments	302,382	6,917	309,299

Notes to the financial statements (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

20. Employees' benefits

	31 December 2022	31 December 2021*
Defined employees' benefits obligation – non-current liability	620,933	872,303
Other employees' benefits – current liability	83,226	76,430
	704,159	948,733

*In respect of 2021 comparative year, refer to Note 35 for certain reclassifications made.

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its defined benefit obligations at 31 December 2022 and 31 December 2021 in respect of employees' end-of-service benefits payable under relevant local regulations and contractual arrangements.

The main actuarial assumptions used to calculate the defined unfunded benefit obligation are as follows:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Discount rate	5.20%	2.70%
Expected rate of salary increase		
Executive	4.50%	4.50%
Non-Executive	6.00%	6.00%

The following table represents the components of the defined benefits liability as at 31 December:

	For the year ended 31 December 2022			
	End of Service Benefit Plan	Continuous Service Awards	Post-retirement medical benefits	Total
At the beginning of the year	790,304	6,581	75,418	872,303
Charge recognised in statement of profit or loss:				
- Current service cost	76,276	584	7,396	84,256
- Finance cost	21,187	172	2,009	23,368
Actuarial changes arising due to:				
- demographic assumptions	-	-	(38)	(38)
- financial assumptions	(240,160)	(989)	(20,933)	(262,082)
- experience adjustments	8,253	988	975	10,216
	(231,907)	(1)	(19,996)	(251,904)
Payments during the year	(12,358)	(1,260)	(3,018)	(16,636)
Adjustments / transfers during the year	(82,209)	(674)	(7,571)	(90,454)
At the end of the year	561,293	5,402	54,238	620,933

Notes to the financial statements (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

20. Employees' benefits (continued)

	For the year ended 31 December 2021			
	End of Service Benefit Plan	Continuous Service Awards	Post-retirement medical benefits	Total
At the beginning of the year	798,919	6,200	79,407	884,526
Charge recognised in statement of profit or loss:				
- Current service cost	81,808	714	8,066	90,588
- Finance cost	18,655	146	1,872	20,673
Actuarial changes arising due to:				
- financial assumptions	(37,879)	(154)	(1,767)	(39,800)
- experience adjustments	(21,355)	89	(8,724)	(29,990)
	(59,234)	(65)	(10,491)	(69,790)
Payments during the year	(12,650)	(237)	(1,768)	(14,655)
Adjustments / transfers during the year	(37,194)	(177)	(1,668)	(39,039)
At the end of the year	790,304	6,581	75,418	872,303

Sensitivity analysis

The table below illustrates the approximate impact on the defined benefit liability if the Company were to change one key assumption, while the other actuarial assumptions remain unchanged. The sensitivity analysis is intended to illustrate the inherent uncertainty in the valuation of the defined benefit liability under market conditions at the measurement date. Its results cannot be extrapolated due to non-linear effects that changes in key actuarial assumptions may have on the total defined benefit liability. The sensitivities only apply to the defined benefit liability and not to the amounts recognised in the statement of financial position.

The balances based on sensitivity analysis would be:

	31 December 2022		
	End of Service Benefit Plan	Continuous Service Awards	Post-retirement medical benefits
<i>Increase</i>			
Discount rate (+25 bps)	542,752	5,319	51,896
Salary (+25 bps)	580,489	-	-
Health care cost (+25 bps)	-	-	56,837
<i>Decrease</i>			
Discount rate (-25 bps)	580,679	5,487	56,709
Salary (-25 bps)	542,841	-	-
Health care cost (-25 bps)	-	-	51,768
<i>Weighted average duration (in years)</i>			
Discount rate (+25 bps)	13.44	6.19	17.66
Discount rate (-25 bps)	13.58	6.24	17.82

Notes to the financial statements (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

20. Employees' benefits (continued)

Sensitivity analysis (continued)

	31 December 2021		
	End of Service Benefit Plan	Continuous Service Awards	Post-retirement medical benefits
<i>Increase</i>			
Discount rate (+25 bps)	760,398	6,457	71,816
Salary (+25 bps)	820,648	-	-
Health care cost (+25 bps)	-	-	79,319
<i>Decrease</i>			
Discount rate (-25 bps)	821,716	6,709	79,234
Salary (-25 bps)	761,234	-	-
Health care cost (-25 bps)	-	-	71,720
<i>Weighted average duration (in years)</i>			
Discount rate (+25 bps)	15.43	7.61	19.56
Discount rate (-25 bps)	15.59	7.71	19.75

Expected total benefits payments

	For the year ended 31 December 2022			
	End of Service Benefit Plan	Continuous Service Awards	Post-retirement medical benefits	Total
Year 1	11,694	537	1,238	13,469
Year 2	12,874	1,215	404	14,493
Year 3	14,961	365	184	15,510
Year 4	17,263	247	6	17,516
Year 5	23,699	477	194	24,370
After 5 years	194,698	3,383	7,499	205,580
Total	275,189	6,224	9,525	290,938

Notes to the financial statements (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

20. Employees' benefits (continued)

	For the year ended 31 December 2021			
	End of Service Benefit Plan	Continuous Service Awards	Post-retirement medical benefits	Total
Year 1	11,176	391	2,051	13,618
Year 2	13,930	649	567	15,146
Year 3	14,767	1,293	208	16,268
Year 4	16,326	373	206	16,905
Year 5	18,560	259	78	18,897
After 5 years	187,654	3,577	5,774	197,005
Total	262,413	6,542	8,884	277,839

20.1 Employee savings plan

	31 December 2022	31 December 2021
Opening balance	76,430	67,232
Contribution for the year	10,918	9,562
Withdrawals during the year	(4,122)	(364)
Closing balance	83,226	76,430

21. Trade payables

	31 December 2022	31 December 2021
Trade payables due to related parties (note 29)	1,131,489	799,325
Less: non-current portion presented as other non-current liability in the statement of financial position	(140,000)	-
	991,489	799,325
Trade payables due to third parties	37,904	37,149
	1,029,393	836,474

22. Accruals and other current liabilities

	31 December 2022	31 December 2021
Accrued expenses – related parties (note 29)	420,386	728,268
Accrued expenses – third parties	279,692	252,370
Interest payable	25,230	9,666
Retentions payable	2,063	3,866
Employees' payable	47,778	82,618
Royalties payable	268	17,777
Others	19,146	26,101
	794,563	1,120,666

Notes to the financial statements (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

23. Zakat

The zakat charge consists of the following:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Charge for the year	26,917	118,746
Adjustments related to prior years	(605)	5,709
	26,312	124,455

The movement in zakat payable is as follows:

	For the year ended 31 December 2022	For the year ended 31 December 2021
At the beginning of the year	143,469	116,509
Charge for the year	26,312	124,455
Payments during the year	(113,706)	(97,495)
At the end of the year	56,075	143,469

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.

24. Sales

	For the year ended 31 December 2022	For the year ended 31 December 2021
Sales of goods	11,519,449	11,503,967
Movement between provisional and final price	(362,434)	1,152,240
	11,157,015	12,656,207

The Company generates revenue primarily from the sale of petrochemical products. All of the product sales are made to SABIC (the parent company) which is based in the Kingdom of Saudi Arabia and is recognised at a point in time. Accordingly, disaggregation of revenue from contracts with customers is not applicable by primary geographical market, major products and service lines and timing of revenue recognition.

Contract balances

Information about trade receivables is provided in note 13 to these financial statements. There were no material returns, refunds, or advances and, therefore, no contract balances for the year ended 31 December 2022 (31 December 2021: nil).

Notes to the financial statements (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

25. Expenses

Based on the nature of expense, cost of sales, selling and distribution expenses and general and administrative expenses are broken down as follows:

25.1 Cost of sales

	For the year ended 31 December 2022	For the year ended 31 December 2021
Raw materials and consumables	7,570,271	5,395,590
Depreciation of property, plant and equipment	2,317,795	2,318,510
Employees' costs	543,904	586,289
Utilities	583,002	572,005
Depreciation of right of use assets	33,355	40,546
Amortisation of intangible assets	17,387	18,985
Provision for slow moving and obsolete inventories	16,072	35,895
Others	172,069	130,734
	11,253,855	9,098,554

25.2 General and administrative expenses

	For the year ended 31 December 2022	For the year ended 31 December 2021
Research and technology (note 29)	223,093	253,097
Employees' costs	104,781	106,309
Shared services charges (note 29)	69,563	60,517
Amortisation of intangible assets	7,139	18,505
Maintenance and manpower supply	45,601	25,371
Depreciation of property, plant and equipment	8,188	8,153
Leases	5,962	8,134
Taxes	2,257	6,972
Depreciation of right of use assets	5,204	5,508
Board members allowances	4,273	3,841
Others	35,998	23,402
	512,059	519,809

25.3 Selling and distribution expenses

	For the year ended 31 December 2022	For the year ended 31 December 2021
Freight and storage	216,169	202,182
Depreciation of right of use assets	10,980	10,810
Others	17	718
	227,166	213,710

Notes to the financial statements (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

26 Finance income and cost

Finance income can be broken down as follows:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Murabaha (including fixed term deposits)	19,464	6,012
Interest income	3,115	-
	22,579	6,012

Finance cost can be broken down as follows:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Finance cost on debts	330,161	204,860
Amortisation of transaction cost	20,007	27,185
Lease finance cost	7,616	21,409
Finance cost related to defined benefit plans	23,368	20,673
Bank charges	1,701	5,015
	382,853	279,142

Conventional and non-conventional break-up of finance income and finance cost is as follows:

	For the year ended 31 December 2022	For the year ended 31 December 2021
<i>Finance income</i>		
- Current Murabaha (including fixed term deposits)	19,464	6,012
- Non-conventional call account	3,115	-
Total finance income	22,579	6,012
<i>Finance cost</i>		
- Conventional loans	3,119	20,157
- Lease liabilities	7,616	21,409
- Net interest on employee benefits	23,368	20,673
- Others	1,864	4,546
Total conventional finance cost	35,967	66,785
- SIDF	13,838	18,475
- Murabaha	322,111	174,202
- Ijarah facilities and others	10,937	19,680
Total non-conventional finance cost	346,886	212,357
Total finance cost	382,853	279,142
Conventional financial result	(35,967)	(66,785)
Non-conventional financial result	(324,307)	(206,345)
Financial result	(360,274)	(273,130)

Notes to the financial statements (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

27 Other operating income and expenses

Other operating income can be broken down as follows:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Proceeds from sale of scrap	1,223	4,559
Rental income	2,964	4,309
Others	1,803	-
	5,990	8,868

Other operating expenses can be broken down as follows:

Write-off of property, plant and equipment	24,974	22,325
Foreign currency exchange losses , net	192	229
Others	2,063	22,247
	27,229	44,801
	21,239	35,933

28 Earnings per share

Basic (loss) / earning per share amounts are calculated by dividing net (loss) / profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares during the period.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Net (loss) / profit attributable to equity holders	(1,243,890)	2,390,616
Number of shares outstanding (in thousands)	1,500,000	1,500,000
(Loss) / earnings per share (Saudi Riyals)	(0.83)	1.59

There has been no item of dilution affecting the weighted average number of ordinary shares.

Notes to the financial statements (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

29 Related party transactions and balances

The immediate controlling party of the Company is SABIC. Saudi Arabian Oil Company ("Saudi Aramco") owns 70% of SABIC through one of its subsidiaries, "Aramco Chemicals Company". The Saudi Arabian Government is the largest shareholder of Saudi Aramco by 94.19% direct shareholding. Related parties comprise the shareholders, directors, associated companies (representing entities directly or indirectly controlled by or under the significant influence of the Company's shareholders or ultimate controlling party) and key management personnel of the Company. %

Following is the list of the major related parties of the Company:

Name of related party	Nature of relationship
Saudi Arabian Oil Company ("Saudi Aramco")	Ultimate parent company
Saudi Basic Industries Corporation ("SABIC")	Parent company
SABIC affiliates	Associated companies
Power and Water Utility Company for Jubail and Yanbu ("Marafiq")	Associate of ultimate parent company
Saudi Butanol Company	Joint operation

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

	Nature of Transaction	For the year ended 31 December 2022	For the year ended 31 December 2021
SABIC	Sales	11,149,894	12,654,648
	Marketing fee	441,535	501,172
	Purchases and other services	989,168	1,483,735
	Shared services charges	69,563	60,517
	Technology and innovation cost	223,093	253,097
	Purchase of insurance policies through the Parent company	30,248	35,095
	Supply chain services	125,085	108,123
Saudi Aramco	Purchases and other services	5,261,719	4,488,827
Marafiq	Purchases and other services	59,752	61,750
SABIC affiliates	Sales	7,121	1,559
	Purchase of inventory, capital goods and services	68,301	86,611

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

Trade receivables (due from related parties)

	31 December 2022	31 December 2021
SABIC	2,225,610	3,805,254
SABIC affiliates and others	14,567	32,615
	2,240,177	3,837,869

Notes to the financial statements (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

29. Related party transactions and balances (continued)

Advances and other receivables (due from related parties)

	<u>31 December 2022</u>	<u>31 December 2021</u>
SABIC	125,935	124,030
SABIC affiliates and others	1,911	562
	<u>127,846</u>	<u>124,592</u>

Trade payables (due to related parties)

	<u>31 December 2022</u>	<u>31 December 2021</u>
SABIC	642,836	180,272
Saudi Aramco	344,090	611,206
SABIC affiliates and others	144,563	7,847
	<u>1,131,489</u>	<u>799,325</u>

Balances due to SABIC include balances amounting to SR 140.0 million which are repayable in 2024.

Accruals and other current liabilities (due to related parties)

	<u>31 December 2022</u>	<u>31 December 2021</u>
SABIC	228,960	205,913
Saudi Aramco	186,425	517,454
Marafiq	5,001	4,901
	<u>420,386</u>	<u>728,268</u>

Notes to the financial statements (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

29 Related party transactions and balances (continued)

Terms and conditions of transactions with related parties

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

Significant transactions with related parties are described as follows:

- i) The Company has a service level agreement with SABIC (Shared Services Organization – SSO) for the provision of accounting, warehousing, human resources, information technology (ERP/SAP), transporting and arranging for delivery of materials related to the Company's spare parts, engineering, procurement and related services and other general services to the Company. The Company also has a 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 materials and services from SABIC and its affiliates.
- iii) The Company's annual contribution to SABIC for research and technology is computed as 2% of total sales, which is charged to general and administrative expenses in the statement of profit or loss and other comprehensive income.
- iv) All of Company's products are sold to SABIC ("the Marketer") under a marketing and off-take agreement. Upon delivery of the product, sales are recorded at net provisional price which are subsequently adjusted to actual selling prices received by SABIC from its customers after deducting shipping, distribution and selling cost, and 4% of marketing fee to cover all other marketing expenses.
- v) The Company has a gas allocation agreement, 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 Board.

Key management compensation

The Company provides certain remunerations and compensation to key management personnel. Remuneration for the years ended 31 December 2022 and 2021 of key management personnel is detailed as follows:

	<u>31 December 2022</u>	<u>31 December 2021</u>
Short-term employee benefits	7,900	6,446
Defined employees' benefits obligation	3,220	2,605
	<u>11,120</u>	<u>9,051</u>

Notes to the financial statements (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

30 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 debt, lease liabilities, 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 year.

As at the reporting date all financial assets and financial liabilities are measured at amortized cost except trade receivables which are carried at FVTPL. The carrying value of the financial assets and financial liabilities of the Company approximate their fair value.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value. The fair value is determined using prevailing market rates at the reporting date. The following table presents the Company's assets and liabilities measured and recognized at fair value at 31 December 2022 and 31 December 2021, based on the prescribed fair value measurement hierarchy on a recurring basis. The Company did not measure any financial assets or financial liabilities at fair value on a non-recurring basis at 31 December 2022 and 31 December 2021.

Fair value of trade receivables related to contracts with provisional pricing arrangements is disclosed below.

	Fair value – Level 3	Fair value – Level 3
	31 December 2022	31 December 2021
Trade receivables related to contracts with provisional pricing arrangements	2,225,610	3,805,254

Notes to the financial statements (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

31 Contingencies and commitments

31.1 Contingencies and commitments

Guarantees

The Company issued Letter of Credits to the Intercreditor (MUFG Bank Ltd.) amounting to SR nil (2021: SR 843.8 million) for the purpose of replacing the stand by cash balance in the Debit Service Reserve Account.

The Company is contingently liable for bank guarantees issued on behalf of the Company in the normal course of business amounting to SR 26.08 million (2021: SR 23.19 million).

Commitments

The capital expenditure contracted by the Company but not incurred till year end was approximately SR 276.5 million (2021: SR 158.44 million).

31.2 Compliance with covenants

The Company is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences including growth in the cost of borrowings and declaration of default. The Company was in compliance with covenants at 31 December 2022 and 31 December 2021.

32 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 Board of Directors of the Company monitor the results of the Company's operations and have been identified as the Chief Operating Decision Maker (CODM). The net results of the Company are reported to the Board of Directors, for the Company as a whole. The various expenses which are included in the measurement of the net result for the Company are disclosed in the respective notes to the financial statements.

The Company operates a fully integrated petrochemical facility. The Company analyzes the financial information of its operations as a whole. Accordingly, segmental analysis of the statement profit or loss and other comprehensive income and statement of financial position is not carried out. The CODM considers the Company to be a single operating segment based on the nature of its operations and products as 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.

Notes to the financial statements (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

33 Financial risk management objectives and policies

The Company's principal financial liabilities comprise loans and borrowings, lease liabilities and trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations and to provide guarantees to support its operations. The Company's principal financial assets include trade and other receivables, short term investments and cash and cash equivalents that derive directly from its operations. The Company's management reviews and agrees policies for managing each of these risks which are summarized below.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The Company's senior management regularly review the policies and procedures to ensure that all the financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives. The Company does not engage into any hedging activities. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarized below.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises interest rate risk and currency risk. Financial instruments affected by market risk include loans.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates.

The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The following table demonstrates the sensitivity of statements of comprehensive income to reasonable possible changes in interest rates, with all other variables held constant.

	31 December 2022	31 December 2021
Total SAR denominated floating rate loan (+50 bps)	(23,100)	(7,500)
Total USD denominated floating rate loan (+50 bps)	(125,134)	(71,626)
Total SAR denominated floating rate loan (-50 bps)	23,100	7,500
Total USD denominated floating rate loan (-50 bps)	125,134	71,626

Currency risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Company, primarily the Euro (EUR), but also US Dollars (USD). The currencies in which these transactions are primarily denominated are EUR, USD, British Pounds, Swiss Franc, AED and Japanese Yen.

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the fluctuations of the SAR towards the EUR. Foreign currency risk mainly arises from commercial transactions. The Company's policy requires to conduct a regular review of currency exposures.

Notes to the financial statements (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

33. Financial risk management objectives and policies (continued)

Currency risk (continued)

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The following table demonstrates the sensitivity of the Company to a reasonably possible change in the Saudi Riyals - EUR exchange rate, with all other variables held constant, of the Company's monetary assets and liabilities:

	31 December 2022	31 December 2021
EURO (+/- 10%)	1,653	505

Exposure to foreign currency risk at the end of the reporting year, expressed in SAR '000, was as follows:

	31 December 2022				Total
	USD	SAR	EUR	Others	
Cash and cash equivalents	293,475	121,362	-	-	414,837
Trade receivables	2,054,932	191,685	-	-	2,246,617
Other financial assets	-	82,107	-	-	82,107
Debt	(8,000,520)	(1,764,111)	-	-	(9,764,631)
Lease liabilities	-	(307,130)	-	-	(307,130)
Trade Payables	(606,011)	(543,532)	(16,527)	(3,323)	(1,169,393)
Other financial liabilities	(11,236)	(783,327)	-	-	(794,563)

	31 December 2021				Total
	USD	SAR	EUR	Others	
Cash and cash equivalents	886,853	73,917	-	-	960,770
Trade receivables	3,748,871	96,724	-	-	3,845,595
Other financial assets	19	106,215	-	-	106,234
Debt	(11,181,714)	(1,887,000)	-	-	(13,068,714)
Lease liabilities	-	(309,299)	-	-	(309,299)
Trade Payables	(638,874)	(189,223)	(5,054)	(3,323)	(836,474)
Other financial liabilities	(743,220)	(377,446)	-	-	(1,120,666)

Notes to the financial statements (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

33. Financial risk management objectives and policies (continued)

Commodity risk

The Company is exposed to the impact of market fluctuations of the price of various inputs to production, mainly butane, ethane, natural gas and utilities. From time to time, the Company manages some elements of commodity price risk through the use of fixed price contracts which are regulated by government. Butane price is relatively correlated to sales price of the final products.

The following table shows the effect of price changes for commodities:

	Increase/ decrease in basis points	Effect on profit before zakat
31 December 2022:		
Raw material and utilities	+10%	(815,327)
Raw material and utilities	-10%	815,327
31 December 2021:		
Raw material and utilities	+10%	(596,760)
Raw material and utilities	-10%	596,760

Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Company is not significantly exposed to credit risk. Cash and cash equivalents are generally placed with banks with sound credit ratings and, in general, all of the Company's sales are made to SABIC, which is a shareholder and has sound credit rating.

31 December 2022						
External rating	A	A -	AA -	BBB +	Others	Total
Cash and cash equivalents	-	49,777	975	364,085	-	414,837
Trade receivables	2,240,177	-	-	-	6,440	2,246,617
Other financial assets	-	-	-	-	82,107	82,107
31 December 2021						
External rating	A	A -	AA -	BBB +	Others	Total
Cash and cash equivalents	861,529	-	-	99,241	-	960,770
Trade receivables	3,837,869	-	-	-	7,726	3,845,595
Other financial assets	-	-	-	-	106,234	106,234

Notes to the financial statements (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

33. Financial risk management objectives and policies (continued)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company manages its liquidity risk by ensuring that sufficient cash flows are available. Moreover, the Company also has an undrawn facility of Multicurrency Murabaha Revolving Credit Facility agreement amounting to US dollars 560 million (SR 2.1 billion). The Company's sales invoices are usually settled within 90 to 105 days of the date of the invoices and payables are normally settled within 30 to 60 days of the date of the invoices.

The table below summarizes the maturities of the Company's undiscounted financial liabilities at 31 December 2022 and 31 December 2021, based on contractual payment dates and current market interest rates.

	31 December 2022			
	Within 1 year	1 to 5 years	> 5 years	Total
Trade payable	1,029,393	140,000	-	1,169,393
Other financial liabilities	794,563	-	-	794,563
Lease liabilities	55,586	179,117	811,169	1,045,872
Debt	2,628,300	8,332,415	-	10,960,715
Total	4,507,842	8,651,532	811,169	13,970,543

	31 December 2021			
	Within 1 year	1 to 5 years	> 5 years	Total
Trade payable	836,474	-	-	836,474
Other financial liabilities	1,120,666	-	-	1,120,666
Lease liabilities	55,490	181,876	156,322	393,688
Debt	1,928,722	10,203,806	1,652,486	13,785,014
Total	3,941,352	10,385,682	1,808,808	16,135,842

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. All of the product sales are made to SABIC and being a parent company the Company does not foresee risks arising from excessive concentration.

Notes to the financial statements (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

33. Financial risk management objectives and policies (continued)

Capital management

For the purpose of the Company's capital management, capital includes share capital and all other equity reserves attributable to the shareholders of the Company. The primary objective of the Company's capital management is to maximize the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt.

	31 December 2022	31 December 2021
Total liabilities	12,795,951	16,427,355
Less: cash and cash equivalents	(414,837)	(960,770)
Net debt	12,381,114	15,466,585
Equity	15,477,286	16,469,272
Less: amount directly accumulated in equity relating to fair value adjustments	(620,874)	(620,874)
Adjusted equity	14,856,412	15,848,398
Capital and Net debt	27,237,526	31,314,983
Gearing ratio	45%	49%

34 Conventional and non-conventional financing and investments

The table below outlines the breakdown of the Company's financing and investments into conventional and nonconventional:

	31 December 2022	31 December 2021
Cash and cash equivalents		
- Current account	56,347	863,603
- Current Murabaha (including fixed term deposits)	358,490	97,167
Non-conventional cash and cash equivalents	414,837	960,770
	31 December 2022	31 December 2021
Debt		
- Conventional loans	-	1,078,918
- Leases	307,130	309,299
Conventional long-term debt	307,130	1,388,217
- Murabaha	8,591,570	10,995,940
- SIDF	277,418	397,583
- Other non-conventional facilities	895,643	596,273
Non-conventional long-term debt	9,764,631	11,989,796
Total debt	10,071,761	13,378,013

Notes to the financial statements (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

35 Comparative figures

During 2022, management of the Company reassessed the presentation of certain balances and concluded that certain reclassifications are required to comply with the requirements of IFRSs as endorsed in KSA. Accordingly, management has restated the comparative 2021 financial statements and the statement of financial position as at 1 January 2021, as summarized below. The reclassifications had no impact on the net income and retained earnings.

	<i>Previously reported</i>	<i>Reclassification</i>	<i>Reclassified amount</i>
<u>Statement of financial position</u>			
<u>As at 31 December 2021</u>			
Cash and cash equivalents (i)	918,594	42,176	960,770
Total current assets	6,944,169	42,176	6,986,345
Total assets	32,854,451	42,176	32,896,627
Employee benefits (i)	906,557	(34,254)	872,303
Total non-current liabilities	12,442,066	(34,254)	12,407,812
Employee benefits – current portion (i)	-	76,430	76,430
Total current liabilities	3,943,113	76,430	4,019,543
Total liabilities	16,385,179	42,176	16,427,355
Total equity and liabilities	32,854,451	42,176	32,896,627
<u>As at 1 January 2021</u>			
Cash and cash equivalents (i)	585,845	38,346	624,191
Total current assets	5,503,927	38,346	5,542,273
Total assets	33,505,082	38,346	33,543,428
Employee benefits (i)	913,412	(28,886)	884,526
Total non-current liabilities	16,149,604	(28,886)	16,120,718
Employee benefits – current portion (i)	-	67,232	67,232
Total current liabilities	3,346,612	67,232	3,413,844
Total liabilities	19,496,216	38,346	19,534,562
Total equity and liabilities	33,505,082	38,346	33,543,428
<u>Statement of profit and loss and other comprehensive income</u>			
<u>For the year ended 31 December 2021</u>			
Other operating income and expenses (ii)	-	(35,933)	(35,933)
Operating profit (ii)	2,824,134	(35,933)	2,788,201
Other expenses – net (ii)	(35,933)	35,933	-
<u>Statement of cash flows</u>			
<u>For the year ended 31 December 2021</u>			
Accruals and other current liabilities	381,777	(39,039)	342,738
Provision for employee benefits (i)	56,917	43,233	100,150
Cash generated from operations	4,140,303	4,194	4,144,497
Net cash generated from operating activities (iii)	4,028,153	(200,033)	3,828,120
Net cash generated from investing activities (iii)	198,170	(6,611)	191,559
Net cash used in financing activities (iii)	(3,893,574)	210,474	(3,683,100)
Net increase in cash and cash equivalents (i)	332,749	3,830	336,579
Cash and cash equivalents at the beginning of the year (i)	585,845	38,346	624,191
Cash and cash equivalents at the end of the year (i)	918,594	42,176	960,770

- i) Certain cash balances were previously netted with employee benefits as such cash balances were previously treated as plan assets, however, these do not meet the definition of plan assets under IAS 19 'Employee benefits'. Accordingly, management has reclassified the cash and related liability and presented it on a gross basis as current asset and current liability, respectively.

Notes to the financial statements (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

35 Comparative figures (continued)

- ii) As part of the IASB Primary Financial Statements project, 'other operating income and expenses' was identified as subject to different interpretations. In accordance with international practice and based on the Company's reassessment, 'other operating income and expenses' amounting to SR 35.9 million has been categorized as operating activities and presented within 'income from operations'.
- iii) Until 2021, management presented finance cost paid and finance income received in the statement of cash flows as part of financing and investing activities, respectively. During 2022, management has opted to present finance cost paid and finance income received as part of operating activities in the statement of cash flows and has accordingly reclassified the 2021 comparatives.

36 COVID-19 impact and response

In response to the spread of the COVID-19 in Gulf Cooperation Council ('GCC') and other regions where the Company operates and its resulting potential disruptions to the social and economic activities in those markets, management proactively assessed its impacts on its operations and took a series of preventive measures, including the creation of on-going crisis management teams and processes, to ensure the health and safety of its employees, customers and the wider community as well as to ensure the continuity of supply of its products throughout its markets. Further, management has implemented active prevention programs at its sites and contingency plans in order to minimize the impact of risks related to COVID-19 and to safeguard the continuity of its business operations.

Based on the current assessment, no significant adjustments were required in the financial statements for the year ended 31 December 2022.

37 Conflict in Ukraine

The Russian-Ukrainian conflict started in February 2022 resulting in a steep increase of crude oil and natural gas prices and at the same time affecting share prices at stock exchanges. The course of events required a reassessment of certain accounting estimates, assumptions and judgements of the Company's exposure on impairment risks and expected credit losses. No significant operational costs were recognised in these financial statements, directly associated with the Russian-Ukrainian conflict. Management will keep monitoring the situation and further developments. Based on the current assessment, no significant adjustments were required in the financial statements for the year ended 31 December 2022.

38 Subsequent events

No significant subsequent event occurred between 31 December 2022 and the date of authorization of these financial statements by the Board of Directors, which may have a material impact on these financial statements.