Continuously transforming

ANNUAL REPORT 2021

Sahara International Petrochemical Company (Sipchem)

Contents

Sahara International Petrochemical Company (Sipchem)

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بسم الله الرحمن الرحيم

In The Name of Allah the Most Compassionate, the Most Merciful

VISION رؤيــــة

2030

المملكة العربية السعودية

KINGDOM OF SAUDI ARABIA

“Since the announcement of our wise government, under the leadership of the Custodian of the Two Holy Mosques, King Salman bin Abdulaziz Al Saud and His Royal Highness Prince Mohammed bin Salman Al Saud, The Crown Prince, Deputy Prime Minister and Minister of Defense, the Transition Program 2020 and the vision of the Kingdom of Saudi Arabia 2030, Sipchem has been working in a fast pace to keep abreast of the Kingdom’s economic development and its direction of promoting sustainable economic resources in the interests of the nation, which will result in diversification of its investments and the excellence of its products supported by the researches conducted through its scientific research centre”.

The Custodian of the Two Holy Mosques
King Salman bin Abdulaziz Al Saud
King of the Kingdom of Saudi Arabia

His Royal Highness
Prince Mohammed bin Salman bin Abdulaziz Al Saud
Crown Prince, Deputy Prime Minister and Minister of Defense

Profile

As one of the leading and most ambitious petrochemical companies in the world, Sipchem strives to deliver excellence through our sustainable, high-quality polymer and petrochemical products.

Our consistent growth and success since Sipchem's inception in 1999 have enabled us to achieve a market presence spanning more than 100 countries with over 15 products and 1,442 employees from 27 nationalities. One of the major milestones in our journey has been the merger of Saudi International Petrochemical Company and Sahara Petrochemical Company in 2019 to form a stronger national entity.

Today, our assets are worth $6.3 billion, and our market value is around $5.3 billion. We are listed on Tadawul and included in the MSCI Emerging Markets Index. Our business strategy is fully aligned with Saudi Vision 2030, and we are proud to have been recognized as one of the top 100 companies in Saudi Arabia under the $1.3 trillion Shareek private sector investment program.

1 Driving innovation
OUR PEOPLE

2 Connecting expertise
OUR PARTNERS

3 Enabling possibilities
OUR CUSTOMERS

4 Enhancing daily lives
OUR COMMUNITY

Vision, Mission and Values

Our Vision

To be a recognized leader in growth, excellence and partnerships in the chemicals industry.

Our Mission

To continuously create value through sustainable, innovative and quality products relying on our growing capabilities and motivated employees.

Our Values

Passion

We are driven by the passion to make a positive impact on the world, every day.

Courage

Powered by the courage to forever challenge assumptions, we deliver real change based on our convictions.

Higher Efficiencies

We are resourceful and innovative by instinct and are committed to the judicious use of our assets.

Momentum

Our teams are unified by the spirit of collaboration, which creates the momentum that resonates internally and with our partners.

Operational Highlights

Diversified growing product portfolio

Our consistent growth and success since Sipchem's inception in 1999 have enabled us to achieve a market presence spanning more than 100 countries.

100

Our market presence span over more than 100 countries worldwide.

Effective employee engagement

Enriching the Kingdom's human capital by providing our workforce with multiple avenues for capacity building, skills acquisition, and enhancing motivation and productivity.

83%

of our workforce consists of highly trained Saudi Nationals.

Visionary community program

Sipchem Cares is a dedicated platform that organizes and implements all the existing and upcoming community support activities of Sipchem, covering Entrepreneurship, Healthcare, Education, Social, Sports & Cultural Programs, including Environmental and Volunteering.

During 2021, the total number of beneficiaries from our programs exceeded more than

350,000

Conscious of our environmental obligations

As a responsible organization, we are committed to achieving continuous improvement in our environmental performance and to safeguarding the health and safety of our employees, and the surrounding communities where we operate. .

100%

We only use plastic pallets manufactured from 100% recycled plastic for the transportation of our polymer products.

Financial Highlights

In 2021, Sipchem's existing manufacturing facilities produced 4,042 million metric tons. Net income amounted to SAR 3,592 Million in 2021 compared with SAR 176 Million in 2020 with an increase of 1,942%. The reason of increasing profits of the Company during this year compared to the previous year is attributed to an increase of sales revenues and operational profits as a result of the increasing prices of feedstock materials as butane, ethanol, ethylene and propane, as well as the company's share in the profit (loss) of investment in a joint venture and associates, where profits were 530.8 Million Riyals for 2021, compared to a loss of 33.8 million Riyals in 2020.

3,591
Net profit
Million Saudi Riyal

9,981
Gross Revenue
Million Saudi Riyal

15,695
Shareholders' Equity
Million Saudi Riyal

4.94
Earnings per share
Saudi Riyal

Chairman’s Statement

“Sipchem adopted a special strategy to deal with unprecedented circumstances, placing the safety of all of our employees as a top priority, while ensuring business progress through more flexible management methods.”

“The selection of Sipchem by Shareek Program as one of the most prominent national Companies was a culmination of relentless efforts made by every Sipchem team member”

Dear Shareholders of Sahara International Petrochemical Company (Sipchem)

May Peace, Mercy and Blessings of Allah be upon you,

With confident strides, Sipchem continues its journey towards success and excellence, as 2021 witnessed significant successes by the company, which was able to survive the repercussions of the COVID-19 Pandemic that is still casting shadows on global markets, although with lesser impacts than those of 2020, thanks to God.

Such successes were not limited to revenues, but included the expansion into global markets, thanks to the high quality of the products of Sipchem, which enabled the company to continue its work in an uninterrupted manner. The selection of Sipchem by Shareek Program as one of the most prominent national Companies was a culmination of relentless efforts made by every Sipchem team member. Such progress would not have been possible without the strong support of our Wise Leadership to the public sector and us, as part of the Kingdom 2030 Vision.

In an effort to support local industries, the Saudi Government has launched several economic and development programs, including the National Companies Promotion Program (NCPP), the National Strategy for Industry and the Saudi Green Initiative to provide Saudi Companies with the opportunity to stand out globally. Such efforts place a hefty task on us to provide support for the national economy and achieve the objectives of our shareholders and stakeholders.

Furthermore, the advanced administrative approaches, which have been embraced by the Company, played an important role in achieving excellence, thanks to the adoption of the policies of governance, values of accountability, attraction of best qualified human resources, acceleration of digitalization, and the enhancement of efficiency of spending on funding and loan expenditures.

Sipchem will continue its unique journey to assume a higher and more prominent stature that meets our aspirations, driven by the efforts of the members of our working team, who continue endeavors that will enable us to implement our plans, realize our visions, and turn aspirations into reality with their dedication and commitment.

On behalf of my colleagues, members of the Board of Directors, I would like to present to you this Annual Report of the Fiscal Year ending 31st of December 2021, which contains an overview of the performance and efforts of the Company during the year. I would also like to take this opportunity to express, on my own behalf and on behalf of the Board of Directors, our deepest thanks and gratitude to the Custodian of the Two Holy Mosques King Salman bin Abdulaziz - May Allah Protect him - and HRH Crown Prince Mohammad bin Salman bin Abdulaziz- May Allah Protect him - for saving no effort to provide our beloved country and its people with the prosperity and welfare they deserve.

The Board of Directors also would like to express deepest thanks to all the shareholders for their trust and longstanding interest in Sipchem's continued success. We also commend the sincere efforts of the Executive Management and all employees at all levels, who worked as a team through difficult circumstances and challenges to maintain such outstanding achievements and performance.

Khalid A. Al-Zamil
Chairman

CEO's Statement

Capitalizing on a world of opportunities

With firm steps and unyielding determination, we continue our journey at Sipchem - as a leading Saudi company in the global petrochemical sector - toward a promising future, under the leadership of our wise and inspiring government and with our relentless focus on creating exceptional value.

This resolute commitment to pursue excellence has always emboldened us to lead by example in the petrochemicals industry. Moreover, it led to an outstanding 2021, a year full of illustrious achievements, during which Sipchem strengthened its capabilities to reach more successes, solidify its position and improve its financial performance to double the return on investment for its shareholders and partners.

It is worth highlighting that while we were focused on achieving substantial growth amid the prevailing challenges in the global economy, we continued to put a premium on the health, safety and well-being of our people and assets. We are proud of reaching distinguished records in industrial safety through the implementation of many programs and initiatives last year.

We recognize the fact that it is inevitable to maintain our competitive advantage to effectively deliver on our future strategies. With this in mind, we place a strong focus on diversifying our revenue sources in areas that enhance the company's strategic advantages.

In addition, we have begun to reap the benefits of our 2019 merger, as Sipchem was able to exceed the synergy value targets six months ahead of schedule. It was thanks to an effective strategy that envisaged strengthening and enhancing the company's product portfolio, increasing the scale and resilience of its operations, building competitive advantages and capabilities, and increasing efficiency and productivity, and opening new markets.

On the human resources front, our success has essentially depended on the competence, efforts and dedication of our employees. Notably, the Saudization rate in the company has reached new levels with qualified national cadres accounting for 83% of talents across the company's business. With this, Sipchem remains an active contributor to the growth of our national economy for the coming decades.

To consolidate and support these successes in the future, we have adopted the "10 years" strategy, which focuses largely on investing in sustainability, digitalization, and human talents, due to the critical importance of these areas in driving growth, enhancing profitability, and reducing costs. Armed with sky-high ambitions and industry-leading capabilities, we will continue on the path to excellence to achieve more in 2022 and beyond.

Abdullah S. Al-Saadoon
Chief Executive Officer

We have adopted the "10 years" strategy, which focuses largely on investing in sustainability, digitalization, and human talents, due to the critical importance of these areas in driving growth, enhancing profitability, and reducing costs.

Moreover, it led to an outstanding 2021, a year full of illustrious achievements, during which Sipchem strengthened its capabilities to reach more successes, solidify its position and improve its financial performance to double the return on investment for its shareholders and partners.

Board of Directors

Eng. Khalid A. Al-Zamil
Chairman of the Board

Mr. Fahad S. Al-Rajhi
Vice Chairman

Dr. Abdulrahman A. Al-Zamil
Board Member

Eng. Saeed O. Al-Esayi
Board Member

Eng. Yousef A. Al-Zamil
Board Member

Mr. Saeed A. Basamah
Board Member

Eng. Reyadh S. Ahmed
Board Member

Mr. Ziad A. Al-Turki
Board Member

Mr. Abdulaziz A. bin Dayel
Board Member

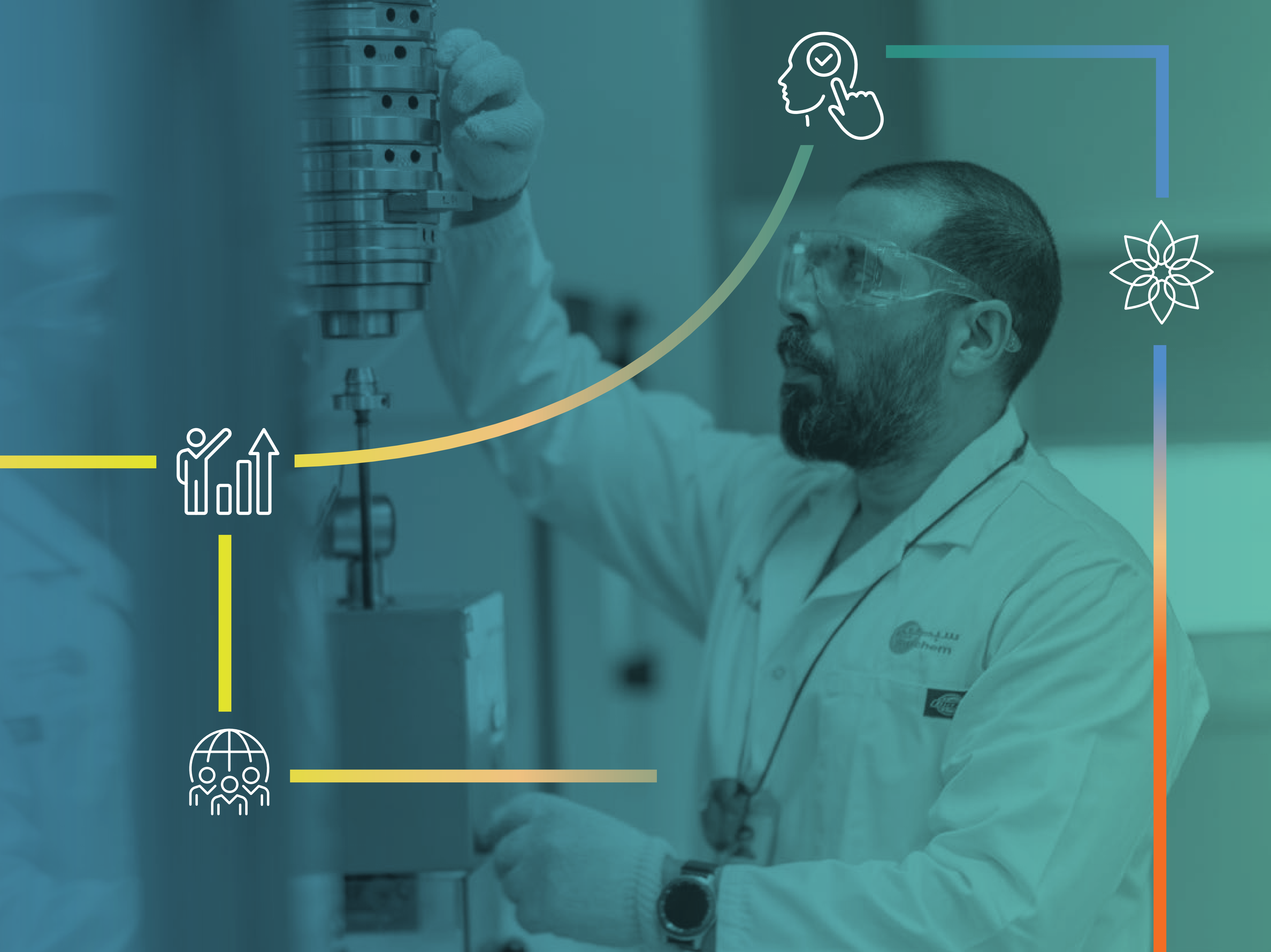
Mr. Ayidh M. Al-Qarni
Board Member

Mr. Ahmed Al-Sayyari
Board Member

Our people

Our digital transformation will enable our employees to collaborate more effectively and provide them with insights required to make better decisions.

Driving innovation




5G

Connecting expertise

Our partners

We will continue to look for ways to collaborate with our business partners including integrating our digital processes with other entities that provides a better experience for our customers and employees.

Enabling possibilities

Our customers

Our customers are at the center of our digital transformation. We continue to work with our customers to create a better interaction with Sipchem.

سبكيم تهتم
Sipchem Cares

Our community

Sipchem is committed to being a socially responsible company by building positive relationships with communities, engaging in mutually beneficial partnerships that are in line with Vision 2030 objectives to achieve social and economic prosperity.

Enhancing daily lives

Social Responsibility

Sipchem Cares is the Corporate Social Responsibility (CSR) and community support arm of Sipchem that coordinates and implements all existing and upcoming community support activities, covering Entrepreneurship, Healthcare, Education, Social, Sports & Cultural Programs, including Environmental and Volunteering. The initiatives under Sipchem Cares are the main recipients of the 1% of Sipchem's total net profit every year.

سبكيم تهتم
Sipchem Cares

1,000 Food basket

Were distributed during the holy month of Ramadan to 4,000 beneficiaries with limited incomes and needy families in cooperation with the Etaam Association.

2030 Trees

were planted in support of the "Green Saudi" initiative and to help protect the environment

40 Houses

In Al-Khobar were resorted and rehabilitated in cooperation with Tarmeem Charity Association

1,000 Family

Benefited from our social and charitable solidarity programs through our winter clothing project in Hafr Al-Batin

1,200 hours

Of Voluntary work were achieved with the participation of more than 300 active volunteers.

333 Health insurance policies

sipchem Employees Fund, provided health insurance policies for orphans & widows in the Eastern Province.

Sipchem Cares
سبكيم تهتم

"Be Normal"

An initiative to raise awareness of diabetes, which has benefited more than 400 people.

280 beneficiaries

Of the "Eid Smile" initiative for inpatients and doctors at King Fahd Specialist Hospital in Dammam.

"Digital Knowledge"

Launched the first version of the "Digital Knowledge" program for children of low-income families to teach them the basics of programming and robotics.

2,000 beneficiaries

From an awareness campaign to increase drinking fluids, targeting workers under the sun and sports practitioners in sports fields.

"Supporting charities"

Community agreements with the "Cancer Charitable Society" with the blessing of His Highness, the Governor of the Eastern Province, "God protect him."

3,000 participant

Volunteer initiatives on the National Day in which we supported more than 3000 participant.

Supporting Disabilities

Supporting charities for the disabled in the Eastern Province in cooperation with the "Ifaa Association for the Care of Persons with Disabilities"

300 Students

Attended a sponsored scientific camp, which was organized by the Bena Charitable Society.

إحسان
منصة وطنية للعمل الخيري

1 million

Provided support to Ihsan Charity platform with an amount of one million riyals.

Events and Participations

Sipchem receives a delegation from the Ministry of Industry and Mineral Resources. The meeting included a presentation on Sipchem's business, products and future plans. During the meeting, Sipchem's executive management discussed Sipchem's joining Shareek program in addition to the program's impact on the Saudi economy in the public and private sectors.

Sipchem participated in the 4th GPCA Responsible Care Conference under the theme "Seizing the new normal opportunities through Responsible Care". The busy agenda included presentations and insights from leaders, keynote sessions and workshops with the participation of industry-leading speakers from the GCC and the world.

Sipchem receives the Indian ambassador to the Kingdom. During the meeting, business developments of common interest were discussed. The meeting also included a review of Sipchem's business and products in addition to the company's future plans, as well as the importance of the Indian market in the company's business field and ways to enhance areas of cooperation.

To celebrate the 91st National Day of the Kingdom, Sipchem distributed National Day gifts to its employees, expressing everyone's joy on this precious occasion.

Students of King Fahd University of Petroleum and Minerals visited the Sipchem Technology and Innovation center "Manar". The visit provided the delegation with an opportunity to get to know Sipchem, exchange ideas and thoughts about practical life, and highlight what the students can expect when they join the real world of work.

His Highness, Deputy Governor of the Eastern Region receives the CEO of Sipchem. During the meeting Eng. Al-Saadoun reviewed the progress of work at Sipchem and its future plans and a brief report on Sipchem's activity in the field of social responsibility.

Sipchem celebrated a milestone of achieving one million safe working hours without accidents with the (SHOP-2) project and the completion of construction work in the mosque in Jalmouda district.

Sipchem received a delegation from The High Commission For Industrial Security, and the visit comes within the framework of launching a program to review and develop measurement indicators for safety performance in addition to the various elements of the firefighting and fire protection system.

Sipchem participated as a gold sponsor in the ninth edition of the Arab Forum for Social Responsibility. The forum aims to increase focus on local and regional efforts made at the corporate and community levels to enhance the state of corporate social responsibility, facilitate the exchange of ideas and establish lasting partnerships across sectors in the Middle East.

Sipchem participated in the 15th annual GPCA Forum as a main sponsor, and this valuable event provided Sipchem the opportunity to showcase its innovative products and services.

Corporate Governance

1. Names, Current Positions, Former Positions, Qualifications and Experience of Board Members, Committee Members and Executive Management.

A. Board Members:

S	Name	Current positions	Former Positions	Educational Qualifications	Experiences
1	**Eng. Khalid A. Al-Zamil** (Zamil Group Holding Co. Representative)	Chairman – Sahara International Petrochemical Company (Sipchem) Chairman – Zamil Group Holding Co. Chairman – Zamil Industrial Investment Co. Chairman – Middle East Battery Co. Chairman – International Methanol Company Chairman – Sahara Petrochemical Company Chairman – Al WAHA Petrochemicals Company	Board Member – Zamil Industrial Investment Co.	Bachelor of Civil Engineering	Board Member – Luberef Company
2	**Mr. Fahad S. Al-Rajhi**	Vice Chairman– Sahara International Petrochemical Company (Sipchem) Chairman – Yanbu Cement Co. Chairman – Alrajhi Ekhwan Co. Vice Chairman – Al Watania for Industries Board Member – Musharaka Capital Co. Chairman - Saudi German Company for Non-woven Products (SGN) Board Member – International Methanol Co. Board Member – Al Watania Poultry Co. Chairman - Bischof + Klein Middle East Company Board Member - National Aquaculture Company	Board Member – Saudi Cement Company	Bachelor of Industrial Management	Chairman – Alrajhi Ekhwan Co. Board Member – Saudi Cement Company
3	**Eng. Yousef A. Al-Zamil**	Board Member – Alinma Investment Board Member – Sahara International Petrochemical Company (Sipchem) Board Member - International Vinyl Acetate Company IVC Board Member - International Acetyl Co. LTD	Vice Chairman – Gulf Petrochemical Industries Co. Chairman - Saudi Petrochemical Company (SADAF) Board Member – Saudi Arabian Fertilizers Company (Safco).	Bachelor of Chemical Engineering	He worked as Counsellor of H.E the Minister of Energy, Industry and Mineral Resources, and worked as the CEO of the National Industrial Strategy Project in the Ministry of Energy, Industry and Mineral Resources. He also worked as EVP of SABIC and held several positions in SABIC.
4	**Eng. Reyadh S. Ahmed** (Ikarus Petrochemical Co. Representative)	Board Member – Sahara International Petrochemical Company (Sipchem) Chairman – Meezan Bank Chairman - Privatization Holding Company Board Member – Noor Financial Investment Co. (NOOR) Board Chairman and CEO of Ikarus Petroleum Industries Chairman - Middle East Complex for Engineering, Electronics & Heavy Industries Co. Chairman – IT Partners Co.	Board Member – Karachi Electric Supply Corp. Vice Chairman – Gas & Oil Fields Services Company Board Member - Saja'a Gas Private Ltd, (SajGas) Board Member – United Gas Supply Company Board Member – Kuwait Rocks Company Vice Chairman - Eastern United Petroleum Services (EUPS)	Bachelor of Chemical Engineering MA of Chemical Engineering	Businessman

1. Names, Current Positions, Former Positions, Qualifications and Experience of Board Members, Committee Members and Executive Management. (continued)

A. Board Members (continued)

S	Name	Current positions	Former Positions	Educational Qualifications	Experiences
5	**Mr. Saeed A. Basamah**	Board Member – Sahara International Petrochemical Company (Sipchem) Chairman – Khair Inorganic Chemical Industries Co. Board Member – International Medical Center Co. Board Member – Saudia Dairy & Foodstuff Co. (SADAFCO) Board Member – Jeddah Development and Urban Regeneration Co.	–	Bachelor of Business Administration	Businessman
6	**Dr. Abdulrahman A. Al-Zamil**	Board Member – Sahara International Petrochemical Company (Sipchem)	Chairman – Zamil Group Holding Co. Chairman – Zamil Industrial Investment Co. Board Member – Sahara Petrochemicals Co. Chairman – National Power Co. Chairman – National Chemical Carriers Co. Chairman – Saudi Advanced Technologies Co	Bachelor of Law	He worked as Deputy Governor of the General Electricity Corporation, then as Deputy Minister of Commerce, then as Member of Saudi Shura Council for three sessions
7	**Mr. Ayidh M. Al-Qarni** (General Organization for Social Insurance Representative)	Board Member – Sahara International Petrochemical Company (Sipchem). Internal Audit Department General Organization for Social Insurance	Financial Investment Department – Public Pension Agency	Master's Degree in Business Administration Bachelor of Accounting	Financial sector and financial institutions
8	**Mr. Saeed O. Al-Esayi**	Board Member - Sahara International Petrochemical Company (Sipchem) Chairman – Alesayi Trading Corporation	Board Member – Yanbu Cement Co. Board Member – Al Rajhi Bank Board Member – Sahara Petrochemical Co.	Bachelor of Industrial Engineering	Businessman
9	**Mr. Ziad A. Al-Turki**	Chairman – Sons of A. A. Turki Co. for Trading & Contracting	Vice chairman – A. A. Turki Co. for Trading & Contracting	Diploma of Social Sciences	Businessman
10	**Mr. Bandr A. Masoudi** (GOSI Representative)	General Director of Infrastructure, Technology and Operation – GOSI Board Member - Sahara International Petrochemical Company (Sipchem).	-	B.A. Computer Science M.A. Business Administration	He worked in several positions in GOSI
11	**Mr. Abdulaziz A. bin Dayel**	Adviser -GOSI Board Member – Tabuk Agricultural Development Company (TADCO) Nominations Committee Member Tabuk Agricultural Development Company (TADCO) Audit Committee Member- Tabuk Agricultural Development Company (TADCO) Board Member - Sahara International Petrochemical Company (Sipchem).	Executive Director – Munajem Group Executive Director of Sales & Marketing in Mawaridh Holding Group Managing Director – Tihama Advertising, Public Relations and Marketing Co.	Bachelor of Business Administration	He worked in Samba Financial Group and held several positions. Then, he moved to Riyad Bank as Director of the Central Region, then a Board Member of Tihama Company, then he worked as the Executive Director of Mawaridh Holding Group then Munajem Group.

1. Names, Current Positions, Former Positions, Qualifications and Experience of Board Members, Committee Members and Executive Management. (continued)

B. Committees members:

Executive Committee

S	Name	Current positions	Former Positions	Educational Qualifications	Experiences
1	**Eng. Yousef A. Al-Zamil** Chairman of the Executive Committee	Board Member – Alinma Investment Board Member – Sahara International Petrochemical Company (Sipchem) Board Member - International Vinyl Acetate Company IVC Board Member - International Acetyl C. LTD	Vice Chairman – Gulf Petrochemical Industries Co. Chairman - Saudi Petrochemical Company (SADAF) Board Member – Saudi Arabian Fertilizers Company (Safco).	Bachelor of Chemical Engineering	He worked as Counsellor of H.E the Minister of Energy, Industry and Mineral Re-sources, and worked as the CEO of the National Industrial Strategy Program in the Minis-try of Energy, Industry and Mineral Resources. He also worked as EVP of SABIC and held several positions in SABIC.
2	**Mr. Fahad S. Al-Rajhi**	Vice Chairman – Sahara International Petrochemical Company (Sipchem) Chairman – Yanbu Cement Co. Chairman – Alrajhi Ekhwan Co. Vice Chairman – Al Watania for Industries Board Member – Musharaka Capital Co. Chairman - Saudi German Company for Non-woven Products (SGN) Board Member – International Methanol Co. Board Member – Al Watania Poultry Co. Chairman - Bischof + Klein Middle East Company Board Member - National Aquaculture Company	Vice Chairman – Yanbu Cement Co. Board Member – Saudi Cement Company	Bachelor of Industrial Management	Chairman – Alrajhi Ekhwan Co. Board Member – Saudi Cement Company
3	**Eng. Reyadh S. Ahmed**	Chairman – Meezan Bank Chairman - Privatization Holding Company Board Member – Noor Financial Investment Co. (NOOR) Board Chairman and CEO of Ikarus Petroleum Industries Chairman - Middle East Complex for Engineering, Electronics & Heavy Industries Co. Chairman – IT Partners Co. Board Member – Sahara International Petrochemical Company (Sipchem)	Board Member – Karachi Electric Supply Corp. Vice Chairman – Gas & Oil Fields Services Company Board Member - Saja'a Gas Private Ltd, (SajGas) Board Member – United Gas Supply Company Board Member – Kuwait Rocks Company Vice Chairman - Eastern United Petroleum Services (EUPS)	Bachelor of Chemical Engineering MA of Chemical Engineering	Businessman
4	**Mr. Ayidh M. Al-Qarni**	Board Member – Sahara International Petrochemical Company (Sipchem) Internal Audit Department General Organization for Social Insurance	Financial Investment Department – Public Pension Agency	Master's Degree in Business Administration Bachelor of Accounting	Financial sector and financial institutions
5	**Mr. Saeed O. Al-Esayi**	Chairman – Alesayi Trading Corporation	Board Member – Yanbu Cement Co. Board Member – Al Rajhi Bank Board Member – Sahara Petrochemical Co.	Bachelor of Industrial Engineering	Businessman

1. Names, Current Positions, Former Positions, Qualifications and Experience of Board Members, Committee Members and Executive Management. (continued)

B. Committees members (continued)

Audit Committee

S	Name	Current positions	Former Positions	Educational Qualifications	Experiences
1	**Mr. Ayidh M. Al-Qarni** Chairman of the Audit Committee	Financial Investment Department-GOSI Board Member – Sahara International Petrochemical Company (Sipchem)	Financial Investment Department – Public Pension Agency	Master's Degree in Business Administration Bachelor of Accounting	Financial sector and financial institutions
2	**Mr. Mohammad Farhan Al-Nader**	Managing Partner - RSM International Allied Accountants Audit Committee Member - Sahara International Petrochemical Company (Sipchem)	Executive Director of Finance – Awqaf Sulaiman Al-Rajhi Holding Co.	Bachelor of Accounting	Managing Partner - RSM International Allied Accountants
3	**Dr. Mohammed Faraj Al Kanani**	Founder and CEO of Holfaa El Tanmya Company Audit Committee Member - Sahara International Petrochemical Company (Sipchem)	Dean of the College of Industrial Management, King Fahd University of Petroleum and Minerals. Head of Finance and Economics Department at the King Fahd University of Petroleum and Minerals. General Investment Supervisor of the Fund for Supporting Research and Educational Programs at the King Fahd University of Petroleum and Minerals.	Bachelor's Degree in Financial Management from King Fahd University of Petroleum and Minerals. Master's Degree in Financial Management from the University of Colorado Denver in the United States. Ph.D. in Finance Management, University of Oklahoma, United States. Accredited Financial analyst	Chairman – Dhahran Valley Business Services Company Board Member – (Arab National Bank, Dhahran Techno Valley Holding Company, Saudi Real Estate Refinance Co., National Bonds Corporation, AlAhli Takaful Company, Leejam Sports Company, Environmental Fund, Oasis Business Company, Governance Center Co. owned by Public Investment Fund)

1. Names, Current Positions, Former Positions, Qualifications and Experience of Board Members, Committee Members and Executive Management. (continued)

B. Committees members (continued)

Nomination and Remuneration Committee

S	Name	Current positions	Former Positions	Educational Qualifications	Experiences
1	**Mr. Ziad A. Al-Turki** Committee Chairman	Chairman – Sons of A. A. Turki Co. for Trading & Contracting	Vice chairman – A. A. Turki Co. for Trading & Contracting	Diploma of Social Sciences	Businessman
2	**Mr. Fahad S. Al-Rajhi**	Chairman – Yanbu Cement Co. Chairman – Alrajhi Ekhwan Co. Vice Chairman – Al Watania for Industries Chairman - Saudi German Company for Non-woven Products (SGN) Chairman - Bischof + Klein Middle East Company Member of the Committee of Nomination and Remuneration	Vice Chairman – Yanbu Cement Co. Board Member – Saudi Cement Company	Bachelor of Industrial Management	Chairman – Alrajhi Ekhwan Co. Board Member – Saudi Cement Company
3	**Ahmed S. Al-Sayyari** (GOSI Representative)	General Director of Infrastructure, Technology and Operation – GOSI Board Member – International Petrochemical Company (Sipchem).	-	B.A. Computer Science M.A. Business Administration	He worked in several positions in GOSI
4	**Eng. Saeed A. Basamah**	Chairman – Khair Inorganic Chemical Industries Co.	-	Bachelor of Business Administration	Businessman
5	**Mr. Abdulaziz A. bin Dayel**	Adviser of the Public Pension Agency-GOSI Board Member – Tabuk Agricultural Development Company (TADCO) Nominations Committee Chairman - Tabuk Agricultural Development Company (TADCO) Audit Committee Member- Tabuk Agricultural Development Company (TADCO) Nomination and Remuneration Committee Member	Executive Director – Munajem Group Executive Director of Sales & Marketing in Mawaridh Holding Group Managing Director – Tihama Advertising, Public Relations and Marketing Co. General Secretary of the Board of Directors of GOSI	Bachelor of Business Administration	He worked in Samba Financial Group and held several positions. Then, he moved to Riyad Bank as Director of the Central Region, then a Board Member of Tihama Company, and then he worked as the Executive Director of Mawaridh Holding Group then Munajem Group.

1. Names, Current Positions, Former Positions, Qualifications and Experience of Board Members, Committee Members and Executive Management. (continued)

B. Committees members (continued)

Governance Committee

S	Name	Current positions	Former Positions	Educational Qualifications	Experiences
1	**Mr. Abdulaziz A. bin Dayel** Committee Chairman	Adviser of -GOSI Board Member – Tabuk Agricultural Development Company (TADCO) Nominations Committee Chairman - Tabuk Agricultural Development Company (TADCO) Audit Committee Member- Tabuk Agricultural Development Company (TADCO)	Executive Director – Munajem Group Executive Director of Sales & Marketing in Mawaridh Holding Group Managing Director – Tihama Advertising, Public Relations and Marketing Co. General Secretary of the Board of Directors of GOSI	Bachelor of Business Administration	He worked in Samba Financial Group and held several positions. Then, he moved to Riyad Bank as Director of the Central Region, then a Board Member of Tihama Company, then he worked as the Executive Director of Mawaridh Holding Group then Munajem Group.
2	**Dr. Najem bin Abdulla Al Zaid**	Vice-Chairman – Saudi Electricity Company The founding and executive partner of ZS&R Law Firm Governance Committee Member	Board Member – CMA General Manager of Legal Affairs of CMA	PhD in Law Master's Degree in law Bachelor of Laws and Regulations	He held several positions in various sectors in CMA, until he worked as a Board Member of CMA
3	**Mr. Turki M. Al Marzouq**	Local Investment Sypport Department at Hasana Investment Company Governance Committee Member	Financial Management of Alriyadh Development Company Director of Corporate Governance at the Public Pension Agency	Bachelor of Accounting	He has more than 20 years of practical experience in management, finance, investment and accounting, as well as in boards of directors and their committees in industrial, real estate and agricultural sectors.

2. Formation of the Board of Directors and Classification of Directors:

Sipchem has the privilege of having a highly experienced Board of Directors with full relevant knowledge and efficiency in petrochemicals. The Board is composed of eleven members elected by the Ordinary General Assembly Meeting on 08/12/2019 for three years, extending to 09/12/2022.

Members are classified as follows:

S	Name	Commission	Membership Status
1	**Eng. Khalid A. Al-Zamil** (Representative of Zamil Group Holding Company)	Chairman	Non-executive
2	**Mr. Fahad S. Al-Rajhi**	Vice Chairman	Non-executive
3	**Dr. Abdulrahman A. Al-Zamil**	Member	Non-executive
4	**Eng. Reyadh S. Ahmed** (Representative of Ikarus Petrochemical Holding Company)	Member	Non-executive
5	**Eng. Saeed A. Basamah**	Member	Non-executive
6	**Eng. Yousef A. Al-Zamil**	Member	Non-executive
7	**Mr. Saeed O. Al-Esayi**	Member	Independent
8	**Mr. Ayidh M. Al-Qarni** (Representative of the Public Pension Agency)	Member	Independent
9	**Mr. Ziad A. Al-Turki**	Member	Independent
10	**Mr. Bandr A. Masoudi*** (Representative of GOSI)	Member	Independent
11	**Mr. Ahmed Saad Al Sayyari**** (Representative of GOSI)	Member	Independent
12	**Mr. Abdulaziz A. bin Dayel**	Member	Independent

* Date of Board member Resignation is 10 July 2021 AD

** Date of Board Member Appointment is 11 July 2021 AD

3. Actions taken by the Board of Directors to inform its members, especially non-executives, of the shareholders' proposals and remarks about Sipchem and its performance

Except for the queries in the Extraordinary General Assembly, dated 24 May 2021, no further inquiries or observations regarding the Company and its performance have been received by the Company. The Investor Relations Department meets with shareholders and investors throughout the year to review the latest developments of Sipchem. The CEO and Chairman of the Board of Directors shall inform the Board of Directors of the proposals, observations and opinions of shareholders and investors through:

The Board periodic meetings without the presence of any Executive Member, if necessary. Article 37 of the Articles of Association of the Company provides procedures to ensure that all shareholders have the right to discuss matters, request information and ask questions to the members of the Board of Directors and Auditors. The Chairman and members of the Board of Directors shall respond to all inquiries concerning the Company business.

4. Brief Description of Committees' Terms of Reference

A. Audit Committee

The main purpose of the Audit Committee is to assist the Board in overseeing financial reporting processes, monitoring the adequacy and effectiveness of the internal control system, supervising internal audits and verifying its effectiveness in carrying out tasks and functions entrusted thereto.

The Committee is composed of three members, one of whom is an independent member of the Board of Directors. The other two members are nominated from outside the Board of Directors with the expertise and efficiency that qualify them to participate actively in the work of the Audit Committee. Terms of reference of the Committee include, in particular:

First: Financial Reports and Statements:

- Analyze Sipchem's quarterly and annual financial statements before being presented to the Board and provide opinions and recommendations on their integrity, clarity and transparency.
- Provide the technical opinion, at the request of the Board of Directors, whether the Board's report and financial statements of the Company are fair, balanced and understandable and include information that allows shareholders and investors to evaluate the financial position of Sipchem and its performance, business model and strategy.
- Examine any important or unusual issues contained in the financial reports and statements.
- Closely investigate into any matters raised by Sipchem's CFO, or who perform his duties or Sipchem's Auditor.
- Examine accounting estimates in relation to important matters stated in financial reports and statements.
- Study the accounting policies adopted by Sipchem and provide an opinion and recommendation to the Board of Directors.

Second: Internal Audit:

- Study and review the internal control, financial and risk management systems of the Company.
- Analyze and study the internal audit reports and follow up implementation of the corrective actions of the observations contained therein.
- Supervise and monitor the performance and activities of the Internal Audit Department of Sipchem, to verify the availability of human and material resources necessary for its effectiveness.
- Make a recommendation to the Board on the need for appointment of the head of internal audit, and propose his remunerations.

Third: Auditor:

- Recommend to the Board of Directors the appointment, removal them, and fees of auditors; evaluate their performance, after ascertaining their independence, and reviewing the scope of their work and the terms of their contract.
- Verify independence, understanding and integrity of the external auditor and effectiveness of external audit works and activities, taking into account the relevant rules and standards.
- Review Sipchem's external auditor plan and activities, and ensure that the external auditor does not conduct any technical or administrative activities beyond the scope of external audit activities.
- Respond to all inquiries of Sipchem's external auditor.
- Study and review the external auditor's reports and observations on the financial reports and statements and follow up actions taken.

Fourth: Compliance Verification:

- Review the results of the reports of the regulatory bodies (if any) and verify that Sipchem takes the necessary procedures.
- Ensure Sipchem's compliance with relevant laws, regulations, rules, policies and instructions.
- Review the contracts and transactions to be concluded by Sipchem with the related parties and submit relevant recommendations to the Board of Directors.
- Inform the Board of Directors of the issues it deems necessary to take actions and make recommendations on the steps/actions that are required to be taken.

• Members of the Audit Committee and Attendance Record of Audit Committee Meetings:

S	Name	Nature of Membership	Number of meetings during 2021: Seventh meetings							
			First 23/02/ 2021	Second 10/03/ 2021	Third 27/04/ 2021	Fourth 9/06/ 2021	Fifth 29/07/ 2021	Sixth 19/10/ 2021	Seventh 22/12/ 2021	Total Attendance
1	**Mr. Ayidh M. Al-Qarni**	Chairman	✓	✓	✓	✓	✓	✓	✓	7
2	**Mr. Mohammad Farhan Al-Nader**	Member	✓	✓	✓	✓	✓	✓	✓	6
3	**Dr. Mohammed Faraj Al Kanani**	Member	✓	✓	✓	✓	✓	✓	✓	7

✓ Attendance ✕ Absent

B. Nomination and Remuneration Committee:

The Nomination and Remuneration Committee shall consist of five members of the Board of Directors of the Company.

• Terms of Reference of the Committee

First: With regard to remunerations:

- Prepare a clear policy for remuneration of members of the Board of Directors and the Board Committees and the Executive Management, in order to enhance motivation of the administrative staff and retain distinct key staff. Present such policy to the Board of Directors for consideration in preparation for adoption by the General Assembly, while taking into account that such policy shall follow and disclose criteria related to performance, and ensure implementation thereof.
- Clarify the relationship between the remunerations awarded and the applicable remuneration policy and indicate any material deviation from this policy.
- Periodically review the remuneration policy and assess its effectiveness in achieving objectives thereof.
- Provide recommendations to the Board in respect of remunerations of Board members, committees' members and Senior Executives, in accordance with the approved policy.
- Supervise performance evaluation of senior executives in the light of the company's annual goals and objectives related to business units and sectors and within the framework of the evaluation and remuneration system approved by the company and recommending to the Board the due incentives and bonuses.
- Evaluate human resources programs, including talent acquisition and retention programs, performance management programs, succession plans, comprehensive incentive and bonus programs, and diversification programs to enrich the cumulative experience to enable the company to improve the corporate performance culture at the macro level.

Second: With regard to Nominations:

- Propose clear policies and standards for membership in the Board and Executive Management.
- Recommend to the Board of Directors the nomination and re-nomination of members in accordance with the approved policies and standards, taking into account the disqualification of any person who has already been convicted of committing a crime related to honor.
- Prepare a description of capabilities and qualifications required for membership of the Board of Directors and functions of the Executive Management.
- Determine the time a member should allocate to the work of the Board of Directors.

Annual review of the required skills or experience requirements for Board Membership and Executive Management functions.

B. Nomination and Remuneration Committee (continued)

- Review the structure of the Board of Directors, Board Committees and the Executive Management and make recommendations on possible changes.
- Annually verify the independence of independent members and check that there is no conflict of interest if the member is on the board of another company.
- Develop a job description of executive members, non-executive members, independent members and senior executives.
- Establish special procedures in the event of a vacancy in the membership of the Board of Directors or senior executives.
- Identify strengths and weaknesses in the board of directors and committees thereof and propose solutions to address them in line with Sipchem interests.
- The Committee shall study the topics that are assigned to it or referred to it by the Board of Directors and submit its recommendations to the Board for decision-making.
- Ensure the compliance of the company with the procedures of nomination for membership of the board, which are provided for in the Corporate Governance Regulations and the requirements of the Capital Market Authority, while taking into consideration the possibility that the number of nominees for the board of directors, whose names are presented to the General Assembly may exceed the number of seats available, in order to give the General Assembly the opportunity to choose from among them.
- Provide an adequate level of training and familiarization to the new Board Members of the company tasks and achievements to enable them to perform their work with the required efficiency.
- Study conflict of interest cases of those wishing to be nominated for membership of the board of directors and make recommendations thereon.

• Members of the Nomination and Remuneration Committee and Attendance Record of Committee Meetings:

S	Name	Nature of Membership	Number of meetings during 2021: four meetings				
			First 17/03/2021	Second 30/03/2021	Third 14/09/2021	Fourth 14/12/2021	Total Attendance
1	**Mr. Ziad A. Al-Turki**	Chairman	✓	✓	✓	✓	4
2	**Mr. Fahad S. Al-Rajhi**	Member	✓	✓	✓	✓	4
3	**Mr. Bandr A. Masoudi***	Member	✓	✓	✗	✗	2
4	**Ahmed Saad Al Sayyari****	Member	✗	✗	✗	✓	1
5	**Eng. Saeed A. Basamah**	Member	✓	✓	✓	✓	4
6	**Mr. Abdulaziz A. bin Dayel**	Member	✓	✓	✓	✓	4

✓ Attendance ✗ Absent

* Date of Nomination and remuneration Committee member Resignation is 10 July 2021 AD

** Date of Nomination and remuneration Committee Member Appointment is 29 September 2021 AD

C. Executive Committee:

• Terms of reference, functions and responsibilities of the Committee:

- Study the issues referred to the Committee by the Board of Directors and take appropriate decisions regarding them as delegated by the board.
- Supervise the development of Sipchem's short, medium and long-term strategic plans and submit them to the Board for approval.
- Follow-up on and ensure implementation of Sipchem's overall strategy and its effectiveness in achieving the desired objectives, as well as review and update the same from time to time.
- Supervise the annual budgeting of Sipchem, review the proposals submitted by the Executive Management and submit recommendations to the Board for approval.
- Follow up on actual performance of the Company and submit the necessary recommendations to the Board.

c. Executive Committee: (continued)

- Study investment opportunities, whether in the area of buying shares or stakes in existing companies, or the acquisition of companies operating in the same field as Sipchem, and provide the necessary recommendations thereon to the Board.
- Provide the Board with periodic reports on the Committee's work results.
- The Committee periodically reviews and reassesses the suitability of these regulations, makes the proposed amendments and submits them to the Board.

• Members of the Executive Committee and Attendance Record of Committee Meetings:

S	Name	Nature of Membership	Number of meetings during 2021: four meetings				
			First 03/03/ 2021	Second 08/06/ 2021	Third 07/09/ 2021	Fourth 28/11/ 2021	Total Attendance
1	**Eng. Yousef A. Al-Zamil**	Chairman	✓	✓	✓	✓	4
2	**Mr. Fahad S. Al-Rajhi**	Member	✓	✓	✓	✓	4
3	**Eng. Reyadh S. Ahmed**	Member	✓	✓	✓	✓	4
4	**Mr. Ayidh M. Al-Qarni**	Member	✓	✓	✓	✓	4
5	**Mr. Saeed O. Al-Esayi**	Member	✓	✓	✓	✓	4

✓ Attendance ✗ Absent

D. Governance Committee:

• Terms of reference, functions and responsibilities of the Committee:

During 2020, the Board of Sahara International Petrochemical Company (Sipchem) established the Governance Committee. The terms of reference, functions and responsibilities of the Committee are as follows:

- Review and update Sipchem's Governance Regulations and its annexes in accordance with the regulatory requirements and best practices.
- Review and develop Professional Code of Conduct that reflects the values of Sipchem and other internal policies and procedures in a manner that meets the needs of the Company and is in line with best practices and submit the same to the Board for approval.
- Keep the Board Members always informed of developments of corporate governance and best practices.
- Annually review the Board report to ensure that Sipchem's obligations are in accordance with the relevant laws and regulations and submit a recommendation to the Board for approval to be presented to the Ordinary General Assembly for approval.
- Recommend to the Board everything that would enhance Sipchem's corporate governance practices.

• Members of the Governance Committee and Attendance Record of Committee Meetings:

S	Name	Nature of Membership	Number of meetings during 2021: two meetings		
			First 17/02/ 2021	Second 01/12/ 2021	Total Attendance
1	**Mr. Abdulaziz A. bin Dayel**	Chairman	✓	✓	2
2	**Dr. Najem bin Abdulla Al Zaid**	Member	✓	✓	2
3	**Mr. Turki M. AlMarzouq**	Member	✓	✓	2

✓ Attendance ✗ Absent

5. Methods Adopted By the Board of Directors to Assess the Board Members' Performance

In order to significantly improve the performance of the Board in making and taking decisions, during 2021, Sipchem performed an internal assessment of the work of the Board in cooperation with Hawkamah Institute - an external entity - for the assessment of the work of Board Members. This was aimed to ensure that the Board is fully aware of its roles and responsibilities and that each Board Member enjoy sufficient experience to contribute to the decision-making process.

6. Disclosure of Remunerations of Members of Board, Board Committees and Executive Management

Controls of Membership Remunerations in the Board and the Committees

The Nomination and Remuneration Committee shall recommend to the Board of Directors the remunerations of the members of the Board and the members of the committees, as follows:

- Taking into consideration the harmony of remunerations with Sipchem's strategy and objectives.
- Taking into account the practices of other companies and prevailing practice of the labor market in determining the remunerations, while avoiding the resulting unjustified increase of remunerations and compensations and within the limits stipulated by the Companies Law and its Implementing Regulations.
- The remuneration shall be reasonably sufficient to attract the members of the Board of Directors with the appropriate competence and experience.
- The remuneration should be fair and commensurate with the terms of reference of the member and the duties and responsibilities of the members of the Board of Directors or committee members, in addition to the objectives set by the Board of Directors to be achieved during the fiscal year.
- Remuneration of the Board members may vary based on different responsibilities assigned to each member in addition to other considerations.
- Board members may not vote on Board members' remuneration item at the General Assembly Meeting of shareholders.

The Company shall disclose remunerations of Board, committees' members and senior executives in the Board Annual Report in accordance with the relevant regulations. The Board Report submitted to the Ordinary General Assembly must include a comprehensive statement of all remuneration, allowances and other benefits granted to Board and Committee members during a fiscal year. The Report must include a statement of all amounts received by the Board and Committee members in their capacity as employees or managers, or in return for technical or administrative duties or consultations. The Report must also include a statement of the number of Board meetings and number of meetings attended by each member as from the last General Assembly Meeting.

6. Disclosure of Remunerations of Members of Board, Board Committees and Executive Management (continued)

Mechanism of Remuneration of Board and Committees Members

- The Company's Articles of Association and the policy of remuneration and compensation of the Board and Executive Management shall determine the annual remuneration of the Board members while the committees regulations shall specify remuneration and allowances of their members to be consistent with the Company's business, provided that amounts given to each member does not exceed the limits stipulated in Companies Law and Regulations thereof.
- Remuneration must be based on recommendations of the Company's Nomination and Remuneration Committee.
- Remuneration of Board and committees members shall be granted against their participation in meetings and number of meetings they attend.
- Attendance allowance and other benefits related to Board and related committee meetings shall be paid immediately after each meeting. The board annual remuneration shall be paid in full after being approved by the General Assembly.

Details of Remuneration of Board and Committees Members

A. Remuneration of Board Members

- The Board shall determine, based on recommendations of Nomination and Remuneration Committee, the annual remuneration of the Board and committees members.
- Remuneration of the Board members shall be a certain amount, meeting attendance allowance, in-kind benefits, or a certain percentage of net profits, noting that two or more of such benefits may be combined. In all cases, remuneration, allowances and other financial or in-kind benefits granted to a Board member may not exceed an amount of SAR 500,000 pursuant to the provisions of Companies Law and Regulations thereof, and in line with controls of the competent authorities. In case remuneration of the Board members is a percentage of profits, such percentage should not exceed 10%.
- Board members who reside outside the city where the Company headquarters is located, whether inside or outside the Kingdom, are entitled to compensation for travel costs to attend Board meetings. These costs include a round trip ticket from the place of residence to the venue of the meeting as well as the costs associated with accommodation, transportation and attendance allowance.
- Upon recommendation of the Nomination and Remuneration Committee and after approval of the Board, the Board member shall be entitled to an annual remuneration of not more than SAR 300.000 in return for his membership in the Board in accordance with the eligibility mechanism set forth in Article (4) of this Policy.
- Upon recommendation of the Nomination and Remuneration Committee and after approval of the Board, the Board member participating in the Board committees shall be entitled to an annual remuneration not exceeding SAR 100,000 in return for his membership in the Board committees whether the member is a participant in one or more committees, including remuneration granted against membership in the Audit Committee" in accordance with the eligibility mechanism described in Article (4) of this Policy.
- Upon recommendation of the Nomination and Remuneration Committee, the Chairman of the Board shall determine the remuneration of membership in the committees in which the member is appointed from outside the Board, so that such remuneration does not exceed SAR 100,000.
- The Board may, upon recommendation of the Nomination and Remuneration Committee, from time to time review the annual remuneration of the Board member referred to above in the light of the variables related to performance, provided that remuneration, allowances and other financial or in-kind benefits granted to the Board member shall not exceed the amount of SAR 500,000 in accordance with the provisions of the Companies Law and its regulations and in accordance with the regulations set by the competent authorities.

6. Disclosure of Remunerations of Members of Board, Board Committees and Executive Management (continued)

Remuneration of Board Members

	Fixed Remunerations							Variable Remunerations								
	Certain amount	Attendance allowance for meetings	Sum of attendance allowance for committees' meetings	In-kind benefits	Remuneration of technical, administrative and consultancy works	Remuneration of the Chairman of Board, Managing Director or Secretary of Board, if a Board Member	Total	Percentage of Profits	Periodic Remunerations	Short-term incentive plans	Long-term Incentive Plans	Granted shares	Total	End-of-Service gratuity	Gross total	Expenses allowances (transportation, accommodation)
Eng. Khalid A. Al-Zamil		12,000					12,000		300,000				300,000		312,000	
Dr. Abdulrahman A. Al-Zamil		12,000					12,000		300,000				300,000		312,000	2,100
Eng. Yusef A. Al-Zamil		12,000	12,000				24,000		400,000				400,000		424,000	2,400
Mr. Fahad S. Al-Rajhi		12,000	24,000				36,000		400,000				400,000		436,000	1,000
Mr. Saeed O. Al-Esayi		12,000	12,000				24,000		385,714				385,714		409,714	
Eng. Reyadh S. Ahmed		12,000	12,000				24,000		371,429				371,429		395,429	
Mr. Abdulaziz A. bin Dayel		12,000	18,000				30,000		400,000				400,000		430,000	2,300
Eng. Saeed A. Basamah		12,000	12,000				24,000		400,000				400,000		424,000	3,200
Mr. Ziad A. Al-Turki		12,000	12,000				24,000		400,000				400,000		424,000	
Mr. Ayidh M. Al-Qarni		12,000	33,000				45,000		400,000				400,000		445,000	4,400
Mr. Bandr A. Masoudi*		6,000	6,000				12,000		400,000				400,000		412,000	
Ahmed Saad Al Sayyari**		6,000	3,000				9,000		-				-		9,000	
Total		132,000	144,000				276,000		4,157,143				4,157,143		4,433,143	15,400

* Date of Board Member Resignation is 10 July 2021

**Date of Board Member Appointment is 11 July 2021

7. Description of Sipchem Activities

(Sipchem) is a Saudi public joint stock company listed on the Tadawul (Saudi Capital Market). Sipchem is actively investing in basic and intermediary petrochemical and chemical materials that can be utilized as feedstock for manufacturing of a vast array of products that provide prosperity and welfare for humans. Sipchem is committed to implementing its activities in compliance with the highest quality standards whether in its products or maintaining the integrity of the surrounding environment or the safety of its employees and communities.

Sipchem selected Jubail Industrial City, located in the Eastern Province of Saudi Arabia, to establish its industrial complex on an area of 1,766,959 square meters, because of the availability of all required basic infrastructure, the abundance of raw materials and necessary petrochemical products in the Eastern Province and the ease of export operations via King Fahd Industrial Port and Jubail Commercial Port.

In 2021, Sipchem's existing manufacturing facilities produced 4,042 million metric tons. Net income amounted to SAR 3,592 Million in 2021 compared with SAR 176 Million in 2020 with an increase of 1,942%. The reason of increasing profits of the Company during this year compared to the previous year is attributed to an increase of sales revenues and operational profits as a result of the increasing prices of feedstock materials as butane, ethanol, ethylene and propane, as well as the company's share in the profit (loss) of investment in a joint venture and associates, where profits were 530.8 Million Riyals for 2021, compared to a loss of 33.8 million Riyals in 2020.

The above net profit increased in spite the loss the company suffered in two cash-generating units of an amount of 260 million Riyals, which are related to Polyethylene terephthalate factory for SAR 160 million and Gulf company for advanced cable insulators factory for SAR 100 million, which was listed in the results of 2021 as announced in the Saudi Stock Exchange. Sipchem's strategy, planned to be implemented in gradual stages, aims at achieving integration of the current and future chemical products to create a chain of valuable final products. Such strategy will contribute to increasing the GDP and support the industrial development in light of the comprehensive development plans implemented by the kingdom, which at the end help maximizing the shareholders' profitability.

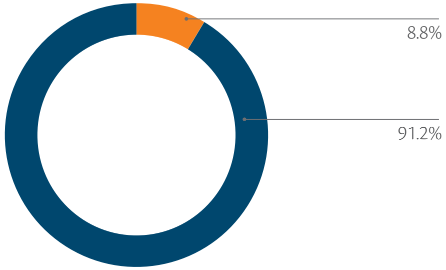
4.042
million metric tons

The total production of the company's existing plants reached 4.042 million metric tons in 2021.

SR 7,3 billion

Saudi International Petrochemical Company (Sipchem) has a capital of SAR 7.3 billion.

Establishment Date	:	1999
Company Type	:	Joint-Stock Company
Headquarters	:	Riyadh - Saudi Arabia
Capital	:	SAR 7,333,333,320 million
Company Activity	:	Petrochemical & Chemical Industries, Basic and Intermediate
Number of shares	:	733,333,332 shares



A description of the subsidiaries' activities and its impact on the size of Sipchem's business and its contribution to the results for 2021

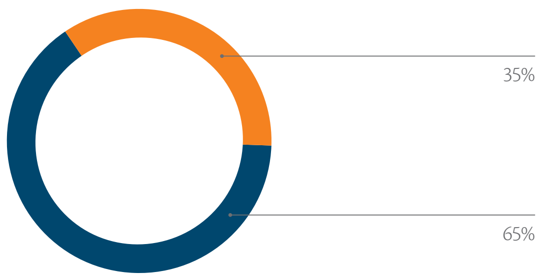
(Million Riyals)

Activity	Revenues	Percentage
International Methanol Company	1,304.3	13.1%
International Diol Company	1,002.9	10.0%
International Acetyl Company Limited	517.9	5.2%
International Vinyl Acetate Company	1,779.9	17.8%
International Gases Company	115.1	1.1%
Sipchem Marketing Company	670.3	6.7%
International Polymers Company	1,657.7	16.6%
Sipchem Chemicals Company	564.9	5.7%
Gulf Advanced Cable Insulation Company	75.4	0.8%
Saudi Specialized Products Company	-	-
Saudi Advanced Technologies Company (Wahaj)	16.5	0.2%
Sahara International Petrochemical Company (Sipchem)	420.9	4.2%
Sahara Marketing Company	-	-
Al WAHA Petrochemicals Company	1,855.9	18.6%
Total	**9,981.7**	**100%**

DESCRIPTION OF ACTIVITIES OF SIPCHEM'S AFFILIATES

International Methanol Company

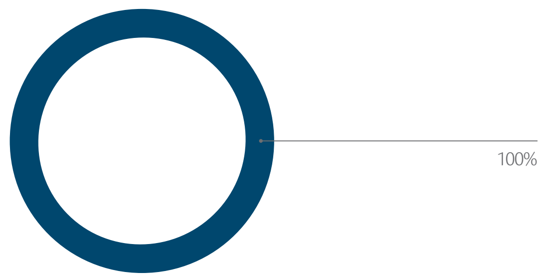
Establishment Date	:	2002
Company Type	:	Limited Liability Company
Headquarters	:	Jubail Industrial City - Saudi Arabia
Capital	:	SAR 360,97 million
Company Activity	:	Production of Methanol (methyl alcohol)
Capacity	:	970 thousand mtpa



- Sahara International Petrochemical Company- (Sipchem)
- Japan - Arabia Methanol Company

International Diol Company

Establishment Date	:	2002
Company Type	:	Limited Liability Company
Headquarters	:	Jubail Industrial City - Saudi Arabia
Capital	:	SAR 431,25 million
Company Activity	:	Production of Butanediol (BDO), Maleic Anhydride (MAn), Tetrahydrofuran (THF) and gamma-Butyrolactone (GBL)
Capacity	:	40 thousand mtpa of Maleic Anhydride (MAn) 5 thousand mtpa of gamma-Butyrolactone (GBL) 7,65 thousand mtpa of Tetrahydrofuran (THF) 50 thousand mtpa of Butanediol (BDO)

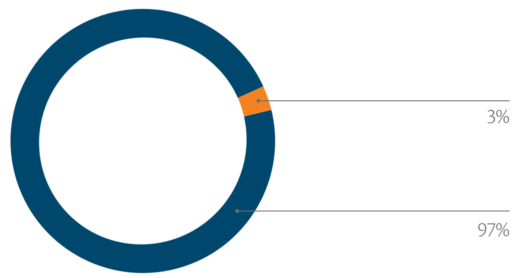


- Sahara International Petrochemical Company- (Sipchem)

- 2021 witnessed the purchase of the share of the Arab Company for Supplies, which was 4.35% in the International Diol Company, to be 100% owned by Sipchem on 07 August 2021.

International Vinyl Acetate Company Ltd.

Establishment Date	:	2006
Company Type	:	Limited Liability Company
Headquarters	:	Jubail Industrial City – Saudi Arabia
Capital	:	SAR 676,000,000 million
Company Activity	:	Production of Vinyl Acetate Monomer
Capacity	:	330 thousand mtpa



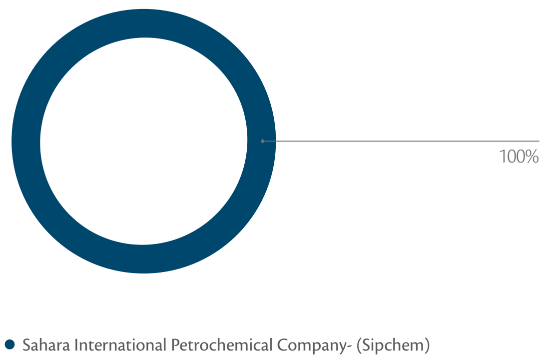
- Sahara International Petrochemical Company- (Sipchem)
- General Authority of Awqaf

- In 2021, Helm AG's 10% share in the International Vinyl Acetate Company was purchased to become 97% owned by Sipchem on 30 May 2021.

DESCRIPTION OF ACTIVITIES OF SIPCHEM'S AFFILIATES (continued)

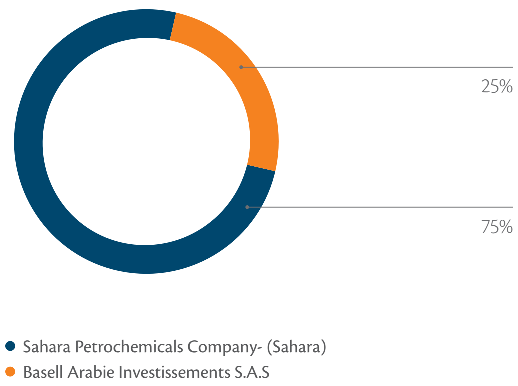
Sahara Petrochemicals Company- (Sahara)

Establishment Date	:	2004
Company Type	:	Closed Joint Stock Company
Headquarters	:	AL-Khobar – Saudi Arabia
Capital	:	SAR 2,378,95 million
Company Activity	:	Petrochemical & Chemical Industries, Basic and Intermediate



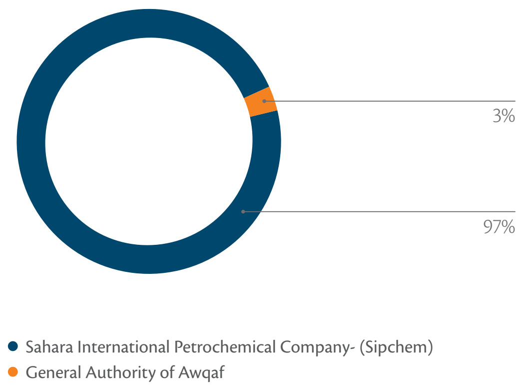
Al WAHA Petrochemical Company- AL WAHA

Establishment Date	:	2006
Company Type	:	Limited Liability Company
Headquarters	:	Jubail Industrial City – Saudi Arabia
Capital	:	SAR 1,660,000,000
Company Activity	:	Production of Propylene and Polypropylene
Capacity	:	450,000 mtpa of Propylene 450,000 mtpa of Polypropylene 1,080 mtpa of caustic soda 150 mtpa of mixed liquid hydrocarbons



International Acetyl Company Limited

Establishment Date	:	2006
Company Type	:	Limited Liability Company
Headquarters	:	Jubail Industrial City – Saudi Arabia
Capital	:	SAR 1,003,000,000
Company Activity	:	Production of Acetic Acid (AA) and Acetic Anhydride (AAn)
Capacity	:	460,000 mtpa of Acetic Acid 50,000 mtpa of Acetic Anhydride

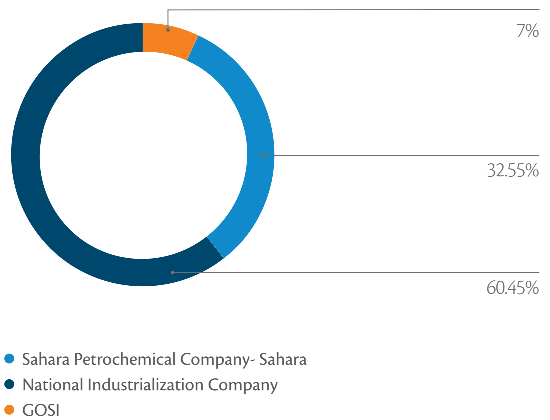


In 2021, Helm AG's 10% share in International Acetyl Company Limited was purchased to become 97% owned by Sipchem on 30 May 2021.

DESCRIPTION OF ACTIVITIES OF SIPCHEM'S AFFILIATES (continued)

Tasnee & Sahara Olefins Company (TSOC)

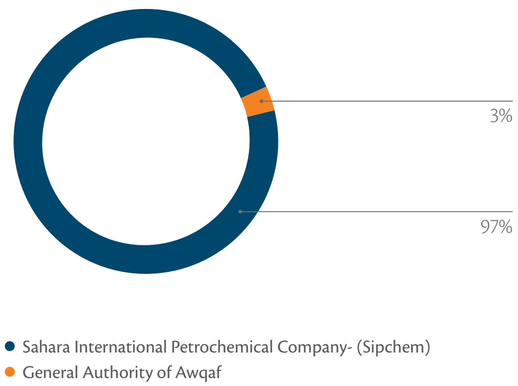
Establishment Date	:	2006
Company Type	:	Closed Joint Stock Company
Headquarters	:	Jubail Industrial City – Saudi Arabia
Capital	:	SAR 2,830 million
Company Activity	:	Establishment, management, operation, ownership and investment in industrial projects, particularly petrochemical and chemical industries in addition to marketing their products and performing all related activities.



Sahara Petrochemicals Company indirectly owns 24.41 of Saudi Ethylene & Polyethylene Company

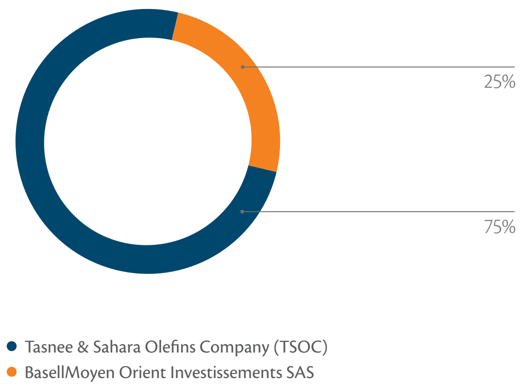
International Gases Company

Establishment Date	:	2006
Company Type	:	Limited Liability Company
Headquarters	:	Jubail Industrial City – Saudi Arabia
Capital	:	SAR 425,4 million
Company Activity	:	Production of Carbon Monoxide and Hydrogen
Capacity	:	345,000 mtpa of Carbon Monoxide 65,000 mtpa of Hydrogen



Saudi Ethylene and Polyethylene Company (SEPC)

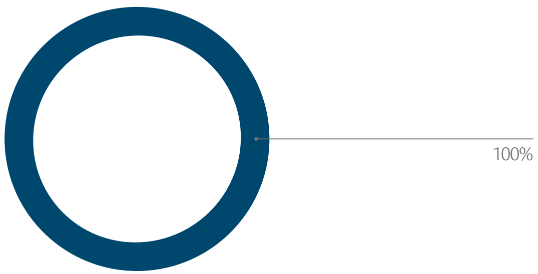
Establishment Date	:	2006
Company Type	:	Limited Liability Company
Headquarters	:	Jubail Industrial City – Saudi Arabia
Capital	:	SAR 2,737,500,000 million
Company Activity	:	Production of propylene, ethylene, high density poly-ethylene and low density polyethylene.
Capacity	:	284.8 thousand mtpa of Propylene 1,008 thousand mtpa of Ethylene 800 thousand mtpa of polyethylene



DESCRIPTION OF ACTIVITIES OF SIPCHEM'S AFFILIATES (continued)

Sipchem Marketing Company

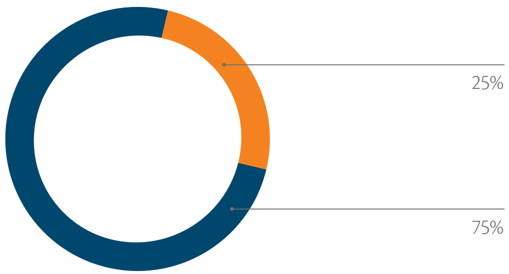
Establishment Date	:	2007
Company Type	:	Limited Liability Company
Headquarters	:	Al-Khobar – Saudi Arabia
Capital	:	SAR 2,000,000 million
Company Activity	:	Marketing and sales of petrochemicals and plastics.



- Sahara International Petrochemical Company- (Sipchem)

International Polymers Company

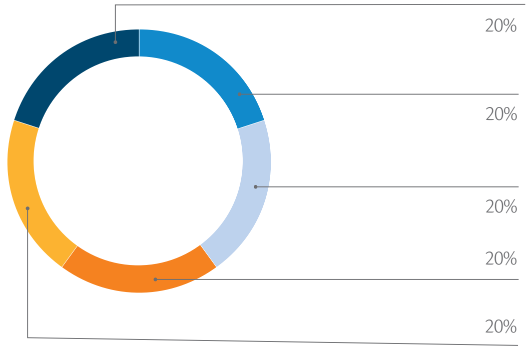
Establishment Date	:	2009
Company Type	:	Limited Liability Company
Headquarters	:	Jubail Industrial City – Saudi Arabia
Capital	:	SAR 703,2 million
Company Activity	:	Production of Polyvinyl acetate, Polyvinyl alcohol, polyeth-ylene wax, Low Density Polyethylene and ethylene and vinyl acetate copolymers.
Capacity	:	200,000 mtpa of ethylene and vinyl acetate copolymers. 125,000 mtpa of Polyvinyl acetate 4,000 mtpa of Low Density Polyethylene 4,000 mtpa of Polyvinyl alcohol 200 mtpa of polyethylene wax



- Sahara International Petrochemical Company- (Sipchem)
- Hanwa of Korea

International Utilities Company (IUC)

Establishment Date	:	2009
Company Type	:	Limited Liability Company
Headquarters	:	Jubail Industrial City – Saudi Arabia
Capital	:	SAR 2,000,000 million
Company Activity	:	Management, operation and maintenance of utilities and facilities for Sipchem's subsidiaries.

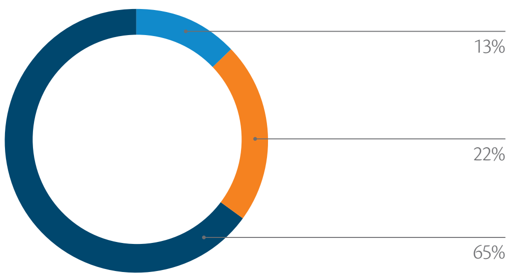


- International Methanol Company
- International Diol Company
- International Acetyl Company Limited
- International Vinyl Acetate Company
- International Gases Company

DESCRIPTION OF ACTIVITIES OF SIPCHEM'S AFFILIATES (continued)

Saudi Acrylic Acid Company (SAAC)

Establishment Date	:	2009
Company Type	:	Limited Liability Company
Headquarters	:	Jubail Industrial City – Saudi Arabia
Capital	:	SAR 1,777 million
Company Activity	:	Establishment, management, operation and ownership of acrylic acid and its derivatives production projects, and petrochemical and chemical industrial projects.

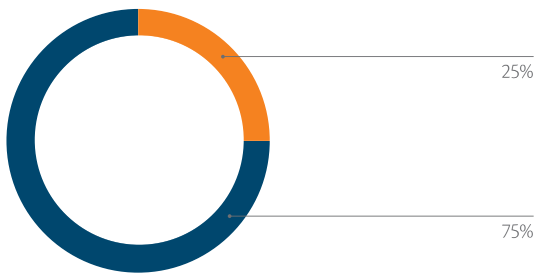


- Tasnee & Sahara Olefins Company (TSOC)
- Sahara Petrochemicals Company- (Sahara)
- National Industrialization Company

Based on Sahara Petrochemical Company's ownership percentage in TSOC, which is 32.55 %, Sahara holds indirectly additional ownership percentage of 21.16 in Saudi Acrylic Acid Company (SAAC), thus is reflected in Sahara's total equity to be 43.16%.

Saudi Acrylic Monomer Co. Ltd. (SAMCO)

Establishment Date	:	2009
Company Type	:	Limited Liability Company
Headquarters	:	Jubail Industrial City – Saudi Arabia
Capital	:	SAR 1,084,5 million
Company Activity	:	Acrylic Acid, Butyl Acrylic, Diethylhexyl Acrylic, Glacial Acrylic Acid
Capacity	:	160 thousand mtpa of Butyl Acrylic 64 thousand mtpa of Glacial Acrylic Acid

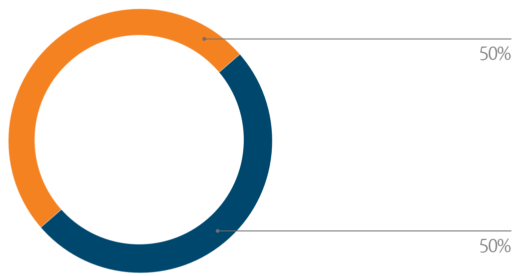


- Saudi Acrylic Acid Company (SAAC)
- Rohm and Haas Nederland B.V

Based on Sahara Petrochemical Company's ownership percentage in Saudi Acrylic Acid Company (SAAC), which is 43.16 %, Sahara holds indirectly additional ownership percentage of 32.37%, in Saudi Acrylic Monomer Co. Ltd. (SAMCO).

Sahara & Ma'aden Petrochemicals Company (SAMAPCO)

Establishment Date	:	2011
Company Type	:	Limited Liability Company
Headquarters	:	Jubail Industrial City – Saudi Arabia
Capital	:	SAR 900,000,000 million
Company Activity	:	Production of caustic soda, chlorine, and Ethylene Dichloride (EDC)
Capacity	:	300,000 mtpa of Ethylene Dichloride (EDC) 250,000 mtpa of caustic soda

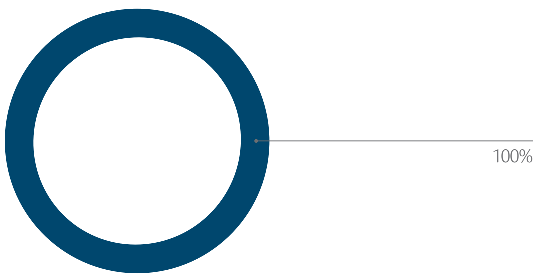


- Sahara Petrochemicals Company- (Sahara)
- Saudi Arabian Mining Company-Ma'aden

DESCRIPTION OF ACTIVITIES OF SIPCHEM'S AFFILIATES (continued)

Sipchem Chemicals Company

Establishment Date	:	2011
Company Type	:	Limited Liability Company
Headquarters	:	Jubail Industrial City – Saudi Arabia
Capital	:	SAR 266,000,000 million
Company Activity	:	Production of ethyl acetate / butyl acetate, polybutylene terephthalate and tetrahydrofuran
Capacity	:	100,000 mtpa of ethyl acetate 50,000 mtpa of n-Butyl Acetate 68,000 mtpa of polybutylene terephthalate 3,568 mtpa of tetrahydrofuran

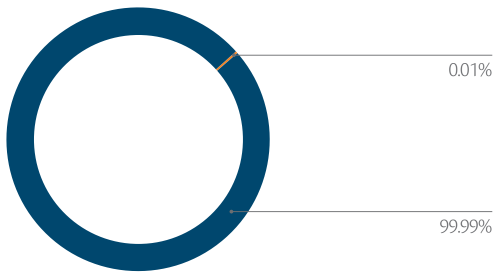


● Sahara International Petrochemical Company- (Sipchem)

• Production operations at Sipchem's Polyethylene terephthalate factory (a subsidiary of Sipchem) were suspended on 01 January 2021 in line with Sipchem's post-merger strategy to improve profitability and performance efficiency, to ensure liquidity levels and stability, to maintain the sound financial structure, and to take into account the investment risks resulting from the current economic conditions and the challenges facing the markets in general.

Sipchem Europe Cooperative UA and its Subsidiaries

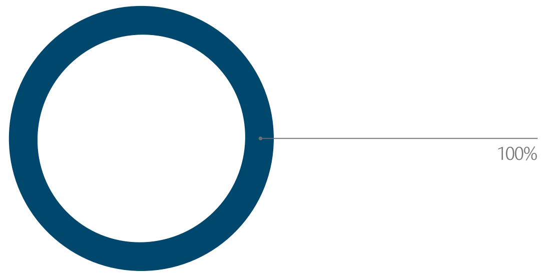
Establishment Date	:	2011
Company Type	:	Limited Liability Company
Headquarters	:	Lotre-Switzerland
Capital	:	SF 1,000,000 million
Company Activity	:	Providing administrative support in marketing and logistics activities



● Sahara International Petrochemical Company- (Sipchem)
● Sipchem Chemical Company

Promising Business Company

Establishment Date	:	2011
Company Type	:	Limited Liability Company
Headquarters	:	Jubail Industrial City – Saudi Arabia
Capital	:	SAR 700,000 million
Company Activity	:	Wholesale of chemical fertilizers

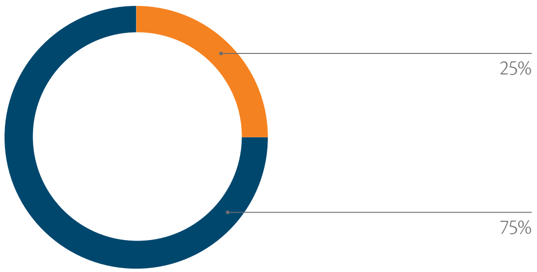


● Sahara Petrochemicals Company- (Sahara)

DESCRIPTION OF ACTIVITIES OF SIPCHEM'S AFFILIATES (continued)

Saudi Acrylic Polymer Company (SAPCO)

Establishment Date	:	2012
Company Type	:	Limited Liability Company
Headquarters	:	Jubail Industrial City – Saudi Arabia
Capital	:	SAR 416,400,000
Company Activity	:	Ownership, management and operation of super absorbent polymers plant within the integrated acrylics complex pro-ject
Capacity	:	80 thousand mtpa of super absorbent polymers

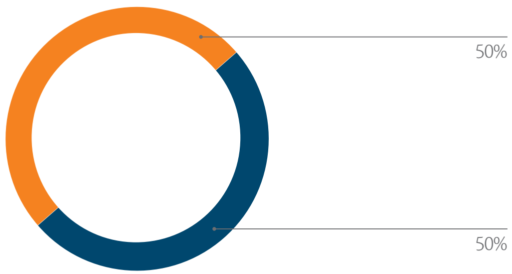


- Saudi Acrylic Acid Company (SAAC)
- Evonik Industries AG

By virtue of Sahara's aggregate 43.16% equity stake in SAAC, Sahara owns an indirect equity stake of 32.37% in SAPCO.

Gulf Advanced Cable Insulation Company

Establishment Date	:	2012
Company Type	:	Limited Liability Company
Headquarters	:	Jubail Industrial City – Saudi Arabia
Capital	:	SAR 57,240,000
Company Activity	:	Cable insulation polymers products
Capacity	:	25 thousand mtpa

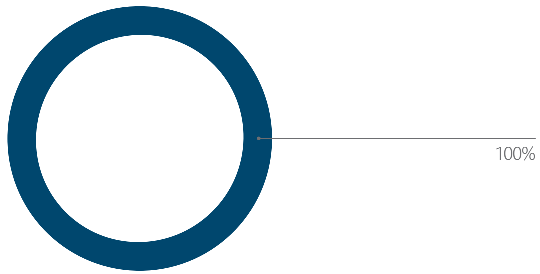


- Sipchem chemical
- Korea's Hanhwa Chemical Corp.

- Production operations at Gulf advanced cable insulation factory (a subsidiary of Sipchem) were suspended on 01 July 2021 in line with Sipchem's post-merger strategy to improve profitability and performance efficiency, to ensure liquidity levels and stability, to maintain the sound financial structure and to take into account the investment risks resulting from the current economic conditions and the challenges facing the markets in general.

Saudi Specialized Products Company (SSPC)

Establishment Date	:	2013
Company Type	:	Limited Liability Company
Headquarters	:	Hail – Saudi Arabia
Capital	:	SAR 56,320,000
Company Activity	:	Trans-parent films.
Capacity	:	5000 mtpa



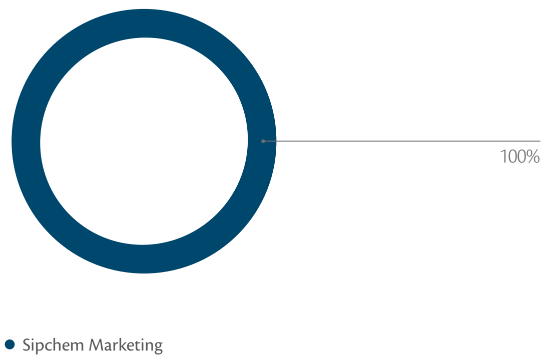
- Sipchem chemical

- Production operations at the Vinyl Ethylene Acetate Film factory of the Saudi Specialized Products Company (a subsidiary of Sipchem) were suspended on 01 January 2021, in line with Sipchem's post-merger strategy to improve profitability and performance efficiency.
- Hanwha Chemical Overseas Company Limited's 25% stake in Saudi Specialized Products Company was purchased to become 100% owned by Sipchem chemicals on 29 December 2021.

DESCRIPTION OF ACTIVITIES OF SIPCHEM'S AFFILIATES (continued)

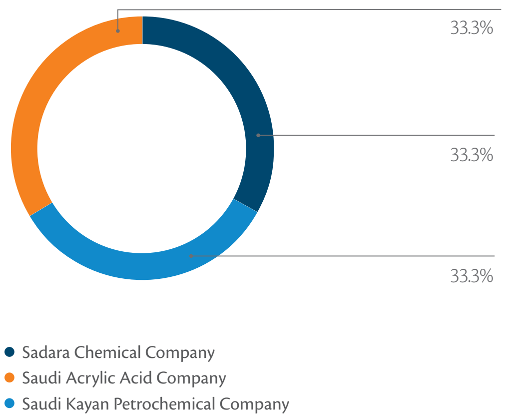
Sipchem Asia Pte Ltd

Establishment Date	:	2013
Company Type	:	Limited Liability Company
Headquarters	:	Singapore
Capital	:	SAR 752,970 million
Company Activity	:	Marketing Sipchem's products in Asia



Saudi Butanol Company (SABUCO)

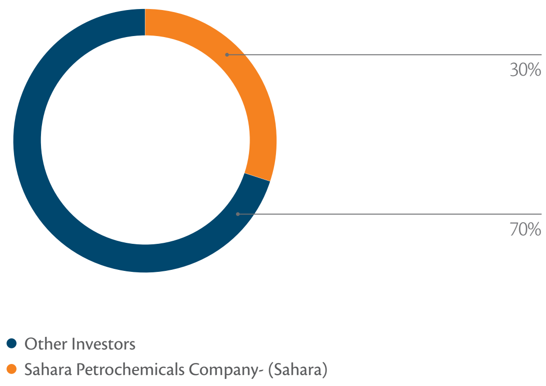
Establishment Date	:	2013
Company Type	:	Limited Liability Company
Headquarters	:	Jubail Industrial City – Saudi Arabia
Capital	:	SAR 486,000,000 million
Company Activity	:	Production of n-butanol and isobutanol
Capacity	:	330 thousand mtpa of n-butanol 11 thousand mtpa of iso-butanol



By virtue of Sahara's aggregate 43.16% equity stake in SAAC, Sahara owns an indirect equity stake of 14.38% in SABUCO.

Khair Inorganic Chemical Industries

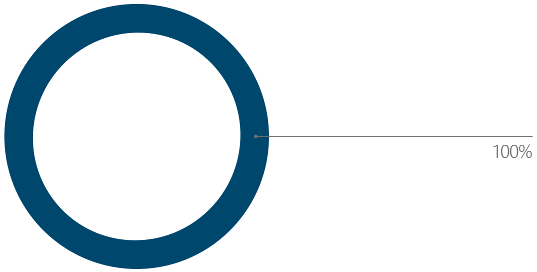
Establishment Date	:	2016
Company Type	:	Closed Joint Stock Company
Headquarters	:	Ras Al-Khair – Saudi Arabia
Capital	:	SAR 800,000,000 million
Company Activity	:	Production of soda and sodium chloride
Capacity	:	300,000 mtpa of Soda Ash 384,000 mtpa of sodium chloride



DESCRIPTION OF ACTIVITIES OF SIPCHEM'S AFFILIATES (continued)

Sahara Marketing Company

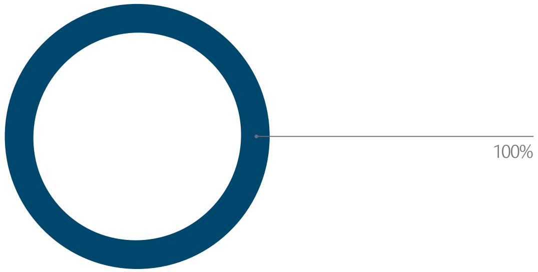
Establishment Date	:	2016
Company Type	:	Limited Liability Company
Headquarters	:	Jubail Industrial City – Saudi Arabia
Capital	:	SAR 500,000 million
Company Activity	:	Marketing and sales of petrochemicals and plas-tics.



● Sahara Petrochemicals Company- (Sahara)

Saudi Advanced Technologies Company (Wahaj)

Establishment Date	:	2018
Company Type	:	Limited Liability Company
Headquarters	:	Riyadh – Saudi Arabia
Capital	:	SAR 5,000,000 million
Company Activity	:	Metal formation by hammering, pistons, casting, rolling, making structures for motor vehicles, making parts, accessories and engines for motor vehicles.



● Sahara International Petrochemical Company- (Sipchem)

8. A Description of Sipchem's Plans and Strategies

Sipchem aims to continue to achieve and maximize positive results through continuous growth and work to develop and explore new investment opportunities in line with the company's strategy and vision. Project development opportunities include new acquisitions and mergers inside or outside the kingdom to enhance the company's profitability and enable it to enter new global markets. The company also continues to develop and explore opportunities to build new factories and expand its existing factories to increase the production capacity of its products in line with the growing global demand in addition to maximizing profitability and creating new job opportunities for the people of the country. Sipchem succeeded in overcoming the great challenges experienced by the global economy due to the coronavirus pandemic (COVID - 19). This year, it was able to achieve historic profits by (following a strategy aimed at continuity of production and reduction of costs through digital transformation through supply chains, and striving hard for research and development in future projects that support the growth of the company and achieve the objectives of the company and the preservation of shareholders ' rights.

Sipchem has updated its strategy for the next ten years as having a clear vision for the future and a tangible roadmap to achieve this will be critical to the sustainability of the company's success. This new strategy is based on five main pillars (growth, profitability, sustainability, digital transformation and innovation, and human resources). Sipchem is always looking forward to shaping its future and attracting new growth opportunities to contribute to the growth and prosperity of the kingdom of Saudi Arabia and contribute to the realization of the kingdom's Vision 2030.

9. Information on Any Risks Faced by Sipchem

Risk management is an integral part of Sipchem's strategy in order to achieve long- and short-term objectives. The objective of risk management is to ensure that Sipchem can effectively implement its strategies and realize its objectives, identify risks that limit Sipchem's ability to reach its objectives, and determine whether these risks are at a low and manageable level.

The Board, as part of its role in providing strategic oversight and supervision of the Company, is responsible for protecting investors' interests by maintaining an effective risk management and internal control system. The Executive Risk Management Committee is fostering a culture of risk management using leading standards through risk management. Accordingly, the concerned department shall implement, identify, evaluate and develop appropriate procedures for dealing with risk management practices in related activities or risks that may affect the organizational strategy.

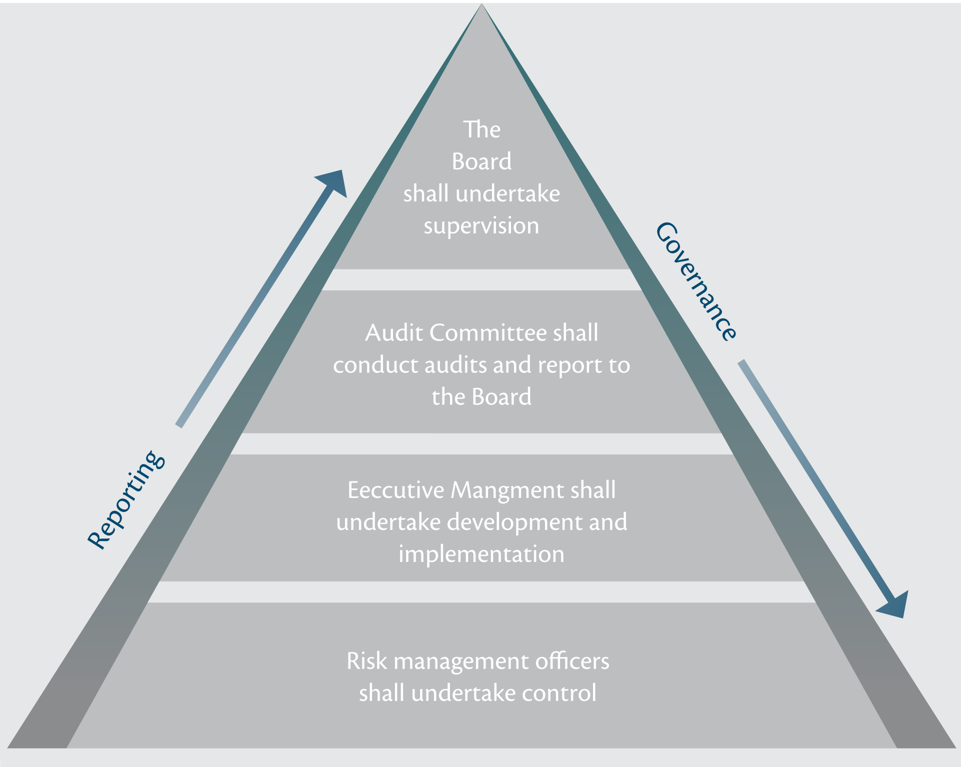
Sipchem has developed a broad risk management framework in line with the leading practices and has widely informed the Board about related risks.

The main activity of risk management is to educate the Company as a whole about the agreed level of risks; including:

- Understand the risk environment; assess the qualitative risks and the likelihood that the Company will be exposed to such risks.
- Determine how best to deal with such risks.
- Manage identified risks in appropriate ways.
- Emphasize the effectiveness of managing such risks and, where necessary, rapid intervention to improve such effectiveness.
- Periodically inform Management and the Board of the seriousness with which risks are managed, controlled and improved.

9. Information on Any Risks Faced by Sipchem (continued)

Based on the leading practices and regulations of CMA, Sipchem's governance structure of the risk management system is as follow:



1. Implementation of the Risk Management System and Organizational Structure:

Sipchem's Board of Directors has assigned the responsibility of Sipchem's risk management systems and processes to the Board Audit Committee. The Audit Committee shall be responsible for developing and implementing risk management systems and processes as a framework for the Company. The Internal Risk Management Executive Committee is chaired by the CEO, while the key roles of senior management are assigned to the Committee members. Sipchem's risk management functionally reports to the Risk Management Audit Committee and shall be responsible for:

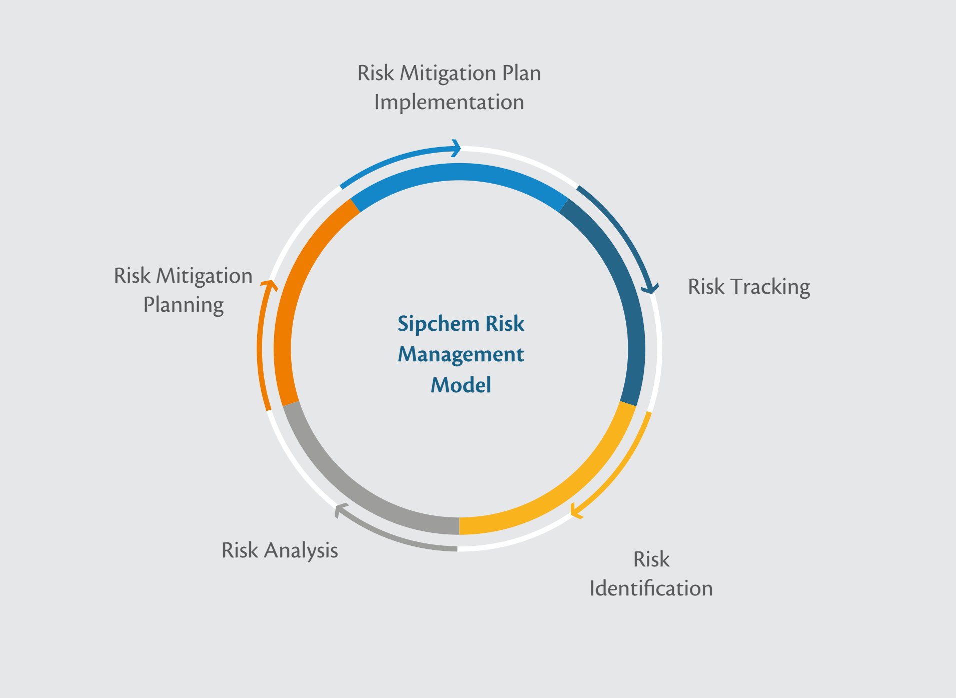
- Risk reporting.
- Conducting periodic risk assessments with business entities and subsidiaries.
- Coordinating all risk management activities within the Company.
- Reviewing risks faced by subsidiaries.
- Coordinating with subsidiaries on the implementation of risk management practices.
- Maintaining risk management policy and describing how to report risks.

2. Sipchem's Risk Management Policies and Practices:

Sipchem relies on a company-wide risk management policy approved by the Board, which identifies and formalizes risk management guidelines and practices, reporting procedures, and preparation of related reports.

Subsidiaries are responsible for risks as much as they are responsible for the revenues, and therefore the responsibility for managing risks shall be assumed by the management teams of subsidiaries as well as the managers. The risk management process controls exposures through using risk surveys, assessments, remedies, reporting and monitoring, including reporting of associated risks. Sipchem's risk management framework has been developed and implemented based on continuous practices and improvements through various ongoing initiatives.

Below is a diagram showing the continuously implemented risk management system:



3. Risk factors of Sipchem and its subsidiaries:

Sipchem incurs a number of risks that may affect operational and financial performance thereof. There is no certainty that risk management activities will prevent emergence of such risks. However, the management shall closely monitor such risks while taking preventive measures and controls to address the same. The following are some of the main risk factors that are being addressed:

A. Feedstock price increase in KSA
Strategic Response in the Sipchem Business Model to Feedstock Price Increase in the Kingdom of Saudi Arabia – especially Methane and Ethane.

B. Advanced Technologies and Market Trends
Strategic Response to Advanced Technologies (such as Non- Hydrocarbon Plastics) and Market Trends (Circular Economy) which may put the basics of supply and demand of the key value chain at risk - Methanol polypropylene, polymers

C. Delivering a feasibility Study for Capital Investment Growth Projects
Delivering a feasibility Study for Capital Investment Growth Projects, especially in Downstream Sectors, despite investment support in the Kingdom.

D. A Huge Explosion in A Factory
A huge explosion took place in a factory, causing losses in the factory outputs for a long time, possible loss of lives, and damage to Sipchem reputation.

E. Maritime Incident/Explosion
Maritime Shipping explosion that may cause environmental damages, claims against Sipchem, and damages to Sipchem reputation.

F. Cybersecurity Incidents (IT/OT)
Cybersecurity incidents in Information Technology (IT) or Operational Technology (OT) may lead to disruptions in the manufacturing operations, ERP planning factors, data loss, and damages to reputation.

G. Regional Geopolitical Instabilities
Regional geopolitical instability may result from sanctions or unexpected political conflicts, which may lead to a decline of revenues and shareholder values.

H. Unspecified Strategic Goals
Unspecified Strategic goals may lead to unrelated objectives, initiatives and work plans

I. Governance Weaknesses
Governance Weaknesses (including internal controls/audit processes) may cause asset losses and possible damages to reputation.

J. Liquidity Crisis
Liquidity crises in the Saudi Capital Market may cause an increase in base rates/profit margins, a focus on the exposure of local bank financing, which may lead to high loan cost/excessive lending.

10. Summary in form of a table regarding Sipchem's assets, liabilities, and results of its operations during the last five fiscal years

The key financial indicators for the year 2021 compared to the previous year are as follows:

- Revenues reached SAR 9,981.7 million during the year 2021 compared to SAR 5,323 million for the previous year with an increase of 87.5%.
- Net profit reached SAR 5,579.8 million during the year 2021 compared to SAR 1,172.9 million for the previous year, with an increase of 375.7%.
- Net operational profit reached SAR 4,464.3 million in 2021, compared to SAR 359.6 million in the previous year, with an increase of 1,141.5%
- Net profit reached SAR 3,591.8 million in 2021, compared to SAR 175.9 million in the previous year, with an increase of 1,942%.
- Earnings per share reached SAR 4,94 during the year 2020 compared to SAR 0.24 for the previous year.

Assets, liabilities and operating results for the last five financial years

	2021	2020	2019	2018	2017
Non-current assets	**18.558**	18.792	19,863	12,380	12,342
Current assets	**5.946**	4.973	4.128	3.000	3.638
Total assets	**24.504**	23.765	23.991	15.380	15,980
Total Equity	**15.695**	13.836	14.338	7.125	7.211
Non-current liabilities	**5.873**	6.464	7.722	6.330	6,928
Current liabilities	**2.936**	3.465	1.931	1.925	1,841
Total liabilities and equity	**24.504**	23.765	23.991	15.380	15,980

A description of the impact of each activity on the size of Sipchem business and its contribution to the results:

Sectorial Analysis: The Company operates in the following sectors:

- Basic chemicals: They include Methanol, Butane products and Carbon Monoxide.
- Intermediate chemicals: They include Acetyl Acid, Vinyl Acetate Monomers, Ethyl Acetate, Butyl Acetate and related materials.
- Polymers: These include low density Polyethylene, Polyvinyl acetate, Polyvinyl Alcohol, and Polybutylene Terephthalate, electrical wire conductor insulation products plant including the sector of polypropylene material.
- Trade: It includes revenues of Sipchem Marketing Co. and its foreign subsidiaries
- Companies and others: This include Sipchem, Ethylene Vinyl Acetate Films Plant and Tools Production Plant.

10. Summary in form of a table regarding Sipchem's assets, liabilities, and results of its operations during the last five fiscal years (continued)

(Million Riyals)

	Basic chemicals	Intermediate chemicals	Polymers	Marketing	Companies and others	Exclusion upon merger	Total
For the year ended 31 Dec. 2021							
Revenues	3,265	4,284	3,651	7,437	16	(8,671)	9,982
Total profit/loss	2,105	1,685	1,555	337	(20)	(82)	5,580
Operating profit/loss	1,765	1,389	1,204	269	(141)	(22)	4,464
Dividend in joint ventures and associate companies	-	-	-	-	531	-	531
Profit/loss before Zakat and tax	1,697	1,257	831	268	738	(383)	4,408
Total assets	3,839	5,955	7,275	2,061	26,706	(21,332)	24,504
Total liabilities	1,895	1,896	3,051	1,651	4,787	(4,471)	8,809
Capital expenses	80	224	119	85	248	-	756
For the year ended 31 Dec. 2020							
Revenues	1,692	2,232	2,334	3,664	49	(4,648)	5,323
Total profit/loss	618	(72)	455	154	(6)	24	1,173
Operating profit/loss	349	(307)	237	102	(72)	51	360
Dividend in joint ventures and associate companies	-	-	-	-	(34)	-	(34)
Profit/loss before Zakat and tax	208	(59)	143	100	(136)	(71)	185
Total assets	3,772	5,374	7,245	1,227	25,249	(19,102)	23,765
Total liabilities	2,275	2,423	3,235	823	5,248	(4,075)	9,929
Capital expenses	115	134	122	0.3	144	-	515

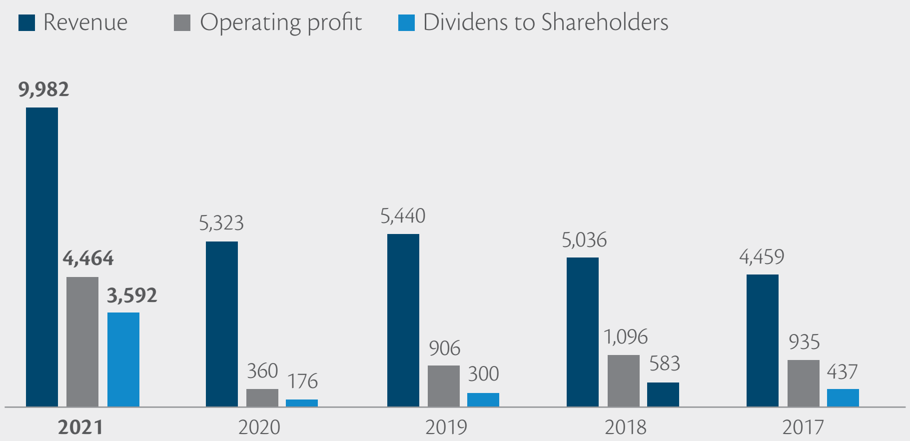
10. Summary in form of a table regarding Sipchem's assets, liabilities, and results of its operations during the last five fiscal years (continued)

Consolidated statement of profit or loss (Million Riyal)

	2021	2020	2019	2018	2017
Income	9,982	5,323	5,440	5,036	4,459
Cost of sales	(4,402)	(4,150)	(3,805)	(3,401)	(3,033)
Total profit	**5,580**	**1,173**	**1,635**	**1,635**	**1,426**
Selling and distribution costs	**(453)**	(395)	(315)	(197)	(200)
General and administrative expenses	(663)	(419)	(414)	(342)	(291)
Operating profit	**4,464**	**360**	**906**	**1,096**	**935**
Dividend in joint ventures and associate companies	531	(34)	(27)	-	-
Finance Revenues	30	26	60	28	22
Finance costs	(319)	(293)	(370)	(263)	(298)
Other (Expenses)/ income, net	(298)	126	(179)	6	12
Profit before Zakat and income tax	**4,408**	**185**	**390**	**867**	**671**
Cost of Zakat and income tax	(450)	(128)	(145)	(116)	(84)
Profit for the year	**3,958**	**57**	**245**	**751**	**587**
Profit yields to:					
Equity	3,592	176	300	583	437
Non- controlling interests	366	(119)	(55)	168	150
Earnings per share from net profit yields to shareholders	4.94	0.24	0.52	1.59	1.19

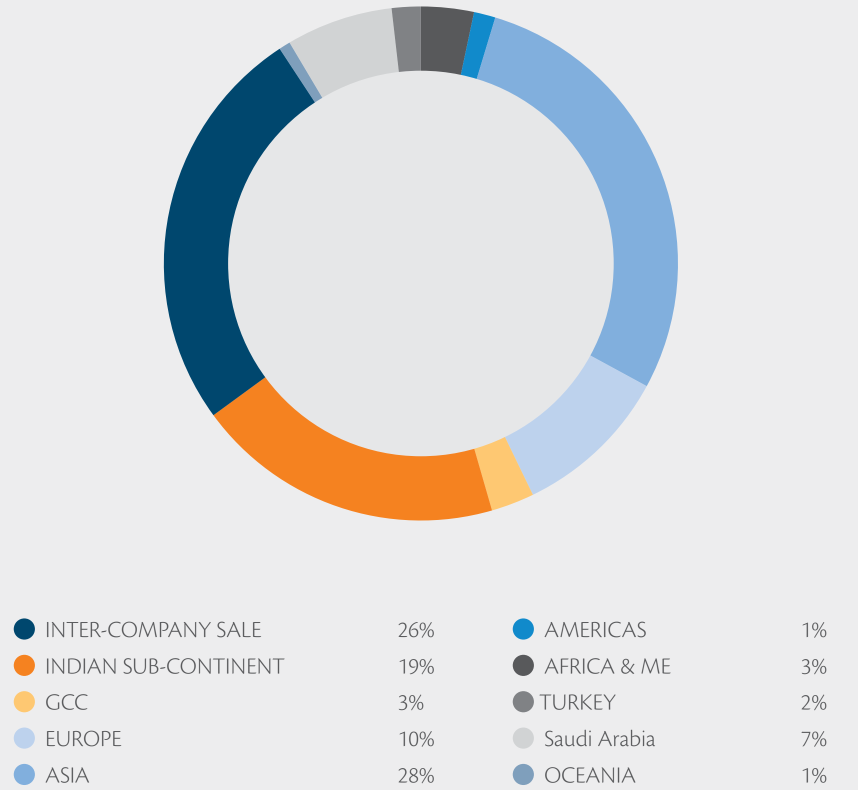
10. Summary in form of a table regarding Sipchem's assets, liabilities, and results of its operations during the last five fiscal years (continued)

Evolution of sales, operating profit and net profit for the last five years (Million Riyals)



11. Geographical Analysis of Sales of Sipchem and its subsidiaries

Sipchem's products are marketed and sold in all local markets, Middle East markets and international markets. The following chart shows the geographical distribution of Sipchem's sales during 2021:



12. Significant differences in operating results from previous year results:

STATEMENTS	2021	2020	Change +/-	% of change
Sales/ Revenue	**9.981.7**	5,323	4,658.7	87.5%
Total profit	**5.579.8**	1.172.9	4,406.9	375.7%
Operating profit	**4.464.3**	359.6	4,104.7	1,14.5%
Net profit yields to shareholders	**3,591.8**	175.9	3,415.9	1,942%

During 2021, the net profit increased by 1,942% compared to 2020. This is attributed mainly to an increase of revenues and operational profits, which resulted from a hike in the prices of all products, in spite of the increase in prices of feedstock such as butane, ethanol, Ethylene and Propane; in addition, the company's dividend in the profit/loss of a joint venture or an associate company also increased up to a profit of SAR 530.8 million in 2021, compared to a loss of SAR 33.8 million in 2020.

The above net profit increase despite the company's suffering of the loss of an impairment of two cash generating units amounted to SAR 260 million was recorded in 2021 related to Poly butylene terephthalate Plant (amounted to SAR 160 million) and the Gulf company for advanced cable insulators (amounted to SAR 100 million).

13. Clarification of any difference for the accounting standards approved by the Saudi Organization for Certified Public Accountants (SOCPA)

There is no difference from the approved accounting standards.

14. Each subsidiary's name, share capital, percentage of Sipchem's shareholding therein, main activity, country of operations, and country of incorporation.

Subsidiary's name	Capital SAR Million	Percentage of Sipchem's shareholding therein	Main activity	Country of operations	Country of incorporation
International Methanol Company	**361**	**65%**	Production of Methanol (methyl alcohol)	KSA	KSA
International Diol Company	**431**	**100%**	Production of Butanediol (BDO), Maleic Anhydride (MAn), Tetrahy-drofuran (THF) and gamma-Butyrolactone (GBL)	KSA	KSA
Sahara Petrochemicals Company	**2,388**	**100%**	It operates as a holding company whose main activity is concentrated in the petrochemical sector	KSA	KSA
International Vinyl Acetate Company Ltd.	**676**	**97%**	Production of Vinyl Acetate Mono-mer	KSA	KSA
Al WAHA Petrochemicals Company	**1,660**	**75%**	Production of propylene and poly-propylene	KSA	KSA
International Acetyl Company Limited	**1,003**	**97%**	Production of Acetic Acid (AA) and Acetic Anhydride (AAn)	KSA	KSA
Tasnee & Sahara Olefins Company (TSOC)	**2,830**	**32.55%**	Establishment, management, opera-tion, ownership and investment in industrial projects, particularly petro-chemical and chemical industries in addition to marketing their products and performing all related activities.	KSA	KSA
International Gases Company	**425**	**% 97**	Production of carbon monoxide and hydrogen	KSA	KSA
Saudi Ethylene and Polyethylene Company (SEPC)	**2,737.5**	**24.41%**	Production of propylene, ethylene, high-density polyethylene and low-density polyethylene.	KSA	KSA
Sipchem Marketing Company	**2**	**% 100**	Marketing and sales of petrochemicals and plastics	KSA	KSA
Saudi Acrylic Acid Company (SAAC)	**1,777**	**43.16%**	Establishment, management, operation and ownership of acrylic acid and its derivatives production projects, and petrochemical and chemical industrial projects.	KSA	KSA
Saudi Acrylic Monomer Co. Ltd. (SAMCO)	**1,084.5**	**32.37%**	Production of acrylic acid derivatives: Acrylic Acid, Butyl Acrylic, Diethylhexyl Acrylic, Glacial Acrylic Acid	KSA	KSA
International Utilities Company (IUC)	**2**	**91.2%**	Management, operation and mainte-nance of utilities and facilities for Sipchem's subsidiaries.	KSA	KSA
International Polymers Company	**703**	**75%**	Production of Polyvinyl acetate, Pol-yvinyl alcohol, polyethylene wax, Low Density Polyethylene and eth-ylene and vinyl acetate copolymers.	KSA	KSA

14. Each subsidiary's name, share capital, percentage of Sipchem's shareholding therein, main activity, country of operations, and country of incorporation (continued)

Subsidiary's name	Capital SAR Million	Percentage of Sipchem's shareholding therein	Main activity	Country of operations	Country of incorporation
Saudi Acrylic Polymer Company (SAPCO)	416.4	32.37%	Ownership, management and operation of super absorbent polymers plant within the integrated acrylics complex project	KSA	KSA
Sahara & Ma'aden Petrochemicals Company (SAMAPCO)	900	50%	Design, construction, ownership and operation of an integrated plant for production of chlorine, caustic soda, and ethylene dichloride	KSA	KSA
Sipchem Chemicals Company	266	100%	Production of ethyl acetate / butyl acetate, polybutylene terephthalate and tetrahydrofuran	KSA	KSA
Sipchem Europe Cooperative UA and its Subsidiaries	SF 1,000,000	100%	Providing administrative support in marketing and logistics activities	Netherlands	Netherlands
Saudi Butanol Company (SABUCO)	486	14.38%	Production of n-butanol and isobu-tanol	KSA	KSA
Sahara Marketing Company	0.5	100%	Marketing and wholesale of petro-chemical products	KSA	KSA
Promising Business Company	0.7	100%	Wholesale of chemical fertilizers	KSA	KSA
Gulf Advanced Cable Insulation Company	57	% 50	Cable insulation polymers products	KSA	KSA
Khair Inorganic Chemical Industries	800	30%	Production of sodium carbonate, dense vs light soda ash, calcium chlo-ride and calcium carbonate	KSA	KSA
Saudi Advanced Technologies Company (Wahaj)	56	100%	Production of metal molds used for plastics industries and maintenance of metal molds in addition to pro-ducing transparent films.	KSA	KSA
Sipchem Asia Pte Ltd	0.752	100%	Marketing Sipchem's products in Asia	Singapore	Singapore
Saudi Advanced Technologies Company	5	100%	Metal formation by hammering, pis-tons, casting, rolling, making struc-tures for motor vehicles, making parts, accessories and engines for motor vehicles.	KSA	KSA

15. Details of shares and debt instruments issued for each subsidiary

There are no debt instruments convertible into shares or any subscription notes or similar rights issued or granted by the Company during 2021. There are also no rights of transfer or subscription under debt instruments convertible into shares, option rights, warrants or similar rights issued or granted by the Company during the year 2021.

16. A Description of Sipchem's Policy in Distributing Dividends

The annual net profits of the Company are distributed according to Article (48) of Sipchem's articles of association, after deducting all general expenses and other costs as follows:

- A percentage representing (10%) of the net profits shall be set aside to form a statutory reserve for the Company, and the Ordinary General Assembly may cease such practice whenever the mentioned reserve reaches 30% of the paid share capital.
- The Ordinary General Assembly, based on the proposal of the Board of Directors may retain a certain percentage of the net profits to form a consensual reserve and allocate such reserve for purposes beneficial to the Company.
- The Ordinary General Assembly may decide to create other reserves, to the extent that serves the interest of the Company or guarantees the distribution of fixed profits as possible to the shareholders. The Ordinary General Assembly may also deduct amounts from the net profits to incorporate social institutions for Sipchem's employees or to assist the institutions that may exist.
- The remaining amount thereafter shall be distributed among shareholders, with a proportion not less than (5%) five percent of the paid share capital.
- Subject to the provisions of Article (22) twenty-second of this law, and Article (76) seventy-six of the Companies Law, which after the above allocates a percentage not exceeding (10%) ten percent of the remaining amount for remuneration of the Board of Directors, provided that entitlement to such remuneration shall be prorate to the number of sessions attended by each member.

The Company may also distribute profits to its shareholders periodically, quarterly or semi-annually, if its financial capabilities permit, provided that the Company, when doing so, adheres to the conditions, controls and instructions issued about the same by the competent authorities

The dividends to be distributed according to Article (49) of the Articles of Association shall be paid to the shareholders at the place and dates specified by the Board in accordance with the instructions issued by the Ministry of Commerce and Investment and the Capital Market Authority.

16. A Description of Sipchem's Policy in Distributing Dividends (continued)

Sipchem's Board of Directors has made its recommendations on 15 September 2020 to distribute cash dividends for the first and second halves of fiscal year 2021 to the shareholders as follows:

	Dividends ratios distributed during the year		dividend ratios proposed for distribution at year end	Total dividends
	14 July 2021	20 December 2021		
Percentage	7.5%	15%	22.5%	-
Total	549,999,999	1,090,743,273	-	1,640,743,272

17. Description of any interest in the voting shares category held by persons (save the members of Sipchem's Board of Directors, senior executives and their relatives) who informed the Company of such rights under Article forty-five of the Registration and Listing Rules and any change in such rights during the fiscal year 2021

The Company did not receive notice of any interests belonging to persons in the voting shares or a change in such rights.

18. Description of Any Interests, Contractually Based Securities and Subscription Rights of Sipchem's Board Members, Senior Executives and Their Relatives in Shares or Debt Instruments of the Company or Any of Its Subsidiaries, Together With Any Change in These Interests or Rights During 2021

A description of any interests held by the Board Members, their wives and adolescent children in the shares or debt instruments of the Issuer:

S	Name	Shares as at 1 JAN 2021		Shares as at Dec. 31, 2021		Net Change	% of change	Ownership of first-degree relatives and its change
		Number	Ownership %	Number	Ownership %			
1	Eng. Khalid A. Al-Zamil	334,240	0.04558%	334,240	0.04558%	0	0	-
2	Dr. Abdulrahman A. Al-Zamil	1,036,852	0.14139%	692533	0.094%	344319	33%	-
3	Eng. Yousef A. Al-Zamil	21,500	0.0029%	29,500	0.004%	8000	32%	
4	Mr. Fahad S. Al-Rajhi	6,500,000	0.8864%	7,000,000	0.95%	500000	7%	-
5	Mr. Saeed O. Al-Esayi	6,478,071	0.8833%	6,478,071	0.8833%	0	0	-
6	Eng. Reyadh S. Ahmed	0	0%	0	0%	-		-
7	Mr. Abdulaziz A. bin Dayel	0	0%	0	0%	-		-
8	Mr. Saeed A. Basamah	0	0%	0	0%	-		-
9	Mr. Ziad A. Al-Turki	1000	0%	1,817,500	0.247%	1,816,500	181,750%	-
10	Mr. Ayidh M. Al-Qarni	0	0%	0	0%	-		-
11	Mr. Ahmed Al Sayyari	0	0%	0	0%	-		-

A description of any interests held by the Senior Executives, their wives and adolescent children in the shares or debt instruments of the Issuer:

S	Name	Shares as at 1 JAN 2021		Shares as at Dec. 31, 2021		Net Change	% of change	Ownership of first-degree relatives and its change
		Number	Ownership %	Number	Ownership %			
1	Eng. Abdullah S. Al-Saadoon	0	0%	30,000	0.0040%	30.000	30000%	-
2	Eng. Ibrahim Abdul Aziz Al Rashood	41222	0.0056%	41222	0.0056%	-	-	-
3	Eng. Matar Atshan Al Zofiri	35347	0.0048%	38425	0.0052%	3078	9%	-
4	Mr. Rushdi K. Al-Dulijan	0	0%	0	0%	-	-	-
5	Omar Salem Bajubail	0	0%	25600	0.0034%	25600	25600%	-
6	Mr. Faisal M. Al-Modlij	0	0%	0	0%	-	-	-

There is no interest in contractual securities and subscription rights belongs to the company's board of directors, senior executives and their relatives in the shares or debt instruments of subsidiaries.

19. Description of Categories and Numbers of Any Convertible Debt Instruments and Any Contractually Based Securities, Subscription Right Notes, or Similar Rights Issued or Granted by the Company During the Fiscal Year, Along With an Explanation of Any Compensation Obtained by the Company in Return.

N.A.

20. Description of Any Transfer or Subscription Rights Under Convertible Debt Instruments, Contractually Based Securities, or Similar Subscription Right Notes Issued or Granted by the Company

N.A.

21. Description of Any Redemption, Purchase or Cancellation by the Company of Any Redeemable Debt Instruments and the Value of the Remaining Securities With a Distinction Between the Listed Securities Purchased by the Company and Securities Purchased by Subsidiaries of the Company

N.A.

22. The Number of Board Meetings Held During the Fiscal Year 2021, Dates of Such Meetings, and Attendance Record for Each Meeting, Indicating the Names of Attendances.

The Board of Directors of Sipchem held four meetings during 2021. The table below shows the attendance record and date for each meeting:

S	Name	31/03/2021	23/06/2021	29/09/2021	15/12/2021	Total Attendance
1	Eng. Khalid A. Al-Zamil	✓	✓	✓	✓	4
2	Mr. Fahad S. Al-Rajhi	✓	✓	✓	✓	4
3	Dr. Abdulrahman A. Al-Zamil	✓	✓	✓	✓	4
4	Mr. Bandr A. Masoudi*	✓	✓	✕	✕	2
5	Mr. Ayidh M. Al-Qarni	✓	✓	✓	✓	4
6	Mr. Ziad A. Al-Turki	✓	✓	✓	✓	4
7	Eng. Reyadh S. Ahmed	✓	✓	✓	✓	4
8	Eng. Saeed O. Al-Esayi	✓	✓	✓	✓	4
9	Eng. Yousef A. Al-Zamil	✓	✓	✓	✓	4
10	Mr. Saeed A. Basamah	✓	✓	✓	✓	4
11	Mr. Abdulaziz A. bin Dayel	✓	✓	✓	✓	4
12	Mr. Ahmed Saad Al Sayyari**	✕	✕	✓	✓	2

✓ Attendance ✕ Absent

* Date of Board Member resignation is 10 July 2021

** Date of appointment of Board Member is 11 July 2021

23. Number of requests for the shareholders' record, dates and justifications

S	Request Date	Request Justification
1	31 JAN 2021	Company's procedures
2	28 Feb 2021	Company's procedures
3	31 March 2021	Company's procedures
4	5 May 2021	Company's procedures
5	24 May 2021	General Assembly
6	1 July 2021	Profit profile
7	5 Aug. 2021	Company's procedures
8	17 Aug. 2021	General Assembly
9	9 Sept. 2021	Company's procedures
10	5 Oct. 2021	Company's procedures
11	3 Nov. 2021	Company's procedures
12	2 Dec. 2021	Company's procedures
13	31 Dec. 2021	Company's procedures

* Sipchem uses the records in the preparation of detailed monthly reports which are submitted to the Executive Management to follow up and communicate with shareholders through interviews or meetings. Sipchem also explores the latest developments of its business and reply to the shareholders' suggestions and inquiries.

24. Description of any Transactions between Sipchem and Related Parties

Transactions with the related parties represent transactions with the shareholders, the sister companies, associate companies, partners, the Board of Directors and the entities wholly or jointly controlled or materially influenced by the related parties. The Group conducted the following transactions with the related parties during 2021:

Name	Nature of the transaction	Relationship
Japan- Arabia Methanol Company Limited	Sales	Partner in a subsidiary
HANWHA CHEMICAL MALAYSIA SDN. BHD. (Hanwah Co.")	Sales	shareholder in a subsidiary
Sahara & Ma'aden Petrochemical Company (SAMAPCO)	Joint Services Cost, Employee Unit Ownership Program Cost	A joint-venture of a subsidiary
National Manufacturing Company	Acquisition of Feedstock supplies rights and marketing arrangements	Shareholder in an associate company
LyondellBasell Industries NV	Sales	Shareholder in joint operations of a subsidiary
Saudi Ethylene & Polyethylene Company (SEPC)	Sales	Associate Company

Sipchem and non-controlling shareholders have provided loans to the Group's companies to support their operations and comply with debt requirements. Long-term loans carry financing charges at market rates and have specific maturity dates according to agreed payment schedules.

The prices and terms of the above transactions are approved by the Board of Directors of Group's subsidiaries. The above transactions resulted in the following balances with the related parties as at December 31, 2021:

- **Trade receivables**

(Million Riyals)

Name	2021	2020
LyondellBasell Industries NV and an associate company	297	195
HANWHA CHEMICAL MALAYSIA SDN. BHD. (Hanwah Co.")	142	100
Japan- Arabia Methanol Company Limited	46	44
Total	**485**	**339**

24. Description of any Transactions between Sipchem and Related Parties (continued)

- **Prepayments and other current assets**

(Million Riyals)

Name	2021	2020
SAMAPCO	58	35
LyondellBasell Industries NV	12	4
Total	**70**	**39**

- **Accrued Expenses and Other Current Liabilities**

Name	2021	2020
SAMAPCO	26	36
LyondellBasell Industries NV	59	41
HANWHA CHEMICAL MALAYSIA SDN. BHD	7	6
Helm Arabia GmbH & Co. KG. (Helm Arabia)	-	5
Total	**92**	**88**

25. Information Related to Any Business or Contracts, in Which the Company is a Party, or in Which There Was an Interest for a Board Member or for its Senior Executives or for Any Person Related to Any of Them, Including the Names of Those Involved in the Business or Contracts, the Nature of Such Business or Contracts, Terms, Duration and Amount of the Same. In Case of Lack of Such Business or Contracts, the Company shall Provide a Declaration in This Regard.

N.A.

26. Statement of Any Arrangements or Agreement, Under Which a Board Member or a Senior Executive Has Waived Any Remunerations.

There is no arrangement or agreement, under which a Board Member or a senior executive has waived any remuneration.

27. Statement of Any Arrangements or Agreement, Under Which a Shareholder of the Company Has Waived Any Rights to Profits.

There is no arrangement or agreement, under which a shareholder of the Company has waived any rights to profits.

28. Statement of Regular Paid and Payable Payments of Any Zakat, Taxes, Fees or Any Other Payables that Were Not Paid Until the End of the Annual Fiscal Period with a Brief Description of the Same and Description of the Reasons.

- **Regulatory due payments:**

(Million Riyals)

Statement	Payments made during the year 2021	Outstanding and unpaid up to the end of annual fiscal year	Brief description	Reasons
GAZT	89.0	484.2	Zakat	Obligatory
GAZT	8.9	78.7	Tax	Obligatory
GOSI	38.1	3.0	Subscriptions	Obligatory
Labor Office Fees	1.9	-	Fees	Obligatory

29. Statement of Any Investments Or Reserves Established For the Interest of Employees of the Company

Sipchem's success is mainly attributed to its distinguished ability and constant endeavors to attract qualified personnel. Sipchem has been successful in creating an environment in which employees are proud to work in; a very professional transparent one, which encourages high performance and effective engagement at all levels of management in all Sipchem's subsidiaries. Sipchem cares about ensuring its personnel's job satisfaction to help them achieve their career ambition; Sipchem pays attention to the job development and training programs, both technical and administrative, to raise levels of efficiency, loyalty and create a fair and competitive environment inside the Company.

The table below shows the number and percentage of employees in Sipchem and its subsidiaries as at the end of 2021 compared to 2020:

Employees	2020		2021	
	Number	Percentage	Number	Percentage
Saudis	1,249	80.17%	1121	82.42%
Non-Saudis	309	19.83%	239	17.58%
Total	**1,558**		**1,360**	

The following are some of the achievements of the Human Resources Department during 2021:

1. Human Resources Policy:

A. Development of Human Resources Policy:

Human Resources Team has made many improvements and developments for majority of the Human Resources programs after the second year of the merger as follows:

- Update Human Resources Policy to be in line with Sipchem strategy.
- Review and update job description for the majority of Sipchem's jobs.

2. Talent Management and Development:

A. E-learning Program:

Sipchem has implemented an online training system that included more than 7,000 training courses in the areas of management, leadership, work skills, safety and security, and computer program courses attended by nearly 800 employees. It is worth mentioning that content of these training materials was prepared by international universities and educational institutions.

B. Virtual Learning Program:

In line with the updates to the global learning methods, Sipchem has delivered more than (81) virtual awareness-raising sessions in several areas such as: safety, security, administration, and others that were attended by more than 850 employees from Sipchem's departments.

29. Statement of Any Investments Or Reserves Established For the Interest of Employees of the Company (continued)

2. Talent Management and Development (continued)

C. Development of Employee Performance Assessment:

Human Resources Team has developed the annual employee assessment program by launching an addition, which is the semi-annual review phase that takes place in July and August and aims to review the employee's progress towards achieving the targets set since the beginning of the year and to provide the appropriate directions for development and improvement purposes.

D. Career Progression Program:

Twenty (20) Saudi employees graduated during 2021 from Sipchem's development program to determine the career path for universities' fresh graduates. The program lasted for two years, during which the participants received on-the-job training and they also received around (30) training courses on team work, time management, creative thinking and emotional intelligence.

E. Professional Development Plan Program:

Applying the individual professional development plan for employees, which is a plan implemented electronically through the human resources system. This Plan describes the competencies required from the employee in line with the employee's career path and promotes development of the employee's capabilities and skills and how to invest the same.

F. Qualification Program for Technicians and Technical Staff:

Sipchem provides training and development opportunities for employees in the field of manufacturing and operation, including training courses and on-the-job training. Sipchem issues certificates and grants rewards related to the successful completion of each stage of the program.

G. Procurement Academy (Sipchem)

The Human Resources team has established an e-Academy specialized in the development of talents in the field of procurement and logistics with a company specialized in this field, which offers e-courses. This academy was established based on the competencies and qualifications approved for procurement Department.

H. Cooperative Training Program

The Human Resource team, in cooperation with several departments at Sipchem, provided training for 90 trainees from various universities and colleges of the Kingdom and they finished the program successfully.

3. Employees' Incentive Programs

A. Home Ownership Program for Saudi Employees:

The program aims at giving a chance to Sipchem's Saudi employees, who meet the program conditions, to own housing units in light of Sipchem policy of assuring comfort and stability for its employees and motivating them to continue their services with Sipchem.

B. House Loan Program for Saudi Employees

The company aims to give the Saudi employees, who work at its headquarters in Khobar and Dhahran, specifically those who meet the conditions of the loan system through the ownership program, to obtain a loan without interest for one time during the term of their service with the company in exchange for easy installments, within the framework of the policy adopted to ensure stability and comfort for these employees, in order to enhance the relationship between the company and them, and to encourage them to continue working in the company.

C. Employees Shares Ownership Incentive Program:

Sipchem implemented an Employee Incentive Program aimed at encouraging Sipchem's and subsidiaries' employees to maintain and improve their work performance and put up their utmost efforts to serve Sipchem's interests and achieve its objectives. The program also contributes in attracting highly qualified personnel in the field of petrochemicals.

The program is currently managed by Al Bilad Securities and Investment Co., through a special portfolio opened for the program in 2010. A total of 267,009 shares have been transferred from the program portfolio to the eligible employees. Total number of the program shares reached 5,590,870 as of December 31, 2021.

D. Savings Program:

Sipchem initiated to put an Islamic Shariah-compliant savings program to motivate its employees and enhance their loyalty to Sipchem hence improving the work performance, and attracting well-qualified Saudi employees and motivating them to continue their services. The program is aimed at helping Saudi employees to accumulate their savings to be utilized upon retirement or end of services. Sipchem takes a part of the subscribed employee's salary and may invest these savings according to his desire. Sipchem has the right to manage this investment in the way which it believes to be beneficial for the program subscriber in accordance with the best available Islamic Shariah-compliant investment portfolio. Also, Sipchem has the right to invest the subscriber's savings in investment activities in cooperation with specialized companies and banks in accordance with the criteria of Islamic investment in a manner that can attain benefits for the subscribers provided that such investments are in low-risk Islamic portfolios.

The saving program was activated in 2011. It is managed by Bank AlJazira and it was reviewed, audited and approved by the Sharia Committee of Bank AlJazira.

30. Acknowledgments:

The Board of Directors is keen to ensure the professional performance of (Sipchem) during the year 2021. Accordingly, the Board of Directors confirms the following:

1) That the accounting records had been prepared correctly.
2) That the internal control system has been properly prepared and implemented effectively.
3) That there is no little doubt in Sipchem's ability to continue its activity.
4) The consolidated financial statements have been prepared in accordance with the accounting standards and regulations issued by the Saudi Organization for Certified Public Accountants and in accordance with the relevant requirements of the Companies Law and the Company's Articles of Association regarding the preparation and publication of financial statements.
5) There is no contract to which the Company is a party and where there is or there was a fundamental interest of a member of the Board of Directors, CEO or CFO or any person related to any of them.
6) There is no arrangement or agreement whereby a Board Member or a senior executive waives any salary or compensation.
7) There is no arrangement or agreement whereby a shareholder of the Company waives any rights in profits.

31. If the Auditor's Report Includes Reservations on the Annual Financial Statements, the Board Report Must Clarify Those Reservations, Their Reasons, and Any Information Related Thereto.

Auditor's report does not include any reservations on the annual financial statements.

32. If the Board Recommends Changing the Auditor Before the End of the Auditor's Term of Service, the Report Must Contain this Matter, Along With the Recommendation for the Change.

The Board did not recommend to change the auditor.

33. Disclosure of details of Treasury shares held by the Company and details of the uses of these shares:

Number of treasury shares held by the Company	Value (SAR per share)	Date of retention	Use details
6,171,150	SAR 293,746,740	15 March 2021	Sipchem's shares were bought back as treasury shares, because the Board considers that the share price in the market is less than its fair value.

Conclusion:

At the end of our report, the Board of Directors would like to express its gratitude and thanks to the Custodian of the Two Holy Mosques and HRH Crown Prince, for their care and support for the petrochemical sector in Saudi Arabia. Also, the Board appreciates the sincere efforts of the governmental bodies for their continuous support. The Board also extends its appreciation and thanks to the shareholders and all Company staff members for their sincere efforts and dedication to support Sipchem's efforts to attain its goals, promote its competitiveness and preserve its gains and interests. We pray to God to bless our efforts, as we are filled with hope to continue to develop the performance and enhance the capabilities of the company in order to support the economic and social development system of the Kingdom.

The Board

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(A Saudi Joint Stock Company)

Opinion

We have audited the consolidated financial statements of Sahara International Petrochemical Company ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated income statement, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) 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).

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 are independent of the Group in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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.

Impairment assessment of Goodwill

See Note 13 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
On 16 May 2019, the Group acquired 100% of the shares in Sahara Petrochemicals Company ("Sahara") for a consideration of SR 7,839 million. As a result of the acquisition, Goodwill amounting to SR 601 million, was recognized by management at a reporting unit level and is allocated to certain Cash Generating Units ("CGUs") of Sahara. Management carried out an impairment analysis in respect of Goodwill allocated to different CGUs. The recoverable amount was determined based on the value in use calculated using a discounted cash flow model, which utilized the most recent business plan prepared by Management. Due to the significant value, judgements and nature of estimates involved in assessing the impairment of Goodwill, we considered this as a key audit matter.	We performed the following procedures in relation to the impairment assessment of Goodwill: • Assessed the methodology adopted by management in its impairment assessment of Goodwill with reference to the requirements of IAS 36. We also tested the arithmetical accuracy of the model used; • Evaluated the appropriateness of the assumptions applied to key inputs such as sales volumes and prices, operating costs, inflation and long-term growth rates, which included comparing these inputs with externally derived data as well as our own assessments based on our knowledge of the Group and the industry; • Engaged our internal valuation specialist to assist in evaluating the appropriateness of significant assumptions, such as growth rates, cost of capital and terminal values; • Performed a sensitivity analysis, which included assessing the effect of reasonably possible changes in certain variables to evaluate the impact on the cash flow forecasts for CGUs; and • Evaluated the adequacy of the disclosures in the consolidated financial statements, including disclosures of key assumptions, judgements and sensitivities.

Revenue recognition

See Note 27 to the consolidated financial statements

The key audit matter	How the matter was addressed in our audit
Revenue is a key financial statement caption and performance matrix. Further, revenue for major products is recognized on provisional prices which are subject to change in a volatile economic environment. Considering the above factors coupled with fraud risk associated with revenue recognition, we have considered this as a key audit matter.	We performed the following procedures to address the key audit matter: • Obtained an understanding of the nature of revenue contracts used by the Group for each significant revenue stream, tested a sample of representative sales contracts to confirm our understanding and assessed whether or not management's application of IFRS 15 requirements was in accordance with the accounting standard; • Tested relevant processes and controls established by management to ensure appropriate recognition of revenue; • Performed tests of details on a sample of sales transactions and vouched back to source documents. • Evaluated the appropriateness of provisional price adjustments for the unsold products with marketers as at the end of the year; • Inquired from the management representatives regarding fraud awareness and the existence of any actual fraud cases. • Tested a sample of journal entries of accounts relating to significant risk areas and compared them to the supporting documents. • Performed cut-off procedures to ensure that revenue is recognized when the control is transferred to the customer and in the correct accounting period. • Evaluated the adequacy of the consolidated financial statement disclosures related to revenue.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. The annual report 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 when it becomes available 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 annual report, when made available to us, 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 IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies and 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, the Board of Directors, are responsible for overseeing the Group's financial reporting process.

Independent Auditors' Report (continued)

To the Shareholders of Sahara International Petrochemical Company
(A Saudi Joint Stock Company)

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 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, then 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 of Sahara International Petrochemical Company ("the Company") and its subsidiaries ("the Group").

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

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.

KPMG Professional Services

Abdulaziz Abdullah Alnaim

License No: 394

Al Khobar, 28 February 2022

Corresponding to: 27 Rajab 1443H

Consolidated Statement of Financial Position

As At 31 December 2021

Expressed in Saudi Riyals in Thousands Unless Otherwise Stated

	Note	31 December 2021	31 December 2020
Assets			
Non-current assets			
Property, plant and equipment	6	**12,218,031**	13,015,719
Right-of-use assets	7.1	**120,128**	61,143
Intangible assets	8	**606,185**	379,388
Goodwill	13	**630,483**	630,483
Investments in a joint venture and associates	9	**3,963,423**	3,493,314
Long term investments	10	**251,896**	260,622
Deferred tax assets	11	**2,177**	4,970
Long term prepaid employees' benefits	12	**728,614**	942,796
Other non-current assets		**37,583**	3,349
Total non-current assets		**18,558,520**	18,791,784
Current assets			
Inventories	14	**1,145,427**	907,526
Trade receivables	15	**1,862,415**	1,060,918
Prepayments and other current assets	16	**227,367**	189,867
Short term investments	19	**20,223**	318,115
Cash and cash equivalents	17	**2,690,390**	2,496,871
Total current assets		**5,945,822**	4,973,297
Total assets		**24,504,342**	23,765,081
Equity and Liabilities			
Share capital	18	**7,333,333**	7,333,333
Share premium		**4,134,529**	4,145,053
Treasury shares		**(67,949)**	(59,990)
Statutory reserve	18	**1,612,121**	1,252,936
Other reserves	18	**(440,866)**	(82,178)
Retained earnings		**2,013,981**	397,522
Equity attributable to the owners of the Company		**14,585,149**	12,986,676
Non-controlling interests	5	**1,110,469**	849,200
Total equity		**15,695,618**	13,835,876

The accompanying notes 1 through 38 appearing on pages 86 to 136 form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position (continued)

As At 31 December 2021
Expressed in Saudi Riyals in Thousands Unless Otherwise Stated

	Note	31 December 2021	31 December 2020
Liabilities			
Non-current liabilities			
Long term bank loans and borrowings	19	**4,721,472**	5,339,916
Long term advances from non-controlling shareholders	19	**54,802**	53,326
Contractual liabilities	20	**170,614**	149,500
Lease liabilities	7.2	**154,157**	63,275
Employees' benefits	21	**574,097**	661,191
Deferred tax liabilities	11	**55,417**	49,400
Decommissioning liability	22	**133,408**	138,945
Other non-current liabilities		**8,556**	8,556
Total non-current liabilities		**5,872,523**	6,464,109
Current liabilities			
Sukuk		**-**	987,773
Current portion of long term bank loans and borrowings	19	**582,820**	1,078,011
Short term loan	19	**70,000**	-
Current portion of contractual liabilities	20	**9,686**	14,746
Current portion of lease liabilities	7.2	**10,744**	3,898
Trade and other payables	24	**312,333**	226,848
Accrued expenses and other current liabilities	25	**1,387,741**	927,095
Zakat and income tax payable	26	**562,877**	219,845
Derivative financial instruments	23	**-**	6,880
Total current liabilities		**2,936,201**	3,465,096
Total liabilities		**8,808,724**	9,929,205
Total equity and liabilities		**24,504,342**	23,765,081

The consolidated financial statements appearing on pages 93 to 98 were approved by the Board of Directors of the Company on 23 Rajab, 1443H (corresponding to 24 February 2022G) and have been signed on their behalf by:

Khalid Abdullah Al- Zamil	**Abdullah Saif Al-Saadoon**	**Rushdi Khalid Al-Dulaijan**
Chairman of the Board	Chief Executive Officer	Vice President, Finance

The accompanying notes 1 through 38 appearing on pages 86 to 136 form an integral part of these consolidated financial statements.

Consolidated Income Statement

For The Year Ended 31 December 2021
Expressed in Saudi Riyals in Thousands Unless Otherwise Stated

	Note	31 December 2021	31 December 2020
Revenue	27	**9,981,729**	5,323,023
Cost of sales		**(4,401,927)**	(4,150,080)
Gross profit		**5,579,802**	1,172,943
Selling and distribution expenses	28	**(452,491)**	(394,617)
General and administrative expenses	29	**(662,982)**	(418,694)
Operating profit		**4,464,329**	359,632
Share of profit/(loss) from a joint venture and associates	9	**530,802**	(33,757)
Finance income		**29,647**	26,108
Finance cost	30	**(318,807)**	(293,502)
Other expenses and income, net	31	**(298,232)**	126,494
Profit before Zakat and income tax		**4,407,739**	184,975
Zakat and income tax expense	26	**(449,724)**	(127,802)
Profit for the year		**3,958,015**	57,173
Profit/(loss) attributable to:			
Equity holders of the Company		**3,591,844**	175,863
Non-controlling interests		**366,171**	(118,690)
Profit for the year		**3,958,015**	57,173
Earnings per share:			
Basic and diluted earnings per share attributable to the equity holders of the Company presented in Saudi Riyals	32	**4.94**	0.24

Khalid Abdullah Al-Zamil
Chairman of the Board

Abdullah Saif Al-Saadoon
Chief Executive Officer

Rushdi Khalid Al-Dulaijan
Vice President, Finance

The accompanying notes 1 through 38 appearing on pages 86 to 136 form an integral part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For The Year Ended 31 December 2021

Expressed in Saudi Riyals in Thousands Unless Otherwise Stated

	Note	31 December 2021	31 December 2020
Profit for the year		**3,958,015**	57,173
Other comprehensive income			
Items that will be reclassified to income statement in subsequent periods:			
Exchange difference on translation of foreign operations		**(387)**	108
Changes in the fair value of derivative financial instruments designated as hedge		**6,880**	3,688
Net total other comprehensive income/(loss) items that will be reclassified to income statement in subsequent periods		**6,493**	3,796
Items that will not be reclassified to income statement in subsequent periods:			
Re-measurement gains/(losses) on defined benefit plan	21	**43,610**	(81,600)
Share of re-measurement gains/(losses) on defined benefit plan from a joint venture and associates	21	**2,717**	(58)
Changes in the fair value of financial assets at fair value through other comprehensive income		**355**	8,587
Net total other comprehensive income/(loss) items that will not be reclassified to income statement in subsequent periods		**46,682**	(73,071)
Total other comprehensive income/(loss) for the year		**53,175**	(69,275)
Total comprehensive income/(loss) for the year		**4,011,190**	(12,102)
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		**3,643,748**	108,414
Non-controlling interests	5	**367,442**	(120,516)
Total comprehensive income/(loss) for the year		**4,011,190**	(12,102)

Khalid Abdullah Al-Zamil
Chairman of the Board

Abdullah Saif Al-Saadoon
Chief Executive Officer

Rushdi Khalid Al-Dulaijan
Vice President, Finance

The accompanying notes 1 through 38 appearing on pages 86 to 136 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For The Year Ended 31 December 2021

Expressed in Saudi Riyals in Thousands Unless Otherwise Stated

	Equity attributable to the owners of the Company								
	Share Capital	**Share premium**	**Treasury shares**	**Statutory reserve**	**Other reserves (note18)**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total**
As at 1 January 2021	**7,333,333**	**4,145,053**	**(59,990)**	**1,252,936**	**(82,178)**	**397,522**	**12,986,676**	**849,200**	**13,835,876**
Profit for the year	-	-	-	-	-	**3,591,844**	**3,591,844**	**366,171**	**3,958,015**
Other comprehensive income	-	-	-	-	**51,904**	-	**51,904**	**1,271**	**53,175**
Total comprehensive income	-	-	-	-	**51,904**	**3,591,844**	**3,643,748**	**367,442**	**4,011,190**
Transfer to retained earnings	-	-	-	-	**(19,915)**	**19,915**	-	-	-
Additional contribution from NCI	-	-	-	-	-	-	-	**30,930**	**30,930**
Purchase of non-controlling interest	-	-	-	-	**(392,388)**	-	**(392,388)**	**165,976**	**(226,412)**
Net change in other reserves	-	-	-	-	**1,711**	-	**1,711**	-	**1,711**
Repurchase of treasury shares	-	**(10,524)**	**(7,959)**	-	-	-	**(18,483)**	-	**(18,483)**
Transfer to statutory reserve	-	-	-	**359,185**	-	**(359,185)**	-	-	-
Dividends	-	-	-	-	-	**(1,636,115)**	**(1,636,115)**	**(303,079)**	**(1,939,194)**
As at 31 December 2021	**7,333,333**	**4,134,529**	**(67,949)**	**1,612,121**	**(440,866)**	**2,013,981**	**14,585,149**	**1,110,469**	**15,695,618**

	Equity attributable to the owners of the Company								
	Share Capital	Share premium	Treasury shares	Statutory reserve	Other reserves (note18)	Retained earnings	Total	Non-controlling interest	Total
As at 1 January 2020	7,333,333	4,172,667	(2,062)	1,235,350	(433)	603,326	13,342,181	995,819	14,338,000
Profit for the year	-	-	-	-	-	175,863	175,863	(118,690)	57,173
Other comprehensive loss	-	-	-	-	(67,449)	-	(67,449)	(1,826)	(69,275)
Total comprehensive (loss)/income	-	-	-	-	(67,449)	175,863	108,414	(120,516)	(12,102)
Purchase of non-controlling interest	-	-	-	-	(14,102)	-	(14,102)	18,500	4,398
Additional contribution from NCI	-	-	-	-	-	-	-	4,600	4,600
Net change in other reserves	-	-	-	-	(194)	-	(194)	-	(194)
Repurchase of treasury shares	-	(27,614)	(57,928)	-	-	-	(85,542)	-	(85,542)
Transfer to statutory reserve	-	-	-	17,586	-	(17,586)	-	-	-
Dividends	-	-	-	-	-	(364,081)	(364,081)	(49,203)	(413,284)
As at 31 December 2020	7,333,333	4,145,053	(59,990)	1,252,936	(82,178)	397,522	12,986,676	849,200	13,835,876

Khalid Abdullah Al-Zamil
Chairman of the Board

Abdullah Saif Al-Saadoon
Chief Executive Officer

Rushdi Khalid Al-Dulaijan
Vice President, Finance

The accompanying notes 1 through 38 appearing on pages 86 to 136 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For The Year Ended 31 December 2021

Expressed in Saudi Riyals in Thousands Unless Otherwise Stated

	Note	31 December 2021	31 December 2020
Cash flow from operating activities			
Profit before Zakat and income tax for the year		**4,407,739**	184,975
Non-cash adjustments to reconcile profit before Zakat and income tax to net cash flows:			
Depreciation of property, plant and equipment	6	**775,227**	869,024
Depreciation of right-of-use assets	7	**7,479**	4,389
Impairment loss	31	**260,000**	280,000
Amortization of intangible assets and deferred costs	8,12	**230,439**	73,164
Amortization of contractual liabilities		**(14,746)**	(14,746)
Provision for contract liabilities		**30,800**	-
Gain on sale of precious metals	31	**(14,247)**	(321,515)
Share of (profit)/loss from a joint venture and associates	9	**(530,802)**	33,757
Provision for employees' benefits	21	**74,015**	72,828
Loss on property, plant and equipment - written off		**3,678**	46,198
Gain on settlement of employees' end of service benefits		**-**	(22,182)
Provision for slow moving stores and spares	14	**1,737**	16,747
Inventories - written off	14	**-**	7,477
Provision recognized expected credit losses	15	**4,767**	-
Net foreign exchange difference		**(1,306)**	(291)
Finance income		**(29,647)**	(26,108)
Finance cost		**318,807**	293,502
		5,523,940	1,497,219
Changes in:			
Trade receivables		**(806,264)**	(218,560)
Inventories		**(239,638)**	25,717
Prepayments and other current assets		**(36,402)**	(39,298)
Accrued expenses, trade and other payables		**523,227**	344,287
Deductions under home ownership program	12	**164,397**	65,171
Cash generated from operating activities		**5,129,260**	1,674,536
Employee benefits paid		**(133,642)**	(5,611)
Zakat and income tax paid	26	**(97,882)**	(58,604)
Net cash generated from operating activities		**4,897,736**	1,610,321
Cash flow from investing activities			
Additions to property, plant and equipment	6	**(377,442)**	(508,340)
Additions to intangibles	8	**(290,377)**	(7,367)
Additions to long term prepaid employees' benefits	12	**(11,471)**	(7,127)
Movement in long and short term investments		**316,748**	3,008
Finance income received		**20,484**	30,348
Sale proceeds from sale of precious metals		**18,900**	507,779
Dividend received from a joint venture and associates	9	**63,410**	32,550
Net cash (used in)/generated from investing activities		**(259,748)**	50,851
Cash flow from financing activities			
Proceeds from long and short term loans and borrowings		**1,839,148**	1,575,000
Repayment of long and short term loans and borrowings		**(3,900,597)**	(1,698,464)
Net change in advances from non-controlling shareholders		**1,476**	(42,648)
Movement in treasury shares		**(7,959)**	(85,542)
Movement in share premium		**(10,524)**	-
Dividend paid to shareholders		**(1,636,115)**	(364,081)
Purchase of shares from non-controlling interest		**(226,412)**	-
Dividend paid to non-controlling shareholders		**(303,079)**	(49,203)
Movement in non-controlling shareholders		**30,930**	4,600
Interest paid		**(225,430)**	(289,445)
Payment of lease liabilities	7.4	**(6,826)**	(6,194)
Net cash used in financing activities		**(4,445,388)**	(955,977)
Net change in cash and cash equivalents		**192,600**	705,195
Cash and cash equivalents at 1 January		**2,496,871**	1,791,277
Effect of exchange rate fluctuations		**919**	399
Cash and cash equivalents at 31 December		**2,690,390**	2,496,871

Khalid Abdullah Al-Zamil
Chairman of the Board

Abdullah Saif Al-Saadoon
Chief Executive Officer

Rushdi Khalid Al-Dulaijan
Vice President, Finance

The accompanying notes 1 through 38 appearing on pages 86 to 136 form an integral part of these consolidated financial statements.

Expressed in Saudi Riyals in Thousands Unless Otherwise Stated

1. CORPORATE INFORMATION

Sahara International Petrochemical Company “Sipchem” or “the Company”, (formerly Saudi International Petrochemical Company), is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial registration number 1010156910 dated 14 Ramadan 1420H, corresponding to 22 December 1999G.

The Company’s head office is in the city of Riyadh with a branch in Al-Khobar, where the headquarters for the executive management is located, which is registered under commercial registration number 2051023922 dated 30 Shawwal 1420H, corresponding to 6 February 2000G, and another branch in Jubail Industrial City which is registered under commercial registration number 2055007570 dated 4 Jumada I, 1427H, corresponding to 1 June 2006G.

The principal activities of the Company are to own, establish, operate and manage industrial projects especially those related to chemical and petrochemical industries. The Company incurs costs on projects under development and subsequently establishes a separate Company for each project that has its own commercial registration. Costs incurred by the Company are transferred to the separate companies when they are established.

Economic environment and its effects on business:

On 11 March 2020, the World Health Organization declared COVID-19 coronavirus outbreak to be a pandemic. Consequently, asset prices became more volatile and a marked decline was seen in long-term interest rates in developed economies. These circumstances impacted FY2020 and resulted in a decrease in sales, net income, EBIT, free cash flow and other financial metrics.

Sipchem, in response to these developments, implemented active prevention programs at its sites and devised contingency plans in order to minimize the risks related to COVID-19 and to continue business operations, ensuring the health and safety of its employees, customers, contractors and wider community. During FY 2021, Sipchem is recovering well from these impacts and the future outlook looks very promising in relation to sales, net income, EBIT, free cash flow and other financial metrics.

Sipchem has also taken required measures during FY2020 and FY 2021 as well to counter the impact and to minimize challenges from COVID-19 coronavirus outbreak.

As of 31 December, the Company has the following subsidiaries (the Company and its subsidiaries hereinafter referred to as “the Group”):

Subsidiaries	**Effective ownership percentage at 31 December**	
	2021	2020
Sahara Petrochemicals Company ("Sahara")	**100%**	100%
International Methanol Company ("IMC")	**65%**	65%
International Diol Company ("IDC")	**100%**	53.91%
International Acetyl Company ("IAC")	**97%**	89.52%
International Vinyl Acetate Company (“IVC”)	**97%**	89.52%
International Gases Company (" IGC")	**97%**	97%
Sipchem Marketing Company ("SMC”)	**100%**	100%
Sahara Marketing Company ("SaMC”)	**100%**	100%
International Utility Company ("IUC")	**91.20%**	78.19%
International Polymers Company ("IPC")	**75%**	75%
Sipchem Chemical Company ("SCC")	**100%**	100%
Sipchem Europe Cooperative U.A	**100%**	100%
Sipchem Europe B.V.	**100%**	100%
Sipchem Europe SA (Formerly Aectra SA)	**100%**	100%
Gulf Advance Cable Insulation Company (“GACI”) (1.1)	**50%**	50%
Saudi Specialized Products Company (“SSPC”)	**100%**	75%
Sipchem Asia PTE Ltd. (1.2)	**100%**	100%
Saudi Advanced Technologies Company (“SAT”) (1.3)	**100%**	100%

The principal activity of Sahara is investing in industrial projects, especially in the petrochemicals and chemical fields and to own and execute projects necessary to supply raw materials and utilities.

The principal activity of IMC is the manufacturing and sale of methanol. IMC commenced its commercial operations in 2004.

Expressed in Saudi Riyals in Thousands Unless Otherwise Stated

1. CORPORATE INFORMATION (continued)

The principal activity of IDC is the manufacturing and sale of maleic anhydride, butanediol and tetra hydro furan. IDC commenced its commercial operations in 2006. During 2021, Sipchem ownership in IDC has been increased from 53.91% to 100%, by purchasing the interest from non-controlling shareholders.

The principal activities of IAC and IVC are the manufacturing and sale of acetic acid and vinyl acetate monomer respectively. IAC and IVC commenced their commercial operations in 2010. In 2009, one of the shareholders of IAC and IVC contributed less than required contribution towards shareholders' advances, as a result, the Group's effective percentage of interest in both the companies increased by 2.52%. In 2016, the Group acquired an additional 11% shares from a minority shareholder in each of IAC and IVC, increasing its effective ownership from 78.52% to 89.52%. During 2021, Sipchem acquired additional shares from a minority shareholder in each of IAC and IVC which increased Sipchem's ownership to 97%.

The principal activity of IGC is the manufacturing and sale of carbon monoxide. IGC commenced its commercial operations in June 2010.

The principal activities of SMC and SaMC are to provide marketing services for the products manufactured by the Group Companies and other petrochemical products.

The principal activity of IUC is to provide industrial utilities to the Group companies.

The principal activity of IPC is to manufacture and sell low-density polyethylene (LDPE), polyvinyl acetate (PVAC) and polyvinyl alcohol (PVA). IPC commenced its commercial operations in 2015.

The principal activity of SCC is the manufacture and sale of ethyl acetate, butyl acetate and polybutylene terephthalate. The ethyl acetate plant commenced its commercial operations in 2013 while Polybutylene Terephthalate Plant (PBT) commenced its commercial operations in 2018.

The principal activities of Sipchem Europe Cooperative U.A and its 100% owned subsidiaries including Sipchem Europe B.V. and Sipchem Europe SA are to provide marketing and distribution services of petrochemical products of the Company.

The principal activity of Sipchem Asia pte Ltd is to act as a marketing agent and coordinator for sales of the Company's products.

The principal activity of GACI is the manufacture and sale of cross-linked polyethylene and electrical connecting wire products. GACI commenced its commercial operations in 2015.

The principal activity of SSPC is the manufacture and sale of metal moulds and related services as well as production of Ethylene-Vinyl Acetate "EVA" films. Tool Manufacturing facility commenced commercial operations in 2016. The EVA film plant has commenced commercial operations in 2019. During 2021, Sipchem ownership in SSPC has been increased from 75% to 100% by purchasing the interest from non-controlling shareholders.

1.1. The Group has only a 50% share in GACI. However, pursuant to the shareholders agreement, the control over the relevant activities and the operations of Gulf Advanced Cable Insulation Company are with the Group. Accordingly, the investee company is treated as a subsidiary of the Group.

1.2. The investee company was incorporated in 2013 in Singapore. Its Articles of Association is dated 13 Jumada Al-Awal, 1434H, corresponding to 25 March 2013. The principal activity of the Company is to provide marketing services for the products manufactured by the Group.

1.3. The principal activity of SAT is the manufacturing of metal equipment and spare parts. The Tool Manufacturing Factory ("TMF") plant has started commercial operations in 2016 and was transferred from SSPC to SAT in 2020.

1.4. Joint operation

The Company, through its subsidiary Sahara, holds 75% equity interest in Al-Waha Petrochemicals Company ("Al-Waha"), a Joint operation which is primarily involved in manufacturing of Polypropylene.

1.5. Equity accounted investees

The Company, through its subsidiary Sahara, holds 50% equity interest in Sahara and Ma'aden Petrochemicals Company ("SAMAPCO"), a Joint Venture which is primarily involved in manufacturing of Caustic Soda and Ethyl di-Chloride.

The Company, through its subsidiary Sahara, also holds equity interests in following associates which are primarily involved in manufacturing of petrochemical products:

	Effective ownership percentage at 31 December	
	2021	2020
Tasnee and Sahara Olefins Company ("TSOC")	**32.55%**	32.55%
Saudi Acrylic Acid Company ("SAAC")	**43.16%**	43.16%
Khair Inorganic Chemicals Industries Company ("Inochem")	**30.00%**	30.00%

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation

These consolidated financial statements ("consolidated financial statements") have been prepared in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants - SOCPA ("IFRSs").

These consolidated financial statements have been prepared on a historical cost basis, using accrual basis of accounting except for the following material items in the consolidated statement of financial position:

- Investment in certain equity securities and certain financial assets measured at fair value;
- The defined benefit obligation is recognised at the present value of future obligations using the Projected Unit Credit Method;
- Derivative financial instruments that are measured at fair value.

The consolidated financial statements are presented in Saudi Riyals (SR) and all values are rounded to the nearest thousand, except when otherwise indicated.

2.2. Basis of consolidation

The consolidated financial statements comprise the consolidated financial statements of the Company and its subsidiaries (Note 1) as at 31 December 2021. 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 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.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and non-controlling interest, even if this results in the non-controlling interest having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

A change in the ownership interest of a subsidiary without a loss of control is accounted for as an equity transaction. If the Group loses control over a subsidiary it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in income statement
- Reclassifies the group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Non-Controlling Interests (NCI) are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

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

2.2 Business combination (Continued)

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

2.3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Business combination

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The cost of acquisition is measured as the aggregate of the consideration transferred, which is measured at fair value at the date of acquisition, and amount of any non-controlling interest in the acquiree. Transaction costs are expensed as incurred during the year and included in the general and administrative expenses.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in consolidated income statement.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest) and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired in excess of the aggregate consideration transferred, the group re-assess whether it has correctly identified all of the assets acquired and all the liabilities assumed and review the procedures used to measure the amounts to be recognised at the business combination date. If the re-assessment still results in a excess of the fair value of the net assets acquired over the aggregate consideration transferred, then the gain is recognised in consolidated income statement.

After initial recognition, goodwill is measured at cost less any accumulated impairment loss. For the purpose of impairment testing of goodwill acquired in the business combination, it is allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets and liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (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 of the operation. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash generating unit retained.

Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in consolidated income statement immediately.

<u>Subsidiaries</u>

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the financial statements from the date on which control commences until the date on which control ceases.

The gains or losses resulting from sale of shares in subsidiaries, when the Group continues to exercise control over the respective subsidiary are booked in the reserve for the results of sale / purchase of shares in subsidiaries.

<u>Joint Operations</u>

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangements, have right to the assets and obligations for the liabilities relating to the arrangement. The Group has taken its share of assets and liabilities in the joint operation.

b) Investment in joint ventures and associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies, generally accompanying a shareholding between 20% and 50% of the voting rights.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investment in its associates and a joint venture are accounted for using the equity method.

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

2.2 Summary of significant accounting policies (Continued)

b) Investment in joint ventures and associates (Continued)

Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition change in the Group's share of the investee's net assets. Group recognise share of profits or losses of the investee in its consolidated income statement, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

If the Group's share of losses of an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the Group discontinues recognizing its share of further losses. The interest in an associate or a joint venture is the carrying amount of the investment in the associate or joint venture determined using the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture. After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. If the associate or joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the consolidated income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. Upon loss of significant influence over the associates or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in income statement.

Goodwill

On acquisition of the investment, any difference between the cost of the investment and the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as follows:

- Goodwill relating to an associate or a joint venture is included in the carrying amount of the investment. Amortisation of that goodwill is not permitted.
- Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the Group's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

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

2.3. Summary of significant accounting policies (continued)

c) Current and non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- 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 terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification. The Group classifies all other liabilities as non-current.

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

d) 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. 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 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.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. 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.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

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

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

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

2.3. Summary of significant accounting policies (continued)

e) Revenue from contracts with customers

IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers. It establishes a five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized when the entity satisfies a performance obligation by transferring promised goods or services to a customer. An asset is transferred when control is transferred that is either over time or at a point in time. The Group recognizes revenue in respect of amounts to which it has a right to invoice.

Sale of goods

i) Direct sales - Marketers/ Off-takers

Revenue is recognized upon delivery or shipment of products, depending upon the contractually agreed terms, by which the control of the goods have been transferred to marketers/off-takers and the Group has no effective control or continuing managerial involvement to the degree usually associated with ownership over the goods.

Marketers/off-takers obtain control of the products when the goods are delivered or shipped to them (i.e. at the time of placing the goods on the vessels) and they have accepted the goods by signing the bill of lading. Invoice are generated at that point in time. Invoices are usually payable within 90 days. Discounts are provided to the marketers/off-takers based on mutual agreed terms. The portion of sales made through marketers/off-takers are recorded at provisional prices agreed with such marketers/off-takers at the time of shipment of goods, which are later adjusted based on actual selling prices received by the marketers/ off-takers from their final customers, after deducting the costs of shipping and distribution (settlement price). The Group estimates the variable consideration as the most likely amount based on available market information and recently published prices of petrochemical products. The Group includes in the transaction price some or all of an amount of variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the relevant variable consideration is subsequently resolved.

ii) Direct sales - Final customers

Revenue is recognized upon delivery or shipment of products, depending upon the contractually agreed terms, by which the control of the goods have been transferred to the buyer and the Group has no effective control or continuing managerial involvement to the degree usually associated with ownership over the goods.

Sales are made directly to the final customers. Sipchem, SaMC, SMC and SMC affiliates provide trading activities of petrochemical products for Sipchem affiliates and third party entities. For all such arrangements, the Group reviews whether it acts as a principal or agent. Based on this review, the Group when acting as principal, records the sale on a gross basis, while net accounting is followed where it acts as an agent.

Furthermore, in case of consignment sales by SMC, the Group recognizes revenue when the final customer obtains the control of the products delivered to them (i.e. when the customer actually acquires the product possession).

iii) Sale of specific product

The Group has determined that for these type of products, the customers control all of the work in progress as the products are being manufactured. This is because under those contracts, products are made to a customer's specifications and if a contract is terminated by the customer then the Group is entitled to reimbursement of the costs incurred to date, including a reasonable margin.

Invoices are issued according to contractual terms and are payable as per payment terms agreed with the customers. Uninvoiced amounts are presented as contract assets.

Revenue and associated costs are recognised over time - i.e. before the goods are delivered to the customers' premises. Progress is determined based on the cost-to-cost method.

Rendering of services

Revenue from providing services is recognised over a period of time as the related services are performed. For fixed-price contracts, revenue is recognised based on the 'percentage of completion' method which measures actual service provided to the end of the reporting period as a proportion of the total services to be provided. Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increase or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management. For the current year ended, the Group has no contract for rendering of services.

f) Other income

Interest income

For all financial instruments measured at amortized cost, interest income is recorded using the effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in income statement.

Any other income is recognized when the realization of income is virtually certain.

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

2.3. Summary of significant accounting policies (continued)

g) Foreign currency transactions

For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation; the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rate at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognized in OCI until the net investment is disposed of, at which time, the cumulative amount is classified to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary measured at fair value is treated in line with the recognition of gain or loss on change in fair value in the item (i.e., the translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

Any goodwill arising on the acquisition of a foreign operations and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Group companies - Foreign operations

On consolidation, the assets and liabilities of foreign operations are translated into Saudi Riyals at the rate of exchange prevailing at the reporting date and their income statement are translated at average exchange rates. The exchange differences arising on the translation are recognized in OCI and accumulated in foreign currency translation. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognized in the income statement. Components of shareholders equity are translated at the exchange rates in effect at the dates the related items originated.

h) Property, plant and equipment

Property, plant and equipment are initially recorded at cost net of accumulated depreciation and accumulated impairment losses. Construction work in progress are not depreciated. Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group. Repair and maintenance is charged to income statement. Plant and machinery include planned turnaround costs which are depreciated over the period until the date of the next planned turnaround. Should an unexpected turnaround occur prior to the previously envisaged date of planned turnaround, then the net book value of planned turnaround costs are immediately expensed and the new turnaround costs are depreciated over the period likely to benefit from such costs. Depreciation is provided over the estimated useful lives of the applicable assets using the straight-line method. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Class of assets	No of Years
- Buildings and land improvements	10 - 33.33
- Plant and machinery	1.5 - 30
- Computers	4
- Furniture and fixtures	2 - 10
- Office equipment	2 - 20
- Vehicles	4
- Catalysts and tools	2 - 10
- Capital spares	2 - 20

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

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

Capital work in progress is stated at cost less impairment losses, if any, and is not depreciated until the asset is brought into commercial operations and available for intended use.

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

2.3. Summary of significant accounting policies (continued)

i) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs are not capitalized and expenditure is recognized in the income statement when it is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated income statement when the asset is derecognized.

Research and development costs

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

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

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be 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 cost of sales. During the period of development, the asset is tested for impairment annually.

A summary of the policies applied to the Group's intangible assets is as follows:

	Software license cost	Deferred costs	Right to use	Customer contract
Useful lives	Up to 10 years	10 – 15 years	12 - 16 years	30 years
Amortisation method used	Amortised on a straight-line basis over the useful life	Amortised on a straight- line basis over the period of expected future benefits from the related project	Amortised on a straight- line basis over the period of expected future benefits from the related project	Amortised on a straight-line basis over the useful life
Internally generated or acquired	Acquired	Internally generated/ acquired	Acquired	Acquired

j) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. Currently, Group has no contract which includes lease and non-lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made on or before the commencement date.

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

2.3. Summary of significant accounting policies (continued)

j) Leases (continued)

i) As a lessee (continued)

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability mainly comprise of fixed lease payments. The lease liability is subsequently carried at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The Group shall remeasure the lease liability by discounting the revised lease payments using a revised discount rate. The revised discount rate is determined as the interest rate implicit in the lease or the Group's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low value assets and short term leases including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

ii) As a lessor

The Group has no material lease contract as a lessor.

k) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

l) Financial instruments

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

i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii) Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through OCI ("FVOCI"); or fair value through profit or loss ("FVTPL"). Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

2.3. Summary of significant accounting policies (continued)

l) Financial instruments (continued)

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

ii) Financial assets

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

iii) ***Financial assets - Business model and assessment***

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Group's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

iv) ***Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest***

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

v) ***Financial assets - Subsequent measurement and gains and losses***

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. However, see Note 2.3. l) (ix) for derivatives designated as hedging instruments.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Financial assets at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

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

vi) *Financial liabilities - Classification, subsequent measurement and gains and losses*

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss. see Note 2.3. l) (ix) for financial liabilities designated as hedging instruments.

vii) *Derecognition*

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expires or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

viii) *Offsetting*

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

ix) *Derivative financial instruments and hedge accounting*

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges);
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items as well as its risk management objective and strategy for undertaking various hedge transactions.

The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability. If the forecast transaction is no longer expected to occur, the hedge no longer meets the criteria for hedge accounting, the hedging instrument expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

m) Impairment

i) *Financial instruments and contract assets*

The Group recognises loss allowances for Expected credit losses "ECL" on financial assets measured at amortised cost.

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

2.3. Summary of significant accounting policies (continued)

m) Impairment (continued)

I) Financial instruments and contract assets *(continued)*

The Group measures loss allowances at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12 month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ii) *Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. The Group applies simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. The expected loss rates are based on the payment profiles of the customers on due dates.

iii) *Credit-impaired financial assets*

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 180 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

iv) *Write-off*

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is no longer recoverable based on historical experience of recoveries of similar assets. For off-takers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

v) *Non-financial assets*

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

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

2.3. Summary of significant accounting policies (continued)

m) Impairment (continued)

v) Non-financial assets (continued)

The following specific criteria are also applied in assessing impairment of specific asset:

Goodwill

Goodwill is tested for impairment annually as at each year-end. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognized. Impairment losses related to goodwill cannot be reversed in future periods.

n) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is principally based on the weighted average principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. The cost of spare parts, finished goods and raw materials are arrived at using the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

o) Cash and cash equivalent

Cash and cash equivalents in the statement of financial position comprise cash at banks, cash on hand and short-term deposits with a maturity of three months or less, net of outstanding bank overdrafts which are subject to an insignificant risk of changes in value.

p) Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in the share premium.

q) Cash dividends to owners of equity

The Group recognizes a liability to make cash or non-cash distributions to owners of equity when the distribution is authorized and the distribution is no longer at the discretion of the Company. A distribution is authorized when it is approved by the shareholders. A corresponding amount is recognized directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognized directly in equity.

Upon settlement of the distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognized in profit or loss.

r) Provisions

Provisions are recognized 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 amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a discount rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Decommissioning liability

Decommissioning costs are provided for at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of the relevant asset. The cash flows are discounted at a rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed in the consolidated income statement as a finance cost. The estimated future costs of decommissioning 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.

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

2.3. Summary of significant accounting policies (continued)

s) Zakat and income tax

The Group is subject to Zakat and income tax in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"). Zakat and income taxes are provided on an accrual basis. The Zakat charge is computed on the higher of Zakat base or adjusted net income. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared. The Zakat and income tax charge in the consolidated income statement represents:

i) the Zakat for the Company and the Company's share of Zakat in subsidiaries and

ii) ithe Zakat and income tax assessable on the non-controlling shareholders.

Income tax is provided for in accordance with foreign fiscal regulations in which the Group's foreign subsidiaries operate. Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

t) Employees' end of service benefits

The Group is operating an unfunded end of service defined benefit plan. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Actuarial gains and losses are recognized in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognized and are not reclassified to profit or loss in subsequent periods. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in profit or loss on the earlier of:

- The date of the plan amendment or curtailment; and
- The date on which the Group recognizes related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability. The Group recognizes the following changes in the net defined benefit obligation under 'cost of sales', 'administration expenses' and 'selling and distribution expenses' in the consolidated income statement (by function):

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense

The defined benefit liability comprises the present value of the defined benefit obligation.

u) Employees' home ownership program

The Group has an employees' home ownership programs ("HOP") under which eligible Saudi employees have the opportunity to buy residential units constructed by the Group 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 subject to certain deductions in case the employee discontinues employment and the house is returned back to the Group.

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

2.3. Summary of significant accounting policies (continued)

u) Employees' home ownership program (continued)

Costs relating to HOP are recognized as long term prepaid employees benefits at time the residential units are allocated to the employees and are amortized over the period during which employees repay such residential unit costs.

v) Employees' savings plan (thrift plan)

The Group maintains an employee's savings plan for Saudi employees. The contribution from the participants are deposited in separate bank account. The Company's contribution under the savings plan is charged to the consolidated income statement.

w) Dividends

Dividends are recorded in the consolidated financial statements in the period in which they are approved by the Annual General Assembly. Interim dividends are recorded as and when approved by the Board of Directors.

x) Share based payments transactions

Employees of the group receives some remuneration in the form of share based payment, whereby employees render services as consideration for equity instruments (equity settled transactions).

Equity-settled transactions

The cost of equity-settled transactions is recognised in employee benefits expense, together with a corresponding increase in equity over the period in which the services and the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the consolidated income statement for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service conditions are not taken into account when determining the grant date fair value of awards but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. There are no market and non-vesting market conditions. No expense is recognised for awards that do not ultimately vest because service conditions have not been met.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

y) Segment reporting

A business segment is group of assets, operations or entities:

- engaged in business activities from which it may earn revenue and incur expenses including revenues and expenses that relate to transactions with any of the Company's other components;
- the results of its operations are continuously analysed by chief operating decision maker (CODM) in order to make decisions related to resource allocation and performance assessment; and
- for which financial information is discretely available.

The Group's Board of Directors ("BOD") are considered to be the chief operating decision maker. Segment results that are reported to the BOD include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The details of Group's segments are presented in note 4 to these consolidated financial statements.

z) Earnings per share

Earnings per share are computed by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

aa) Statutory reserves

In accordance with Company's Articles of Association, the Company has established a statutory reserve by the appropriation of 10% of net income until the reserve equals 30% of the share capital. This reserve is not available for dividend distribution.

ab) Short term investments

Short term investments in the statements position are deposits having maturity of more than three months but less than a year from date of placement.

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

2.4. Significant accounting estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. As explained in note 1, Management has assessed the potential impact of COVID-19 pandemic both locally and in the markets in which the Group operates. As a result, the Management of the Group have revised certain estimates related to value in use of Cash Generating Units (CGUs) (Refer Note 6). Further, in line with implementation of certain efficiency enhancement projects completed in September 2020, the management of the Company has reassessed useful economic life of certain plant and machinery, the effect of such a revision in useful economic life is disclosed in note 6.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

i) Employees' end of service benefits

The cost of end of service defined benefit and the present value of the related obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, withdrawal before normal retirement age, mortality rates etc. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, yield and duration of Saudi government bonds obligation with at least an 'A' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are removed from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. Age-wise withdrawal rates are used in carrying out the valuation. These age-wise withdrawal rates are generally used in the MENA region to carry out the actuarial valuation of end of service benefit Schemes of companies in Oil & Gas and Energy sectors.

The rates assumed are based on A1949-52 mortality table. In the absence of any standard mortality tables in the region, these rates are generally used in Kingdom of Saudi Arabia in carrying out the actuarial valuation of EOSB Schemes. If any other mortality table is used it will not make any significant difference in the results.

ii) Impairment of non-financial assets

Impairment exists when the carrying value of an asset or 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 calculation is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget and marketing terms forecast for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the DCF model as well as the growth rate used for extrapolation purposes.

iii) Useful lives of property, plant and equipment

Management determines the estimated useful lives of property, plant and equipment for calculating depreciation. This estimate is determined after considering expected usage of the assets and physical wear and tear. Management reviews the residual value and useful lives annually and change in depreciation charges, if any, are adjusted in current and future periods. For the current year ended, the management of the Company has re-assessed the life of its certain plant assets and updated the same in line with management's best estimate.

iv) Provisional price

The Group markets and sells its petrochemical products primarily through distribution platform of various marketers. The portion of sales made through the distribution platforms are initially recorded at provisional estimated prices agreed with marketers at the time of shipment, which requires estimation. These prices are subsequently adjusted based on actual selling prices received by the marketers from their customers after deducting shipping and distribution costs.

v) Decommissioning liability

The Group reviews decommissioning liability provisions along with the interest rate used in discounting the cash flows at each reporting date and adjusts them to reflect the current best estimate. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. Changes in the estimated future costs or in the discount rate applied, are added to or deducted from the cost of the asset.

vi) Zakat and income tax

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

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

2.4. Significant accounting estimates and assumptions (continued)

vii) Impairment of financial assets

The Group assesses on a forward looking basis the Expected Credit Losses ("ECL") associated with its trade receivable and debt instruments as part of its financial assets, which are carried at amortised cost. The ECL is based on a 12-month ECL and a life time ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. For trade receivables, the Company applies the simplified approach, which requires expected lifetime losses to be recognised.

3. SUMMARY OF CHANGES IN SIGNIFICANT ACCOUNTING POLICIES DUE TO NEW STANDARDS

A. New and Amendments to Existing Standards

The following revised IFRSs have been adopted. The application of these revised IFRSs did not have any material impact on the amounts reported for current and prior periods:

- COVID-19 - Related Rent Concessions (Amendment to IFRS 16), effective for annual periods beginning on or after 1 January 2021.
- Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16), effective for annual periods beginning on or after 1 January 2021.

B. New and revised standards issued but not yet effective

- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16), effective for annual periods beginning on or after 1 April 2021.
- Onerous Contracts Cost of Fulfilling a Contract (Amendments to IAS 37), effective for annual periods beginning on or after 1 January 2022.
- Annual Improvements to IFRS Standards 2018-2020, effective for annual periods beginning on or after 1 January 2022.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16), effective for annual periods beginning on or after 1 January 2022.
- Reference to the Conceptual Framework (Amendments to IFRS 3), effective for annual periods beginning on or after 1 January 2022.
- IFRS 17 Insurance Contracts, effective for annual periods beginning on or after 1 January 2023.
- Classification of liabilities as current or non-current (Amendments to IAS 1), effective for annual periods beginning on or after 1 January 2023.
- Amendments to IFRS 17, effective for annual periods beginning on or after 1 January 2023.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2), effective for annual periods beginning on or after 1 January 2023.
- Definition of Accounting Estimate (Amendments to IAS 8), effective for annual periods beginning on or after 1 January 2023.
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12 Income Taxes), effective for annual periods beginning on or after 1 January 2023.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) with effective annual period yet to be determined.

The above-mentioned IFRSs are not expected to have a significant impact on the financial statements of the Group.

4. SEGMENT INFORMATION

The Group has the following operating segments:

- **Basic Chemicals,** which includes Methanol, Butane products and Carbon monoxide.
- **Intermediate chemicals,** which includes Acetic Acid, Vinyl Acetate Monomer, Ethyl Acetate, Butyl Acetate, and utilities.
- **Polymers,** which includes Low-density polyethylene, polyvinyl acetate, polyvinyl alcohol, Polybutylene terephthalate, and electrical connecting wire products. This segment also includes polypropylene.
- **Trading,** which includes trading revenues of Sipchem Marketing Company and its foreign subsidiaries as defined in Note 1.
- **Corporate and others,** which includes Sipchem, EVA films and Tool manufacturing plant. This segment also includes Sahara's enabling functions and support activities.

No operating segments have been aggregated to form the above reportable operating segments.

Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in these consolidated financial statements.

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4. SEGMENT INFORMATION (continued)

Year ended 31 December 2021	Basic Chemicals	Intermediate Chemicals	Polymers	Trading	Corporate and Others	Inter segment transaction elimination	Total
Revenue							
External customers	**2,843,304**	**2,827,441**	**3,624,131**	**670,326**	**16,527**	**-**	**9,981,729**
Inter-segment	**421,319**	**1,456,561**	**27,196**	**6,766,112**	**-**	**(8,671,188)**	**-**
Total revenue	**3,264,623**	**4,284,002**	**3,651,327**	**7,436,438**	**16,527**	**(8,671,188)**	**9,981,729**
Gross profit/(loss)	**2,104,460**	**1,685,050**	**1,555,415**	**337,014**	**(20,005)**	**(82,132)**	**5,579,802**
Operating profit/(loss)	**1,765,295**	**1,388,935**	**1,204,276**	**269,036**	**(141,247)**	**(21,966)**	**4,464,329**
Share of profit from associates and joint ventures	**-**	**-**	**-**	**-**	**530,802**	**-**	**530,802**
Profit/(loss) before Zakat and tax	**1,697,279**	**1,256,767**	**831,098**	**267,585**	**738,362**	**(383,352)**	**4,407,739**
Total assets	**3,838,652**	**5,955,119**	**7,275,153**	**2,060,727**	**26,706,479**	**(21,331,788)**	**24,504,342**
Total liabilities	**1,895,142**	**1,895,612**	**3,050,584**	**1,651,673**	**4,787,125**	**(4,471,412)**	**8,808,724**
Capital expenditure	**80,171**	**224,068**	**119,329**	**84,477**	**247,465**	**-**	**755,510**

Year ended 31 December 2020	Basic Chemicals	Intermediate Chemicals	Polymers	Trading	Corporate and Others	Inter segment transaction elimination	Total
Revenue							
External customers	1,222,049	1,290,958	2,271,925	488,608	49,483	-	5,323,023
Inter-segment	469,539	940,996	62,313	3,174,927	-	(4,647,775)	-
Total revenue	1,691,588	2,231,954	2,334,238	3,663,535	49,483	(4,647,775)	5,323,023
Gross profit/(loss)	617,966	(72,126)	455,186	153,649	(6,426)	24,694	1,172,943
Operating profit/(loss)	348,564	(306,682)	237,034	101,458	(71,721)	50,979	359,632
Share of loss from associates and joint venture	-	-	-	-	(33,757)	-	(33,757)
Profit/(loss) before Zakat and tax	207,675	(58,670)	142,872	100,496	(136,614)	(70,784)	184,975
Total assets	3,771,818	5,374,418	7,244,750	1,227,093	25,248,682	(19,101,680)	23,765,081
Total liabilities	2,275,066	2,422,839	3,235,390	823,504	5,247,748	(4,075,342)	9,929,205
Capital expenditure	114,750	133,783	122,463	340	144,132	-	515,468

Expressed in Saudi Riyals in Thousands Unless Otherwise Stated

4. SEGMENT INFORMATION (continued)

	Saudi Arabia	Foreign countries	Total
Revenue from external customers			
31 December 2021	**839,198**	**9,142,531**	**9,981,729**
31 December 2020	748,293	4,574,730	5,323,023

	For the year ended 31 December 2021					
	Basic Chemicals	**Intermediate Chemicals**	**Polymers**	**Trading**	**Corporate and Others**	**Total**
Revenue:						
Foreign countries	**2,728,524**	**2,827,441**	**3,564,127**	**22,439**	**-**	**9,142,531**
Saudi Arabia	**114,780**	**-**	**60,004**	**647,887**	**16,527**	**839,198**
Total revenue	**2,843,304**	**2,827,441**	**3,624,131**	**670,326**	**16,527**	**9,981,729**

	For the year ended 31 December 2020					
	Basic Chemicals	Intermediate Chemicals	Polymers	Marketing	Corporate and Others	Total
Revenue:						
Foreign countries	1,034,486	1,290,958	2,225,058	24,228	-	4,574,730
Saudi Arabia	187,563	-	46,867	464,380	49,483	748,293
Total revenue	1,222,049	1,290,958	2,271,925	488,608	49,483	5,323,023

5. NON-CONTROLLING INTERESTS

Financial information of subsidiaries that have material non-controlling interests is provided below:

Proportion of equity interest held by non- controlling interests:

Subsidiaries	**Country of Incorporation**	**2021**	2020
International Methanol Company ("IMC")	KSA	**35%**	35%
International Acetyl Company ("IAC")	KSA	**3%**	3%
International Vinyl Acetate Company ("IVC")	KSA	**3%**	3%
International Gases Company ("IGC")	KSA	**3%**	3%
International Polymers Company ("IPC")	KSA	**25%**	25%
Gulf Advance Cable Insulation Company (GACI)	KSA	**50%**	50%
International Diol Company ("IDC")	KSA	**-**	46.09%

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5. NON-CONTROLLING INTERESTS (continued)

The summarized information of these subsidiaries is provided below:

Summarized statements of financial positions as at 31 December 2021

	IMC	IAC	IVC	IGC	IPC	GACI	IDC	Total
Current assets	**585,709**	**411,798**	**915,768**	**139,196**	**819,400**	**29,164**	**332,352**	**3,233,387**
Non-current assets	**1,350,862**	**2,287,925**	**1,602,471**	**959,895**	**2,298,135**	**37,278**	**470,638**	**9,007,204**
Current liabilities	**(209,870)**	**(577,933)**	**(469,373)**	**(167,318)**	**(346,969)**	**(9,170)**	**(174,612)**	**(1,955,245)**
Non-current liabilities	**(121,632)**	**(236,990)**	**(40,532)**	**(247,770)**	**(761,937)**	**(113,524)**	**(973,939)**	**(2,496,324)**
Equity	**1,605,069**	**1,884,800**	**2,008,334**	**684,003**	**2,008,629**	**(56,252)**	**(345,561)**	**7,789,022**
Attributable to:								
Equity holder of parent	**1,057,527**	**1,828,575**	**1,945,932**	**659,817**	**1,562,056**	**(29,793)**	**(345,561)**	**6,678,553**
Non-controlling interests	**547,542**	**56,225**	**62,402**	**24,186**	**446,573**	**(26,459)**	**-**	**1,110,469**

Summarized statements of financial positions as at 31 December 2020

	IMC	IAC	IVC	IGC	IPC	GACI	IDC	Total
Current assets	409,731	266,027	328,936	180,514	538,190	53,050	183,318	1,959,766
Non-current assets	1,444,919	2,433,280	1,574,251	1,043,759	2,412,969	139,475	509,577	9,558,230
Current liabilities	(145,129)	(401,054)	(312,888)	(94,735)	(388,957)	(96,653)	(426,538)	(1,865,954)
Non-current liabilities	(206,560)	(681,069)	(388,777)	(297,662)	(819,713)	(113,676)	(1,104,442)	(3,611,899)
Equity	1,502,961	1,617,184	1,201,522	831,876	1,742,489	(17,804)	(838,085)	6,040,143
Attributable to:								
Equity holder of parent	977,037	1,444,218	1,076,832	803,405	1,346,882	(10,241)	(447,190)	5,190,943
Non-controlling interests	525,924	172,966	124,690	28,471	395,607	(7,563)	(390,895)	849,200

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5. NON-CONTROLLING INTERESTS (continued)

Summarized statements of comprehensive income for the year ended 31 December 2021

	IMC	IAC	IVC	IGC	IPC	GACI	IDC	SSPC	Total
Revenue	**1,318,430**	**1,308,013**	**2,260,899**	**317,349**	**1,682,703**	**75,379**	**1,038,763**	**-**	**8,001,536**
Profit/(loss) before Zakat and tax	**733,869**	**281,268**	**864,641**	**55,956**	**824,101**	**(100,767)**	**507,374**	**-**	**3,166,442**
Profit/(loss) after Zakat and tax	**661,937**	**267,602**	**805,668**	**48,353**	**766,437**	**(101,429)**	**493,262**	**-**	**2,941,830**
Other comprehensive income	**448**	**-**	**34**	**37**	**196**	**556**	**-**	**-**	**1,271**
Total comprehensive income/(loss)	**662,385**	**267,602**	**805,702**	**48,390**	**766,633**	**(100,873)**	**493,262**	**-**	**2,943,101**
Attributable to:									
Equity holder of parent	**461,042**	**257,690**	**776,326**	**46,674**	**598,313**	**(51,046)**	**486,660**	**-**	**2,575,659**
Non-controlling interests	**201,343**	**9,912**	**29,376**	**1,716**	**168,320**	**(49,827)**	**6,602**	**-**	**367,442**

Summarized statements of comprehensive income for the year ended 31 December 2020

	IMC	IAC	IVC	IGC	IPC	GACI	IDC	SSPC	Total
Revenue	704,811	772,173	886,548	329,252	979,388	105,188	297,673	13,774	4,088,807
Profit/(loss) before Zakat and tax	168,020	3,917	(91,007)	104,749	247,759	(60,853)	(221,901)	(206,697)	(56,013)
Profit/(loss) after Zakat and tax	154,684	(23,629)	(98,365)	103,505	225,911	(60,971)	(221,956)	(208,505)	(129,326)
Other comprehensive (loss)/income	(492)	(402)	(177)	(37)	(182)	112	(597)	(51)	(1,826)
Total comprehensive income/(loss)	154,192	(24,031)	(98,542)	103,468	225,729	(60,859)	(222,553)	(208,556)	(131,152)
Attributable to:									
Equity holder of parent	102,935	(574)	(82,851)	100,362	176,506	(30,545)	(119,639)	(156,830)	(10,636)
Non-controlling interests	51,257	(23,457)	(15,691)	3,106	49,223	(30,314)	(102,914)	(51,726)	(120,516)

Expressed in Saudi Riyals in Thousands Unless Otherwise Stated

6. PROPERTY, PLANT AND EQUIPMENT

2021	Land, buildings and lease hold improvements	Plant and machinery	Catalyst and tools	Vehicles, computers, furniture, fixture and office equipment	Capital work in progress (CWIP)	Total
Cost:						
At 1 January 2021	**1,224,373**	**19,077,813**	**819,920**	**305,816**	**577,303**	**22,005,225**
Additions, net*	**905**	**48,582**	**30,941**	**530**	**284,594**	**365,552**
Transfers	**375**	**30,587**	**27,654**	**-**	**(58,616)**	**-**
Transfers to intangibles	**-**	**-**	**-**	**-**	**(119,682)**	**(119,682)**
Disposals	**(2,333)**	**(556)**	**(14,284)**	**(1,082)**	**(5,745)**	**(24,000)**
At 31 December 2021	**1,223,320**	**19,156,426**	**864,231**	**305,264**	**677,854**	**22,227,095**
Accumulated depreciation:						
At 1 January 2021	**261,658**	**7,899,198**	**634,783**	**193,867**	**-**	**8,989,506**
Depreciation charge for the year	**37,115**	**654,724**	**77,265**	**6,123**	**-**	**775,227**
Impairment loss	**-**	**260,000**	**-**	**-**	**-**	**260,000**
Disposals	**(710)**	**(239)**	**(14,284)**	**(436)**	**-**	**(15,669)**
At 31 December 2021	**298,063**	**8,813,683**	**697,764**	**199,554**	**-**	**10,009,064**
Carrying amount at 31 December 2021	**925,257**	**10,342,743**	**166,467**	**105,710**	**677,854**	**12,218,031**

2020	Land, buildings and lease hold improvements	Plant and machinery	Catalyst and tools	Vehicles, computers, furniture, fixture and office equipment	Capital work in progress (CWIP)	Total
Cost:						
At 1 January 2020	1,221,555	18,982,580	929,514	303,651	529,997	21,967,297
Additions	1,211	108,451	114,665	2,165	281,849	508,341
Transfers	1,607	146,982	3,563	-	(152,152)	-
Transfer to intangibles	-	-	-	-	(82,161)	(82,161)
Disposal/write off	-	(160,200)	(227,822)	-	(230)	(388,252)
At 31 December 2020	1,224,373	19,077,813	819,920	305,816	577,303	22,005,225
Accumulated depreciation:						
At 1 January 2020	225,500	6,988,269	607,752	174,751	-	7,996,272
Depreciation charge for the year	36,158	745,161	68,589	19,116	-	869,024
Impairment loss	-	280,000	-	-	-	280,000
Disposal/write off	-	(114,232)	(41,558)	-	-	(155,790)
At 31 December 2020	261,658	7,899,198	634,783	193,867	-	8,989,506
Carrying amount at 31 December 2020	962,715	11,178,615	185,137	111,949	577,303	13,015,719

*Addition also includes impact of decommissioning liability due to change in useful life.

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6. PROPERTY, PLANT AND EQUIPMENT (continued)

6.1. Capital work in progress

The Group's capital work-in-progress as at 31 December 2021 is SR 677.8 million (2020: SR 577.3 million) comprises mainly of costs related to turnaround and other costs related to several projects for improvements and enhancements of operating plants. During 2021, SR Nil (2020: SR 26.3 million) has been capitalized as borrowing cost which is part of capital work in progress.

6.2. Property, plant and equipment

Certain items of the Group's property, plant and equipment which has carrying amount of SR 5,306.2 million (2020: 6,417.9 SR million) are pledged as security against Saudi Industrial Development Fund Loans and syndicated bank loans and Public Investment Fund loans (note 19).

6.3. Impairment

PBT and GACI

Management of the Group, in line with its strategy of improving profitability and efficiency of operations, and ensuring the best level of liquidity and stability, decided to do mothball operations of PBT and GACI CGUs. Consequently, recoverable amount of the PBT were estimated based on value-in-use calculations where management has anticipated the resumption of the operations by 2025 based on available information. As a result of the exercise, the Group determined that the recoverable amount of PBT was less than its carrying amount. Therefore, an additional impairment loss of SR 160 million was recognized in 2021 financial results in PBT. This is in addition to impairment loss of SR 150 million in PBT previously recognized in the 2019 annual financial results and SR 300 million in PBT recognised in 2016 financial results. The carrying amount of the PBT CGU is SR 71 million as at 31 December 2021. Furthermore, an impairment loss of SR 100 million recognized for GACI during the year. No impairment has been recorded previously with respect to GACI plant. The carrying amount of GACI plant is SR 24 million as at 31 December 2021. Following the impairment loss recognized in GACI and PBT, the recoverable amount was equal to its carrying amount"

IDC

During 2020, following COVID-19 outbreak and the measures taken to contain the spread of the pandemic have created a high level of uncertainty to global economic prospects. Given the significant impact of COVID-19 on economic outlook management re-assessed the recoverable amount of IDC CGU and recognized additional impairment loss of SR 100 million. During the year, management has reassessed the performance of the CGU and concluded that no further impairment is required to be recognized. During 2019 and 2016 the Company recognized impairment loss of SR 256 million and SR 400 million related to such CGU.

EVA film business unit

In December 2020, the Group announced its plan to mothball EVA films business unit owned by SSPC (75%-owned subsidiary). The Group consequently measured the recoverable amount of EVA film assets and, as the recoverable amounts were determined to be less than the carrying amounts, an impairment loss of SR 180 million was recognized in the 2020 financial results. Following the impairment loss recognized in EVA films, the recoverable amount was equal to the carrying amount.

The key assumptions used in the estimation of value in use were as follows:

	2021	2020
Discount rate	**10%**	10%
Terminal Value growth rate	**2%**	2%

The discount rate was a pre-tax measure calculated based on weighted average cost of capital, using capital asset pricing model ("CAPM") model to calculate the cost of equity. CAPM model used was adjusted for a risk premium to reflect both the increased risk of investing in equities generally and systematic risk of the specific CGU. Five years of cash flows were included in the discounted cash flow model, and a terminal value growth rate of 2% from 2026 has been determined by reference to nominal Gross Domestic Product (GDP) of Saudi Arabia, i.e. the country where the CGUs operate. Following the impairment loss recognized in Group's PBT CGU, the recoverable amount was equal to the carrying amount. Furthermore, other CGUs were analyzed by the management considering current situation and recessionary outlook and there is no impairment on other CGUs.

6.4. Assets written off

During 2020, Al Waha Petrochemicals Company carried out a major overhaul of the plant. Accordingly, old turnaround cost amounting to SR 35.8 million were written off during 2020. Furthermore, certain assets mainly related to IDC, IAC and IVC plants having a carrying amount of SR Nil (2020: SR 9.9 million) were written off during the year.

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7. LEASES

The Group leases several land and vehicles. The lease period ranges from 3 to 30 years with an option to renew the lease after that date. Property, plant and equipment of the Group are constructed on land leased by the Group from the Royal Commission for Jubail and Yanbu. The land lease term is for an initial period of 30 years which commenced in 2002 and is renewable by mutual agreement of the parties. Lease payments are agreed at the time of inception of the lease which may change based on mutual consent of both the parties.

The Group leases IT equipment with contract terms of one to three years. These leases are leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

Information about leases for which the Group is a lessee is presented below:

7.1. Right-of-use assets

The movement in right-of-use assets at 31 December is as follows:

	Land	**Vehicles**	**Total**
Balance as at 1 January 2021	**58,125**	**3,018**	**61,143**
Depreciation charge for the year	**(5,650)**	**(1,829)**	**(7,479)**
Additions during the year	**39,039**	**101**	**39,140**
Modification during the year*	**27,324**	**-**	**27,324**
Balance as at 31 December 2021	**118,838**	**1,290**	**120,128**

	Land	Vehicles	Total
Balance as at 1 January 2020	64,421	3,187	67,608
Depreciation charge for the year	(3,051)	(1,338)	(4,389)
Addition during the year	-	1,169	1,169
Modification during the year	(3,245)	-	(3,245)
Balance as at 31 December 2020	58,125	3,018	61,143

7.2. Lease liabilities

	Land	**Vehicles**	**Total**
Current portion	**9,497**	**1,247**	**10,744**
Non-current portion	**153,213**	**944**	**154,157**
Balance as at 31 December 2021	**162,710**	**2,191**	**164,901**

	Land	Vehicles	Total
Current portion	2,528	1,370	3,898
Non-current portion	61,802	1,473	63,275
Balance as at 31 December 2020	64,330	2,843	67,173

*Modification represents increase/modification of rentals related to industrial land lease by Royal commission.

7.3. Amounts recognized in income statement

Leases under IFRS 16	**2021**	2020
Depreciation charge for the year	**7,479**	4,389
Interest on lease liabilities	**4,797**	2,412
	12,276	6,801

7.4. Amounts recognized in statement of cash flow

	2021	2020
Payment of lease liabilities	**6,826**	6,194
	6,826	6,194

7.5. Leases as lessor

The Group has no material lease contract as a lessor.

Expressed in Saudi Riyals in Thousands Unless Otherwise Stated

8. INTANGIBLE ASSETS

	Computer Software	Deferred costs	Rights	Customer contracts	Total
Costs:					
Balance as at 1 January 2021	**220,888**	**86,503**	**374,549**	**6,750**	**688,690**
Additions	**5,377**	**-**	**285,000**	**-**	**290,377**
Transfers (note 6)	**119,682**	**-**	**-**	**-**	**119,682**
Balance as at 31 December 2021	**345,947**	**86,503**	**659,549**	**6,750**	**1,098,749**
Accumulated amortization:					
Balance as at 1 January 2021	**179,797**	**63,456**	**65,692**	**357**	**309,302**
Amortization	**153,339**	**3,168**	**26,530**	**225**	**183,262**
Balance as at 31 December 2021	**333,136**	**66,624**	**92,222**	**582**	**492,564**
Carrying amount at 31 December 2021	**12,811**	**19,879**	**567,327**	**6,168**	**606,185**

	Computer Software	Deferred costs	Rights	Customer contracts	Total
Costs:					
Balance as at 1 January 2020	209,488	81,723	301,201	6,750	599,162
Additions	2,587	4,780	-	-	7,367
Transfers (note 6)	8,813	-	73,348	-	82,161
Balance as at 31 December 2020	220,888	86,503	374,549	6,750	688,690
Accumulated amortization:					
Balance as at 1 January 2020	160,040	60,390	44,487	132	265,049
Amortization	19,757	3,066	21,205	225	44,253
Balance as at 31 December 2020	179,797	63,456	65,692	357	309,302
Carrying amount at 31 December 2020	41,091	23,047	308,857	6,393	379,388

Computer software mainly includes SAP and other programs which management has capitalized and amortization is calculated on 5 -10 years of useful life.

Deferred cost mainly includes costs related to Sipchem Total Optimization Project, and consideration paid to Tasnee for future price reduction. Amortization is calculated on 10 - 15 years of useful life.

Rights mainly represent the costs incurred by the Group on one of the plants of a supplier in accordance with a tolling agreement, giving the Group a right to a fraction of the output produced by the plant. The risk and rewards of the plant and the related ownership is with the supplier. Amortization is calculated on 16 years of useful life. Rights also includes costs incurred by the Group in order to acquire the rights to feedstock supply and marketing arrangements agreement with the supplier. Amortization is calculated on 12 years based on the inflow of economic benefits to Sipchem and based on the nature of the rights of feedstock supply and marketing rights.

Customer contract relates to a beneficial long-term agreement to off-take a significant amount of polypropylene production. The Group acquired this contract as a result of business combination. The asset is amortized over 30 years.

9. INVESTMENTS IN A JOINT VENTURE AND ASSOCIATES

	Notes	2021	2020
Investment in a joint venture	**9.1**	**280,998**	120,628
Investment in associates	**9.2**	**3,682,425**	3,372,686
		3,963,423	3,493,314

9.1. Investment in a Joint Venture (JV)

	Notes	2021	2020
Investment in a JV	**9.1.1**	**280,998**	120,628
		280,998	120,628

9.1.1. Sahara and Ma'aden Petrochemical Company (SAMAPCO)

The Group has a 50% interest in SAMAPCO, a limited liability company and registered in the Kingdom of Saudi Arabia, is engaged in production and sale of Caustic soda, Chlorine and Ethyl Dichloride. The Group's interest in SAMAPCO is accounted for using the equity method in these consolidated financial statements.

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9. INVESTMENTS IN A JOINT VENTURE AND ASSOCIATES (continued)

9.1.1. Sahara and Ma'aden Petrochemical Company (SAMAPCO) (continued)

The tables below provide summarised financial information for SAMAPCO. The information disclosed reflects the amounts presented in the financial statements of SAMAPCO and not the Group's share of those amounts.

	2021	2020
Non-current assets	**2,267,675**	2,334,972
Current assets	**651,739**	380,297
Non-current liabilities	**(2,080,987)**	(2,137,209)
Current liabilities	**(278,109)**	(337,907)
Net assets	**560,318**	240,153

Reconciliation to carrying amount:

	2021	2020
Balance as at 1 January	**120,628**	204,556
Share of profit/(loss)	**157,653**	(83,830)
Share of changes in other comprehensive income/(loss)	**2,717**	(98)
Balance as at 31 December	**280,998**	120,628

Summarized income statement of SAMAPCO:

	2021	2020
Revenue	**1,143,288**	522,992
Profit/(loss) after zakat	**315,307**	(167,662)
Total comprehensive income / (loss)	**320,741**	(167,858)

9.2. Investment in associates

	Notes	2021	2020
Investment in associates:		**3,492,672**	3,178,072
Tasnee and Sahara Olefins Company	9.2.1	**189,753**	194,614
Khair Inorganic Chemical Industries Company	9.2.2	**3,682,425**	3,372,686

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9. INVESTMENTS IN A JOINT VENTURE AND ASSOCIATES (continued)

9.2. Investment in associates (continued)

9.2.1. Tasnee and Sahara Olefins Company (TSOC)

The Group has a 32.55% interest in TSOC, a Saudi closed joint stock company, registered in the Kingdom of Saudi Arabia, engaged in production and sale of Propylene, Ethylene and Polyethylene.

The Group's interest in TSOC is accounted for using the equity method in these consolidated financial statements.

The tables below provide summarised financial information for TSOC. The information disclosed reflects the amounts presented in the financial statements of TSOC and not the Group's share of those amounts. These have been amended to reflect adjustments made by the entity when using the equity method if any, including fair value adjustments and modifications for differences in accounting policy as needed:

	2021	2020
Non-current assets	**12,788,320**	9,824,441
Current assets	**1,268,769**	333,120
Non-current liabilities	**(1,967,400)**	(202,500)
Current liabilities	**(633,040)**	(191,399)
Net assets	**11,456,649**	9,763,662

Reconciliation to carrying amount:

	2021	2020
Balance as at 1 January	**3,178,072**	3,155,341
Share of profit	**378,010**	55,281
Dividends	**(63,410)**	(32,550)
Balance as at 31 December	**3,492,672**	3,178,072

Summarized income statement of TSOC:

	2021	2020
Revenue	**1,099,855**	594,997
Share of profit in associated companies	**911,532**	310,980
Profit after zakat	**1,334,193**	191,138
Total comprehensive income	**1,334,193**	191,138

9.2.2. Khair Inorganic Chemical Industries Company (Inochem)

The Group has a 30% interest in Inochem, a Saudi closed joint stock company and registered in the Kingdom of Saudi Arabia. It will engaged in production and sale of Dense Sodium Carbonate (Soda Ash), Calcium Chloride and Calcium Carbonate. The commercial operations are not yet started.

The Group's interest in Inochem is accounted for using the equity method in the consolidated financial statements.

The tables below provide summarised financial information for Inochem. The information disclosed reflects the amounts presented in the financial statements of Inochem and not the Group's share of those amounts.

	2021	2020
Non-current assets	**1,700,137**	620,069
Current assets	**18,993**	449,996
Non-current liabilities	**(861,351)**	(363,552)
Current liabilities	**(284,629)**	(119,375)
Net assets	**573,150**	587,138

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9. INVESTMENTS IN A JOINT VENTURE AND ASSOCIATES (continued)

9.2. Investment in associates (continued)

9.2.2. Khair Inorganic Chemical Industries Company (Inochem) (continued)

Reconciliation to carrying amount:

	2021	2020
Balance as at 1 January	**194,614**	199,782
Share of loss	**(4,861)**	(5,208)
Share of changes in other comprehensive income	-	40
Balance as at 31 December	**189,753**	194,614

	2021	2020
Share of net current assets	**171,280**	176,141
Goodwill	**18,473**	18,473
Balance as at 31 December	**189,753**	194,614

Summarized income statement of Inochem:

	2021	2020
General and administrative expenses	**(16,612)**	(15,187)
Loss after zakat	**(13,557)**	(17,363)
Total comprehensive loss	**(13,557)**	(17,228)

10. LONG TERM INVESTMENTS

	Notes	2021	2020
At fair value through profit or loss (“FVTPL”)	10.1	**191,019**	184,845
At fair value through other comprehensive income (“FVOCI”)	10.2	**15,877**	15,522
		206,896	200,367
At amortized cost	10.3	**45,000**	60,255
		251,896	260,622

10.1. At FVTPL

	2021	2020
Listed securities		
Riyad REIT Fund	**73,875**	63,750
Unlisted securities		
Mutual fund units	**117,144**	121,095
	191,019	184,845

10.2. At FVOCI

	2021	2020
Equity shares	**15,877**	15,522

10.3. At amortized cost

This includes investments in various Sukuks which earn profit at prevailing market rates which are based on Saudi inter-bank offer rate. Break-up is as follows:

		Number of certificates		Amount	
	Date of maturity	2021	2020	2021	2020
First Abu Dhabi Bank	March 2023	-	14,000	-	5,255
Bank Julius Baer	June 2021	-	14,000	-	5,177
Bank Al-Bilad	August 2026	-	50,000	-	5,000
Bank Al- Jazira	June 2026	-	50,000	-	5,000
Ma’aden Phosphate Company	February 2025	**50,000**	50,000	**5,000**	5,000
Banque Saudi Fransi	November 2025	**40**	40	**40,000**	40,000
				45,000	65,432

Expressed in Saudi Riyals in Thousands Unless Otherwise Stated

10. LONG-TERM INVESTMENTS (continued)

Presented in the statement of financial position as follows:

	2021	2020
Non-current assets	45,000	60,255
Current assets	-	5,177
	45,000	65,432

10.4. Movement in long-term investments FVTPL and FVOCI is as follows:

	FVTPL and FVOCI
Balance as at 1 January 2021 - FVTPL	**184,845**
Balance as at 1 January 2021 - FVOCI	**15,522**
Purchases	**6,000**
Disposals/ matured	**(7,890)**
Fair value gain through profit and loss	**8,064**
Fair value gain through OCI	**355**
Balance as at 31 December 2021	**206,896**

	FVTPL and FVOCI
Balance as at 1 January 2020 - FVTPL	188,564
Balance as at 1 January 2020 - FVOCI	15,633
Purchases	4,000
Disposals/ matured	(16,417)
Fair value gain through profit and loss	-
Fair value gain through OCI	8,587
Balance as at 31 December 2020	200,367

Movement in long-term investments amortized cost is as follows:

	2021	2020
Balance as at 1 January	60,255	25,432
Purchases	-	40,000
Disposals/ matured	(15,255)	-
Reclassified to short term investments	-	(5,177)
Balance as at 31 December	45,000	60,255

11. DEFERRED TAX

Following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the year:

11.1 Deferred tax assets

	2021	2020
Balance as at 1 January	4,970	38,453
Credit for the year	(2,793)	(33,483)
Balance as at 31 December	2,177	4,970

Deferred tax assets mainly relate to certain provisions that are not considered as deductible tax expense and unused tax losses for subsidiaries. Management believes that future taxable profits will be available against which deferred tax assets can be realised.

11.2 Deferred tax liabilities

	2021	2020
Balance as at 1 January	49,400	42,712
Charge for the year	6,017	6,688
Balance as at 31 December	55,417	49,400

Deferred tax liabilities mainly relate to taxable temporary differences arising on property, plant and equipment.

12. LONG TERM PREPAID EMPLOYEES' BENEFITS

	Employees' receivables	Employee loan	Deferred Costs	Total
Balance as at 1 January 2021	759,582	7,257	175,957	942,796
Additions during the year	-	10,811	660	11,471
Amortization	-	-	(47,177)	(47,177)
Deductions	(164,111)	(286)	-	(164,397)
Discount on employee receivables	(10,422)	(3,657)	-	(14,079)
Balance as at 31 December 2021	585,049	14,125	129,440	728,614
Balance as at 1 January 2020	826,558	-	203,192	1,029,750
Additions during the year	(1,805)	7,257	1,676	7,128
Amortization	-	-	(28,911)	(28,911)
Deductions	(65,171)	-	-	(65,171)
Balance as at 31 December 2020	759,582	7,257	175,957	942,796

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13. GOODWILL

On 31 December 2011, SMC acquired 100% of the voting shares of Sipchem Europe SA (Formerly Aectra SA), an unlisted Company registered in Switzerland and subsidiary of Sipchem Europe Cooperative U.A, for a consideration of SR 106 million. SR 30 million of goodwill arose on this transaction.

Further, as disclosed in Note 1 to these consolidated financial statements, on 16 May 2019, Sipchem acquired 100% shares and voting interests in Sahara Petrochemicals Company ("Sahara") and obtained control of Sahara. This business combination resulted in SR 600.9 million of goodwill.

Goodwill has been allocated based on the assessed fair values to the following cash-generating units:

Cash-generating units	Amount
Sahara	342,295
Al-Waha	258,644
	600,939

Goodwill is tested annually for any impairment by the Group's management, using discounted cash flow model. As a result of the goodwill assessment test performed during the year ended 31 December 2021, management found no evidence of impairment in goodwill.

The Group uses value in use as the basis to determine the recoverable amounts. The key assumptions used are as follows:

- The projected cash flows used were based on 5 years' business plan forecasts approved by the management. This is the best available information on projected sales and production volumes, sales prices and production costs.
- The growth rate used to extrapolate cash flow projections beyond the period covered by the most recent budgets/forecasts was 2% (2020: 2%). Management believes that the estimated growth rates used do not exceed the average growth rates over the long term on the Group's activities.
- A discount rate of 10% (2020: 10%) was applied to the cash flow projections, which is based on the weighted average cost of capital.

The Group assessed sensitivity of the discounted cash flow model used to the following key assumptions:

- Decreasing the growth rate used to extrapolate cash flow projections beyond the period covered by the most recent budgets/forecasts by 1% still demonstrated a substantial headroom to the carrying value of Goodwill.
- Increasing the discount rate by 1% still demonstrated a substantial headroom to the carrying value of Goodwill.

As such, any reasonably expected changes to key assumptions will not have any material impact on the carrying value of Goodwill allocated to different cash-generating units.

14. INVENTORIES

	Notes	2021	2020
Raw materials		**120,044**	109,555
Finished goods	14.1	**665,470**	450,216
Spare parts and consumables		**409,721**	395,826
		1,195,235	955,597
Provision for slow moving stores and spares	14.2	**(49,808)**	(48,071)
		1,145,427	907,526

14.1. As at 31 December, finished goods includes the inventories amounting to SR 21.7 million (2020: SR 7.9 million) which are semi-finished products.

14.2. Movement in provision for slow moving stores and spares is as follows:

	2021	2020
Balance as at 1 January	**48,071**	31,324
Provision for the year	**1,737**	16,747
Balance as at 31 December	**49,808**	48,071

14.3. As at 31 December 2021, the Group wrote down its finished goods inventory by SR Nil (2020: SR 7.5 million) on account of an increase in the cost of production of certain finished goods exceeding the selling prices. The write-down is included in 'cost of sales' in the consolidated income statement.

15. TRADE RECEIVABLES

	Notes	2021	2020
Trade receivables		**1,870,038**	1,130,945
Less: Impairment provision	15.1	**(7,623)**	(70,027)
		1,862,415	1,060,918

Expressed in Saudi Riyals in Thousands Unless Otherwise Stated

15. TRADE RECEIVABLES (continued)

15.1. Movement in impairment provision is as follows:

	2021	2020
Balance as at 1 January	**70,027**	84,257
Provision made during the year	**4,767**	-
Write-off through provision	**(67,171)**	(14,230)
Balance as at 31 December	**7,623**	70,027

Trade receivables include an amount of SR 485.4 million (2020: SR 339.3 million) from related parties. For terms and conditions relating to related party receivables, refer to note 35. Trade receivables are non-interest bearing and are generally on terms in accordance with the agreements with customers. The management analyse customers outstanding balance on regular basis and write off any balance which management realize to be un-collectible.

Trade receivables amounting to SR 764.6 million (2020: SR 162.8 million) are secured.

Please refer note 19 on credit risk of trade receivables, which discusses how the Group manages and measures credit quality of trade receivables.

16. PREPAYMENTS AND OTHER CURRENT ASSETS

	2021	2020
Advances, deposits and prepayments	**78,477**	99,615
Due from related parties (note 35)	**69,982**	38,894
VAT input tax receivable	**70,815**	31,239
Accrued investment income	**460**	1,264
Others	**7,633**	18,855
	227,367	189,867

17. CASH AND CASH EQUIVALENTS

	2021	2020
Cash in hand	**347**	186
Cash at bank	**1,388,793**	952,335
Short term deposits	**1,301,250**	1,544,350
	2,690,390	2,496,871

Cash and cash equivalents include cash and bank balances, demand deposits, and highly liquid investments with original maturities of three months or less. Short term deposits represents deposits with commercial banks carrying profit rate ranging from 0.25% to 0.9% (2020: 0.2% - 0.8%).

18. SHARE CAPITAL AND RESERVES

	2021	2020
Authorized shares		
Ordinary shares @ SR 10 each		
Ordinary shares issued and fully paid		
As at 1 January	**733,333**	733,333
As at 31 December	**733,333**	733,333

Statutory reserve

In accordance with Company's Articles of Association, the Company has established a statutory reserve by the appropriation of 10% of net income until the reserve equals 30% of the share capital. This reserve is not available for distribution to shareholders.

Other reserves

Other reserves include cash flow hedge reserve, fair value investment reserve, reserve for results of sale/purchase of shares in subsidiaries, foreign currency translation reserve, share based payment premium reserve, share based payment transactions reserve and unrealised gain/(loss) on employees' benefits. The gains or losses resulting from sale/purchase of shares in subsidiaries, when the Group continues to exercise control over the respective subsidiary, are booked in the reserve for the results of sale/purchases of shares in subsidiaries.

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18. SHARE CAPITAL AND RESERVES (continued)

Movement in other reserves during the year is as follows:

31 December 2021	**Cash flow hedge reserve**	**Fair value investment reserve**	**Reserve for results of sale /purchase of shares in subsidiaries**	**Foreign currency translation reserve**	**Shares based payment Premium reserve**	**Shares based payment transaction reserve**	**Unrealised gain/(loss) on employees' benefits**	**Total**
As at 1 January 2021	**1,056**	**21,245**	**(1,252)**	**(8,319)**	**29,707**	**11,140**	**(135,755)**	**(82,178)**
Exchange difference on translation of foreign operations	-	-	-	**(387)**	-	-	-	**(387)**
Changes in the fair value of derivative financial instruments	**6,880**	-	-	-	-	-	-	**6,880**
Re-measurement gain on defined benefit plan	-	-	-	-	-	-	**45,056**	**45,056**
Changes in the fair value of investment		**355**	-	-	-	-	-	**355**
Transfer to retained earnings	-	**(19,915)**	-	-	-	-	-	**(19,915)**
Net change in share premium accounts	-	-	-	-	**5,055**	**(3,344)**	-	**1,711**
Net change in reserve for sale purchase in subsidiaries	-	-	**(392,388)**	-	-	-	-	**(392,388)**
As at 31 December 2021	**7,936**	**1,685**	**(393,640)**	**(8,706)**	**34,762**	**7,796**	**(90,699)**	**(440,866)**

31 December 2020	Cash flow hedge reserve	Fair value investment reserve	Reserve for results of sale /purchase of shares in subsidiaries	Foreign currency translation reserve	Shares based payment Premium reserve	Shares based payment transaction reserve	Unrealised gain/(loss) on employees' benefits	Total
As at 1 January 2020	(2,632)	12,658	12,850	(8,427)	36,449	4,592	(55,923)	(433)
Exchange difference on translation of foreign operations	-	-	-	108	-	-	-	108
Changes in the fair value of derivative financial instruments	3,688	-	-	-	-	-	-	3,688
Re-measurement gain on defined benefit plan	-	-	-	-	-	-	(79,832)	(79,832)
Changes in the fair value of investment	-	8,587	-	-	-	-	-	8,587
Net change in share premium accounts	-	-	-	-	(6,742)	6,548	-	(194)
Net change in reserve for sale / purchase in subsidiaries	-	-	(14,102)	-	-	-	-	(14,102)
As at 31 December 2020	1,056	21,245	(1,252)	(8,319)	29,707	11,140	(135,755)	(82,178)

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18. SHARE CAPITAL AND RESERVES (continued)

As at 31 December 2021, the Group had following share-based payments arrangements:

Share purchase plan (Equity-settled)

The Group had offered to its employees to participate in an employee share purchase plan. To participate in plan, employees must have fulfil eligibility criteria of the Company i.e. must have completed one year of service and having good performance rating from the Company. Under the terms of Plan, at the end of 36 months period the employees are entitled to purchase shares using funds saved at a price of 30% below the market price at grant date. Only employees that remain in services and save the required amount of their gross monthly salary for 36 consecutive months will become entitled to purchase the shares. The subscriber pays 25% of value of the allotted shares in cash and remaining is paid in equal monthly instalments not exceeding 20% of the subscriber's monthly salary. Employees who ceases their employment, before completion of 36 instalments, or elect not to exercise their options to purchase shares will be refunded their saved amounts.

The key terms and conditions related to the grant under these programmes are as follows; all options are to be settled by the physical delivery of shares.

31 December 2021:

Grant date	**Number of instruments**	**Vesting conditions**	**Grant date fair value**	**Exercise price**	**Contractual life of options**
1-May-19	**306,706**	**3 years services from grant date**	**21.0**	**14.7**	**3 Years**
1-Nov-19	**247,665**	**3 years services from grant date**	**16.7**	**11.7**	**3 Years**
1-May-20	**1,682,883**	**3 years services from grant date**	**13.8**	**9.7**	**3 Years**
1-Nov-20	**479,063**	**3 years services from grant date**	**16.6**	**11.6**	**3 Years**
1-May-21	**332,055**	**3 years services from grant date**	**23.8**	**16.7**	**3 Years**
1-Nov-21	**66,303**	**3 years services from grant date**	**44.2**	**30.9**	**3 Years**

31 December 2020:

Grant date	Number of instruments	Vesting conditions	Grant date fair value	Exercise price	Contractual life of options
1-May-18	28,834	3 years services from grant date	22.6	15.8	3 Years
1-Nov-18	168,712	3 years services from grant date	21.1	14.8	3 Years
1-May-19	318,706	3 years services from grant date	21.0	14.7	3 Years
1-Nov-19	321,327	3 years services from grant date	16.7	11.7	3 Years
1-May-20	2,058,384	3 years services from grant date	13.8	9.7	3 Years
1-Nov-20	490,258	3 years services from grant date	16.6	11.6	3 Years

The Group has, under share based payments arrangements, cash and cash equivalent of SR 24.2 million (2020: SR 15.9 million) and short-term investments of SR 20.2 million (2020: SR 20 million). The expense recognized during the year arising from amortization of discount offered under share based payments arrangements amounted SR 4.5 million (2020: SR 3.8 million).

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19. FINANCIAL INSTRUMENTS

19.1. Financial assets

31 December 2021	At amortized cost	At FVTPL	At FVOCI	Total
Short term investment	**-**	**20,223**	**-**	**20,223**
Long term investment	**45,000**	**191,019**	**15,877**	**251,896**
Trade receivables (note 15)	**1,862,415**	**-**	**-**	**1,862,415**
Prepayments and other current assets	**211,469**	**-**	**-**	**211,469**
Cash and cash equivalent (note 17)	**2,690,390**	**-**	**-**	**2,690,390**
	4,809,274	**211,242**	**15,877**	**5,036,393**

31 December 2021	At amortized cost	At FVTPL	At FVOCI	Total
Short term investment	298,079	20,036	-	318,115
Long term investment	60,255	184,845	15,522	260,622
Trade receivables (note 15)	1,060,918	-	-	1,060,918
Prepayments and other current assets	166,483	-	-	166,483
Cash and cash equivalent (note 17)	2,496,871	-	-	2,496,871
	4,082,606	204,881	15,522	4,303,009

19.2. Financial liabilities

Financial liabilities measured at amortized cost:

a. Other financial liabilities

	2021	2020
Lease liabilities (note 7)	**164,901**	67,173
Trade and other payables (note 24)	**312,333**	226,848
Accrued expenses and other current liabilities (note 25)	**1,387,741**	927,095
Total other financial liabilities measured at amortized cost	**1,864,975**	1,221,116

b. Loans and borrowings

	2021	2020
Current loans and borrowings		
Shari'a compliant loans (Note 19.2.1)	**498,820**	692,303
Saudi Industrial Development Fund ("SIDF") (Note 19.2.2)	**84,000**	331,500
Public Investment Fund loans ("PIF") (Note 19.2.3)	**-**	54,208
	582,820	1,078,011
Islamic Murabaha bonds (SUKUK) (Note 19.2.4)	**-**	987,773
Other current loans		
Short term loan (Note 19.2.5)	**70,000**	-
Total current loans and borrowings	**652,820**	2,065,784
Non-current loans and borrowings		
Shari'a compliant loans	**4,712,324**	4,909,272
Saudi Industrial Development Fund ("SIDF")	**9,148**	132,523
Public Investment Fund loans ("PIF")	**-**	298,121
	4,721,472	5,339,916
Other non-current loans & liabilities		
Advances from non-controlling shareholders (Note 19.2.6)	**54,802**	53,326
Total non-current loans and borrowings	**4,776,274**	5,393,242
Total loans and borrowings	**5,429,094**	7,459,026
Total financial liabilities measured at amortized cost	**7,294,069**	8,680,142

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19. FINANCIAL INSTRUMENTS (continued)

Aggregate maturities of the long term loans at 31 December were as follows:

	2021	2020
2021	-	2,065,784
2022	**652,820**	1,627,293
2023	**1,279,411**	1,372,802
2024	**1,034,498**	1,266,511
2025	**600,833**	669,031
2026	**1,023,589**	400,445
2027 and above	**837,943**	57,160
	5,429,094	7,459,026

Financial liabilities measured at fair value

	2021	2020
Derivative financial instruments	-	6,880
	-	6,880

19.2.1 Shari'a compliant bank loans

The Group entered into Shari'a compliant credit facility agreements with individual financial institutions as well as syndicates of financial institutions. The loans are secured by second priority mortgage on the assets already mortgaged to SIDF. The loans are repayable in unequal semi-annual instalments. The agreements include covenants to maintain certain financial ratios. The loans carry financial charges at SIBOR plus a fixed margin.

19.2.2 Secured loan - Saudi Industrial Development Fund

The Saudi Industrial Development Fund ("SIDF") granted loans to IPC, SCC and GACI. These loans are secured by guarantees from shareholders of relevant affiliates proportionate to their respective shareholdings and a first priority mortgage on all present and future assets. The loans are repayable in unequal semi-annual instalments. The loan agreements include covenants to maintain financial ratios during the loans period. Management fees and follow-up fees are charged to the loans as stated in the loan agreements.

19.2.3 Secured loan - Public Investment Fund

The Public Investment Fund ("PIF") granted loan to IPC to finance the construction of plants of these companies. The obligation under these loan agreements at all times are pari passu with all other creditors. The loans are repayable in equal semi-annual instalments. The agreements include covenants to maintain certain financial ratios. The loans carry financial charges at LIBOR plus a fixed margin. In March 2021, the Group refinanced the PIF loan and replaced it with a Shari'a compliant bank loans.

19.2.4 Sukuk

On June 2016, the Company issued new Mudaraba/Murabaha Sukuk amounting to SR 1,000 million with a maturity of five years and with commission payable semi-annually at a rate of SIBOR plus 2.35% per annum. These Sukuk have matured during 2021.

19.2.5 Short term loan

During 2021, the Group has taken short term loan from the bank. The loan carry financial charges at market rates.

19.2.6 Advances from non-controlling shareholders

The partner of GACI has agreed to contribute advances to finance certain percentage of their projects' costs as per the shareholders agreements. As per the shareholder agreements, long term shareholders' advances shall be repaid after the repayment of external debt and funding of the reserve accounts. As of 31 December 2021, the shareholders of the subsidiaries of the Company had granted long term advances of SR 54.8 million (2020: SR 53.3 million). These advances carry finance charges at market rates.

Bank Facilities

The Group has bank facilities from local banks in the form of working capital facilities, letters of credit and guarantee, and other facilities ("the Facilities"). The facilities carry commission at the prevailing market rates.

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19. FINANCIAL INSTRUMENTS (continued)

19.3. Financial assets measured at fair value

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised 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.

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

The following table shows the carrying amounts and fair values of financial assets, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets not measured at fair value if the carrying amount is a reasonable approximation of fair value:

	Carrying amount	**Fair value**	**Level 1**	**Level 2**	**Level 3**
			As at 31 December 2021		
Short term investments					
Equity securities	**20,223**	**20,223**	**20,223**	**-**	**-**
Long term investments					
Listed mutual fund	**73,875**	**73,875**	**73,875**	**-**	**-**
Unlisted mutual fund	**117,143**	**117,143**	**-**	**117,143**	**-**
Equity shares	**15,878**	**15,878**	**15,878**	**-**	**-**
Total	**227,119**	**227,119**	**109,976**	**117,143**	**-**

	Carrying amount	Fair value	Level 1	Level 2	Level 3
			As at 31 December 2020		
Short term investments					
Equity securities	20,036	20,036	20,036	-	-
Long term investments					
Listed mutual fund	63,750	63,750	63,750	-	-
Unlisted mutual fund	121,095	121,095	-	121,095	-
Equity shares	15,522	15,522	15,522	-	-
Total	220,403	220,403	99,308	121,095	-

19.4. Measurement at fair value

The financial assets and liabilities of the Group are recognised in the consolidated statement of financial position in accordance with the accounting policies. The carrying value of the financial assets and financial liabilities of the Group approximate the fair value.

19.5. Measurement at amortized cost

This represents deposits with banks having maturity of more than three months but less than a year from date of placement. The Group has the intention to hold the investment till maturity. The amount of such investments as at 31 December 2021 is SR Nil (2020: SR 298.1 million). These investments are classified as short term investments. Refer to note 10 for long term investments carried at amortized cost.

19.6. Financial instruments risk management objectives and policies

The Group's principal financial assets include cash and cash equivalents, accounts receivable, long term and short term investments and certain other receivables, that arrive directly from its operations. The Group has entered into derivative transactions. The Group's principal financial liabilities, comprise short and long term loans and borrowings, including advances from partners, as well as trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Group's financial risk activities are governed by appropriate policies and procedures. Financial risks are identified, measured and managed in accordance with group policies and risk appetite. All derivative activities for risk management purposes are carried out by teams that have the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk such as equity price risk and commodity price risk. Financial instruments affected by market risk include: loans and borrowings, deposits, and derivative financial instruments.

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19. FINANCIAL INSTRUMENTS (continued)

19.6. Financial instruments risk management objectives and policies (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates. To manage this, the Group has a policy to assess implications of changes in interest rates and evaluate need of entering into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At 31 December 2021, fixed amount of interest on outstanding long term loan is approximately around 39% (2020: 39%) of finance charges on loans.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings, after the impact of hedge accounting (if any). With all other variables held constant, the Group's profit before Zakat and income tax is affected through the impact on floating rate borrowings, as follows:

	Increase/ decrease	Effect on profit before Zakat and income tax
31 December 2021		
Impact in SR in million due to change in base point	**+50 bps**	**26.5**
Impact in SR in million due to change in base point	**-50 bps**	**(26.5)**
31 December 2020		
Impact in SR in million due to change in base point	+50 bps	36.1
Impact in SR in million due to change in base point	-50 bps	(36.1)

The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing some volatility than in prior years.

Foreign Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries including foreign currency amounts due from related parties. The Group is subject to fluctuations in foreign exchange rates for Australian dollar ("AUD")and Euros. The currency risk is monitored at the Group level. The Group monitors the fluctuations in exchange rates and manages its foreign currency risk by entering into hedging transactions using forward exchange contracts. At 31 December 2021, the Group had SR 45.9 million (2020: SR 20.8 million) and 5.4 million (2020: SR Nil) receivable balances in AUD and Euro respectively.

When a derivative is entered into for the purpose of being a hedge, the Group negotiates the terms of the derivative to match the terms of the hedged exposure. For hedges of forecast transactions, the derivative covers the period of exposure from the point the cash flows of the transactions are forecasted up to the point of settlement of the resulting receivable or payable that is denominated in the foreign currency.

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in the Euro/AUD exchange rate, with all other variables held constant, of the Group's profit before zakat and foreign income tax (due to changes in the fair value of monetary assets and liabilities including non-designated foreign currency derivatives) and the Group's pre-tax equity, if any. The Group's exposure to foreign currency changes for all other currencies is not material.

	Change in Euro rate	Effect on profit before tax	Effect on equity
		SR in million	SR in million
31 December 2021			
Euro/AUD to Saudi Riyals	**+0.5**	**7.8**	**7.8**
Euro/AUD to Saudi Riyals	**-0.5**	**(7.8)**	**(7.8)**
31 December 2020			
Euro/AUD to Saudi Riyals	+0.5	5.5	5.5
Euro/AUD to Saudi Riyals	-0.5	(5.5)	(5.5)

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19. FINANCIAL INSTRUMENTS (continued)

19.6. Financial instruments risk management objectives and policies (continued)

Commodity price risk

The Company is exposed to the impact of market fluctuations of the price of various inputs to production, mainly propane, ethane, ethylene, propylene, natural gas and utilities, with many of the inputs correlated to the prices of crude oil.

To manage the risk, the Board of Directors has developed and enacted a risk management strategy which includes procuring long term fixed-price contracts where possible to deal with commodity price risk. Further, prices of certain variable-price inputs like propane, propylene, ethylene are relatively co-related to the sales price of the final product sold by the group, which also mitigates the exposure. Sensitivity of the Group's product portfolio to volatility in crude oil prices cannot be reasonably determined and, therefore, has not been disclosed.

Sensitivity analysis - Equity price risk

Group's listed equity investments are listed on Tadawal. For such investments classified at FVOCI, a 1% increase in market price at the reporting date would have increase the equity by SR 0.9 million (2020: SR 0.8 million).

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets and contract assets, as disclosed in note 19.

Impairment provision on financial assets and contract assets recognised in profit or loss are as follows:

	2021	2020
Impairment provision recognized on trade receivables and contract assets arising from contracts with customers	**4,767**	-
	4,767	-

Trade receivables and contract assets

Customer credit risk is managed subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other forms of credit insurance. At 31 December 2021, the Group had 10 customers (2020: 10 customers) represent SR 1,100 million (2020: SR 517 million) altogether and accounted for approximately 59% (2020: 46%) of the total trade receivables.

The requirement for an impairment is analysed at each reporting date on an individual basis for major clients. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The Group evaluates the concentration of risk with respect to trade receivables as normal, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

At 31 December 2021, the exposure to credit risk for trade receivables and contract assets by geographic region is as follows:

	2021	2020
Foreign countries	**1,739,561**	1,000,796
Saudi Arabia	**122,854**	130,149
	1,862,415	1,130,945

At 31 December 2021, the exposure to credit risk for trade receivables and contract assets by type of counterparty is as follows:

	2021	2020
Marketers/off-takers	**485,431**	425,561
End-user customers	**1,376,984**	705,384
	1,862,415	1,130,945

At 31 December 2021, the carrying amount of the Group's most significant customer (marketer/off-taker) is SR 297.4 million (2020: SR 194.8 million).

Expected credit loss assessment for customers as at 31 December 2021

The Group allocates each exposure to a credit risk grade based credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of the customers on due dates.

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19. FINANCIAL INSTRUMENTS (continued)

19.6. Financial instruments risk management objectives and policies (continued)

31 December 2021	**ECL impairment rate**	**Gross carrying amount**	**ECL impairment**
Current (not past due)	**-**	**1,698,500**	**-**
0-90 days past due	**-**	**155,126**	**-**
91-120 days past due	**-**	**-**	**-**
121-180 days past due	**10%**	**4,660**	**(466)**
181-360 days past due	**14%**	**2,716**	**(380)**
More than 360 days past due	**75%**	**9,036**	**(6,777)**
		1,870,038	**(7,623)**

31 December 2021	ECL impairment rate	Gross carrying amount	ECL impairment
Current (not past due)	-	967,367	-
0-90 days past due	-	60,355	-
91-120 days past due	-	3,012	-
121-180 days past due	10%	3,496	(360)
181-360 days past due	14%	4,759	(656)
More than 360 days past due	75%	91,956	(69,011)
		1,130,945	(70,027)

ECL impairment rates are based on actual credit loss experience over the past years. These rates are reflective of economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Group's Board of Directors on an annual basis, and may be updated throughout the year subject to approval of the Group's Finance Committee. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty's failure to make payments. The Group's maximum exposure to credit risk for the components of the statement of financial position is the carrying amounts as illustrated in note 15, except for derivative financial instruments.

Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Group manages its liquidity risk by managing the working capital and ensuring that the bank facilities are available.

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19. FINANCIAL INSTRUMENTS (continued)

19.6. Financial instruments risk management objectives and policies (continued)

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

As at 31 December 2021	**Carrying Value**	**On demand**	**Less than 6 months**	**6 to 12 months**	**1 to 5 years**	**> 5 years**	**Total**
Lease liabilities	**164,901**	-	**5,124**	**5,124**	**38,728**	**127,989**	**176,965**
Trade and other payables	**312,333**	-	**312,333**	-	-	-	**312,333**
Accrued expenses and other current liabilities	**1,387,741**	-	**1,387,741**	-	-	-	**1,387,741**
Loans and borrowings	**5,429,094**	-	**391,285**	**263,800**	**3,938,331**	**869,544**	**5,462,960**
	7,294,069	-	**2,096,483**	**268,924**	**3,977,059**	**997,533**	**7,339,999**

As at 31 December 2020	Carrying Value	On demand	Less than 6 months	6 to 12 months	1 to 5 years	> 5 years	Total
Lease liabilities	67,173	-	3,124	3,124	20,374	67,490	94,112
Trade and other payables	226,848	-	226,848	-	-	-	226,848
Accrued expenses and other current liabilities	927,095	-	927,095	-	-	-	927,095
Loans and borrowings	7,459,026	-	1,428,186	640,701	4,935,637	499,762	7,504,286
	8,680,142	-	2,585,253	643,825	4,956,011	567,252	8,752,341

Capital management

Capital includes equity paid up capital and equity attributable to the equity holders of the parent.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio and current ratio, the Group's policy is to keep the gearing ratio maximum 3:1 and current ratio minimum 1.4:1. The Group calculates the gearing ratio by total liabilities divided by total shareholder's equity including non-controlling interest.

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants may lead to call-back of facilities.

Excessive risk concentration

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

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20. CONTRACTUAL LIABILITIES

Contractual liabilities include the following:

- Advance received of SR 50.6 million resulting from a supply agreement which will be adjusted over a 60 month period starting from 2017. As at 31 December 2021, outstanding advance was amounted to SR 5.1 million (2020: SR 15.2 million) which is classified as current.
- Advance received for usage of certain shared facilities by a joint venture which will be adjusted over the duration of the shared facilities usage contract. As at 31 December 2021, outstanding balance was amounted to SR 52.1 million (2020: SR 56.7 million) including SR 4.6 million (2020: SR 4.6 million) which is classified as current.
- An expected credit loss provision against a financial guarantee contract amounting to SR 123.2 million (2020: SR 92.4 million).

21. EMPLOYEES' BENEFITS

	Notes	2021	2020
Post-employment benefits	21.1	**531,366**	619,839
Thrift plan	21.2	**42,731**	41,352
		574,097	661,191

21.1. Post employment benefits

The Group has a post-employment defined benefit plan. The benefits are required by Saudi Labour and Workmen Law. The Group and its subsidiaries recognized the benefits in the consolidated statement of profit and loss. The benefit is based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws of Saudi Arabia. The following table summarizes the components of the net benefit expense recognized in the consolidated income statement and consolidated statement of other comprehensive income and amounts recognized in the consolidated statement of financial position.

Net benefit expense recognised in consolidated income statement:

	2021	2020
Current service cost	**74,016**	61,496
Interest cost on defined benefit obligation	**17,281**	12,203
	91,297	73,699

21. EMPLOYEES' BENEFITS (continued)

21.1. Post employment benefits (continued)

Re-measurement: Actuarial (gains)/ losses recognised in consolidated statement of profit or loss and other comprehensive income:

	2021	2020
Loss due to change in financial assumptions	**23,318**	29,102
Gain due to change in demographic assumptions	**(38,519)**	-
(Gain) / loss due to change in experience adjustments	**(28,409)**	52,498
Share of (gain) / loss from joint venture and associates	**(2,717)**	58
	(46,327)	81,658

Movement in the present value of defined benefit obligation:

	2021	2020
As at 1 January	**619,839**	491,233
Current service cost	**63,775**	61,496
Interest cost on benefit obligation	**17,281**	12,203
Actuarial (gain) / loss on the obligation	**(43,610)**	81,600
Transfer out	**(1,138)**	-
Benefits paid during the year	**(124,781)**	(4,511)
Gain on plan settlements	**-**	(22,182)
As at 31 December	**531,366**	619,839

Significant assumptions used in determining the post-employment defined benefit obligation includes the following:

	2021	2020
Discount rate	**2.48%**	3.1%
Future salary increases	**4.2%**	4.2%
Mortality rates	**A1949-52**	A1949-52
Rates of employee turnover	**12% per annum**	6% per annum

Assumptions regarding future mortality have been based on published statistics and mortality tables.

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21. EMPLOYEES' BENEFITS (continued)

21.1. Post employment benefits (continued)

A quantitative sensitivity analysis for discount rate assumption on the defined benefit obligation as at 31 December 2021 is shown below:

Assumptions	Discount rate	
Sensitivity analysis	**0.5% Increase**	**0.5% Decrease**
Defined benefit obligation as at 31 December 2021	**512,411**	**551,662**
Defined benefit obligation as at 31 December 2020	588,320	654,184

	salary increase	
	0.5% Increase	**0.5% Decrease**
Defined benefit obligation as at 31 December 2021	**552,350**	**511,563**
Defined benefit obligation as at 31 December 2020	654,641	587,571

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another. The average duration of the defined benefit obligation at the end of the reporting period is 7 years (2020: 11 years).

The expected maturity analysis of undiscounted post-employment benefits is as follows:

	Less than a year	Between 1 - 2 years	Between 2 - 5 years	Over 5 years	Total
2021	**66,957**	**57,523**	**176,785**	**939,687**	**1,240,952**
2020	38,889	41,760	151,497	1,945,000	2,177,146

21.2. Thrift Plan

The Group maintains an employee's savings plan for Saudi employees. The contribution from the participants are deposited in separate bank account. The Company's contribution under the savings plan is charged to the consolidated income statement.

22. DECOMMISSIONING LIABILITY

	2021	2020
Balance as at 1 January	**138,945**	131,588
Reduction during the year	**(11,890)**	-
Charge for the year	**6,353**	7,357
Balance as at 31 December	**133,408**	138,945

23. DERIVATIVE FINANCIAL INSTRUMENTS

The Group entered interest swap contracts with commercial banks to manage the exposure of volatility in interest rates. At 31 December 2021, there are no interest rate swap agreements (2020: negative fair values of SR 6.9 million).

24. TRADE AND OTHER PAYABLES

	2021	2020
Trade payables	**312,333**	222,597
Due to related parties (note 35)	**-**	4,251
	312,333	226,848

25. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	Notes	2021	2020
Provision for loss of precious metals		**440,283**	234,509
Goods received invoices not received		**409,396**	322,037
Distribution costs accruals		**108,443**	66,430
Due to related parties	35	**92,005**	87,619
Donations		**46,663**	23,740
Finance costs accruals		**30,451**	17,083
SEIP Payable		**31,869**	19,655
Employees related liabilities		**29,220**	14,749
Project related accruals		**5,445**	15,866
Others		**193,966**	125,407
		1,387,741	927,095

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26. ZAKAT AND INCOME TAX PAYABLE

	2021	2020
Zakat payable	**484,210**	223,309
Income tax payable	**78,667**	(3,464)
	562,877	219,845

The principal elements of the Zakat base of the Group are as follows:

	2021	2020
Non-current assets	**18,577,741**	18,796,155
Non-current liabilities	**5,872,523**	6,464,109
Opening shareholders' equity	**12,986,676**	13,342,181
Profit before Zakat and income tax	**4,418,895**	185,203
Consumables spares	**409,721**	395,826
Dividend paid	**1,636,115**	364,081

Zakat is payable at 2.578% of the Zakat base, excluding adjusted profit for the year, attributable to the Saudi shareholders. Zakat on adjusted profit for the year is payable at 2.5%. Income tax is payable at 20% of taxable income attributable to foreign shareholders.

The movement in the Zakat and income tax payable is as follows:

	Zakat	**Income Tax**	**Total**
Balance as at 1 January 2021	**223,309**	**(3,464)**	**219,845**
Current year charge	**345,528**	**89,595**	**435,123**
Prior year (over) provision	**4,355**	**1,436**	**5,791**
Payments during the year	**(88,982)**	**(8,900)**	**(97,882)**
Balance as at 31 December 2021	**484,210**	**78,667**	**562,877**

	Zakat	Income Tax	Total
Balance as at 1 January 2020	193,926	28,135	222,061
Current year charge	77,792	13,580	91,372
Prior year (over) provision	(933)	(2,808)	(3,741)
Utilization of prior year advance payment	-	(31,243)	(31,243)
Payments during the year	(47,476)	(11,128)	(58,604)
Balance as at 31 December 2020	223,309	(3,464)	219,845

The Zakat, income tax and deferred tax charge/(credit) for the year ended 31 December comprises of the following:

2021	**Zakat**	**Income Tax**	**Deferred tax**	**Total**
Zakat and income tax attributable to owners of the Company	**349,883**	**-**	**-**	**349,883**
Income tax attributable to non-controlling interest	**-**	**91,031**	**-**	**91,031**
Deferred tax (note 11)	**-**	**-**	**8,810**	**8,810**
	349,883	**91,031**	**8,810**	**449,724**

2020	Zakat	Income Tax	Deferred tax	Total
Zakat and income tax attributable to owners of the Company	76,859	-	-	76,859
Income tax attributable to non-controlling interest	-	10,772	-	10,772
Deferred tax (note 11)	-	-	40,171	40,171
	76,859	10,772	40,171	127,802

26. ZAKAT AND INCOME TAX PAYABLE (continued)

Outstanding assessments:

The Group is subject to Zakat and income tax in accordance with the Zakat, Tax and Customs Authority ("ZATCA") regulations. Zakat and income tax computation involves relevant knowledge and judgment of the Zakat rules and regulations to assess the impact of Zakat liability at a particular year end. This liability is considered an estimate until the final assessment by ZATCA has been completed until which the Group retains exposure to additional Zakat and tax liability. Wherever necessary, the Group has recorded estimated additional Zakat and income tax liability in respect of the following open assessments.

Sahara International Petrochemical Company (Sipchem)

Sipchem has received Zakat assessments for the years 2009 to 2010 with Zakat liability of SR 81 million. The Zakat liability was reduced to SR 71 million post appeal at Preliminary Appeal Committee ("PAC"). Sipchem further escalated the appeal to Higher Appeal Committee ("HAC") for reconsideration. During the year ended 31 Dec 2021, the Company is in process of registering the case with General Secretariat of Tax Committees ("GSTC").

Sipchem has received Zakat assessments for the years 2011 to 2014 with Zakat liability of SR 71.3 million. Sipchem has accepted and settled an under-protest amount of SR 0.9 million and filed appeal on remaining amount for the Zakat, Tax and Customs Authority ("ZATCA") reconsideration. The ZATCA raised revised assessment without considering appeal. Sipchem has escalated the appeal against revised assessment to the GSTC. During the year ended 31 Dec 2021, GSTC conducted appeal hearing sessions and issued decision for the years 2011 to 2013 in favor of Sipchem and 2014 in favor of ZATCA. For the year 2014, Sipchem escalated the appeal against decision to the 2nd level of GSTC. Similarly, ZATCA escalated the appeal for the years 2011 to 2013 to the 2nd level of GSTC. GSTC review is awaited.

Sipchem has received Zakat assessments for the years 2015 to 2018 with Zakat liability of SR 12.4 million. Sipchem has accepted and settled an under-protest amount of SR 5.1 million and filed appeal on remaining amount for the ZATCA's reconsideration. During the year ended 31 Dec 2021, the ZATCA issued revised assessment with a zakat liability of SR 6.9 million. Sipchem has filed appeal against the revised assessment at GSTC. Further upon GSTC request, Sipchem has submitted additional appeal memo against ZATCA viewpoints. GSTC appeal hearing is awaited.

International Methanol Company (IMC)

IMC has received tax and Zakat assessments for the years 2003 through 2010 with a tax, Zakat and delay fine liability of SR 60.6 million. IMC has accepted and settled an under-protest a total amount of SR 3.2 million. The Company filed objections with ZATCA and PAC for reconsideration. Based on revised assessment issued by ZATCA, the liability has been reduced to approximately SR 5.2 million. The company settled a further under protest amount of SR 686K and escalated the appeal against revised assessment at GSTC against the remaining amount. During the year ended 31 December 2021, upon GSTC request, IMC has submitted additional appeal memo against ZATCA viewpoints. GSTC conducted appeal hearing session and issued decision in favor of IMC. However, ZATCA has escalated the appeal to 2nd level of GSTC. IMC is in process of submission of response to the ZATCA viewpoints which is due for submission in Feb 2022.

International Acetyl Company (IAC)

IAC has received tax and Zakat assessments for the years 2006 through 2008 with Zakat, tax and withholding tax liability of approximately SR 7.3 million. IAC has accepted and settled an under-protest a total amount of SR 1.1 million. The Company filed objection with ZATCA for reconsideration. Based on revised assessment issued by ZATCA, the liability has been reduced to approximately SR 3.8 million. The Company has appealed against revised assessment at GSTC. GSTC conducted two appeal hearing sessions in 2020. During 2021, IAC received GSTC decision with partial acceptance of appeal in its favor. IAC escalated the items not accepted under its favor to 2nd level of GSTC. GSTC review is awaited.

26. ZAKAT AND INCOME TAX PAYABLE (continued)

Outstanding assessments: (continued)

International Vinyl Acetate Company (IVC)

IVC has received tax and Zakat assessments for the years 2011 and 2012 with Zakat, withholding tax and delay fine liability of approximately SR 28.3 million. IVC has accepted and settled an under-protest a total amount of SR 0.25 million. The Company filed objection with ZATCA for reconsideration. Based on revised assessment issued by ZATCA, the liability has been reduced to approximately SR 20.8 million. The Company has appealed against revised assessment at GSTC. GSTC conducted appeal hearing session in 2020. During 2021, GSTC issued its decision in favor of ZATCA. IVC has escalated the appeal to the 2nd level of GSTC. GSTC review is awaited.

IVC has received tax and Zakat assessments for the years 2013 and 2014 with Zakat, tax and delay fine liability of approximately SR 3.6 million. The Company filed objection with ZATCA for reconsideration. Based on revised assessment issued by ZATCA, the liability has been reduced to approximately SR 0.95 million. During 2021, IVC escalated the appeal to GSTC against the ZATCA's revised assessment. GSTC review is awaited.

IVC has received tax and Zakat assessment for the year 2015 with Zakat liability of approximately SR 0.23 million. The Company has accepted and settled zakat liability under protest a total amount of SR 0.23 million. The Company appealed against assessment for ZATCA reconsideration with respect to reduction in tax losses. During the year ended 31 Dec 2021, ZATCA rejected IVC's appeal and IVC subsequently escalated appeal to GSTC. GSTC review is awaited. IVC has received withholding tax and capital gains tax assessment for the year 2015 with a liability of approximately SR 7.6 million. The Company filed objection against assessment for ZATCA's reconsideration. During 2021, ZATCA rejected IVC's appeal and IVC subsequently escalated appeal to GSTC. GSTC review is awaited.

During 2021, IVC has received final assessments for the years 2016 to 2018 with total additional zakat, tax and delay fine of SR 4,667,413 and SR 424,556 respectively. The company has settled an amount of SR 539,298.6 and SR 169,835 under protest in settlement of additional tax/delay fine and zakat liability. IVC filed an appeal with ZATCA against the final assessment. However, ZATCA rejected the appeal. IVC has subsequently escalated appeal to GSTC against ZATCA assessment. GSTC review is awaited.

International Gases Company (IGC)

During 2021, IGC has received final assessment for the year 2018 with total additional zakat liability of SR 2.87m. The company has accepted and settled an amount of SR 0.26m under protest. IGC is in process of submitting appeal against the ZATCA assessment.

Saudi Specialized Products Company (SSPC)

SSPC has received tax and Zakat assessment for the years 2014 and 2015 with Zakat and withholding tax liability of approximately SR 4.7 million. The Company has accepted and settled liability under protest a total amount of SR 0.94 million. SSPC has received revised assessment from ZATCA with a liability of SR 2.5 million and the Company has filed appeal against the revised assessment with GSTC. During 2021, GSTC conducted an appeal hearing session and issued decision in favor of ZATCA. SSPC has escalated the appeal to 2nd level of GSTC. GSTC review is awaited.

SSPC has received Zakat assessment for the years 2017 and 2018 with Zakat liability of approximately SR 1 million. The Company has filed appeal against the assessment with ZATCA. During 2021, SSPC has received revised assessment from ZATCA with a liability of SR 0.85m. SSPC has escalated the appeal to GSTC. GSTC review is awaited.

During 2021, SSPC has received Zakat assessment for the years 2019 with Zakat liability of approximately SR 2 million. The Company settled an amount of SR 500K as guarantee payment per zakat regulations. SSPC has appealed with ZATCA against assessment. ZATCA rejected SSPC's appeal and SSPC escalated the appeal to GSTC. SSPC is in process of additional memo against ZATCA viewpoints to GSTC.

Sahara Petrochemicals Company (Sahara)

Sahara has received Zakat assessment for the years 2016 through 2018 with Zakat liability of SR 25.4 million relating to years from 2016 to 2018. The Company has accepted and settled liability under protest a total amount of SR 2.38 million and filed appeal on remaining amount for the ZATCA reconsideration. The ZATCA raised revised assessment without considering appeal. Sahara has escalated the appeal against revised assessment to the GSTC. During 2021, GSTC conducted an appeal hearing session and issued ruling partially in favor of Sahara and ZATCA. GSTC official decision is awaited. Sahara intends to escalate appeal on matters decided in favor of ZATCA to 2nd level of GSTC.

Sipchem has filed combined zakat return including Sahara for the years 2019 and 2010. Further, as per ZATCA requirement, Sahara has duly filed information zakat return for the years 2019 and 2020.

Expressed in Saudi Riyals in Thousands Unless Otherwise Stated

27. REVENUE

27.1. Revenue streams

The Group generates revenue primarily from the sale of petrochemical products.

	2021	2020
Revenue from contract with customers	**9,981,729**	5,323,023
Total revenue	**9,981,729**	5,323,023

27.2. Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical market, major products and service lines and timing of revenue recognition.

	2021	2020
Primary geographic markets		
Foreign countries	**9,142,531**	4,574,730
Saudi Arabia	**839,198**	748,293
	9,981,729	5,323,023
Timing of revenue recognition		
Product transferred at a point in time	**9,965,203**	5,276,087
Product transferred over time	**16,526**	46,936
	9,981,729	5,323,023

27.3. Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers:

	2021	2020
Receivables included in trade receivables	**1,854,503**	1,053,388
Contract assets included in trade receivables	**7,903**	7,530
Contractual liabilities	**180,300**	(164,246)

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer. The contractual liabilities primarily relate to the advance consideration received from customers for which revenue is recognised over time.

28. SELLING AND DISTRIBUTION EXPENSES

	2021	2020
Freight costs	**385,566**	331,372
Transportation costs	**27,758**	19,966
Insurance costs	**12,496**	12,712
Custom charges	**6,097**	1,414
Others	**20,574**	29,153
	452,491	394,617

29. GENERAL AND ADMINISTRATIVE EXPENSES

	Notes	2021	2020
Employees' related costs	29.1	**345,240**	306,795
Depreciation and amortization	29.2	**185,057**	58,217
Legal and professional expenses		**12,775**	14,348
Research related expenses		**12,937**	5,148
Board of directors' expenses		**11,719**	10,242
Donations		**31,523**	4,690
Others		**63,731**	19,254
		662,982	418,694

29.1. Employee related costs

	2021	2020
Included in cost of sales	**266,770**	227,949
Included in general and administrative expenses	**345,240**	306,795
	612,010	534,744

29.2. Depreciation and amortization

	2021	2020
Included in cost of sales	**828,088**	900,380
Included in general and administrative expenses	**185,057**	58,217
	1,013,145	958,597

Expressed in Saudi Riyals in Thousands Unless Otherwise Stated

30. FINANCE COST

	Notes	2021	2020
Finance charges on loans		**182,954**	218,093
Lease charges for Precious metal		**79,149**	45,912
Interest cost on defined benefit obligation		**14,820**	11,048
Commission on LC's & LG's		**8,069**	4,703
Un-winding cost of decommissioning liability	22	**6,353**	7,357
Interest on lease liabilities	7	**4,797**	2,412
Others		**22,665**	3,977
		318,807	293,502

31. OTHER INCOME AND EXPENSES, NET

	Notes	2021	2020
Other income	31.1	**37,572**	412,239
Other expenses	31.2	**(335,804)**	(285,745)
		(298,232)	126,494

31.1. Other income

	Notes	2021	2020
Gain on precious metal	31.1.1	**14,247**	321,515
Gain on settlement of EOSB plan		-	22,182
Income on loan settlement with partner		-	28,916
Others		**23,325**	39,626
		37,572	412,239

31.1.1. The Income of SR14.2 million (2020: SR 321.5 million) mainly represents gain on sale of certain precious metals used as catalysts needed in certain plants. The Group has opted to lease such precious metals instead of outright ownership.

31.2. Other expenses

	Notes	2021	2020
Impairment loss	6	**260,000**	280,000
Others	31.2.1	**75,804**	5,745
		335,804	285,745

31.2.1. Others mainly include an expected credit loss provision against a financial guarantee contract amounting to SR 30.8 million (2020: SR Nil) and mothballing related expenses SR 31.9 million (2020: SR Nil).

32. EARNINGS PER SHARE

Basic earnings per share for profit attributable to ordinary shares holders for the year ended 31 December 2021 and 2020 are computed based on the weighted average number of shares outstanding during such years. The diluted earnings per share are the same as the basic earnings per share because the Group does not have any dilutive instruments in issue.

	2021	2020
Profit for the year attributable to equity holders of the company	**3,591,844**	175,863
Weighted average number of shares outstanding during the year	**727,162**	728,162
Basic and diluted earnings per share	**4.94**	0.24

33. DIVIDENDS

On 23 June 2021, the Group announced to distribute cash dividends for the first half period of 2021 amounting to SR 549.99 million (i.e. SR 0.75 per share). On 14 July 2021, Sipchem distributed the dividend to shareholders.

On 15 December 2021, the Group announced to distribute cash dividends for the second half period of 2021 amounting to SR 1,090.74 million (i.e. SR 1.5 per share). On 30 December 2021, Sipchem distributed the dividend to shareholders.

Expressed in Saudi Riyals in Thousands Unless Otherwise Stated

34. COMMITMENTS AND CONTINGENCIES

34.1. Commitments

	2021	2020
Capital commitments	**143,802**	250,522

34.2. Contingencies

	2021	2020
Letter of guarantees and credits	**515,710**	640,260

34.3. Contingent liabilities

The Group has no material contingent liabilities as at year ended 31 December 2021 except for those as disclosed in note 26 to the consolidated financial statements.

35. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties include the Company's shareholders, associated companies and their shareholders, key management personnel, Board of Directors, and entities controlled, jointly controlled or significantly influenced by such parties. During the period, the Group transacted with the following related parties:

Name	Relationship
Japan Arabia Methanol Company Limited ("JAMC")	Shareholder of a subsidiary
Hanwha Chemical Malaysia Sdn Bhd ("Hanwha")	Shareholder of a subsidiary
SAMAPCO	Joint venture of a subsidiary
National Industrialization Company	Share holder of associated Company
Basell Arabia Investments Limited and its associates	Shareholder of joint operations of a subsidiary
Saudi Ethylene and Polyethylene Company ("SEPC")	Associated Company

The Company and non-controlling shareholders granted advances to the companies of the Group to support their operations and comply with the debt covenants. Long and short term advances carry finance charges at market rates and have specific maturity dates as per agreed repayment schedules.

The prices and terms of the above transactions were approved by the Board of Directors of the subsidiaries of the Group.

35.1. Significant transaction with related parties other than key management personnel

Transactions with related parties have been disclosed below:

Related party	Nature of transaction	2021	2020
Hanwha	Sales made to Hanwha	**756,880**	448,366
JAMC	Sales made to JAMC	**431,933**	223,424
SAMAPCO	Shared service cost charged to SAMAPCO	**109,367**	98,670
	Allocation of HOP finance cost to SAMAPCO	**1,091**	3,356
Lyondell Basell	Sales made to Lyondell Basell	**466,729**	826,322
	Shared services cost charged to Lyondell Basell	**35,198**	33,124
	Allocation of HOP finance cost to Lyondell Basell	**591**	1,033
SEPC	Purchase of ethylene by Al-Waha	**80,950**	38,018
National Industrialization Company	Acquisition of rights to feedstock supply and marketing arrangements	**285,000**	-

35.2. The above transactions resulted in the following unsecured balances with related parties:

i) Trade receivables (Note - 15)

	2021	2020
Lyondell Basell and its associates	**297,407**	194,815
Hanwha Chemical Malaysia Sdn Bhd	**141,643**	100,037
Japan Arabia Methanol Company Limited (JAMC)	**46,381**	44,446
	485,431	339,298

Expressed in Saudi Riyals in Thousands Unless Otherwise Stated

35. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

ii) Prepayments and other current assets (Note - 16)

	2021	2020
SAMAPCO	**58,064**	34,465
Lyondell Basell	**11,918**	4,429
	69,982	38,894

iii) Accrued expenses and other current liabilities (Note - 25)

	2021	2020
SAMAPCO	**26,040**	35,611
Lyondell Basell	**58,692**	40,866
Hanwha	**7,273**	5,619
Helm - Arabia	**-**	5,523
	92,005	87,619

35. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

35.3. Key management personnel

Key management personnel of the Group comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Company. Key management personnel compensation also includes the proportionate benefits of key management personnel of Sahara after business combination. The key management personnel compensation is as follows:

	2021	2020
Short-term employee benefits	**10,298**	12,313
End of service benefits	**3,549**	2,276
Thrift plan	**1,170**	672
Share based payment transactions	**138**	91
Total compensation related to key management personnel	**15,155**	15,352

35.4. Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at mutually agreed terms. Outstanding balances at the year-end are unsecured, interest free and settled in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2021, the Group has assessed and recorded an impairment related to amounts owed by a related party. 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.

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36. CONVENTIONAL AND NON-CONVENTIONAL FINANCING AND INVESTING ACTIVITIES

	2021	2020
Cash and cash equivalents - non-conventional		
Current Murabaha (including fixed term deposits)	**1,301,250**	1,544,350
Current accounts (excluding fixed term deposits)	**1,389,140**	952,521
	2,690,390	2,496,871
Long term investments - non-conventional	**251,896**	260,622
Short term investments - non-conventional	**20,223**	318,115
Borrowings - non-conventional	**5,374,292**	7,053,371
Borrowings - conventional	**-**	352,329

In March 2021, the Group refinanced the conventional borrowing and replaced it with a Shari'a compliant borrowing making all of its borrowings non-conventional.

37. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to comply with the current period presentation of the financial statements.

38. SUBSEQUENT EVENTS

No adjusting event occurred between 31 December 2021 and the date of authorization of consolidated financial statements by Board of Directors which may have an impact on these consolidated financial statements.

As explained in Note 1, the Company noted that COVID-19 virus outbreak was declared a pandemic by the World Health Organization at a time close to first quarter ended 31 March 2020. The management continues to closely monitor any material developments across the markets in which it operates and sells its products and has a strategy in place to mitigate any potential adverse impacts. Material changes if any will be reflected as part of the operating results and cash flows of the future reporting periods.

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