

SABIC AGRI-NUTRIENTS COMPANY AND ITS SUBSIDIARIES

(A SAUDI JOINT STOCK COMPANY)

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022
AND INDEPENDENT AUDITOR'S REPORT

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Independent auditor's report to the shareholders of SABIC Agri-Nutrients Company

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of SABIC Agri-Nutrients Company (the "Company") and its subsidiaries (together the "Group") as at 31 December 2022, and its consolidated financial performance and its consolidated 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 Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statement of income for the year ended 31 December 2022;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated 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 Consolidated 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 Group 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 consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements.

Our audit approach

Overview

Key audit matter • Revenue recognition

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated 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 consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Independent auditor's report to the shareholders of SABIC Agri-Nutrients Company (continued)

Our audit approach (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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>Revenue recognition</p> <p>During the year ended 31 December 2022, the Group recognized total revenue of Saudi Riyals 18.4 billion (2021: Saudi Riyals 9.6 billion). The increase in revenue is mainly due to the change in the Group's business model whereby the Group became the marketer of certain entities where the Group's immediate parent company has significant influence (collectively referred to as the "Producers"). Accordingly, the Group has obtained the rights to market and sell agri-nutrients produced by the Producers directly to local and international customers.</p> <p>Further, the Group has entered into resale arrangements for the sale of products to cross-border related parties ("Resellers"). Certain of the Group's sales to the Resellers are measured at a pre-approved provisional price which is mutually agreed between both parties. Subsequent to the sale of the products to the end customers, a positive or negative netback adjustment is made by the Resellers for actualising the final price and taking into account other deductibles as part of the net back adjustment.</p> <p>We considered this as a key audit matter as the Group has entered into significant new contractual arrangements in 2022 that made the determination of revenue recognition under International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia (KSA) more complex, requiring management to exercise significant judgement primarily in the areas of:</p> <ul style="list-style-type: none"> (a) identifying different performance obligations; and (b) concluding whether the Group acts as an agent or as a principal in discharging these performance obligations. 	<p>Our audit procedures to address this key audit matter included:</p> <ul style="list-style-type: none"> • Understood and evaluated the revenue process for the Group's performance obligations/revenue streams; • Tested relevant controls established by management over the revenue process; • Assessed the appropriateness of the Group's revenue recognition accounting policy in light of the requirements of IFRS that are endorsed in KSA; • Inspected the main marketing and resale agreements entered into by the Group in 2022 and assessed (a) management's identification of performance obligations; and (b) the judgement exercised by management in determining whether the Group is acting as agent or as a principal in these arrangements in line with the requirements of IFRS 15 - Revenue from Contracts with Customers; • Obtained a direct confirmation from Resellers on the total sale transactions and total netback adjustments charged during the year ended 31 December 2022; • Inspected a sample of contracts with external customers to test that revenue recognition was in accordance with both the contractual terms and the Group's revenue recognition policies in accordance with IFRS as endorsed in KSA;



Independent auditor's report to the shareholders of SABIC Agri-Nutrients Company (continued)

Key audit matter (continued)	How our audit addressed the Key audit matter (continued)
Refer to Note 1 to the consolidated financial statements for details about the change in the Group's business model in 2022, Note 6.21 for the revenue recognition accounting policy; Note 3.2.4 for the disclosure of significant accounting estimates and judgements; and Note 25 for the relevant revenue disclosures.	<ul style="list-style-type: none"> • Tested a sample of transactions for different performance obligations and traced these transactions to underlying source documents; • Tested a sample of netback adjustments primarily with respect to unsettled transactions at the end of the reporting period. • Assessed the adequacy and appropriateness of the related disclosures in the accompanying consolidated financial statements.

Other information

The directors are responsible for the other information. The other information comprises the Board of Directors' report but does not include the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Board of Directors' 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 consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group 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 Group's financial reporting process.



Independent auditor's report to the shareholders of SABIC Agri-Nutrients Company (continued)

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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.



Independent auditor's report to the shareholders of SABIC Agri-Nutrients Company (continued)

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated 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

Consolidated statement of financial position

All amounts in thousands of Saudi Riyals unless otherwise stated

	Note	As at 31 December 2022	As at 31 December 2021*
ASSETS			
Non-current assets			
Property, plant and equipment	7	8,378,415	8,501,377
Right-of-use assets	8	241,570	176,941
Intangible assets	9	80,490	58,282
Investments in an associate	10	869,901	769,088
Investments in equity instruments	11	394,805	651,997
Other assets and receivables	12	343,822	350,848
Total non-current assets		10,309,003	10,508,533
Current assets			
Inventories	14	733,993	708,725
Other assets and receivables	12	471,598	255,635
Trade receivables	15	2,560,964	2,520,469
Short-term investments	16.2	4,363,000	565,000
Cash and cash equivalents	16, 38	8,618,127	5,294,786
Total current assets	38	16,747,682	9,344,615
Total assets	38	27,056,685	19,853,148
EQUITY AND LIABILITIES			
Equity			
Share capital	17	4,760,354	4,760,354
Share premium	37	3,998,485	3,998,485
Statutory reserve	18	1,428,106	1,428,106
Other reserves	18, 38	505,073	492,641
Retained earnings	38	9,201,968	4,871,202
Equity attributable to equity holders of the Parent		19,893,986	15,550,788
Non-controlling interest	19	1,075,991	1,476,472
Total equity		20,969,977	17,027,260
Non-current liabilities			
Lease liabilities	20	222,521	156,784
Employee benefits	21, 38	986,134	1,047,619
Derivative financial instruments	22	2,373,750	-
Deferred tax liabilities	29	55,395	55,833
Total non-current liabilities	38	3,637,800	1,260,236
Current liabilities			
Current portion of employee benefits	21, 38	151,815	110,625
Current portion of lease liabilities	20	23,239	21,601
Trade payables	23	744,897	169,866
Other liabilities	24	776,877	780,658
Dividends payable	36	323,349	171,771
Income tax payable	29, 38	25,956	60,011
Zakat payable	29, 38	402,775	251,120
Total current liabilities	38	2,448,908	1,565,652
Total liabilities	38	6,086,708	2,825,888
Total equity and liabilities	38	27,056,685	19,853,148

* In respect of 2021 comparative year, refer to Note 38 for certain reclassifications made.



Chairman of the Board
Abdulrahman Bin Saleh Al-Fageeh



Chief Executive Officer
Abdulrahman Ahmed Shamsaddin



General Manager Finance
Ayed Habib Al-Haider


The accompanying Notes from 1 to 40 form an integral part of these consolidated financial statements.

Consolidated statement of income

All amounts in thousands of Saudi Riyals unless otherwise stated

	Note	For the year ended 31 December 2022	For the year ended 31 December 2021*
Revenue	25	18,980,830	9,591,975
Cost of sales	26.1	(7,793,978)	(3,085,385)
Gross profit		11,186,852	6,506,590
Selling and distribution expense	26.2	(284,756)	(205,089)
General and administrative expense	26.3, 38	(533,162)	(352,363)
Research and development expense	26.4, 38	(74,462)	(136,302)
Expected credit loss allowance (ECL)	15	(422)	-
Other operating income (expense)	28, 38	44,301	(58,904)
Income from operations	38	10,338,351	5,753,932
Share of results from a non-integral associate	10	408,315	242,874
Finance income	27	214,604	26,385
Finance cost	27	(44,966)	(42,756)
Income before zakat and income tax		10,916,304	5,980,435
Zakat expense	29	(348,316)	(233,487)
Income tax expense	29	(107,080)	(108,891)
Deferred tax income	29	237	1,509
Net income for the year		10,461,145	5,639,566
Attributable to:			
- Equity holders of the Parent		10,036,764	5,228,016
- Non-controlling interests		424,381	411,550
		10,461,145	5,639,566
Basic and diluted earnings per share from net income attributable to equity holders of the Parent (Saudi Riyals)	30	21.08	10.98

* In respect of 2021 comparative year, refer to Note 38 for certain reclassifications made.



Chairman of the Board
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Chief Executive Officer
Abdulrahman Ahmed Shamsaddin



General Manager Finance
Ayed Habib Al-Haider

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Consolidated statement of comprehensive income

All amounts in thousands of Saudi Riyals unless otherwise stated

	Notes	For the year ended 31 December 2022	For the year ended 31 December 2021
Net income for the year		10,461,145	5,639,566
Other comprehensive income			
<i>Items that will not be reclassified subsequently to the consolidated statement of income:</i>			
- Net (loss) gain on fair value of equity instruments	11	(257,192)	45,554
- Re-measurement gain on defined benefit plans	21	268,620	89,106
- Deferred tax impact on OCI	29	201	(3,160)
		11,629	131,500
Net movement of other comprehensive income for the year		11,629	131,500
Total comprehensive income for the year		10,472,774	5,771,066
Attributable to:			
- Equity holders of the Parent		10,049,196	5,361,034
- Non-controlling interests		423,578	410,032
		10,472,774	5,771,066



Chairman of the Board
Abdulrahman Bin Saleh Al-Fageeh



Chief Executive Officer
Abdulrahman Ahmed Shamsaddin



General Manager Finance
Ayed Habib Al-Haider

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Consolidated statement of changes in equity

All amounts in thousands of Saudi Riyals unless otherwise stated

	Attributable to the equity holders of the Parent					Total	Non-controlling interests	Total equity
	Share capital	Share premium (Note 37)	Statutory reserve	Other reserves* (Note 18)	Retained earnings*			
Balance as at 1 January 2021	4,166,667	-	1,250,000	359,623	2,384,319	8,160,609	-	8,160,609
Acquisition of non-controlling interest	-	-	-	-	-	-	1,237,381	1,237,381
Net income	-	-	-	-	5,228,016	5,228,016	411,550	5,639,566
Other comprehensive income	-	-	-	133,018	-	133,018	(1,518)	131,500
Total comprehensive income	-	-	-	133,018	5,228,016	5,361,034	410,032	5,771,066
Transfer to statutory reserve	-	-	178,106	-	(178,106)	-	-	-
Income tax reimbursed	-	-	-	-	-	-	29,059	29,059
Issue of new shares (Note 37)	593,687	3,998,485	-	-	-	4,592,172	-	4,592,172
Excess consideration provided over book value of acquired subsidiary (Note 37)	-	-	-	-	(1,491,947)	(1,491,947)	-	(1,491,947)
Dividends (Note 36)	-	-	-	-	(1,071,080)	(1,071,080)	(200,000)	(1,271,080)
Balance as at 31 December 2021	4,760,354	3,998,485	1,428,106	492,641	4,871,202	15,550,788	1,476,472	17,027,260
Balance as at 1 January 2022	4,760,354	3,998,485	1,428,106	492,641	4,871,202	15,550,788	1,476,472	17,027,260
Net income	-	-	-	-	10,036,764	10,036,764	424,381	10,461,145
Other comprehensive income	-	-	-	12,432	-	12,432	(803)	11,629
Total comprehensive income	-	-	-	12,432	10,036,764	10,049,196	423,578	10,472,774
Recording of derivative financial instruments (Note 22)	-	-	-	-	(2,373,750)	(2,373,750)	-	(2,373,750)
Income tax reimbursed	-	-	-	-	-	-	95,941	95,941
Dividends (Note 36)	-	-	-	-	(3,332,248)	(3,332,248)	(920,000)	(4,252,248)
Balance as at 31 December 2022	4,760,354	3,998,485	1,428,106	505,073	9,201,968	19,893,986	1,075,991	20,969,977

* In respect of 2021 comparative year, refer to Note 38 for certain reclassifications made.


 Chairman of the Board
 Abdulrahman Bin Saleh Al-Fageeh


 Chief Executive Officer
 Abdulrahman Ahmed Shamsaddin


 General Manager Finance
 Ayed Habib Al-Haider

The accompanying Notes from 1 to 40 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

All amounts in thousands of Saudi Riyals unless otherwise stated

	Notes	For the year ended 31 December 2022	For the year ended 31 December 2021*
Operating activities:			
Income before zakat and income tax		10,916,304	5,980,435
Adjustment to reconcile income before zakat and income tax to net cash from operating activities:			
- Loss on disposals of property, plant and equipment	7	9,719	674
- Depreciation of property, plant and equipment	7	808,536	815,779
- Depreciation of right-of-use assets	8	34,838	32,382
- Amortisation of intangible assets and other assets	9	11,094	13,306
- Write-offs of plant and equipment, right-of-use assets and intangible assets and adjustments	7, 8, 9	-	102,113
- Share of results of a non-integral associate	10	(408,315)	(242,874)
- Provision for slow moving and obsolete inventories	14	35,004	128,031
- Expected credit loss	15	422	-
- Employee benefit charge	21	79,527	83,677
- Finance income	27, 38	(214,604)	(26,385)
- Finance costs	27	44,966	42,756
		11,317,491	6,929,894
Change in operating assets and liabilities:			
Decrease (Increase) in other assets and receivables	38	52,696	(71,663)
Increase in inventories		(63,651)	(87,398)
Increase in trade receivables		(40,917)	(1,695,714)
Increase in current portion of employee benefits	38	41,190	10,588
Increase (decrease) in trade payables		575,031	(56,589)
(Decrease) increase in other current liabilities	38	(45,591)	216,579
		11,836,249	5,245,697
Employees' benefits paid	21, 38	(52,078)	(45,456)
Finance cost paid		(14,442)	(6,624)
Finance income received	38	173,998	26,385
Zakat and income tax paid	29	(337,796)	(101,148)
Net cash from operating activities	38	11,605,931	5,118,854

* In respect of 2021 comparative year, refer to Note 38 for certain reclassifications made.

The accompanying Notes from 1 to 40 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

	Notes	For the year ended 31 December 2022	For the year ended 31 December 2021*
Investing activities:			
Purchase of property, plant and equipment	7	(770,311)	(663,838)
Purchase of intangible assets	9	(26,770)	(734)
Dividend received from a non-integral associate	10	307,502	118,125
Short-term investments– placements		(14,778,225)	(2,068,800)
Short-term investments – proceeds		10,980,225	2,921,600
Net cash (used in) generated from investing activities	38	(4,287,579)	306,353
Financing activities:			
Repayment of short-term loan		-	(100,128)
Lease payments		(32,092)	(28,810)
Dividends paid to shareholders	16.2	(3,317,347)	(1,071,766)
Dividends paid to non-controlling interests	16.2	(645,572)	(171,236)
Net cash used in financing activities	16.1	(3,995,011)	(1,371,940)
Increase in cash and cash equivalents	38	3,323,341	4,053,267
Cash and cash equivalents at the beginning of the year	16, 38	5,294,786	529,210
Cash and cash equivalents acquired in business combination	37	-	712,309
Cash and cash equivalents at the end of the year	16	8,618,127	5,294,786
Significant non-cash transactions:			
	Notes	For the year ended 31 December 2022	For the year ended 31 December 2021
Derivative financial instruments recognized against retained earnings	22	2,373,750	-
Transfer of employee benefits from a related party	21, 31	149,162	5,594
Dividends payable adjusted against non-controlling interest		95,941	29,059
Transfers of property, plant and equipment to intangibles, other assets and receivables and inventory	7, 9, 12	75,018	201,734
Interest expenses related to defined benefit plans	21	30,524	25,033
Dividends payable adjusted against other liabilities		41,810	-
Additions to right of use assets and liabilities	8, 20	99,467	12,369
Net identifiable assets acquired by crediting share capital, share premium, non-controlling interest and investment in an associate on acquisition of a subsidiary transaction	37	-	5,129,877
Transfer of intangibles to other assets and receivables	9	-	1,103

* In respect of 2021 comparative year, refer to Note 38 for certain reclassifications made.



Chairman of the Board
Abdulrahman Bin Saleh Al-Fageeh



Chief Executive Officer
Abdulrahman Ahmed Shamsaddin



General Manager Finance
Ayed Habib Al-Haider

The accompanying Notes from 1 to 40 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

All amounts in thousands of Saudi Riyals unless otherwise stated

1. Corporate information

SABIC Agri-Nutrients Company (“SABIC AN” or “the Company” or “The Parent Company”) (formerly: Saudi Arabian Fertilizer Company (SAFCO)), is a Saudi Joint Stock Company incorporated under Royal Decree Number M/13 dated 11 Jumada’ I 1385H (corresponding to 7 September 1965). The Company was initially registered in the city of Dammam with Commercial Registration number 2050001841 dated 1 Dhul al-Hijjah 1385H (corresponding to 24 March 1966), and later on the Company’s head office was shifted to Jubail Industrial City with commercial registration number 2055002359 dated 29 Shawwal 1411H (corresponding to 14 May 1991). The previous commercial registration was converted to a branch and then cancelled in 2013.

The Company’s shares are 50.1% owned by Saudi Basic Industries Corporation (“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.

The Company and its subsidiaries (collectively the “Group”) are mainly engaged in the production, conversion, manufacturing, marketing and trade of agri-nutrients products of all types inside and outside the Kingdom of Saudi Arabia.

The shareholders of the Parent Company in their Annual General Meeting on 12 Ramadan 1443H (corresponding to 13 April 2022) decided to change the registered office of the Company from Jubail to Riyadh. Effective 20 Dhul Hijjah 1443H (corresponding to 19 July 2022), the registered office of the Company was changed to P.O Box 13244, Airport branch road, Qurtubah District, Riyadh.

Effective 01 January 2022, the Company signed novation agreements with SABIC to novate the marketing agreements previously signed by SABIC with certain of the Group’s subsidiaries and certain entities where SABIC has significant influence (collectively referred to as the “Producers”) whereby the Group has obtained the rights to market and sell agri-nutrients products produced by the Producers to local and international customers. Further, effective 01 January 2022, the Group has become the marketer selling its own products directly to third party and related party customers, which were formerly marketed by SABIC. These events have resulted in increase in the Group’s sales for the year ended 31 December 2022 compared to 2021.

On 3 Jumada’ I 1442H (corresponding to 18 December 2020), the Extraordinary General Assembly approved the increase in share capital of the Company for acquisition of SABIC Agri-Nutrients Investments Company (“SANIC”). For details, please refer Note 37.

The Company has the following subsidiaries and an associate as at 31 December 2022 and 2021.

	Relationship	Country of incorporation	Principal activities	% Shareholding (Direct and indirect)
SABIC Agri-Nutrients Investments Company (“SANIC”)	Subsidiary	KSA	Agri-nutrients	100.00
National Chemical Fertiliser Company (“Ibn Al-Baytar”)	Subsidiary	KSA	Agri-nutrients	100.00
Al-Jubail Fertiliser Company (“Al-Bayroni”)	Subsidiary	KSA	Agri-nutrients and petrochemicals	50.0
Gulf Petrochemical Industries (“GPIC”)	Associate	Bahrain	Agri-nutrients	33.33

The Company also holds 3.87% equity interest in Arabian Industrial Fibers Company (“Ibn Rushd”) and 1.69% equity interest in Yanbu National Petrochemicals Company (“Yansab”).

The consolidated financial statements of the Group for the year ended 31 December 2022 were authorised for issue by the Board of Directors on 26 February 2023.

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

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

The Group has prepared the consolidated financial statements on the basis that it will continue to operate as a going concern.

2.1.1 Basis of measurement

The consolidated financial statements are prepared under the historical cost convention except as otherwise disclosed in the accounting policies below.

2.1.2 Presentation and functional currency

The consolidated financial statements are presented in Saudi Riyal which is the presentation currency of the Group and the functional currency of the Company and its subsidiaries. All values are rounded to the nearest thousand (Saudi Riyals ‘000), except when otherwise indicated. For each entity, the Group determines the functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

2 Basis of preparation and significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.2 Presentation and functional currency (continued)

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's subsidiaries at their respective functional currencies' 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 recognised in the consolidated statement of income.

Non-monetary items that are measured on historical cost in a foreign currency are recognised using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are recognised 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.

The rates for Group's major currency are as follows:

	31 December 2022		31 December 2021	
	Closing rates	Average rates	Closing rates	Average rates
- United States Dollars (USD)	3.75	3.75	3.75	3.75
- Euro (EUR)	4.01	4.12	4.25	4.24
- Bahraini Dinar (BD)	9.95	9.95	9.87	9.88
- Pound Sterling (GBP)	4.54	4.75	5.06	4.99

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and the financial statements of the subsidiaries controlled by the Group.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed during the period are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of the voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Refer Note 3.2.3 for judgments applied by the Group to assess control. The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to the elements of control.

Net income or loss and each component of Other Comprehensive Income ("OCI") are attributed to the equity holders of the Parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group asset and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

2 Basis of preparation and significant accounting policies (continued)

2.2 Basis of consolidation (continued)

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of financial position, consolidated statement of income, consolidated statement of comprehensive income and consolidated statement of changes in equity. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Parent Company loses control over a subsidiary, it de-recognises the related assets (including goodwill, if applicable), liabilities, non-controlling interests and other components of equity, while any resulting gain or loss is recognised in the consolidated statement of income.

2.3 COVID-19 impact and response

In response to the spread of the COVID-19 in Gulf Cooperation Council ("GCC") and other regions where the Group 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 consolidated financial statements for the year ended 31 December 2022.

2.4 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 Group's exposure on impairment risks and expected credit losses. No significant operational costs were recognised in these consolidated 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 consolidated financial statements for the year ended 31 December 2022.

3. Significant accounting estimates, assumptions and judgements

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions at the 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 Group's exposure to risks and uncertainties include:

- Financial instrument risk management and capital management policies (Notes 33 and 34); and
- Sensitivity analysis disclosures for employee benefit obligations (Notes 21).

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 Group used these assumptions and estimates on the basis available when the consolidated 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 Group. Such changes are reflected in the assumptions when they occur.

3.1.1 Impairment of non-financial assets

Impairment exists 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 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 or other initiatives that the Group is 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 net cash-inflows and the growth rate used for extrapolation purposes.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

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

3.1 Estimates and assumptions (continued)

3.1.2 Incremental borrowing rate for lease agreements

The Group 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 Group 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 Group 'would have to pay', which requires estimation when no observable rates are available, such as for subsidiaries that do not enter into financing transactions or when they need to be adjusted to reflect the terms and conditions of the lease. The Group 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 Allowance for dormant and obsolete inventories

Allowances for inventory are recorded where events or changes in circumstances indicate that the carrying cost of inventories will not be fully realised. The quantification of allowance for inventories requires the use of estimates and judgements. Where the outcomes are different from the original estimates, such differences will impact the carrying value of inventories and allowance for inventory in the years in which such estimates have been changed.

3.1.4 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. The Group's estimates related to provisions for environmental matters are based on the nature and seriousness of the contamination, as well as on the technology required for remediation. Provisions for litigation are based on an estimate of costs, taking into account legal advice and other information available.

3.1.5 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. The Group 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. 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.

Defined benefit obligations within the Group are discounted at a rate set by reference to relevant market yields at the end of the reporting period on high quality corporate or government bonds. Significant judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the size of the bonds, quality of the corporate bonds and the identification of outliers which are excluded; if any.

3.1.6 Accounting for income tax

As part of the process of preparing consolidated financial statements, the Group estimates income tax in each of the jurisdictions it operates. This process involves estimating current tax expense and temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the related tax bases. Temporary differences result in deferred tax assets and liabilities, which are included in the consolidated statement of financial position. Deferred tax assets and liabilities are carried at nominal value.

The Group assesses periodically the likelihood whether deferred tax assets will be recovered from future taxable income, to the extent these deferred tax assets are recorded. Deferred tax assets are recognised for unused tax losses to the extent that it is probable that the taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

3.1.7 Financial derivatives on equity instruments

The Group has financial derivatives on equity instruments that require different estimates and judgements. When there are call or put options on an entity's equity instruments and that entity is controlled by the shareholder a financial liability is always recorded, however, the subsequent accounting treatment depends on whether IFRS 10 or IAS 32 applies. Entities decide that either the principles in IFRS 10 or those in IAS 32 will take precedence and be applied when determining their accounting policy. The Group has assessed that IFRS 10 takes precedence in relation to these transactions.

In relation to the Al Bayroni option, due to the nature of the terms and conditions in the option agreements, management has assessed that based on its risks and rewards assessment, the shareholder has no present ownership interest in the shares subject to these options and therefore, a non-controlling interest will continue to be recognised. The terms of the agreement are such that the option is a symmetrical put and call, and therefore a forward in nature. The financial liability was recognised at fair value on initial recognition. Due to the nature of this derivative, the fair value recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets. Therefore, the fair value is measured using valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk, volatility, dividend yield and timing of dividends. Changes in assumptions relating to these factors could affect the reported fair value of the financial instrument. (Refer to note 13)

Management has elected to recognise the fair value movements on the remeasurement of this liability within retained earnings.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

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

3.2 Critical judgments in applying accounting standards

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

3.2.1 Component parts of plant and equipment

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

3.2.2 Determining the lease term of contracts with renewal and terminations options

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

The Group has several lease contracts that include extension and termination clauses. The Group applies judgement in evaluating if it is reasonably certain whether or not to exercise the option to renew or terminate the lease. All relevant factors that create an economic incentive for the Group and its contract partners to exercise either the renewal or termination are considered. Such facts and circumstances include a long term preferential rental rates availability, existence of significant penalty on terminations, substantial lease hold improvements etc. The Group reassesses the lease term if there is a significant event or change in the circumstances that affects its ability to exercise or not to exercise the option to renew or to terminate the contract.

The initial assessment of land lease contracts with the Royal Commission for Jubail and Yanbu has been revised. For the computation of these lease liabilities the lease terms applied have been extended to reflect the Group'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 Group is reasonably certain that contract partners will exercise extension options given in the land lease agreements. As a consequence of this change in assessment, the leasing term for certain land lease contracts have been extended to 99 years.

3.2.3 Determination of control, joint control and significant influence

Subsidiaries are all investees over which the Group has control. Management considers that it controls an investee when the Group is exposed to or has rights to the majority of the variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of those returns through its power to direct the relevant activities of the investees.

The determination about whether the Group has power depends on the way decisions about the relevant activities are made and the rights the Group has, in relation to the investees.

Generally, there is a presumption that having majority of voting rights results in control. To support this presumption and when the Group has equal or less than a majority of the voting or similar rights of an investee, the Group considers all other relevant facts and circumstances in assessing whether it has power over an investee, including any contractual and other such arrangements which may affect the activities which impact investees' return.

3.2.4 Principal versus agent consideration

A certain portion of the Group's revenue is derived from marketing agreements, whereby in some cases, SABIC AN purchases products from its affiliates and sells these to end customers on a provisional pricing basis. There is significant judgment over whether the Group controls the products before they are transferred to the customer. It has been concluded that SABIC AN is principal in these arrangements due to the following factors:

- the Group is exposed to fulfilment risk and is the primary obligor for the goods;
- the Group has a direct relationship with the customer and controls the underlying products before they are transferred to the end customers;
- the Group remains solely responsible for the quality of the goods and customers hold a substantive right of return which results in the Group being exposed to inventory risk.

Further, for contracts where revenue from logistics and freight services is recognised as a separate performance obligation, the Group considers itself to be principal. There is significant judgment over whether the group controls the freight and logistics services prior to transferring this to the customer. It has been concluded that SABIC AN is principal in these arrangements due to the following factors:

- the Group is exposed to fulfilment risk and is the primary obligor for the freight and logistic service provided;
- the Group is exposed the risk of losses in relation to the service not being fulfilled;
- the Group has a direct relationship with the customer and controls the underlying service before it is transferred to the end customers;

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

4. Changes in accounting policies

The amendments to IFRS, which are relevant to the Group and that have been applied on 1 January 2022 by the Group 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 Group applied the amendment prospectively effective 1 January 2022. This amendment has no material impact on these consolidated financial statements of the Group.

4.2 IFRS 9 Financial Instruments – Fees in the '10 per cent' test for de-recognition 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 has no material impact on these consolidated financial statements of the Group.

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

5. IFRS issued but not yet effective

The IFRS standards and interpretations that are issued and relevant for the Group, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are elaborated below. These standards will be adopted by the Group 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;
- what classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- what 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 Group's classification of current and non-current liabilities.

5.2 Amendments to IAS 8- Definition of Accounting Estimates

In February 2021, 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 Group.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

5. IFRS issued but not yet effective (continued)

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 assets demolishing and site restoration obligations. The amendments are not applicable as the Group has not applied the initial recognition exception to such transactions or events.

6. Summary of significant accounting policies

The significant accounting policies adopted by the Group in preparing these consolidated financial statements are applied consistently and are described below and amendments to IFRS as elaborated in Note 4 that have been applied from 1 January 2022:

6.1 Business combinations and goodwill

Business combinations are accounted for applying the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred which is measured at fair value on the acquisition date and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed in the consolidated statement of income when incurred.

When the Group acquires a business, it assesses the financial assets acquired and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument is measured at fair value with the changes in fair value recognised in the consolidated statement of income or OCI.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed. If the reassessment still results in excess, the gain is recognised in the consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses, if applicable. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs that are expected to have benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed off, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

6.2 Business combinations under common control

Business combinations under common control are accounted for using the book values of net assets at the date of acquisition. For each business combination under common control, the Group measures the non-controlling interests in the acquiree at the proportionate share of the book value of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred and included in the consolidated statement of income and other comprehensive income. The difference between book value of net assets and the consideration paid is accounted for in the retained earnings and no goodwill is recognized.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organized workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Investments in an associate

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The investment in an associate is accounted for using the equity method. Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post acquisition profits or losses and other comprehensive income of the associate in the consolidated statement of income and other comprehensive income, and the Group's share of movements in other comprehensive income (OCI) of the associate in other comprehensive income.

Dividends received or receivable from associate are recognized as a reduction in the carrying amount of the investment.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

6. Summary of significant accounting policies (continued)

6.2 Business combinations under common control (continued)

Investments in an associate (continued)

When the Group's share of losses in an associate equals or exceeds its interest in that associate, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

The aggregate of the Group's share in net result of an associate is shown on the face of the consolidated statement of income and other comprehensive income.

The financial statements of the associate should be for the same reporting period as the Group. If not, then adjustments are made to bring the balances and transactions to be at / for the reporting period similar to the Group. Adjustments shall also be made to bring the balances and transactions in line with the accounting policies of the Group, in case the accounting policies of such associate differ from those of the Group.

On acquisition of the investment in an associate, any excess of cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in the consolidated statement of income in the period in which the investment is acquired.

At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value in the books of the Group, then recognizes the loss as 'Share in net result of an associate' in the consolidated statement of income and other comprehensive income.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statement of income and other comprehensive income.

6.3 Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current and 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;
- it is held primarily for the purpose of trading;
- it is expected to be realised within twelve months after the reporting period; or
- it is 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 will be settled in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

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.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

6. Summary of significant accounting policies (continued)

6.4 Property, plant and equipment

Owned assets

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such costs includes the cost of replacing part of the property, plant and equipment and borrowing costs for long term construction projects (qualifying assets), if the recognition criteria are met. Where such assets are constructed in-house, 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 in-house 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 Group 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 consolidated statement of income and other comprehensive income as incurred.

The present value of the expected cost for the assets demolishing and site restoration costs of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. The Group will periodically assess the expectation and estimation for the assets demolishing and site restoration costs 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:

Buildings and leasehold improvements	13 to 40 years
Plant and equipment	4 to 50 years
Furniture and fixtures	4 to 10 years
Vehicles	4 to 10 years

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

Assets under construction, which are not ready for their intended use, and land are not depreciated.

An item of property, plant and equipment and any significant part initially recognised is de-recognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising on de-recognising the asset, calculated as the difference between the net disposal proceeds and the carrying amount of the asset is included in the consolidated statement of income when the asset is de-recognised.

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.

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 re-measurement 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:

Land	5-99 years
Housing	2-10 years
Equipment	2 years
Vehicles	2 to 5 years
Gas pipelines	15 years

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

6. Summary of significant accounting policies (continued)

6.6 Leases

The Group 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.

Group as lessee

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 Group. Each lease payment is allocated between the liability and finance cost. The finance cost is recognised in the consolidated statement of income 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 Group's capitalisation threshold and are considered to be insignificant for the statement of financial position for the Group as a whole. Payments for short-term leases and leases of low-value assets are recognised on a straight-line basis in the consolidated statement of income.

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 consolidated statement of income.

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 Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within control.

6.7 Borrowing costs

Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the costs of these assets, until such time as the asset is substantially ready for its intended use.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted for the borrowing costs eligible for capitalization. All other borrowing costs are expensed in the period they occur.

6.8 Intangible assets

Intangible assets 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 amortisation and accumulated impairment losses, if any.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised 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 amortisation 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 amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income in the expense category that is consistent with the function of the intangible asset.

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

Software and licenses	5 to 7 years
Patents and trademarks	5 to 12 years

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

6. Summary of significant accounting policies (continued)

6.8 Intangible assets (continued)

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group 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; and
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in the consolidated statement of income. During the period of development, the asset is tested for impairment annually.

Technology and innovation expense related to product development is recorded in the consolidated statement of income in other operating expense and expense related to process improvement is recorded in cost of sales.

6.9 Impairment of non-current assets

The Group 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 is required, the Group 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 groups 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 Group's impairment calculation is based on detailed budgets and forecast calculations which are prepared separately for each of the Group CGU's to which the individual assets are allocated. 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.

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

For assets other than goodwill, 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 Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was 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 recognised for the asset in prior years. Such reversal is recognized in the consolidated statement of income.

6.10 Financial assets

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

- financial assets measured at amortised cost; or
- financial assets measured at fair value.

Gains or losses of financial assets measured at fair value will be recognised either through the consolidated statement of income or through the consolidated statement of OCI.

Certain sales contracts provide for provisional pricing at the time of shipment with the final pricing based on an average market price. Such trade receivables are measured at fair value because the contractual cash flows are not solely payments of principal and interest. Other trade receivables which are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interests, are measured at amortised cost.

In order for a financial asset to be classified and measured at amortised cost or FVOCI, 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.

Initial measurement

Financial assets are initially measured at their fair value plus transaction costs. Transaction costs of financial assets carried at fair value through income statement are recognised in the consolidated statement of income.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

6. Summary of significant accounting policies (continued)

6.10 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.

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

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated statement of income and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon de-recognition, the cumulative fair value change recognised in OCI is recycled to the consolidated statements of income.

- *Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon de-recognition (Equity Instruments)*

The Group 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 consolidated statement of income as other income when the Group's right to receive payments is established. Gains and losses on these financial assets are never recycled to the consolidated statement of income. These investments were irrevocably designated at FVOCI as the Group considers these investments to be strategic in nature.

- *Financial assets at Fair Value Through Income Statements (FVIS)*

Financial assets that do not meet the criteria for subsequent recognition at amortised cost or FVOCI are measured at FVIS. A gain or loss on a debt investment that is subsequently measured at fair value through the income statement and which is not part of a hedging relationship is recognised and presented net in the consolidated statement of income in the period in which it arises.

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 Group 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 Group has transferred substantially all the risks and rewards of the asset; or
 - b) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Group assesses on a forward-looking basis the ECL associated with its debt instruments as part of its financial assets, which are carried at amortised cost and FVOCI.

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

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group 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.

6.11 Financial liabilities

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

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

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

- Designated: A financial liability that is designated by the entity as a liability at FV upon initial recognition;
- 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 Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are classified as held for trading unless they are designated as effective hedging instruments.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

6. Summary of significant accounting policies (continued)

6.11 Financial liabilities (continued)

All financial liabilities are recognised initially when the Group 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 FVIS continue to be recorded at fair value with changes being recorded in the consolidated statement of income.

Financial liabilities arising out of options over non-controlling interests are recorded at fair value with the subsequent measurement being recorded in retained earnings.

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 the consolidated statement of income when the liabilities are de-recognised 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 consolidated statement of income.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group 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. They are recognised initially at their fair value and subsequently measured at amortised cost using the EIR method.

Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value adjusted for transaction costs that are directly attributable to the issuance of the guarantee. The fair value of financial guarantee is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligation.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

De-recognition

A financial liability (except for options over non-controlling interests) is de-recognised 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 consolidated statement of income.

6.12 Options and forward contracts on (own) equity instruments

Call and put options on equity instruments are derivative financial instruments to be recognised at fair value. When there are call or put options on an entity's equity instruments and that entity is controlled by the shareholder a financial liability is always recorded, however, the subsequent accounting treatment depends on whether IFRS 10 or IAS 32 applies.

If IFRS 10 takes precedence, then the terms of the forward and option contracts should be analysed to assess whether they provide the parent or the non-controlling interest with access to the risks and rewards associated with the actual ownership of the shares. The non-controlling interest should be recognised if risks and rewards associated with ownership have been retained by the non-controlling interest. The non-controlling interest should not be recognised if the risks and rewards associated with ownership have transferred to the parent.

If IAS 32 takes precedence, a risks and rewards analysis is not performed, and the non-controlling interest is derecognised when the forward or put option liability is recognised. The financial liability is recognised at the present value of the redemption amount. If the forward or put option was entered into at the business combination date there would not be a non-controlling interest recognised.

Put and call options over non-controlling interests

Put options are recognised at the present value of the best estimated amount to be paid at the end of the agreement. Call options are recognised at their fair value. Subsequent re-measurement of put and call options will be recognised in retained earnings. Put and call options offer contract parties the right to exercise them or to refrain from exercising the option rights.

If put options are being exercised, the financial liability, is re-measured immediately before the transaction, is extinguished by payment of the exercise price and the non-controlling interest purchased is derecognised against equity attributable to the owners of the parent. If the put option expires unexercised, the financial liability is reclassified to retained earnings.

If call options are being exercised, the fair value of the call option will be recognised as part of the consideration paid for the acquisition of the non-controlling interest. If call option expires unexercised, it is derecognised through income statement as a finance expense.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

6. Summary of significant accounting policies (continued)

6.12 Options and forward contracts on (own) equity instruments (continued)

Forward share purchase contracts arising from options over non-controlling interests

Forward share purchase contracts are commitments to purchase the shares subject to the contract stipulations in due time. Therefore, the present value of the best estimated amount to be paid at the end of the agreement is recognised as a liability. The subsequent movement in the liability is recognised in retained earnings.

6.13 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is disclosed in the consolidated 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 Inventories

Inventories including raw materials, finished goods and consumable (spares) are valued at the lower of cost i.e. historical purchase prices based on the weighted average principle plus directly attributable costs (primarily duty and transportation) or estimated net realisable value.

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

Inventories of finished goods include cost of materials, labor and an appropriate proportion of variable and fixed direct overheads.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Abnormal inventory losses due to quality or other issues and overheads incurred during unplanned maintenance / shut down period are excluded from inventory cost. 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.

Scrap inventory, co-product and by product

Production process in the Group sometimes results in the 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 rationale 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 realisable 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 consolidated statement of income, the net realisable value for the by-products and scrap reduces the cost of sales for the period. Upon subsequent sale of such by-product, the proceeds are recorded as revenue with a corresponding cost of sale being recorded based on the earlier recorded net realisable value. 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

Capital spare parts are the interchangeable parts of 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 Group 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 stand-by 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 plant and equipment in which it is installed. These do not form part of inventory.
- General capital 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 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 consolidated statement of income upon their installation or use.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

6. Summary of significant accounting policies (continued)

6.15 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.

6.16 Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise bank balances, short-term deposits, demand deposits 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.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above held with banks all of which are available for use by the Group unless otherwise stated.

6.17 Dividends

The Group recognises a liability to make cash distribution to equity holders of the Group when the distribution is authorised by approval of the shareholders of the Group and the distribution is no longer at the discretion of the Group. Interim dividends, if any, are recorded when approved by the Board of Directors. A corresponding amount is recognised directly in equity.

6.18 Employee benefits

Long-term employee benefit 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 the consolidated statement of comprehensive income.

Post-employment obligation

The Group 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 Group pays fixed contributions into a separate entity and has no other legal or constructive obligation. The contributions are recognised as employee benefit expense in the consolidated statement of income when they are due.

Defined benefit plans

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

a) End of service benefits and pension award

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 Group's policy.

The net pension asset or liability recognised in the consolidated statement of financial position in respect of defined benefit post-employment plans is the present value of the projected Defined Benefits Obligation ("DBO") less the fair value of plan assets, if any, 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, if any.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

6. Summary of significant accounting policies (continued)

6.18 Employee benefits (continued)

a) End of service benefits and pension award (continued)

Service 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 year, consideration is given to re-measure such liabilities and the related costs.

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 consolidated statement of income as past service costs.

When the benefit plans 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 consolidated statement of income. To the extent that benefits vest immediately, the expense or income, if applicable is recognised immediately in the consolidated statement of income.

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

b) Post-retirement medical care

The Group provides post-retirement healthcare and life insurance benefits to its eligible retirees and their dependents 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 the Group 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.

Termination benefits (early retirement program)

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognizes costs for a restructuring that involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after the end of the reporting period are discounted to present value.

Employee saving plan

The Group operates a saving plan to encourage its Saudi employees to make savings. The saving contributions from the participants are deposited in a separate bank account other than the Group's normal operating bank accounts. Employee saving plan represents the contribution made by the employee and the Group in accordance with the SABIC HR policy and is presented as current liabilities.

Employee Home Ownership Program ("HOP")

Certain companies within the Group have established employee's HOP that offer eligible employees the opportunity to buy residential units constructed by these subsidiaries 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 Group. 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 Group 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.

Executive vehicles

The Group grants eligible employees a Group owned vehicle up to a specific value. The benefit is provided to employees against their services for a fixed period of years. The employee also has an option to opt for a higher value vehicle and the difference in value is contributed by the employee. The vehicle shall remain the property of the Group. The Group's Human Resource policy governs the arrangement with the employee and may define conditions under which such vehicle can be transferred to employee.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

6. Summary of significant accounting policies (continued)

6.19 Provisions

General

Provisions are recognised when the Group 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-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

Onerous contracts

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

Assets demolishing and site restoration costs

The Group records a provision for demolishing costs of manufacturing facilities when an obligation exists. Demolition 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 risk free rate that reflects the risks specific to this liability. The unwinding of the discount is expensed as incurred and recognised in the consolidated statement of income as a finance cost. The estimates for this provision are 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.

6.20 Zakat and tax

Zakat

Zakat is levied based on adjusted income subject to zakat and the zakat base in accordance with the Regulations of the Zakat, Tax and Customs Authority ("ZATCA") in KSA. The zakat provision is charged to the consolidated statement of income. Differences, if any, resulting from the final assessments are adjusted in the period of their finalisation.

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the relevant tax authorities.

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.

Deferred tax

Deferred tax is provided for using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax law enacted or substantively enacted at the reporting date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets and current tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

6.21 Revenue recognition

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 Group is acting as a principal or agent.

For certain revenue contracts, an intermediary is used to provide the goods and services. The Group assesses whether it is an agent or principal in these arrangements. The Group acts as a principal when it controls the specified good or service prior to transfer. When the Group acts as a principal the revenue recorded is the gross amount billed.

Sales of goods revenue

The Group 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.

Rights of return

When a contract with a customer provides a right of return of the good within a specified period, the Group accounts for the right of return when requested by the customer and contractual conditions are met.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

6. Summary of significant accounting policies (continued)

6.21 Revenue recognition (continued)

Identification of performance obligations

In certain instances, the Group determines delivery services as separately identifiable and distinct from the sale of goods. These are when the Group transfers control of goods at the Group's loading site and provides delivery services to the buyer's site. The Group allocates a portion of the total transaction price to delivery services based on a best estimate of a similar stand-alone service.

Provisional pricing

Certain revenue contracts with customers include provisional pricing at the time of shipment. Initially, revenue on these contracts is recognized based on the estimate of the final price at the time control is transferred to the customer. The final pricing is based on the actual average market indexed price. Any difference between the estimate and the final price is recorded as a change in fair value of the related receivable, as part of revenue, in the consolidated statement of income. The associated trade receivables related to contracts with provisional pricing arrangements are subsequently measured at FVIS.

Transportation services

In certain instances, the Group provides the delivery services for goods sold based on the C-class incoterms. The service is considered as a separate performance obligation. The separate transaction price is not explicitly available in the contract and the Group uses estimation method to allocate the transaction price to such performance obligation. The estimation is based on standalone selling price. This service is satisfied over the period of delivery and recognised as revenue accordingly.

6.22 Expenses

All expenses are recognized on an accrual basis.

Cost of sales

Operating costs are recognized on a historical cost basis. Production costs, direct manufacturing and transportation expenses are classified as cost of sales. This includes raw material, direct labor and other attributable overhead costs as well as transportation costs associated with fulfilment of certain sales. 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 Group. These costs typically include distribution and logistics expenses as well as allocations of certain general overheads.

General and administration 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 Group.

Research and development expense

Research and development expense pertains to activities related to:

- develop and improve our existing materials, products, solutions and processes,
- improve ecological footprint

These activities focus on delivering differentiated and sustainable product and application solutions and sustainable cost-advantaged process innovation to meet the needs of our customers and the value chain over the near, mid-, and long term horizon.

6.23 Finance income

For all financial instruments measured at amortized cost and interest-bearing financial assets classified as investments in equity instruments at FVOCI, finance income is recorded 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 asset or liability.

6.24 Finance cost

Finance cost is recognized 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 recognized. Finance cost is also recognized due to passage of time whenever a provision or liability has been discounted to its present value.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

6. Summary of significant accounting policies (continued)

6.25 Earnings per share

The Group presents basic, and diluted, if any, earning per share (EPS) data for the Company's ordinary shares its shareholders. Basic EPS is calculated by dividing net income for the year of the Group by the weighted average number of ordinary shares of the Company outstanding during the year, adjusted for own shares held, if any. Diluted EPS, if any is determined by adjusting the net income for the year of the Group by the weighted average number of ordinary shares of the Company outstanding during the year, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

6.26 Fair value measurement

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 whether that price is directly observable or estimated using another technique. In estimating the fair value of an asset or a liability, the Group 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 consolidated financial statements is determined on such a basis, except for leasing transactions that are within scope of IAS 17 '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 Group 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 not directly or indirectly observable..

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

7. Property, plant and equipment

	For the year ended 31 December 2022					
	Building and leasehold improvements	Plant and equipment	Furniture and fixtures	Vehicles	Assets under construction	Total
Cost:						
At the beginning of the year	1,073,769	17,147,083	44,274	33,800	1,069,595	19,368,521
Additions	-	-	-	-	770,311	770,311
Transfers within property plant and equipment	77,537	614,104	224	575	(692,440)	-
Transfers of property, plant and equipment (i) (ii)	-	4,530	-	-	(79,548)	(75,018)
Disposals	(3,059)	(362,760)	-	-	(1,698)	(367,517)
At the end of the year	1,148,247	17,402,957	44,498	34,375	1,066,220	19,696,297
Accumulated depreciation and impairment						
At the beginning of the year	690,609	10,104,789	40,987	30,759	-	10,867,144
Charge for the year	39,938	766,033	748	1,817	-	808,536
Disposals	(759)	(357,039)	-	-	-	(357,798)
At the end of the year	729,788	10,513,783	41,735	32,576		11,317,882
Net book value:						
At 31 December 2022	418,459	6,889,174	2,763	1,799	1,066,220	8,378,415
At 1 January 2022	383,160	7,042,294	3,287	3,041	1,069,595	8,501,377

(i) Includes transfers of housing units constructed for employees to other assets and receivables amounting to Saudi Riyals 71.9 million and transfer to intangible assets amounting to Saudi Riyals 6.5 million.

(ii) Includes transfers in from inventory amounting to Saudi Riyals 3.4 million

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

7 Property, plant and equipment (continued)

	For the year ended 31 December 2021					
	Building and leasehold improvements	Plant and equipment	Furniture and fixtures	Vehicles	Assets under construction	Total
Cost:						
At the beginning of the year	285,820	10,581,459	9,001	17,342	591,400	11,485,022
Acquired in business combination (Note 37)	787,384	6,347,773	35,273	16,238	1,023,761	8,210,429
Additions	-	374,111	-	-	289,727	663,838
Transfers within property plant and equipment	565	589,566	-	220	(590,351)	-
Transfer to other assets and receivables (i)	-	-	-	-	(201,734)	(201,734)
Disposals	-	(141,847)	-	-	-	(141,847)
Write off (ii)	-	(603,979)	-	-	(43,208)	(647,187)
At the end of the year	1,073,769	17,147,083	44,274	33,800	1,069,595	19,368,521
Accumulated depreciation and impairment						
At the beginning of the year	168,013	5,708,514	6,205	12,357	-	5,895,089
Acquired in business combination (Note 37)	496,106	4,306,909	33,959	15,792	-	4,852,766
Charge for the year	26,490	785,856	823	2,610	-	815,779
Related to write off (ii)	-	(555,317)	-	-	-	(555,317)
Disposals	-	(141,173)	-	-	-	(141,173)
At the end of the year	690,609	10,104,789	40,987	30,759	-	10,867,144
Net book value:						
At 31 December 2021	383,160	7,042,294	3,287	3,041	1,069,595	8,501,377
At 1 January 2021	117,807	4,872,945	2,796	4,985	591,400	5,589,933

(i) Pertains to transfers of housing units constructed for employees to other assets and receivables.

(ii) Represents a write off of compound fertilizer plant of a subsidiary.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

7 Property, plant and equipment (continued)

Allocation of depreciation charge for the year:

	Note	For the year ended 31 December 2022	For the year ended 31 December 2021
Cost of sales	26.1	776,120	795,169
Selling and distribution expenses	26.2	5,612	2,008
General and administrative expenses	26.3	26,804	18,602
		808,536	815,779

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

8 Right-of-use assets

	For the year ended 31 December 2022						
	Land	Housing	Equipment	Vehicles	Gas pipelines	Others	Total
Cost:							
At the beginning of the year	119,068	107,285	-	10,960	22,116	285	259,714
Re-measurement (ii)	75,277	-	-	-	-	-	75,277
Additions	-	24,190	-	-	-	-	24,190
Disposals and retirements	-	(7,114)	-	(6,849)	-	(285)	(14,248)
At the end of the year	194,345	124,361	-	4,111	22,116	-	344,933
Accumulated depreciation and impairment:							
At the beginning of the year	18,729	41,767	-	9,023	13,003	251	82,773
Charge for the year	8,138	23,994	-	1,187	1,485	34	34,838
Disposals and retirements	-	(7,114)	-	(6,849)	-	(285)	(14,248)
At the end of the year	26,867	58,647	-	3,361	14,488	-	103,363
Net book value:							
At 31 December 2022	167,478	65,714	-	750	7,628	-	241,570
At 1 January 2022	100,339	65,518	-	1,937	9,113	34	176,941

- (i) The Group leases various housing units, equipment, vehicles, land and other assets. Rental contracts are typically made for fixed periods from 1 to 10 years except for the land lease as stated below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenant, but lease assets may not be used as security for borrowing purposes.
- (ii) The lease term for land lease contracts with the Royal Commission for Jubail and Yanbu has been re-assessed and extended from 30 years to 99 years to reflect the Group's reasonable expectations of the period during which the underlying asset will be used. The lease contracts have a renewable option with mutual agreement by both parties.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

8 Right-of-use assets (continued)

	For the year ended 31 December 2021						Total
	Land	Housing	Equipment	Vehicles	Gas pipelines	Others	
Cost:							
At the beginning of the year	47,821	100,801	881	12,623	13,238	430	175,794
Acquired in business combination (Note 37)	58,878	28,992	-	4,452	8,878	143	101,343
Additions	12,369	-	-	-	-	-	12,369
Disposals and retirements	-	(22,508)	(881)	(6,115)	-	(288)	(29,792)
At the end of the year	119,068	107,285	-	10,960	22,116	285	259,714
Accumulated depreciation and impairment:							
At the beginning of the year	3,557	28,900	881	8,243	6,156	284	48,021
Acquired in business combination (Note 37)	7,031	8,624	-	3,890	5,362	84	24,991
Charge for the year	8,141	19,580	-	3,005	1,485	171	32,382
Disposals and retirements	-	(15,337)	(881)	(6,115)	-	(288)	(22,621)
At the end of the year	18,729	41,767	-	9,023	13,003	251	82,773
Net book value:							
At 31 December 2021	100,339	65,518	-	1,937	9,113	34	176,941
At 1 January 2021	44,264	71,901	-	4,380	7,082	146	127,773

Allocation of depreciation charge for the year:

	Note	For the year ended 31 December 2022	For the year ended 31 December 2021
Cost of sales	26.1	5,212	4,974
Selling and distribution expenses	26.2	3,203	3,575
General and administrative expenses	26.3	23,424	23,833
Research and technology expenses	26.4	2,999	-
		34,838	32,382

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

9 Intangible assets

	For the year ended 31 December 2022			Total
	Software and licenses	Patents and trademarks	Intangibles under development	
Cost:				
At the beginning of the year	204,040	-	23,657	227,697
Additions (i)	730	25,478	562	26,770
Transfers within intangible assets	3,102	-	(3,102)	-
Transfer from (to) property, plant and equipment	8,831	-	(2,299)	6,532
Disposals	(849)	-	-	(849)
At the end of the year	215,854	25,478	18,818	260,150
Accumulated depreciation and impairment				
At the beginning of the year	169,415	-	-	169,415
Charge for the year	11,094	-	-	11,094
Disposals	(849)	-	-	(849)
At the end of the year	179,660	-	-	179,660
Net book value:				
At 31 December 2022	36,194	25,478	18,818	80,490
At 1 January 2022	34,625	-	23,657	58,282

(i) Patents and trade-marks were acquired from SABIC by the Group during the year. Refer Note 31.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

9 Intangible assets (continued)

	For the year ended 31 December 2021			Total
	Software and licenses	Patents and trademarks	Intangibles under development	
Cost:				
At the beginning of the year	61,038	-	25,767	86,805
Acquired in a business combination (i)	140,063	-	4,270	144,333
Additions	734	-	-	734
Transfers	2,205	-	(2,205)	-
Transfer to other non-current assets	-	-	(1,103)	(1,103)
Write off	-	-	(3,072)	(3,072)
At the end of the year	204,040	-	23,657	227,697
Accumulated depreciation and impairment				
At the beginning of the year	24,069	-	-	24,069
Acquired in a business combination (i)	132,040	-	-	132,040
Charge for the year	13,306	-	-	13,306
At the end of the year	169,415	-	-	169,415
Net book value:				
At 31 December 2021	34,625	-	23,657	58,282
At 1 January 2021	36,969	-	25,767	62,736

(i) Acquired from Al-Bayroni as a result of acquisition of SANIC by SABIC AN. Please refer Note 37.

Allocation of amortisation charge for the year:

	Note	For the year ended 31 December 2022	For the year ended 31 December 2021
Cost of sales	26.1	1,874	1,340
General and administrative expenses	26.3	9,220	11,966
		11,094	13,306

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

10 Investments in an associate

The table below outlines the Group's investments in an associate:

Name of associates	Ownership %	As at 31 December 2022	As at 31 December 2021
Gulf Petrochemical Industries Company ("GPIC")	33.33	869,901	769,088

GPIC is incorporated in the Kingdom of Bahrain and is engaged in manufacturing and exporting of ammonia, urea and methanol products. Investment in an associate is accounted for using the equity method. The Parent Company does not exercise control over the associate.

The movement of investments in an associate is as follows:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Balance at the beginning of the year	769,088	-
Acquired during business combination (Note 37)	-	644,339
Share of results	408,315	242,874
Dividends received	(307,502)	(118,125)
Balance at the end of the year	869,901	769,088

In 2021, SABIC AN acquired a 33.33% interest in GPIC after acquisition of 100% of share capital of SANIC from SABIC in a share exchange transaction. Please refer to Note 37.

The tables below provide summarised financial information of GPIC. The information disclosed reflects the amounts presented in the available financial statements of the relevant associate and not the Group's share of those amounts.

	As at 31 December 2022	As at 31 December 2021
Total current assets	1,088,948	945,519
Non-current assets	1,635,580	1,525,134
Current liabilities	(114,564)	(163,157)
Net assets	2,609,964	2,307,496

Reconciliation:

Group's share	33.33%	33.33%
Carrying amount	869,901	769,088

	For the year ended 31 December 2022	For the year ended 31 December 2021
Revenue	2,235,626	1,736,298
Net income for the year	1,224,946	728,623

Reconciliation:

Group's share	33.33%	33.33%
Share in earnings	408,315	242,874

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

11 Investments in equity instruments

Carrying value of the investments in equity instruments are as follows:

	As at 31 December 2022	As at 31 December 2021
Listed securities		
Equity securities measured at FVOCI (i)	394,805	651,997
	394,805	651,997
Un-listed securities		
Equity securities measured at FVOCI (ii)	-	-

- i) Quoted investments represents 1.69% (2021: 1.69%) shares held in Yanbu National Petrochemical Company (Yansab), a listed entity in Tadawul.
- ii) Unquoted investments represents 3.87% (2021: 3.87%) shares held Arabian Industrial Fiber Company (Ibn Rushd), a subsidiary of SABIC.

Movement in the securities measured at FVOCI for the years ended 31 December 2022 and 2021 is as follows:

	As at 31 December 2022		As at 31 December 2021	
	Quoted	Unquoted	Quoted	Unquoted
Cost:				
At the beginning and end of the year	94,905	77,363	94,905	77,363
Fair value reserve of financial assets at FVOCI:				
At the beginning of the year	557,092	(77,363)	511,538	(77,363)
Change in fair value during the year (i)	(257,192)	-	45,554	-
At the end of the year	299,900	(77,363)	557,092	(77,363)
Carrying value at the end of the year	394,805	-	651,997	-

The effect on investments in equity instruments due to change in price by 10%, with all other variables held consistent, is Saudi Riyals 39.5 million (2021: Saudi Riyals 65.2 million). Other components of equity would increase/decrease as a result of these fluctuations.

Both the investments are carried at fair value. Please refer Note 13.1 for further details.

12 Other assets and receivables

	As at 31 December 2022	As at 31 December 2021
Non-current:		
House ownership and home loan program (i)	261,575	242,922
HOP site development costs	73,705	88,986
Joint operations production advance (JOPA)	7,988	18,940
Miscellaneous items	554	-
	343,822	350,848
Current:		
Employee advances and receivables (i)	9,408	17,656
Advances to related parties (ii)	158,325	123,074
Employee benefits, receivable from a related party (iii)	148,908	-
Prepaid expenses	70,061	73,665
Interest receivable on Murabaha	52,224	11,618
Miscellaneous items (iv)	32,672	29,622
	471,598	255,635

- (i) Employee advances represents receivables from employees related to Housing Ownership Program ("HOP") and other benefits.
- (ii) Advances to related parties represent advance against the operations and support services.
- (iii) Employee benefits receivable pertains to the employee benefit obligation transferred to the Group from SABIC as a result of transfer of employees from SABIC to the Group. Refer Note 21 and 31.
- (iv) Miscellaneous items include dividends receivable and VAT refundable.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

13 Financial assets and financial liabilities

31 December 2022									
	Note s	Total	Financial assets / liabilities at amortised cost	Financial assets / liabilities at FVIS	Financial assets at FVOCI	Fair value (13.1)	Level I	Level II	Level III
Financial assets									
Investments in quoted equity instruments	11	394,805	-	-	394,805	394,805	394,805	-	-
Unquoted equity instruments (i)	11	Nil	-	-	-	Nil	-	-	Nil
Trade receivables (ii)	15	2,560,964	2,135,339	425,625	-	425,625	-	-	425,625
<i>Short-term investments</i>									
- Murabaha deposits	16.2	4,363,000	4,363,000	-	-	-	-	-	-
<i>Cash and cash equivalents (iii)</i>									
- Cash and bank balances	16	263,248	263,248	-	-	-	-	-	-
- Murabaha deposits	16	8,354,879	8,354,879	-	-	-	-	-	-
Other financial assets (iv)		205,105	205,105	-	-	-	-	-	-
		16,142,001	15,321,571	425,625	394,805	820,430	394,805	-	425,625
Financial liabilities									
Lease liabilities	20	245,760	245,760	-	-	-	-	-	-
Trade payables	23	744,897	744,897	-	-	-	-	-	-
Derivative financial instruments (v)	22	2,373,750	-	-	-	2,373,750	-	-	2,373,750
Dividends payable	36	323,349	323,349	-	-	-	-	-	-
Other financial liabilities (iii)		260,685	260,685	-	-	-	-	-	-
		3,948,441	1,574,691	-	-	2,373,750	-	-	2,373,750

- (i) The Group's unquoted investments are valued under level 3 where inputs are not based on observable market data (unobservable inputs).
- (ii) 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 approximates their fair value due to their short-term nature.
- (iii) The Group assessed fair value of short-term investments, cash and cash equivalents, trade payables, dividends payable and other financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- (iv) Other financial assets include interest receivables, loans to employees and other receivables, net of expected credit losses, where applicable. Other financial liabilities include payables to related parties and employee related payables.
- (v) Amount recorded as fair value of option to acquire non-controlling interest of Al-Bayroni. Refer to Note 22.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

13 Financial assets and financial liabilities (continued)

		31 December 2021							
	<i>Notes</i>	Total	Financial assets / liabilities at amortised cost	Financial assets / liabilities at FVIF	Financial assets at FVOCI	Fair value (13.1)	Level I	Level II	Level III
Financial assets									
Investments in quoted equity instruments	11	651,997	-	-	651,997	651,997	651,997	-	-
Unquoted equity instruments (i)	11	Nil	-	-	-	Nil	-	-	Nil
Trade receivables (ii)	15	2,520,469	205,929	2,314,540	-	2,314,540	-	-	2,314,540
Short-term investments									
- Murabaha deposits	16.2	565,000	565,000	-	-	-	-	-	-
Cash and cash equivalents (iii)									
- Cash and bank balances	16	513,284	513,284	-	-	-	-	-	-
- Murabaha deposits	16	4,781,502	4,781,502	-	-	-	-	-	-
Other financial assets (iv)		13,864	13,864	-	-	-	-	-	-
		9,046,116	6,079,579	2,314,540	651,997	2,966,537	651,997	-	2,314,540
Financial liabilities									
Lease liabilities	20	178,385	178,385	-	-	-	-	-	-
Trade payables	23	169,866	169,866	-	-	-	-	-	-
Dividends payable	36	171,771	171,771	-	-	-	-	-	-
Other financial liabilities (iv)		308,759	308,759	-	-	-	-	-	-
		828,781	828,781	-	-	-	-	-	-

(i) The Group's unquoted investments are valued under level 3 where inputs are not based on observable market data (unobservable inputs).

(ii) 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, 2021 approximates their fair value due to their short-term nature.

(iii) The Group assessed fair value of short-term investments, cash and cash equivalents, trade payables, dividends payable and other financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

(iv) Other financial assets include interest receivables, loans to employees and other receivables, net of expected credit losses, where applicable. Other financial liabilities include payables to related parties and employee related payables.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

13 Financial assets and financial liabilities (continued)

The Group's exposure to various risks associated with the financial instruments is discussed in Note 33. The maximum exposure to credit risk at the end of the reporting year is the carrying amount of each class of financial assets mentioned above.

13.1 Fair Value Measurement

Set out in the table above is a comparison, by class, of the carrying amounts and fair value of the Group's financial assets for which fair valuation had been performed, for other financial assets the carrying amounts are reasonable approximations of fair values. All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Group measures financial assets at fair value thorough other comprehensive income at each statement of consolidated financial position date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

There were no transfers between the levels of the fair value hierarchy in the twelve months to 31 December 2022. There were no changes made to any of the valuation techniques applied as of December 2022.

The following methods and assumptions were used to estimate the fair values:

- Fair values of quoted investments in equity instruments are derived from quoted prices in active markets. For the fair value of un-quoted equity instruments, the Group makes certain assumptions in valuation about the model inputs, including fair value derived based on comparable transactions. The probabilities of the various estimates within a range can be reasonably used in the Group's estimate of fair value for these unquoted investments in equity instruments.
- For the fair value of the Derivative financial instruments, the Group used the market approach to measure the fair value of the derivative instruments using certain non-observable inputs (equity value to EBITDA multiple).
- The fair value of trade receivables carried at FVIS are valued using valuation techniques, which employ the use of market observable inputs. The valuation techniques is based on marked-to-market observable inputs of the underlying commodities.

The following table summarises the information about the significant non-observable inputs used in level 3 fair value measurements:

Description	Valuation technique	Significant non-observable input	Range	
			2022	2021
Derivative financial instruments	Market approach	Put options and forward contracts		
		- Equity value to EBITDA multiple	4.7	Not applicable
		- Dividend to EBITDA %	20.3%	
		- Discount rate	10.5%	

A change in the significant non-observable inputs would result in a change in the value of the derivative financial instrument as follow:

	Change in the significant non-observable inputs		Derivative financial instruments value "000"	
	From	To	From	To
Increase equity value to EBITDA multiple by 10%	4.7	5.2	2,373,750	2,648,433
Decrease equity value to EBITDA multiple by 10%	4.7	4.2	2,373,750	2,058,219
High range of Dividend to EBITDA %	20.3%	27.4%	2,373,750	2,143,052
Low range of Dividend to EBITDA %	20.3%	19.6%	2,373,750	2,375,692
Increase discount rate by 1%	10.5%	11.5%	2,373,750	2,378,335
Decrease discount rate by 1%	10.5%	9.5%	2,373,750	2,326,594

The above sensitivity analyses are 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.

There are no gains or losses has been recorded in the derivative financial instruments during the year.

There is no material unquoted equity instrument at FVOCI to be disclosed separately.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

14 Inventories

	As at 31 December 2022	As at 31 December 2021
Finished goods	211,992	210,006
Spare parts	656,638	652,784
Raw materials	108,813	47,611
Goods in transit	32,130	38,900
	1,009,573	949,301
Less: Provision for slow moving and obsolete items	(275,580)	(240,576)
	733,993	708,725

Movements in the provision for slow moving and obsolete inventories were as follows:

	For the year ended 31 December 2022	For the year ended 31 December 2021
At the beginning of the year	240,576	70,540
Acquired in business combination	-	42,005
Charge for the year	35,004	128,031
At the end of the year	275,580	240,576

During 2022, inventory provision for slow moving and obsolete items was recognised amounting to Saudi Riyals 35 million (2021: Saudi Riyals 128 million). The increase was recognised in cost of sales. The Group's exposure to commodity price risks is discussed in Note 33.

15 Trade receivables

	As at 31 December 2022	As at 31 December 2021
Trade receivables	1,514,000	220
Due from Taiwan Fertilizer Company Limited ("TFC")	41,263	197,116
Due from other related parties	1,006,123	2,323,133
	2,561,386	2,520,469
Less: allowance for expected credit losses	(422)	-
	2,560,964	2,520,469

Accounts receivable are non-interest bearing and are generally due between 30 – 120 days terms.

As of 31 December the ageing analysis of trade receivable along with related expected credit loss is as follows:

	Total	Current	Less than 60 days	60-90 days	91-180 Days	181-365 days	More than one year
31 December 2022							
Expected credit loss rate	0.03%	0.02%	0.04%	0%	0%	0%	0%
Gross carrying amount (i)	2,135,761	1,504,511	627,259	805	790	1,855	541
Expected credit loss	(422)	(213)	(209)	-	-	-	-
Total	2,135,339	1,504,298	627,050	805	790	1,855	541
	Total	Current	Less than 60 days	60-90 days	91-180 Days	181-365 days	More than one year
31 December 2021							
Expected credit loss rate	0%	0%	0%	0%	0%	0%	0%
Gross carrying amount (i)	205,929	24,712	180,053	518	646	-	-
Expected credit loss	-	-	-	-	-	-	-
Total	205,929	24,712	180,053	518	646	-	-

- i) The amount excludes trade receivable carried at FVIS amounting to Saudi Riyals 425.6 million as at 31 December 2022 (2021: Saudi Riyals 2.3 billion)

The movements in the allowance for expected credit losses were as follows:

	For the year ended 31 December 2022	For the year ended 31 December 2021
At the beginning of the year	-	-
Charge for the year	422	-
Reversals during the year	-	-
At the end of the year	422	-

During the year, the Group has entered into marketing agreements with certain entities where SABIC has significant influence for the purpose of marketing and selling their products to local and international customers. ECL allowance as of 31 December 2022 amounts to Saudi Riyals 0.42 million (2021: Nil). The Group has not recognized any allowances as at end of 2021 as impact of ECL was immaterial as at the reporting date.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

16 Cash and cash equivalents

Cash and cash equivalents is detailed as follows:

	As at 31 December 2022	As at 31 December 2021*
Call account	45,228	46,318
Current accounts	218,020	466,966
	263,248	513,284
Murabaha deposits	8,354,879	4,781,502
Total	8,618,127	5,294,786
Conventional cash and cash equivalents	263,248	513,284
Non-conventional cash and cash equivalents	8,354,879	4,781,502
	8,618,127	5,294,786

* In respect of 2021 comparative year, refer to Note 38 for certain reclassifications made.

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

	As at 31 December 2022	As at 31 December 2021*
Saudi Riyals (i)	6,571,175	4,925,882
USD (i)	2,046,952	368,904
	8,618,127	5,294,786

i) Included in above Islamic Murabaha deposits with banks of original maturities of less than three months. These carry interest ranging from 1.5 % to 5.5 % (2021: 0.01% to 1.32%) per annum.

16.1 Cash flows related disclosures

Change in liabilities arising from financing activities is detailed as follows:

	As at 1 January 2022	Movement during the year	Cash outflows	Other non-cash	As at 31 December 2022
Lease	178,385	-	(32,092)	99,467	245,760
Dividends to shareholders	117,010	3,332,248	(3,317,347)	-	131,911
Dividends to non-controlling interests	54,761	920,000	(645,572)	(137,751)	191,438
	350,156	4,252,248	(3,995,011)	(38,284)	569,109
	As at 1 January 2021	Movement during the year	Cash outflows	Other non-cash	As at 31 December 2021
Lease	123,211	-	(28,810)	83,984	178,385
Short term borrowing	-	-	(100,128)	100,128	-
Dividends to shareholders of the Company	117,936	1,070,840	(1,071,766)	-	117,010
Dividends to non-controlling interests	37,043	218,013	(171,236)	(29,059)	54,761
	278,190	1,288,853	(1,371,940)	155,053	350,156

Cash held in separate bank accounts is as below:

	As at 31 December 2022	As at 31 December 2021
Dividends to shareholders of the Company	131,911	117,010
Cash held for NCI for paying donations	45,228	46,318
Employee savings plan bank balance	75,678	63,874
	252,817	227,202

At 31 December 2022, the Group has funds amounting to Saudi Riyals 253 million (31 December 2021: Saudi Riyals 227 million) which are held in separate bank accounts and are not used as part of normal business operations. The cash held in these bank accounts is available for access by the Group at any point in time.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

16 Cash and cash equivalents

16.2 Short term investments

Short term investments is detailed as follows:

	As at 31 December 2022	As at 31 December 2021
Murabaha (i)	4,363,000	565,000
	4,363,000	565,000

(i) Short term investments represent Murabaha commodity deposits with original maturity of more than three months and less than a year upon acquisition and are presented under current assets. These deposits are maintained with local commercial banks in Saudi Riyal and carry interest ranging from 3.1% to 5.7 % (2021: 0.55 % to 1.15%) per annum.

17 Share capital

	As at 31 December 2022	As at 31 December 2021
Authorised shares:		
Ordinary shares of Saudi Riyals 10 each ('000)	476,035	476,035
Ordinary shares issued and fully paid of Saudi Riyals 10 each ('000)	476,035	476,035
Issued and paid up capital (Saudi Riyals '000)	4,760,354	4,760,354

18 Reserves

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. As the reserve has reached the minimum amount, the Company has resolved to discontinue such transfers. This reserve is not available for distribution.

Other reserves

The following table shows a breakdown of other reserves and the movements during the year:

	For the year ended 31 December 2022		
	Equity instruments	Actuarial gain (loss)	Total
At the beginning of the year	479,729	12,912	492,641
Re-measurement gain on defined benefit plans, net of tax	-	269,624	269,624
Net change on revaluation of investments in equity instruments classified as fair value through other comprehensive income	(257,192)	-	(257,192)
At the end of the year	222,537	282,536	505,073
	For the year ended 31 December 2021*		
	Equity instruments	Actuarial gain (loss)	Total
At the beginning of the year	434,175	(74,552)	359,623
Re-measurement gain on defined benefit plans, net of tax	-	87,464	87,464
Net change on revaluation of investments in equity instruments classified as fair value through other comprehensive income	45,554	-	45,554
At the end of the year	479,729	12,912	492,641

*In respect of 2021 comparative year, refer to Note 38 for certain reclassifications made.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

19 Non-controlling interest

Al Jubail Fertilizer Company (Al-Bayroni) is a Saudi Limited Liability Company registered in Al- Jubail Industrial City in the Kingdom of Saudi Arabia under Commercial Registration number 2055000435 dated 21 Rabi Al-Awwal, 1400 H (corresponding to 8 February 1980). From 4 January 2021, it is equally owned by SANIC and TFC, a company incorporated in Taiwan, but controlled by the Parent Company. The registered office is located in Jubail Industrial City, P. O. Box 10046, Al-Jubail Kingdom of Saudi Arabia.

Al-Bayroni is engaged in using methane as a raw material to produce ammonia and urea used as fertilizer and for industrial purposes and producing 2EH (2-ethylhexanol) and DOP (di-Octyl Phthalate) under the SAGIA's License No. 121030125558 dated 22 Rabi Al-Awwal 1400 H (corresponding to 9 February 1980) and under industrial license No. 1368 dated 2 Jumada I 1437 H (corresponding to 11 February 2018).

Please refer to Note 37 for the details regarding acquisition of Al-Bayroni's share.

Summarised statement of financial position

Set out below is summarised financial information for Al-Bayroni which has a non-controlling interest, TFC, which is material to the Group. The amounts disclosed are before inter-company eliminations:

	As at 31 December 2022	As at 31 December 2021
Current assets	1,067,526	1,598,992
Current liabilities	(673,497)	(357,553)
Current net assets	394,029	1,241,439
Non-current assets	1,988,387	1,911,604
Non-current liabilities	(111,126)	(100,587)
Non-current net assets	1,877,261	1,811,017
Net assets	2,271,290	3,052,456
Accumulated non-controlling interests (i)	1,075,991	1,476,472

- (i) Accumulated non-controlling interests includes adjustments such as inter-group profit elimination, absorption of income tax in non-controlling interests and others.

Summarised statement of comprehensive income

	For the year ended 31 December 2022	For the year ended 31 December 2021
Revenue	2,171,479	2,004,857
Net income for the year	940,779	902,806
Other comprehensive income	(1,806)	124
Total comprehensive income	938,973	902,930
Net income attributable to non-controlling interests (i)	424,381	411,550
Other comprehensive loss attributable to non-controlling interests (ii)	(803)	(1,518)
Dividends paid to non-controlling interests	(660,454)	(171,236)

- (i) Net income (loss) attributable to non-controlling interests includes adjustments such as inter-group profit elimination, absorption of income tax in non-controlling interests and others.
- (ii) Other comprehensive loss attributable to non-controlling interests includes actuarial gain/ loss on defined benefit obligation and deferred tax impact on OCI.

Summarised statement of cash flows

	For the year ended 31 December 2022	For the year ended 31 December 2021
Cash flow from operating activities	1,376,207	876,600
Cash flow used in investing activities	(11,508)	(308,539)
Cash flow used in financing activities	(1,485,082)	(358,180)
(Decrease) increase in cash and cash equivalents	(120,383)	209,881

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

20 Lease liabilities

Lease liabilities is detailed as follows:

	Interest rate	As at 31 December 2022	As at 31 December 2021
Non-current			
Lease liabilities	5.18% IBR-average	222,521	156,784
Current			
Lease liabilities	5.50% IBR-average	23,239	21,601
		245,760	178,385

All addition to leases are recorded as right-of-use assets which are disclosed in Note 8.

There are no residual value guarantees and no leases yet commenced, to which SABIC AN is committed.

Movement in lease liability is as follows:

	As at 31 December 2022	As at 31 December 2021
At the beginning of the year	178,385	123,211
Acquired in business combination (Note 37)	-	76,592
Right of use liabilities written off	-	(4,977)
Additions	99,467	12,369
Accretion of interest (Note 27)	11,560	11,099
Payment	(43,652)	(39,909)
At the end of the year	245,760	178,385

The following amounts related to short term and low value leases that are recognised in consolidated statement of income:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Expense related to short-term leases	16,652	17,062
Expense related to leases of low-value assets	2,525	754

The aggregate repayment schedule of leases is as follows:

	As at 31 December 2022	As at 31 December 2021
Within one year	34,677	31,147
1-5 years	99,539	104,660
More than 5 years	1,003,371	144,233
Total	1,137,587	280,040

The maturity of the lease obligation and debt are further elaborated in liquidity risk (Note 33).

21 Employee benefits

The provision for employee benefits is detailed as follows:

	As at 31 December 2022	As at 31 December 2021 [*]
Defined benefit obligations		
End of service benefits	901,733	952,264
Post-retirement medical benefits	73,321	83,843
Continuous service award	11,080	11,512
Total defined benefit obligation presented under non-current liabilities	986,134	1,047,619
Defined contribution plan		
Employee savings plan	151,815	110,625
Total defined contribution plan presented under current liabilities	151,815	110,625

^{*} In respect of 2021 comparative year, refer to Note 38 for certain reclassifications made.

Management monitors the risks of all its pension plans and works with local Fiduciaries and Trustees regarding the governance and risk management of these pension plans, particularly with regard to the funding of the pension plans. The obligations are subject to demographic, legal and economic risks. Economic risks are primarily due to unforeseen developments in goods and capital markets. Some plans with defined benefits are closed for future service. This led to a reduction in risk with regard to future benefit levels.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

21 Employee benefits (continued)

Defined benefits obligation

The Group provides end of service and pension benefits to its employees taking into consideration the local labour laws, employment market and tax laws of the countries where the companies are located.

End of service benefits are mandatory for all KSA based employees under the Saudi Arabian labour law and the Group's employment policies. End of service benefit is based on employees' compensation and accumulated period of service and is payable upon termination, resignation or retirement. The Defined Benefit Obligation ("DBO") in respect of employees' end of service benefits is calculated by estimating the future benefit payment that employees have earned in return for their service. An appropriate discount rate is then applied to determine the present value of the Group's obligation. This is an unfunded plan.

Re-measurements are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to consolidated statement of income in subsequent periods.

Other long-term employee benefits

Long-term service awards

The Group offers a long-term service award to its employees in KSA, depending on years of service. This is measured similarly to a DBO.

Early retirement plans

Employee early retirement plan costs are provided for in accordance with the Group's employee benefit policies. If an instalment-based compensation is agreed on, the obligation is initially discounted to its present value and then unwound through the period of compensation, which can be up to the regular retirement age of the employee.

Saving plans

Saving plans are related to KSA based employees.

The following table represents the movement of the defined benefit obligation position:

	For the year ended 31 December 2022			
	End of service	Post-retirement medical	Continuous service awards	Total
At the beginning of the year	952,264	83,843	11,512	1,047,619
Current service cost	72,469	6,485	573	79,527
Finance cost	28,067	2,300	157	30,524
Actuarial changes arising due to:				
- financial assumptions	(268,534)	(20,145)	(984)	(289,663)
- demographic changes	-	(39)	-	(39)
- experience adjustments	15,065	6,047	(30)	21,082
Benefits paid during the year	(38,212)	(13,184)	(682)	(52,078)
Transfer from a related party	140,614	8,014	534	149,162
At the end of the year	901,733	73,321	11,080	986,134

	For the year ended 31 December 2021			
	End of service	Post-retirement medical	Continuous service awards	Total
At the beginning of the year	957,651	91,942	6,267	1,055,860
Acquired in business combination (Note 37)	6,663	14	5,340	12,017
Current service cost	76,243	6,846	588	83,677
Finance cost	22,650	2,241	142	25,033
Actuarial changes arising due to:				
- financial assumptions	(34,411)	(1,065)	(128)	(35,604)
- experience adjustments	(44,388)	(9,054)	(60)	(53,502)
Benefits paid during the year	(37,498)	(7,286)	(672)	(45,456)
Transfer from a related party	5,354	205	35	5,594
At the end of the year	952,264	83,843	11,512	1,047,619

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

21 Employee benefits (continued)

	For the year ended 31 December 2022	For the year ended 31 December 2021
Net benefit expense		
Current service cost and past service cost	79,527	83,677
Finance cost on benefit obligation (Note 27)	30,524	25,033
Net benefit expense	110,051	108,710

The major economic and actuarial assumptions used in benefits liabilities computation can be shown as follows:

	As at 31 December 2022	As at 31 December 2021
Discount rate	5.2%	2.7%
Average salary increase	5.3%	5.3%
Inflation rate (health care cost)	9.0%	9.0%

Sensitivity analysis

The table below illustrates the approximate impact on the DBO if the Group 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 DBO under market conditions at the measurement date. These results cannot be extrapolated due to non-linear effects that changes in key actuarial assumptions may have on the total DBO. The sensitivities only apply to the DBO and not to the net amounts recognised in the consolidated statement of financial position. Movements in the fair value of plan assets would, to a certain extent, be expected to offset movements in the DBO resulting from changes in the given assumptions.

	As at 31 December 2022	As at 31 December 2021
Increase		
Discount rate (+25 bps)	(24,082)	(30,582)
Salary (+25 bps)	22,114	27,576
Health care costs (+25 bps)	8,214	3,502
Decrease		
Discount rate (-25 bps)	25,518	32,025
Salary (-25 bps)	(21,330)	(26,521)
Health care costs (-25 bps)	(2,554)	(3,332)

Expected total benefit payments is detailed as follows:

	As at 31 December 2022	As at 31 December 2021
Within one year	61,439	43,694
1 – 2 years	52,148	43,631
2 – 3 years	73,362	47,717
3 – 4 years	79,455	58,713
4 – 5 years	67,688	78,230
Next 5 years	477,340	373,774
Total	811,432	645,759

The weighted average duration of the defined benefit obligation is 9 years, (31 December 2021:11.8 years).

22 Derivative financial instruments

	As at 31 December 2022	As at 31 December 2021
Obligations to acquire the remaining shares of Al-Bayroni	2,373,750	-
	2,373,750	-

A Joint Venture (JV) Agreement dated 04 December 1979 was signed between SABIC and TFC for the joint ownership of Al-Bayroni. Upon acquisition of SANIC in 2021, as detailed in Note 37, the JV agreement was novated from SABIC to SANIC with effect from 29 December 2022. Hence, the rights and obligations in the JV agreement was transferred to SANIC including the liability to acquire the remaining shares of Al-Bayroni upon termination of the JV agreement. The amount of liability in the form of forward contract transferred by SABIC amounting to Saudi Riyals 2.37 billion which is recorded in the current year as a non-current liability with adjustment in retained earnings. Subsequent changes in the fair value of the liability shall be recorded against the retained earnings.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

23 Trade payables

Trade payables is detailed as follows:

	As at 31 December 2022	31 December 2021
Trade accounts payable	66,030	14,382
Amounts due to related parties	678,867	155,484
	744,897	169,866

Trade payables are non-interest bearing and are settled within normal commercial terms.

The Group's exposure to currency and liquidity risk related to accounts payables is disclosed in Note 33.

24 Other liabilities

	As at 31 December 2022	31 December 2021
Accrued liabilities	457,773	508,322
Accrued liabilities due to related parties	189,963	174,568
Employees related liabilities	122,925	97,251
Miscellaneous items	6,216	517
	776,877	780,658

25 Revenue

Revenue is detailed as follows:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Sales of goods revenue*	18,430,087	9,591,975
Transportation services	550,743	-
	18,980,830	9,591,975

* Sale of goods revenue includes movement between provisional and final price related to provisional sales amounting to Saudi Riyals 160.8 million (2021: 1.2 billion).

There is no revenue that has been recognised in 2022 from performance obligations satisfied in previous years. All unfulfilled remaining performance obligations as at 31 December 2022 are expected to be satisfied in the following year.

Refer to Note 32 for the segment and geographical distribution of revenue.

26 Expenses

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

26.1 Cost of sales

Cost of sales is detailed as follows:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Changes in inventories of finished products, raw materials and consumables used	5,584,184	1,251,842
Depreciation and amortisation (Note 7,8 & 9)	783,206	801,483
Employee related costs	567,138	562,392
Logistic service-related costs	550,743	-
Write off of plant and equipment	-	91,870
Others	308,707	377,798
	7,793,978	3,085,385

26.2 Selling and distribution expense

Selling and distribution expenses is detailed as follows:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Transportation and shipping	207,059	193,130
Employee related expenses	41,603	-
Depreciation and amortisation (Note 7 and 8)	8,815	5,583
Others	27,279	6,376
	284,756	205,089

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

26 Expenses (continued)

26.3 General and administrative expense

General and administrative expenses is detailed as follows:

	For the year ended 31 December 2022	For the year ended 31 December 2021*
Employee related expenses	208,344	153,001
Administrative support	87,920	72,202
Depreciation and amortisation (Note 7,8 and 9)	59,448	54,401
Maintenance	26,792	16,508
Withholding tax expense	22,302	1,253
Amortisation of site development cost	32,101	11,999
Others	96,255	42,999
	533,162	352,363

* In respect of 2021 comparative year, refer to Note 38 for certain reclassifications made.

26.4 Research and development expense

Research and development expenses is detailed as follows:

	For the year ended 31 December 2022	For the year ended 31 December 2021*
Employee related expenses (i)	18,822	-
Depreciation of right-of use assets (i) (Note 8)	2,999	-
Maintenance (i)	2,660	-
Administrative support (i)	14,879	-
Corporate Technology and Innovation charges (T&I) (ii)	35,102	136,302
	74,462	136,302

* In respect of 2021 comparative year, refer to Note 38 for certain reclassifications made.

(i) In the current year, SABIC AN has assumed the role of marketer and responsibility for all research and development matters and expenses which were previous paid to SABIC as a corporate charge.

(ii) In the previous year, the Group was paying to SABIC a fixed percentage of revenue as research and development expense. In the current year, Technology and Innovation (T&I) agreement was signed resulting in a revised criterion lowering the expense of corporate T & I charges.

27 Finance income and cost

Finance income is detailed as follows:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Murabaha deposits	213,896	25,376
Interest income	-	1,009
Others	708	-
	214,604	26,385

Finance cost is detailed as follows:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Interest expense on loans and borrowings	-	1,999
Bank charges and others	2,882	4,625
Interest expense on lease liabilities (Note 20)	11,560	11,099
Interest expenses related to defined benefit plans (Note 21)	30,524	25,033
	44,966	42,756

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

27 Finance income and cost (continued)

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
Finance income		
- Income on conventional time deposits	-	1,009
- Others	708	-
Total conventional finance income	708	1,009
- Income on non-conventional Murabaha deposits	213,896	25,376
Total finance income	214,604	26,385
Finance cost		
- Conventional loans	-	1,999
- Lease liabilities (Note 20)	11,560	11,099
- Net interest on employee benefits (Note 21)	30,524	25,033
- Others	2,882	4,625
Total conventional finance cost	44,966	42,756
Total finance cost	44,966	42,756
Net conventional finance cost	(44,258)	(41,747)
Net non-conventional finance income	213,896	25,376
Net financial income (expense)	169,638	(16,371)

28 Other operating income (expenses)

Other operating income (expenses) is detailed as follows:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Dividend income	28,472	26,099
Foreign exchange gain (loss)	4,152	(1,435)
Donations expense	(6,813)	(22,840)
Other	18,490	(60,728)
	44,301	(58,904)

29 Zakat and income tax

The movement in the net zakat and income tax payable can be shown as follows:

	For the year ended 31 December 2022		
	Zakat	Income Tax	Total
At the beginning of the year	251,120	60,011	311,131
Provided during the year (Note 29.1 and 29.2)	334,265	104,115	438,380
Adjustment in respect of previous years	14,051	2,965	17,016
Paid during the year, net	(196,661)	(141,135)	(337,796)
At the end of the year	402,775	25,956	428,731

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

29 Zakat and income tax (continued)

	For the year ended 31 December 2021*		
	Zakat	Income Tax	Total
At the beginning of the year	62,748	-	62,748
Acquired in business combination (Note 37)	23,806	-	23,806
Provided during the year	197,914	101,704	299,618
Adjustment in respect of prior years	35,573	7,187	42,760
Paid during the year, net	(68,921)	(32,227)	(101,148)
Utilized against over payment	-	(16,653)	(16,653)
At the end of the year	251,120	60,011	311,131

* In respect of 2021 comparative year, refer to Note 38 for certain reclassifications made.

29.1 Zakat

The zakat is based on the consolidated financial statements of the Group. The zakat base is as follows:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Equity	20,348,564	14,953,585
Opening provision and other adjustments	1,411,590	1,302,666
Book value of long term assets	(18,617,412)	(15,076,719)
Zakat base	3,142,742	1,179,532
Adjusted income	10,127,280	6,585,300
Zakat expense on zakat base at the rate of 2.58%	81,083	30,432
Zakat expense on adjusted income at the rate of 2.5%	253,182	167,482
Total zakat expense in consolidated statement of income	334,265	197,914

Zakat returns of the Company and wholly owned as well as non-wholly owned subsidiaries are submitted to the ZATCA based on separate financial statements prepared for zakat purposes only.

SABIC AN:

The Company has filed its zakat returns with ZATCA, received the zakat certificates, settled the zakat dues up to the year ended 31 December 2021. SABIC AN cleared its zakat assessments with ZATCA up to the year ended 31 December 2017.

During the year 2020, the Company had received Zakat assessment for the year 2018 with additional Zakat liability amounting to Saudi Riyals 18.3 million for which it had recognised additional provision amounting to Saudi Riyals 8.3 million. Management had appealed the assessment and it believes that the result will be in favour of the Group.

During 2021, the Company had received Zakat assessment for the years 2019 and 2020 with additional Zakat liability amounting to Saudi Riyals 10.3 million for which it was fully provided for. Management had appealed the assessment and it believes that the result will be in favour of the Group.

Presently, the Company has appealed to the Tax Violation Dispute Appellate Committee (TVDAC) for the years 2018 to 2020 and is awaiting their final ruling. Zakat return for 2021 is still under ZATCA's review.

Ibn Al Baytar:

Zakat assessments have been finalised with the ZATCA up to 2018. Zakat returns for the years 2019 through 2021 have been submitted to the ZATCA. However, they are under the ZATCA's review.

Al-Bayroni:

Al-Bayroni has finalised its zakat and income tax assessments with the ZATCA up to 2014.

ZATCA issued zakat and tax assessments for the years 2015 through 2018 amounting to Saudi Riyals 23.1 million. Al-Bayroni recognized additional zakat provision of Saudi Riyals 6.2 million against such assessments. Al-Bayroni has filed an appeal to the Tax Violation Dispute Appellate Committee (TVDAC) which is still pending review and it believes that the result will be in favour of Al Bayroni.

Zakat returns for 2019, 2020 and 2021 have been submitted to the ZATCA, however, they are still under the ZATCA's review.

SANIC:

SANIC is in the process of filing its zakat returns for the years 2020 and 2021.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

29 Zakat and income tax (continued)

29.2 Income Tax

The major components of income tax in the consolidated statement of income and other comprehensive income is detailed as follows:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Current income tax		
Current year charge	104,115	101,704
Prior year adjustment	2,965	7,187
Deferred income tax		
Decrease in deferred tax liabilities	(237)	(1,509)
Total income tax expense reported in the consolidated statement of income	106,843	107,382
Effect of deferred tax on OCI	(201)	3,160
Total income tax expense reported in the consolidated statement of income and other comprehensive income	106,642	110,542

The following deferred income tax related items charged or credited directly to equity, and reported in the consolidated statement of other comprehensive income, is detailed as follows for the years ended 31 December:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Tax benefit (expense) on re-measurement of defined benefit plans	201	(3,160)
Decrease in deferred tax liability	237	1,509
Deferred income tax benefit (expense) recorded in other comprehensive income	438	(1,651)

The relationship between the domestic (Saudi Arabia) income tax expense and the effective tax expense is as follows for the years ended 31 December:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Income before zakat and income tax	10,916,304	5,980,435
Exclude: income subject to Zakat	(10,384,232)	(5,461,503)
Income subject to income tax (i)	532,072	518,932
Domestic income tax rate (KSA) (%)	20%	20%
Income tax at domestic tax rate	106,414	103,786
Tax effects of:		
- Temporary differences	(2,299)	(2,082)
- Deferred tax	(237)	(1,509)
- Prior year tax assessments	2,965	7,187
Total income tax expense in consolidated statement of income	106,843	107,382

- i) The income subject to tax income tax is based on the foreign shareholder's percentage of 50% (2021: 50%) of the income from Al-Bayroni
- ii) The effective income tax rate on the income subject to income tax is 20.1% (2021: 20.7%).
- iii) Increased profitability of the Group and increases of various reserves for uncertain zakat positions have contributed to a higher zakat expense.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

29 Zakat and income tax (continued)

29.2 Income Tax (continued)

The deferred income tax liabilities presented in the consolidated statement of financial position are as follows:

	As at 31 December 2022	As at 31 December 2021
Deferred income tax assets	-	-
Deferred income tax liabilities	55,395	55,833
	55,395	55,833

Components of deferred income tax are as follows:

	Consolidated statement of financial position		Consolidated statement of income	
	2022	2021	2022	2021
- Tangible and intangible assets	596,352	590,424	59,635	59,042
Deductible temporary differences				
-Employee benefits	(2,781)	(7,432)	(278)	(743)
-Provisions on inventories	(39,618)	(24,664)	(3,962)	(2,466)
	553,953	558,328	55,395	55,833
Set-off with deferred income tax assets	-	-	-	-
Net taxable temporary differences	553,953	558,328	55,395	55,833

	For the year ended 31 December 2022	For the year ended 31 December 2021
Opening balance	55,833	54,182
Changes during the year	(237)	(1,509)
Effect of deferred tax on OCI	(201)	3,160
	55,395	55,833

The Group offsets tax assets and liabilities, if, and only if, it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred to income taxes levied by the same tax authority.

The ultimate realisation of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considered the scheduled reversal of deferred income tax liabilities, projected future taxable income and tax planning strategies in making this assessment.

30 Basic and diluted earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares during the year.

Diluted earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

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 income attributable to equity holders of the Parent (Saudi Riyals '000)	10,036,764	5,228,016
Weighted average number of ordinary shares ('000)	476,035	476,035
Earnings per share from net income attributable to equity holders of the Parent (Saudi Riyals)	21.08	10.98

There are no instruments that have diluted the weighted average number of ordinary shares.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

31 Related party transactions and balances

Interests in subsidiaries are set out in Note 1.

Related parties represent the ultimate parent company, parent company, shareholders, associated companies, key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties.

The following is the list of the major related parties of the Group:

Details	Nature of relationship
Saudi Arabian Oil Company ("Saudi Aramco")	Ultimate parent company
Saudi Basic Industries Corporation ("SABIC")	Controlling shareholder and Parent Company
SABIC associates	Entities where SABIC has significant influence
SABIC affiliates	Entities where SABIC has control
TFC	Non-controlling interest in Al-Bayroni

The following table provides the significant transactions that have been entered into with related parties during the year ended 31 December 2022 and 2021, as well as balances with related parties as of those dates:

	For the year ended 31 December 2022		As at 31 December 2022	
	Sales to related parties	Purchases, shared services charges, T&I and other charges	Amounts owed by related parties	Amounts owed to related parties
SABIC	876,447	(280,038)	123,184	(207,403)
SABIC associates	-	(4,416,433)	-	(395,144)
SABIC Affiliates	9,632,906	(601,063)	882,939	(9,127)
Saudi Aramco	-	(711,498)	-	(67,193)
TFC	-	-	41,263	-

	For the year ended 31 December 2021		As at 31 December 2021	
	Sales to related parties	Purchases, shared services charges, T&I and other charges	Amounts owed by related parties	Amounts owed to related parties
SABIC	9,681,844	(1,673,333)	2,314,540	(81,281)
SABIC Affiliates	6,177	(361,030)	8,593	(49,719)
Saudi Aramco	-	(724,297)	-	(24,484)
TFC	210,483	-	197,116	-

- The Group has a service level agreement with SABIC (Shared Services Organization - SSO) for the provision of accounting, human resources, information technology (ERP/SAP), engineering, procurement and related services.
- Effective 01 January 2022, the Group's annual contribution to SABIC for technology and innovation is based on a cost allocation basis based on the employees' headcount which is charged to general and administrative expenses in the consolidated statement of income and other comprehensive income.
- All petrochemical products revenue are made to SABIC under marketing agreements. See Note 32.
- Revenue of the Group includes sales of Saudi Riyals 80.3 million as part of the off-take agreement with TFC.
- Outstanding balances at 31 December 2022 and at 31 December 2021 are unsecured, interest free and to be settled in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2022, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (31 December 2021: Nil). This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.
- The Group had short term Murabaha deposits placed with SABIC with original maturity of three months or less from the date of acquisition amounting to Saudi Riyals 340 million as at 31 December 2021. Such deposits are classified as cash and cash equivalents. There are no deposits placed with SABIC treasury as at 31 December 2022.
- The Group had short term Murabaha deposits placed with SABIC with original maturity of more than three months and less than twelve months from the date of acquisition amounting to Saudi Riyals 365 million as at 31 December 2021. Such deposits are classified as short-term investments - bank deposits in the consolidated statement of financial position. There are no such deposits placed with SABIC treasury as at 31 December 2022.
- Accrued liabilities (Note 24) include accrued expenses against related party charges amounting to Saudi Riyals 190 million as of 31 December 2022. (31 December 2021: Saudi Riyals 174.6 million)
- Other assets and receivables (Note 12) include employee benefits receivables from SABIC amounting to Saudi Riyals 148.9 million as at 31 December 2022 (31 December 2021: Nil)
- The Company has signed an asset transfer agreement during the year for the transfers of certain patents and trademarks from SABIC to the Company. The patents recorded in the books of the Group for the year ended 31 December 2022 amounts to Saudi Riyals 25.5 million.
- As disclosed in Note 22, the Group has assumed the obligation to buy the remaining shares of Al-Bayroni from TFC upon the termination of the JV agreement which is novated to SANIC effective from 29 December 2022. Hence, SABIC has transferred the derivative financial instrument liability amounting to Saudi Riyals 2.4 billion to the Group.
- The Group has opted for the exemption under IAS 24 for disclosing related party transactions for entities where government has control or joint control, or significant influence considering the insignificance of such transactions.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

31 Related party transactions and balances (continued)

Key management personnel compensation

In addition to remunerations to key management personnel, the Group also provides non-cash benefits to directors and executive officers, and contributes to a post-employment defined benefit plan on their behalf. Remuneration of key management can be shown as follows:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Short-term employee benefits	28,671	8,430
Post-employment benefits	13,543	3,170
Total	42,214	11,600

32 Segment information

For management purposes, the Group is organised into two Strategic Business Units ("SBU"), which, based on its products, are grouped in two reporting segments (Agri-Nutrients and Petrochemicals).

The **Agri-Nutrients** SBU consists of range of fertiliser products; including urea, ammonia, phosphate, as well as compound fertilisers.

The **Petrochemicals** SBU consists of chemicals which are produced from hydrocarbon feedstock into a range of products including 2EH (2-ethylhexanol) and DOP (di-Octyl Phthalate).

Based on a management decision and in line with management reporting, the income and expenses relating to the Corporate segment, have been allocated over the Petrochemicals and Agri-nutrients SBUs according to an internally agreed consistent basis. The performance of the SBUs is reviewed internally by the Chief Operating Decision Maker ("CODM") (i.e. the Board of Directors) based on the statement of income only. Assets and liabilities are not included in the measures used by the CODM, hence segment assets and liabilities are not reported in the below segment disclosure. All operating assets of the Group are located in the Kingdom of Saudi Arabia. All intercompany transactions within the reporting segments have been appropriately eliminated.

Revenues of approximately Saudi Riyals 9.6 billion for the year ended 31 December 2022 were derived from two related party customers (31 December 2021: Saudi Riyals 9.7 billion were derived from 'SABIC'). See related party Note 31.

All intercompany transactions within the reporting segments have been appropriately eliminated. The segments' financial details are shown below:

	For the year ended 31 December 2022		
	Petrochemicals	Agri-nutrients	Consolidated
Revenue	785,094	18,195,736	18,980,830
Depreciation and amortisation	(58,513)	(828,056)	(886,569)
Income from operations	208,173	10,130,178	10,338,351
Share of results of non-integral associate	-	408,315	408,315
Finance income	1,766	212,838	214,604
Finance cost	(1,550)	(43,416)	(44,966)
Income before zakat and income tax	208,389	10,707,915	10,916,304

	For the year ended 31 December 2021		
	Petrochemicals	Agri-nutrients	Consolidated
Revenue	1,059,867	8,532,108	9,591,975
Depreciation and amortisation	(53,893)	(836,164)	(890,057)
Write off of plant and equipment	-	(91,000)	(91,000)
Income from operations	596,345	5,157,587	5,753,932
Share of results of a non-integral associate	-	242,874	242,874
Finance income	77	26,308	26,385
Finance cost	(303)	(42,453)	(42,756)
Income before zakat and income tax	596,119	5,384,316	5,980,435

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

32 Segment information (continued)

Geographical distribution of revenue

	For the year ended 31 December 2022	
	Amount	%
United states of America	3,844,021	20%
Bangladesh	1,057,196	6%
India	3,675,188	19%
Kingdom of Saudi Arabia	2,340,603	12%
Singapore	6,181,747	33%
Others	1,882,075	10%
	18,980,830	100%

The revenue information above is based on the locations of the customers.

During 2022, the Group has sold products to SABIC as well as directly to the customers located inside and outside of the Kingdom of Saudi Arabia. In 2021, almost all of the Group's products were sold to SABIC in the Kingdom of Saudi Arabia. Accordingly, segmental analysis by geographic segment has not been presented for the year 2021.

33 Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

33 Financial risk management (continued)

33.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities. The maximum exposure to credit risk is the carrying value of these assets.

The Group's policies limit the amount of credit exposure to any individual counterparty based on their credit rating as well as other factors. Moreover, the Group's policies require that cash and cash equivalents and short-term investments be invested with a diversified group of financial institutions, in the majority of cases with investment grade credit ratings. The group ensures that each counterparty is of an acceptable credit quality by relying on quantitative and qualitative measures compiled from internal and third party rating models.

	A+	A	A-	BBB+	Other	Carry value in the statement of financial position 31 December 2022
Cash and cash equivalents	-	2,295,000	4,096,070	2,227,057	-	8,618,127
Short term investments	-	-	207,000	4,156,000	-	4,363,000
Trade receivables	1,006,123	-	-	-	1,554,841	2,560,964
Financial asset at FVOCI	-	-	-	-	394,805	394,805
	1,006,123	2,295,000	4,303,070	6,383,057	1,949,646	15,936,896

	A+	A	A-	BBB+	Other	Carry value in the statement of financial position 31 December 2021
Cash and cash equivalents	340,000	790,000	967,010	2,697,618	500,158	5,294,786
Short term investments	365,000	-	-	200,000	-	565,000
Trade receivables	2,323,133	-	-	-	197,336	2,520,469
Financial asset at FVOCI	-	-	-	-	651,997	651,997
	3,028,133	790,000	967,010	2,897,618	1,349,491	9,032,252

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

33 Financial risk management (continued)

33.1 Credit risk (continued)

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly in the currently deteriorating economic circumstances. Also, geographically there is no concentration of credit risk.

The Group trades only with recognised, credit worthy third parties and related parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Credit quality of the customer is assessed based on an extensive credit rating scorecard. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers using an internal and external rating criteria. Credit quality of the customer is assessed based on a credit rating scorecard. Outstanding customer receivables are regularly monitored.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

The Risk Management Committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases, bank references. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Risk Management Committee; these limits are reviewed quarterly. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

33.2 Liquidity risk

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

Management also monitor its risk to a shortage of funds using forecasting models to model impacts of operational activities on overall liquidity availability. The Group invests surplus cash in current accounts and time deposits, ensuring instruments with appropriate maturities or sufficient liquidity to meet forecasted cash flow requirements. The Group prioritizes security and liquidity over yield.

The table below summaries the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	31 December 2022			Total
	Within 1 year	Between 1-5 years	More than 5 years	
Trade payables	744,897	-	-	744,897
Lease liabilities	33,970	96,146	137,345	267,461
Dividend Payable	323,349	-	-	323,349
Derivative financial instruments	-	-	2,373,750	2,373,750
Other liabilities	260,685	-	-	260,685
	1,362,901	96,146	2,511,095	3,970,142

	31 December 2021			Total
	Within 1 year	Between 1-5 years	More than 5 years	
Trade payables	169,866	-	-	169,866
Lease liabilities	31,147	104,660	144,233	280,040
Dividend Payable	171,771	-	-	171,771
Other liabilities	308,759	-	-	308,759
	681,543	104,660	144,233	930,436

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

33 Financial risk management (continued)

33.3 Market risk

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

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

Equity price risk

The Group's exposure to equity securities price risk arises from investments held by the Group and classified as financial assets at FVOCI.

The effect on financial assets at FVOCI due to change in price by 10%, with all other variables held consistent, is Saudi Riyals 39.5 million (2021: Saudi Riyals 65.2 million). Other components of equity would increase/decrease as a result of these fluctuations.

Exchange rate risk

The Group's foreign currency risk management objective is to protect future cash flows in Saudi Riyals and in USD. Cash flow foreign currency risk exposures are considered at the group level and these primarily consist of currency exchange risks from account payables and receivables. The Group's management centrally manage currency risk and monitor currency exposures through applying a value-at-risk (VaR) methodology which is based on a Monte Carlo simulation, at a 97.5% confidence level, a 12-month time horizon is considered. When managing currency risk the Group assumes all capital expenditure is in USD and EUR exposures are reflected in the sales price, with an appropriate holding period. If a foreign currency exposure breaches certain thresholds then the Group will apply risk management activities. There is no exposure of Saudi Riyals to USD, as the Saudi Riyal is pegged to the USD.

34 Capital management

The primary objective to the Group's capital management is to support its business and maximise shareholder value.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group manages its capital structure and makes adjustments to it, in light of change in economic conditions. The Board of Directors monitors the return on capital, which the Group defines as result from operating activities divided by total shareholders' equity, and non-controlling interests. There were no changes in the Group's approach to capital management during the year. The Board of Directors also monitors the level of dividends to ordinary shareholders and capital management. Neither the Group nor any of its subsidiaries are subject to externally imposed capital requirements.

The Group's has negative net debt as at 31 December 2022 and 2021 as follows:

	As at 31 December 2022	As at 31 December 2021
Total liabilities	6,086,708	2,825,888
Less: Cash and cash equivalents	(8,618,127)	(5,294,786)
Net debt	(2,531,419)	(2,468,898)

34.1 Compliance with covenants

The Group does not have any borrowing and is not subject to any covenants.

35 Commitments and contingencies

35.1 Commitments

At 31 December 2022, the Group had commitments of Saudi Riyals 778 million (31 December 2021: Saudi Riyals 585.3 million) relating to capital expenditures.

The Group has an equity purchase commitment towards ETG Inputs Holdco Limited for acquisition of 49% of its share capital. As of 31 December 2022, the outstanding commitment toward this investment amounts to Saudi Riyals 1,200 million (31 December 2021: Nil). Refer Note 39.

The Group also has lease arrangements with Royal Commission for Jubail and Yanbu (refer Note 8) where the Group is obliged to restore the land to its original condition by the end of the lease term as per the terms of the agreement.

35.2 Contingent liabilities

The Group is subject to risks related to legal and regulatory frameworks. These may include product liability, competition and anti-trust law, export control, data protection, patent law, procurement law, tax legislation and environmental protection. Furthermore, litigation and regulatory proceedings are unpredictable, and legal or regulatory proceedings in which the Group is or becomes involved (or settlements thereof) could result in substantial penalties, which may give rise to significant losses, costs and expenses. Such losses, costs and expenses may not be covered, or fully covered, by insurance benefits. Violation of such legal or regulatory laws may result in civil or criminal penalties, effect on reputation and/or other adverse financial consequences on the Group.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

35 Commitments and contingencies (continued)**35.2 Contingent liabilities (continued)**

In the ordinary course of business, the Group has several legal claims. After having obtained appropriate legal advice, management is of the opinion that these claims will not have a significant adverse impact on the financial position of the Group or its future results, other than those that have been accrued for.

The Group's bankers have issued, on its behalf, bank guarantees amounting to Saudi Riyals 208 million (31 December 2021: Saudi Riyals 19 million) in the normal course of business

36 Appropriation of net income and dividends distributions

	For the year ended 31 December 2022	For the year ended 31 December 2021
Dividends declared attributable to the shareholders of the Company	3,332,248	1,071,080
Dividends declared attributable to the non-controlling interest	920,000	200,000
Total	4,252,248	1,271,080

Dividends attributable to the shareholders of the Company*i) During the year ended 31 December 2022*

- On 25 Jamada 1 1444H (corresponding to 19 December 2022), the Board of Directors approve to distribute an interim cash dividend amounting to Saudi Riyals 8 per share (Saudi Riyals 3,808 million in total) for the second half of 2022. The proposed dividends are subject to approval by the General Assembly and have not been included as a liability in these consolidated financial statements.
- On 29 Dhul Qa'adh 1443H (corresponding to 28 June 2022), the Board of Directors approved to distribute an interim cash dividend amounting to Saudi Riyals 4 per share (Saudi Riyals 1,904 million in total) for the first half of 2022. Dividends were available for distribution to shareholders on 03 Muharram 1444H (corresponding to 01 August 2022).
- On 15 Jamada 1 1443H (corresponding to 19 December 2021), the Board of Directors recommended to distribute an interim cash dividend amounting to Saudi Riyals 3 per share (Saudi Riyals 1,428 million in total) for the second half of 2021. This was approved by the General Assembly in the extra ordinary meeting held on 12 Ramadan 1443H (corresponding to 13 April 2022). Dividends were available for distribution to shareholders on 26 Ramadan 1443H (corresponding to 27 April 2022).

ii) During the year ended 31 December 2021

- On 3 Dhul Qa'adah 1442H (corresponding to 13 June 2021), the Board of Directors approved to distribute an interim cash dividend amounting to Saudi Riyals 1.25 per share (Saudi Riyals 595 million in total) for the first half of 2021. Dividends were available for distribution to shareholders on 4 Dhul Hijjah 1442H (corresponding to 14 July 2021).
- On 29 Rabia II 1442H (corresponding to 14 December 2020), the Board of Directors recommended to distribute an interim cash dividend amounting to Saudi Riyals 1.0 per share (Saudi Riyals 476 million in total) for the second half of 2020. This was approved by the General Assembly in their extraordinary meeting held on 29 Sha'aban 1442H (corresponding to 11 April 2021). Dividends were available for distribution to shareholders on 13 Ramadan 1442H (corresponding to 25 April 2021).

Dividends attributable to the non-controlling interest*i) During the year ended 31 December 2022*

- On 5 Jamada II 1444H (corresponding to 29 December 2022), the Board of Directors of Al-Bayroni approved to distribute final interim dividends for the year ended 31 December 2022 amounting to Saudi Riyals 190 million (Saudi Riyals 95 million to each Partner). Dividends were available for distribution to the Partners on 16 Jamada II 1444H (corresponding to 9 January 2023).
- On 30 Safar 1444H (corresponding to 26 September 2022), the Board of Directors of Al-Bayroni approved to distribute interim dividends for the period ended 30 September 2022 amounting to Saudi Riyals 500 million (Saudi Riyals 250 million to each Partner). Dividends were available for distribution to the Partners on 10 Rabi Al Awwal 1444H (corresponding to 6 October 2022).
- On 22 Dhul Qa'adh 1443H (corresponding to 21 June 2022), the Board of Directors of Al-Bayroni approved to distribute dividends for the first half of 2022 amounting to Saudi Riyals 400 million (Saudi Riyals 200 million to each Partner). Dividends were available for distribution to the Partners on 01 Dhul Hijjah 1443H (corresponding to 30 June 2022).
- On 11 Shaban 1443H (corresponding to 14 March 2022), the Board of Directors of Al-Bayroni approved to distribute dividends for the year ended 31 December 2021 amounting to Saudi Riyals 750 million (Saudi Riyals 375 million to each Partner). Dividends were available for distribution to the Partners on 14 Ramadan 1443H (corresponding to 15 April 2022).

ii) During the year ended 31 December 2021

- On 20 Rajab 1442H (corresponding to 4 March 2021), the Board of Directors of Al-Bayroni approved to distribute dividends for the year ended 31 December 2020 amounting to Saudi Riyals 400 million (Saudi Riyals 200 million to each partner). Dividends were available for distribution to the partners on 2 Ramadan 1442H (corresponding to 14 April 2021).

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

37 Acquisition of a subsidiary

On 20 Jumada' I 1442H (corresponding to 4 January 2021), the Company issued 59,368,738 additional shares to SABIC as a consideration for the Company's acquisition of 100% of the share capital of SANIC from SABIC. The issuance of additional shares resulted in share premium as follows:

The total value of shares at Saudi Riyals 77.35 per share which had been valued as the weighted average price per share over the 3 month period ended 19 December 2019	4,592,172
Total par value of the additional shares issued at Saudi Riyals 10 each	(593,687)
Share premium as a result of additional shares issued	3,998,485

As a result of acquisition of SANIC, the Company has gained a further indirect 50% controlling equity interest in Ibn Al Baytar, an indirect 50% controlling equity interest in Al-Bayroni and an indirect 33.33% equity interest in Gulf Petrochemical Industries Company ("GPIC") which were owned by SANIC. Non-controlling interest in Al-Bayroni is held by TFC.

Post issuance of these additional shares to SABIC, the Company's shares were owned at that time 50.1% by SABIC, 7.74% by the General Organization for Social Insurance, and the remaining shares were owned by general public shareholders.

The value of the transaction and the net assets acquired were as follows:

Assets	
Property, plant and equipment	3,357,663
Right-of-use assets	76,352
Intangible assets	12,293
Investment in an associate	644,339
Other assets and receivables – non-current	31,751
Inventories	346,310
Trade receivables	349,437
Other assets and receivables - current	79,541
Short term investments	167,800
Cash and cash equivalents	712,309
Total assets:	5,777,795
Liability	
Trade payables	(112,032)
Short-term loans	(100,128)
Lease liabilities	(76,592)
Accruals and other current liabilities	(269,161)
Zakat and income tax payable	(23,806)
Employees' benefits	(12,017)
Deferred tax liabilities	(54,182)
Total liabilities	(647,918)
Total identifiable net assets	5,129,877
Less: existing 50% ownership in Ibn Al Baytar	(792,271)
Less: non-controlling interest (50% of Al-Bayroni)	(1,237,381)
Value of net assets acquired	3,100,225
Less value of transaction	(4,592,172)
Excess of the value of transactions over net assets acquired accounted for in retained earnings*	(1,491,947)

* Pursuant to SOCPA circular dated 26 Safar 1436 H (corresponding to 18 December 2014) on the accounting treatment of business combination of entities under common control before the business combination, the net assets acquired are accounted for at their book values at the date of the acquisition, and goodwill may not be recognized in such cases.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

38 Reclassification in comparative numbers

During 2022, the Group assessed 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.

	As previously reported	Amount of reclassification	Reclassified amounts
Consolidated statement of financial position			
As at 31 December 2021			
Cash and cash equivalents (i)	5,230,912	63,874	5,294,786
Total current assets	9,280,741	63,874	9,344,615
Total assets	19,789,274	63,874	19,853,148
Employee benefits (i)	1,094,370	(46,751)	1,047,619
Total non-current liabilities	1,306,987	(46,751)	1,260,236
Current portion of employee benefits (i)	-	110,625	110,625
Zakat and income tax payable (ii)	311,131	(311,131)	-
Income tax payable (ii)	-	60,011	60,011
Zakat payable (ii)	-	251,120	251,120
Total current liabilities	1,455,027	110,625	1,565,652
Total liabilities	2,762,014	63,874	2,825,888
Other reserves (iii)	-	492,641	492,641
Retained earnings (iii)	4,884,114	(12,912)	4,871,202
Fair value reserve of financial assets at FVOCI (iii)	479,729	(479,729)	-
Total equity and liabilities	19,789,274	63,874	19,853,148
As at 1 January 2021			
Cash and cash equivalents (i)	465,461	63,749	529,210
Total current assets	2,713,559	63,749	2,777,308
Total assets	9,994,777	63,749	10,058,526
Employee benefits (i)	1,092,148	(36,288)	1,055,860
Total non-current liabilities	1,195,061	(36,288)	1,158,773
Current portion of employee benefits (i)	-	100,037	100,037
Total current liabilities	639,107	100,037	739,144
Total liabilities	1,834,168	63,749	1,897,917
Other reserves (iii)	-	359,623	359,623
Retained earnings (iii)	2,309,767	74,552	2,384,319
Fair value reserve of financial assets at FVOCI (iii)	434,175	(434,175)	-
Total equity and liabilities	9,994,777	63,749	10,058,526
Consolidated statement of income			
For the year ended 31 December 2021			
General and administrative expense (iv)	488,665	(136,302)	352,363
Research and development expense (iv)	-	136,302	136,302
Other operating income (expense) (v)	-	(58,904)	(58,904)
Income from operations	5,812,836	(58,904)	5,753,932
Other operating income (expense) (v)	-	(58,904)	(58,904)
Consolidated statement of cash flows			
For the year ended 31 December 2021			
Increase in current portion of employee benefits (i)	-	10,588	10,588
Increase in other liabilities (i)	227,042	(10,463)	216,579
(Increase) in other assets and receivables (vi)	(56,362)	(15,301)	(71,663)
Finance income received (vi)	-	26,385	26,385
Net cash generated from operating activities	5,107,645	11,209	5,118,854
Finance income received (vi)	26,385	(26,385)	-
(Decrease) in other assets and receivables (vi)	(15,301)	15,301	-
Net cash generated from investing activities	317,437	(11,084)	306,353
Increase in cash and cash equivalents	4,053,142	125	4,053,267
Cash and cash equivalents at the beginning of the year (i)	465,461	63,749	529,210
Cash and cash equivalents at the end of the year (i)	5,230,912	63,874	5,294,786

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

38 Reclassification in comparative numbers (continued)

- (i) The Group offers savings plans to its employees based in KSA. Employee contributions to the plan are made to dedicated bank accounts managed by the Group. As these cash balances do not meet the definition of plan assets under IAS 19 'Employee Benefits', the Group has reclassified the cash balances and related employee saving obligations and presented them on a gross basis as current asset and current liability. The cash balance which has been reclassified amounts to Saudi Riyals 63.9 million. The liability which has been reclassified to current liabilities amounts to Saudi Riyals 110.6 million. The impact of the same on the balances as at 01 January 2021 has also been reflected in the note above.
- (ii) Zakat and income tax payable has been split into separate financial statements line items segregating the total zakat and income tax payable amounting to Saudi Riyals 311.1 million into income tax payable amounting to Saudi Riyals 60 million and zakat payable amounting to Saudi Riyals 251.1 million as at 31 December 2021. The said reclassification does not have any impact on balances as at 01 January 2021 as the Group had no income tax liability as of that date.
- (iii) The Group reclassified the remeasurement gain/loss reserve on defined benefit plans from retained earnings to 'other reserves'. Also, the Group reclassified the revaluation reserve of equity instruments carried at FVOCI from "Fair value reserve of financial assets at FVOCI" as presented in prior years to "other reserves". Accordingly, the other reserves amounting to Saudi Riyals 492.6 million comprises of Saudi Riyals 12.9 million in respect of actuarial gain/loss reserve on defined benefit plans and Saudi Riyals 479.7 million in respect of revaluation reserve for equity instruments carried at FVOCI as at 31 December 2021. The impact of the same on the balances as at 01 January 2021 has also been reflected in the note above.
- (iv) The Group reclassified the research and development expenses amounting to Saudi Riyals 136.3 million from 'general and administrative expense' into a separate line 'research and development expense' on the face of the consolidated statement of income in order to provide more transparent presentation and to align with industry best practices in terms of visibility of the Group's effort on research, development and sustainability respective expenses.
- (v) As part of the IASB Primary Financial Statements project, 'other operating income and expense' was identified as subject to different interpretations. In accordance with international practice and based on the Group's reassessment, 'other operating income and expense' amounting to Saudi Riyals 58.9 million, have been categorized as operating activities and presented within 'income from operations' in the comparative consolidated statement of income.
- (vi) The Group reclassified the change in other assets and receivables (non-current portion) and finance income received amounting to Saudi Riyals 15.3 million and 26.4 million, respectively, from investing to operating activities in the consolidated statement of cash flows. The reclassification has a total net increase of Saudi Riyals 11million in the cash generated from operating activities.

39 Other Information

The Company has signed a binding agreement to acquire 49% of the share capital of ETG Inputs Holdco Limited for an enterprise value of Saudi Riyals 1.2 billion. The transaction is subject to obtaining the required regulatory approvals and other terms and conditions of the acquisition agreement. The Company had originally expected that the financial impact of the transaction would appear during the last quarter of the current year. However, the Company is still working to obtain the required regulatory approvals to complete the transaction as per the requirements of the Shareholder Purchase Agreement (SPA) and expects that the financial impact of the transaction will appear during the first half of the fiscal year ended 31 December 2023.

On 28 Dhul Hijah 1443H (corresponding to 27 July 2022), the Company and Saudi Agricultural and Livestock Investment Company (SALIC) have signed a Memorandum of Understanding to jointly explore global commercial and innovation opportunities to help ensure food security and address growing environmental challenges. There is no impact on the consolidated financial statements of the Group as of 31 December 2022.

40 Subsequent events

In the opinion of management, there have been no subsequent events since the year ended 31 December 2022 which would have a material impact on the financial position of the Group as reflected in these consolidated financial statements.