SAUDI INDUSTRIAL INVESTMENT GROUP COMPANY AND ITS SUBSIDIARY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 AND INDEPENDENT AUDITOR'S REPORT

SAUDI INDUSTRIAL INVESTMENT GROUP COMPANY AND ITS SUBSIDIARY
(A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

Independent auditor's report to the shareholders of Saudi Industrial Investment Group Company

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Saudi Industrial Investment Group Company (the "Company") and its subsidiary (together 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, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

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

Independence

We are independent of the Group in accordance with the code of professional conduct and ethics, 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.

Our audit approach

Overview

Key audit matter	• Reassessment of the Group's interests in two entities

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

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

Independent auditor's report to the shareholders of Saudi Industrial Investment Group Company (continued)

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.

Key audit matter	How our audit addressed the Key audit matter
Reassessment of the Group's interests in two entities During the year ended 31 December 2021, National Petrochemical Company ("Petrochem"), a subsidiary of the Group, reassessed the contractual arrangements between the shareholders and the basis of the conclusion regarding its control over its investments in two entities, Saudi Polymers Company ("SPCO") and Gulf Polymers Distribution Company FZCO ("GPDC") in light of the contractual arrangements between the shareholders of these investments. As a result of this reassessment, it was concluded that Petrochem exercised joint control according to the requirements of IFRS 10 'Consolidated Financial Statements' ("IFRS 10") and IFRS 11 'Joint Arrangements' ("IFRS 11"). Accordingly, since the Group consolidated SPCO and GPDC through Petrochem until 31 December 2020, the Group changed its accounting from consolidation to the equity method. The impact of the reassessment was applied retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' ("IAS 8") in the financial statements of Petrochem and, consequently, in the consolidated financial statements of the Group. We considered this to be a key audit matter as the reassessment resulted in a change in the previous basis of conclusion and given the nature and complexity of the matter, including the impact on the presentation of the consolidated financial statements of the Group for the year ended 31 December 2021. Refer to Note 2.2 to the consolidated financial statements for the accounting policy relating to the basis of equity accounting and Notes 4 and 23 for the disclosures relating to interests in SPCO and GPDC and the related impact of the restatement to the comparatives.	Our audit procedures included the following: • Evaluated, with the assistance of our internal financial reporting experts, the Group management's control reassessment over investments in SPCO and GPDC in accordance with the requirements of IFRS 10; • Obtained the deconsolidation schedules prepared by the Group management and audited the completeness and accuracy of the deconsolidation adjustments; • Audited the retrospective accounting of the investments as joint ventures in accordance with the requirements of IFRS 11; and • Assessed the adequacy of the disclosures in the consolidated financial statements with respect to the change in accounting treatment in accordance with the requirements of IAS 8 and IFRS 12 'Disclosure of Interests in Other Entities'.

Independent auditor's report to the shareholders of Saudi Industrial Investment Group Company (continued)

Other information

Management is responsible for the other information. The other information comprises information included in the Group's 2021 annual report but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e. the Board of Directors, are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment 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.

Independent auditor's report to the shareholders of Saudi Industrial Investment Group Company (continued)

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

PricewaterhouseCoopers

Ali A. Alotaibi
License Number 379

15 March 2022

برايس وترهاوس كوبرز
محاسبون قانونيون
ترخيص ١/٢٥/١١/٣٢٣
س.ت ٤٠٣٠٢٨٩٠٠٢
PRICEWATERHOUSECOOPERS
CERTIFIED PUBLIC ACCOUNTANTS
Lic No. 323/11/25/1
C.R. 4030289002

SAUDI INDUSTRIAL INVESTMENT GROUP COMPANY AND ITS SUBSIDIARY
(A Saudi Joint Stock Company)
Consolidated statement of financial position
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	As at 31 December 2021	As at 31 December 2020	As at 1 January 2020
			(Restated)	(Restated)
Assets				
Non-current assets				
Property and equipment		**1,651**	1,539	1,766
Investments in joint ventures accounted for using the equity method	4	**8,729,948**	9,378,318	10,028,631
Subordinated loan to a joint venture		**-**	-	339,291
Other assets	5	**4,986**	5,195	6,267
Total non-current assets		**8,736,585**	9,385,052	10,375,955
Current assets				
Prepayments and other current assets	6	**4,492**	6,621	11,902
Due from related parties	13	**1,259,561**	608,750	960
Short-term Murabaha deposits		**497,000**	-	-
Cash and cash equivalents	7	**1,813,811**	1,165,742	1,316,833
Total current assets		**3,574,864**	1,781,113	1,329,695
Total assets		**12,311,449**	11,166,165	11,705,650
Equity and liabilities				
Equity				
Share capital	8	**4,500,000**	4,500,000	4,500,000
Statutory reserve	9	**1,019,928**	906,301	897,136
Retained earnings		**1,808,544**	1,005,359	1,396,789
Equity attributable to the shareholders of Saudi Industrial Investment Group Company		**7,328,472**	6,411,660	6,793,925
Non-controlling interests	4	**4,564,866**	4,059,923	4,075,371
Total equity		**11,893,338**	10,471,583	10,869,296
Liabilities				
Non-current liability				
Employee benefit obligations	10	**19,965**	18,551	20,547
Current liabilities				
Due to related parties	13	**51**	51	-
Accrued and other liabilities	11	**34,920**	32,184	29,265
Dividends payable	18	**-**	225,000	337,500
Zakat	12	**363,175**	418,796	449,042
Total current liabilities		**398,146**	676,031	815,807
Total liabilities		**418,111**	694,582	836,354
Total equity and liabilities		**12,311,449**	11,166,165	11,705,650

The accompanying notes are an integral part of these consolidated financial statements.

SAUDI INDUSTRIAL INVESTMENT GROUP COMPANY AND ITS SUBSIDIARY
(A Saudi Joint Stock Company)
Consolidated statement of profit or loss and other comprehensive income
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Year ended 31 December 2021	2020 (Restated)
Share of net profit of joint ventures accounted for using the equity method	4	**1,905,924**	253,514
General and administrative expenses	14	**(69,110)**	(52,300)
Operating profit		**1,836,814**	201,214
Finance costs	10	**(339)**	(372)
Finance income	15	**10,445**	20,005
Finance income - net		**10,106**	19,633
Other income - net	16	**522**	85
Profit before zakat		**1,847,442**	220,932
Zakat expense	12	**(29,669)**	(13,876)
Profit for the year		**1,817,773**	207,056
Other comprehensive income / (loss)			
Items that will not be reclassified to profit or loss			
Re-measurements of employee benefit obligations	10	**190**	(855)
Share of net other comprehensive income (loss) of joint ventures accounted for using the equity method	4	**8,792**	(33,914)
Other comprehensive income (loss) for the year		**8,982**	(34,769)
Total comprehensive income for the year		**1,826,755**	172,287
Profit for the year is attributable to:			
Shareholders of Saudi Industrial Investment Group Company		**1,136,272**	91,645
Non-controlling interests		**681,501**	115,411
		1,817,773	207,056
Total comprehensive income for the year is attributable to:			
Shareholders of Saudi Industrial Investment Group Company		**1,141,812**	67,735
Non-controlling interests		**684,943**	104,552
		1,826,755	172,287
Earnings per share (Saudi Riyals)			
Basic and diluted	17	**2.53**	0.20

The accompanying notes are an integral part of these consolidated financial statements.

SAUDI INDUSTRIAL INVESTMENT GROUP COMPANY AND ITS SUBSIDIARY
(A Saudi Joint Stock Company)
Consolidated statement of changes in equity
(All amounts in Saudi Riyals thousands unless otherwise stated)

		Attributable to the shareholders of Saudi Industrial Investment Group Company					
	Note	**Share capital**	**Statutory reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
At 1 January 2020		4,500,000	897,136	1,396,789	6,793,925	8,174,422	14,968,347
Change in accounting treatment	23	-	-	-	-	(4,099,051)	(4,099,051)
At 1 January 2020 (Restated)		4,500,000	897,136	1,396,789	6,793,925	4,075,371	10,869,296
Profit for the year		-	-	91,645	91,645	115,411	207,056
Other comprehensive loss for the year		-	-	(23,910)	(23,910)	(10,859)	(34,769)
Total comprehensive income for the year		-	-	67,735	67,735	104,552	172,287
Transfer to statutory reserve	9	-	9,165	(9,165)	-	-	-
Transactions with shareholders in their capacity as shareholders:							
Dividends	18	-	-	(450,000)	(450,000)	(120,000)	(570,000)
At 31 December 2020 (Restated)		4,500,000	906,301	1,005,359	6,411,660	4,059,923	10,471,583
At 1 January 2021		4,500,000	906,301	1,005,359	6,411,660	8,221,670	14,633,330
Change in accounting treatment	23	-	-	-	-	(4,161,747)	(4,161,747)
At 1 January 2021 (Restated)		4,500,000	906,301	1,005,359	6,411,660	4,059,923	10,471,583
Profit for the year		-	-	1,136,272	1,136,272	681,501	**1,817,773**
Other comprehensive income for the year		-	-	5,540	5,540	3,442	**8,982**
Total comprehensive income for the year		-	-	1,141,812	1,141,812	684,943	**1,826,755**
Transfer to statutory reserve	9	-	113,627	(113,627)	-	-	**-**
Transactions with shareholders in their capacity as shareholders:							
Dividends	18	-	-	(225,000)	(225,000)	(180,000)	**(405,000)**
At 31 December 2021		**4,500,000**	**1,019,928**	**1,808,544**	**7,328,472**	**4,564,866**	**11,893,338**

The accompanying notes are an integral part of these consolidated financial statements.

SAUDI INDUSTRIAL INVESTMENT GROUP COMPANY AND ITS SUBSIDIARY
(A Saudi Joint Stock Company)
Consolidated statement of cash flows
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Year ended 31 December 2021	2020 (Restated)
Cash flows from operating activities			
Profit before zakat		**1,847,442**	220,932
Adjustments for:			
Depreciation		**782**	803
Share of net profit of joint ventures accounted for using the equity method	4	**(1,905,924)**	(253,514)
Gain on disposals of property and equipment		**(80)**	-
Finance income - net		**(10,106)**	(19,633)
Loss on modification of subordinated loan to a joint venture		**-**	1,151
Provision for employee benefit obligations	10	**1,466**	4,034
Changes in operating assets and liabilities:			
Decrease in prepayments and other current assets		**4,580**	8,593
Change in due from related parties		**(368)**	2,351
Increase in due to related parties		**-**	51
Change in accrued and other liabilities		**1,031**	2,919
Cash utilized in operations		**(61,177)**	(32,313)
Finance income received		**8,203**	17,765
Zakat paid	12	**(85,290)**	(44,122)
Employee benefit obligations paid	10	**(201)**	(8,648)
Dividends received from joint ventures	4	**384,375**	195,000
Contribution of share capital in a joint venture	4	**-**	(51)
Zakat reimbursed to joint ventures	4	**(27,389)**	(27,536)
Net cash inflow from operating activities		**218,521**	100,095
Cash flows from investing activities			
Payments for purchases of property and equipment		**(894)**	(658)
Proceeds from disposals of property and equipment		**80**	82
Placements in short-term deposits		**(497,000)**	-
Reduction in share capital of joint ventures		**1,555,625**	93,750
Net cash inflow from investing activities		**1,057,811**	93,174
Cash flows from financing activities			
Repayment of subordinated loan from a joint venture		**-**	338,140
Dividends paid	18	**(448,263)**	(562,500)
Dividends paid by a subsidiary to non-controlling interests	4	**(180,000)**	(120,000)
Net cash outflow from financing activities		**(628,263)**	(344,360)
Net change in cash and cash equivalents		**648,069**	(151,091)
Cash and cash equivalents at beginning of year		**1,165,742**	1,316,833
Cash and cash equivalents at end of year	7	**1,813,811**	1,165,742
Non-cash operating and investing activities:			
Reduction in share capital of joint ventures adjusted against due from related parties	4, 13	**2,206,100**	702,500
Transfer of employee benefit obligations from a related party	13	**-**	1,391

The accompanying notes are an integral part of these consolidated financial statements.

(All amounts in Saudi Riyals thousands unless otherwise stated)

1 General information

Saudi Industrial Investment Group Company (the "Company") is a Saudi joint stock company registered in Riyadh, Kingdom of Saudi Arabia under commercial registration ("CR") number 1010139946 dated on 10 Shaban 1416 H (corresponding to 1 January 1996). The registered address of the Company is P.O. Box 99833, Riyadh, Kingdom of Saudi Arabia.

The accompanying consolidated financial statements include the activities of the Company and its following direct subsidiary (collectively the "Group"):

	Country of incorporation	Effective ownership percentage at 31 December	
		2021	**2020**
National Petrochemical Company (a Saudi joint stock company) ("Petrochem")	Kingdom of Saudi Arabia	**50%**	50%

The Company is principally engaged in the ownership of real estate, investing the funds of its subsidiary and the management of its subsidiary.

Petrochem is a Saudi joint stock company registered under CR number 1010246363 issued in Riyadh on 8 Rabi Al Awwal 1429 H (corresponding to 16 March 2008), and it was established pursuant to the Ministry of Commerce's resolution number 53/Q dated 16 Safar 1429 H (corresponding to 23 February 2008).

In response to the spread of the Covid-19 in the Kingdom of Saudi Arabia where the Group operates and its resulting disruptions to the social and economic activities in those markets over the last two years, management continues to proactively assess its impacts on its operations. In particular, the Group is closely monitoring the current surge in cases due to the outbreak of a new variant - Omicron. The preventive measures taken by the Group in April 2020 are still in effect including the creation of ongoing crisis management teams and processes, to ensure the health and safety of its employees, customers and the wider community as well as to ensure the continuity of its operations. Employee health continues to be a key area of focus with programs being implemented to assist with increasing awareness, identification, support and monitoring of employee health. A majority of the employees of the Group have been fully vaccinated for at least two doses of vaccine and the management is working on a plan to encourage booster shots in line with the government initiatives related to Covid-19.

The management of the Group believes that any potential lockdown measures being reintroduced will not materially affect the underlying demand for the Group's products and forecast.

Based on these factors, management believes that the Covid-19 pandemic has had no material effect on the Group's reported financial results for the year ended 31 December 2021 including the significant accounting judgements and estimates.

The Group continues to monitor the surge of the new variant closely although at this time management is not aware of any factors that are expected to change the impact of the pandemic on the Group's operations during 2022 or beyond.

1 General information (continued)

Proposed acquisition

On 15 September 2020, the Board of Directors of the Company, approved the decision to initiate discussions with Petrochem to study the economic feasibility of merging the two related parties (the "Proposed Transaction").

During the year ended 31 December 2021, the Company announced the completion of the initial economic feasibility study, on the basis of which the Company and Petrochem decided to commence reciprocal due diligence, negotiate the terms and conditions of the Proposed Transaction and initiate sharing of information between them.

Furthermore, on 27 September 2021 (corresponding to 20 Safar 1443H), the Company signed a non-binding memorandum of understanding ("MOU") with Petrochem, in relation to the share exchange ratio and the structure through which the Proposed Transaction would be implemented.

On 27 October 2021 (corresponding to 21 Rabi ul Awwal 1443H), the Company entered into a legally binding implementation agreement with Petrochem (the "Implementation Agreement"), pursuant to which the Company and Petrochem have agreed that the Company will make an offer to acquire all shares issued by Petrochem which are not owned by the Company in exchange for the issuance of new shares in the Company to Petrochem's shareholders in accordance with applicable regulations and rules issued by the board of Capital Market Authority, as well as the terms and conditions as set out in the Implementation Agreement.

The accompanying consolidated financial statements of the Group, including notes and other explanatory information, were authorized for issue by the Company's Board of Directors on 15 March 2022.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

(a) Statement of compliance

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

(b) Historical cost convention

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

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(c) New standards and amendment to standards and interpretations

There are no new standards applicable to the Group, however, certain amendments to standards became applicable for the current reporting period. The Group has applied the following amendments to the standards for the first time for their reporting periods commencing on or after 1 January 2021:

IFRS 7, IFRS 4 and IFRS 16 - Interest rate benchmark reform - Phase 2

Phase 1 of these amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that Interbank Offered Rate ("IBOR") reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the consolidated statement of profit or loss and other comprehensive income.

The Phase 2 amendments require an entity to:

- account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate without the recognition of an immediate gain or loss;

- prospectively cease to apply the Phase 1 reliefs to a non-contractually specified risk component at the earlier of when changes are made to the non-contractually specified risk component, or when the hedging relationship is discontinued.

The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amendments to standards.

There are no other IFRSs or International Financing Reporting Interpretations Committee (IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

(d) Standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. The management is in the process of assessing the impact of the new standards and interpretations on its consolidated financial statements.

2 Summary of significant accounting policies (continued)

2.2 Basis of consolidation and equity accounting

(a) Subsidiaries

These consolidated financial statements comprise the financial statements of the Company and its subsidiary. Subsidiaries are entities over which the Group has control. 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, and
- 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 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 are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 interests
- 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 profit or loss
- Reclassifies the parent'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.

2 Summary of significant accounting policies (continued)

2.2 Basis of consolidation and equity accounting (continued)

(b) Investments in joint ventures

A joint venture is a type of joint arrangement where the Group has a contractual arrangement (rights and obligations) in place, with one or more parties, to undertake activities typically, however not necessarily, through a legal entity that is subject to joint control. 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.

Interests in joint ventures are accounted for using the equity method (equity accounted investees) and are recognised initially at cost. The consolidated financial statements include the Group's share of the post-acquisition profits or losses of the investee in the profit or loss; and the Group's share of movements in other comprehensive income of the investee in the other comprehensive income, after adjustments to align the accounting policies with those of the Group. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment when the right to receive a dividend is established.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

The Group applies IAS 36 "Impairment of Assets" to determine whether an investment in a joint venture is impaired and accounts for any identified impairment loss.

(c) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2 Summary of significant accounting policies (continued)

2.3 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated on property and equipment so as to allocate its cost, less estimated residual value, on a straight-line basis over the estimated useful lives of the assets. The depreciation expense is recognised in profit or loss in the general and adminsitrative expenses.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each annual reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in profit or loss.

Assets in the course of construction or development are capitalised in the capital work-in-progress account. The asset under construction or development is transferred to the appropriate category in property and equipment, once the asset is in a location and condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of capital work-in-progress comprises its purchase price, construction / development cost and any other cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Capital work-in-progress is not depreciated.

2.4 Financial instruments

2.4.1 Financial assets

(i) Classification

The Group measures financial assets at amortised cost when it is within the business model to hold assets in order to collect contractual cash flows, and contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(ii) Recognition and derecognition

At initial recognition, the Group measures financial assets at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of financial assets. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

The Group derecognizes a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

2 Summary of significant accounting policies (continued)

2.4 Financial instruments (continued)

2.4.1 Financial assets (continued)

(iii) Measurement

Subsequent measurement of Group's financial assets is at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. A gain or loss on a financial instrument that is subsequently measured at amortised cost and is not part of the hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Impairment losses are presented as a separate line item in the profit or loss.

2.4.2 Financial liabilities

All financial liabilities are recognised at the time when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these are measured at amortised cost using the effective interest method.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the consolidated profit or loss.

2.4.3 Offsetting financial assets and liabilities

Financial assets and liabilities are offset and net amounts are reported in the consolidated financial statements, when the Group has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the assets and liabilities simultaneously.

2 Summary of significant accounting policies (continued)

2.5 Impairment of financial and non-financial assets

2.5.1 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are 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. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

2.5.2 Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses ("ECL") associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For amounts due from related parties, the Group applies a simplified approach, which requires expected lifetime losses to be recognised from the initial recognition of the related financial asset. The amount of the loss is charged to profit or loss. The Group uses a provision matrix in the calculation of the ECL to estimate the lifetime ECL, applying certain provision rates to respective contractual past due aging buckets. The provision matrix was developed considering probability of default based on credit rating of the Group's counterparties assigned by reputed credit rating agencies and loss given default. The loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Gross Domestic Product ("GDP") and the inflation rates of the Kingdom of Saudi Arabia, the Middle East, Europe and Asia as the most relevant factors, and accordingly adjusts the loss rates based on expected changes in these factors.

While cash and cash equivalents, short-term murabaha deposits, loans to employees and other receivables are also subject to impairment requirements of IFRS 9, these are considered as low risk and the impairment loss is not expected to be material.

2 Summary of significant accounting policies (continued)

2.6 Cash and cash equivalents and short-term deposits

For the purpose of consolidated statement of financial position, cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Deposits with original maturities of more than three months and less than twelve months are presented separately on the consolidated statement of financial position within current assets.

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts, if any, are shown within borrowings in current liabilities in the consolidated statement of financial position.

2.7 Share capital

Ordinary shares are classified as equity. Transaction costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

2.8 Dividend distribution

Dividends are recorded in the consolidated financial statements in the period in which they are approved by shareholders of the Company.

2.9 Employee benefit obligations

The Company and its direct subsidiary operate their respective single post-employment benefit scheme of defined benefit plan driven by the labor laws of the Kingdom of Saudi Arabia which is based on most recent salary and number of service years.

The post-employment benefit plans are not funded. Accordingly, valuations of the obligations under the plans are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to post-employment benefit plans are recognized immediately in profit or loss while unwinding of the liability at discount rates used are recorded in profit or loss. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in the other comprehensive income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized directly in other comprehensive income and transferred to retained earnings in the consolidated statement of changes in equity in the period in which they occur.

Changes in the present value of the defined benefit obligations resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs. End of service payments are based on employees’ final salaries and allowances and their cumulative years of service, as stated in the labor laws of the Kingdom of Saudi Arabia.

2 Summary of significant accounting policies (continued)

2.10 Employee home ownership program

The Group provides subsidised non-interest-bearing loans to eligible Saudi Arabian employees to either purchase or build residential properties by mortgaging the property in the Group's name as a security. The repayment of the loan is deducted from the employee's salary in monthly installments. The interest cost associated with the funding of the acquisition or construction of the employee's house is borne by the Company in accordance with the approved home ownership program and expensed as part of finance cost.

2.11 Provisions

Provisions are recognized when; the Group has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. If the effects of the time value of money are material, provisions are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

2.12 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). All values are rounded to the nearest Saudi Riyal thousands, except when otherwise indicated. The consolidated financial statements are presented in Saudi Riyals, which is also the Company's functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the period-end exchange rates of monetary assets and liabilities denominated in foreign currencies other than Saudi Riyals are recognized in the profit or loss.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate applicable at the date of the initial transactions.

2.13 Finance income

Finance income is measured using the effective interest rate, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset or a shorter period, where appropriate, to the net carrying amount of the financial asset.

2.14 Zakat

The Group is subject to zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA") in the Kingdom of Saudi Arabia. Zakat, for the Company and its subsidiary, is calculated based on higher of approximate zakat base and adjusted profit and are charged to profit or loss. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

Amounts accrued for zakat expense in one year may have to be adjusted in a subsequent year if the estimate of the annual charge changes.

2 Summary of significant accounting policies (continued)

2.15 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Operating Decision Maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

The Board of Directors of the Group assesses the financial performance and position of the Group and makes strategic decisions. The Board of Directors has been identified as being the Chief Operating Decision Maker.

Segment results that are reported to the Group's Chief Operating Decision Maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

2.16 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3 Critical accounting estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by SOCPA, requires the use of certain critical estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no estimates and judgments that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve-month period.

However, as explained in Note 1, the Group's management has proactively assessed the potential impact of the COVID-19 pandemic for any further regulatory and government restrictions both locally and in the markets in which the Group operates that could adversely affect the Group's financial performance. Management has concluded that the Group's critical accounting judgements, estimates and assumptions remain appropriate under the current circumstances for the purpose of preparation of these consolidated financial statements. Further, as the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments.

(All amounts in Saudi Riyals thousands unless otherwise stated)

4 Interests in other entities

4.1 Subsidiary

The Company's principal operating subsidiary is Petrochem and the Company held an ownership interest of 50% in Petrochem at 31 December 2021 and 2020. The management of the Company has concluded that it controls Petrochem on the basis of de-facto control as it has the ability to direct the relevant activities of Petrochem due to being able to appoint the majority of the directors of Petrochem.

4.2 Non-controlling interests

Set out below is summarised financial information for the subsidiary having non-controlling interests ("NCI"). The amounts disclosed for the subsidiary are before inter-company eliminations.

Summarised statement of financial position	**As at 31 December**	
	2021	**2020**
Current assets	**2,284,572**	385,941
Current liabilities	**(297,396)**	(354,388)
Net current assets	**1,987,176**	31,553
Non-current assets	**7,150,821**	8,091,587
Non-current liabilities	**(8,265)**	(7,094)
Net non-current assets	**7,142,556**	8,084,493
Net assets	**9,129,732**	8,116,046
Accumulated NCI	**4,564,866**	4,059,923

Summarised statement of profit or loss and other comprehensive income	**For the year ended 31 December**	
	2021	**2020**
Profit for the year	**1,366,802**	229,771
Other comprehensive income (loss) for the year	**6,884**	(21,719)
Total comprehensive income for the year	**1,373,686**	208,052
Profit for the year allocated to NCI	**681,501**	115,411
Other comprehensive income (loss) for the year allocated to NCI	**3,442**	(10,859)

Summarised statement of cash flows	**For the year ended 31 December**	
	2021	**2020**
Cash flows generated from operating activities	**53,570**	140,283
Cash flows generated from (used in) investing activities	**1,218,403**	(191)
Cash flows (used in) generated from financing activities	**(360,000)**	98,140
Net increase in cash and cash equivalents	**911,973**	238,232

Other information	**For the year ended 31 December**	
	2021	**2020**
Dividends paid to NCI	**(180,000)**	(120,000)

(All amounts in Saudi Riyals thousands unless otherwise stated)

4 Interests in other entities (continued)

4.3 Investments in joint ventures accounted for using the equity method

Set out below are the joint ventures of the Group as at 31 December 2021 and 2020. The entities listed below have share capital consisting solely of ordinary shares, which are held directly and indirectly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held. During the year ended 31 December 2021, the management of Petrochem assessed the contractual arrangements within the constitutional documents of its joint ventures and concluded that although it holds a 65% shareholding in both entities, the other shareholder had substantive rights to direct the relevant activities of both entities and, accordingly, concluded that both entities were jointly controlled. Also refer to Note 23.

Name of the entity	**Country of incorporation**	**Ownership interest held by the Group**		**Carrying amount**	
		2021	**2020**	**2021**	**2020**
Saudi Chevron Phillips Company ("SCP")	Kingdom of Saudi Arabia	**50%**	50%	**684,422**	536,698
Jubail Chevron Phillips Company ("JCP")	Kingdom of Saudi Arabia	**50%**	50%	**775,063**	699,739
Aromatics Distribution Company FZCO (a free zone limited liability company) ("ADCO")	United Arab Emirates	**50%**	50%	**123,072**	54,509
Saudi Polymers Company (a limited liability company) ("SPCO")	Kingdom of Saudi Arabia	**65%**	65%	**6,530,085**	7,493,025
Gulf Polymers Distribution Company FZCO (a free zone limited liability company) ("GPDC")	United Arab Emirates	**65%**	65%	**617,306**	594,347
				8,729,948	9,378,318

a) SCP is principally engaged in the production of liquid fuels, basic organic chemicals, primary gases and gaseous fuels. SCP is a limited liability company registered in Jubail, Kingdom of Saudi Arabia under CR number 2055003839 dated 22 Safar 1417H (corresponding to 8 July 1996) with a branch in Jubail under CR number 2055009584.

During 2018, the shareholders of SCP resolved to decrease the share capital of SCP by Saudi Riyals 411 million through their resolution dated 4 September 2018 (corresponding to 24 Dhul Hijjah 1439H). The legal formalities in relation to this matter were completed during 2020. The reduction in share capital has been paid in full, to the shareholders of SCP as of 31 December 2021.

b) JCP is principally engaged in the production of basic organic chemicals, propylene and liquid fuels. JCP is a limited liability company registered in Jubail, Kingdom of Saudi Arabia under CR number 2055005901 dated 25 Jumada' II 1424H (corresponding to 23 August 2003).

During 2018, the shareholders of JCP resolved to decrease the share capital of JCP by Saudi Riyals 994 million through their resolution dated 4 September 2018 (corresponding to 24 Dhul Hijjah 1439H). The legal formalities in relation to this matter were completed during 2020. The reduction in share capital is payable on demand to the shareholders of JCP, dependent on its financial capabilities, and is treated as a current liability in JCP's financial statements (also see Note 13).

(All amounts in Saudi Riyals thousands unless otherwise stated)

4 Interests in other entities (continued)

4.3 Investments in joint ventures accounted for using the equity method (continued)

c) ADCO is principally engaged to distribute the aromatic products (styrene, cyclohexane, propane and benzene) produced by JCP and SCP. ADCO is registered in Dubai Airport Free Zone ("DAFZA"), United Arab Emirates under license number 4105.

d) SPCO is a limited liability company registered in Jubail, Saudi Arabia under CR number 2055008886 dated 29 Dhul-Qadah 1428H (corresponding to 9 December 2007), with a branch in Jubail under Commercial Registration number 2055009065. The principal activities of SPCO are to produce and sell motor fuel blend stock, fuel oil, ethylene, propylene, 1-Hexene, high density and low-density polyethylene, polypropylene and polystyrene. SPCO is a joint venture between Petrochem and Arabian Chevron Phillips Petrochemical Company Limited ("ACPPCL").

During 2019, the shareholders of SPCO resolved to decrease the share capital of SPCO from Saudi Riyals 4.8 billion to Saudi Riyals 1.4 billion. The legal formalities in relation to this matter were completed during the year ended December 31, 2021. The balance of reduction in share capital is payable on demand, dependent on its financial capabilities, and is treated as a current liability in SPCO's financial statements (also see Note 13).

e) GPDC was formed in the Dubai Airport Free Zone on 15 February 2011 as per DAFZA trade license. The registered address of GPDC is DFZA, Office No.6EA 420, Dubai, United Arab Emirates. The principal activities of GPDC are facilitating sales of polymer and monomer products and provision of international warehousing. GPDC is a distributor for SPCO and is a joint venture of Petrochem and ACPPCL.

Movement in carrying amount of investment in joint ventures is as follows:

	For the year ended 31 December 2021					
	SCP	**JCP**	**ADCO**	**SPCO**	**GPDC**	**Total**
Opening balance, 1 January	536,698	699,739	54,509	7,493,025	594,347	**9,378,318**
Share of net profit	356,307	66,589	115,438	1,222,756	144,834	**1,905,924**
Share of net other comprehensive income	797	709	-	7,286	-	**8,792**
Reduction in share capital	-	-	-	(2,206,100)	-	**(2,206,100)**
Dividends received from joint ventures	(215,625)	-	(46,875)	-	(121,875)	**(384,375)**
Zakat reimbursed to joint ventures	6,245	8,026	-	13,118	-	**27,389**
Closing balance, 31 December	684,422	775,063	123,072	6,530,085	617,306	**8,729,948**

(All amounts in Saudi Riyals thousands unless otherwise stated)

4 Interests in other entities (continued)

4.3 Investments in joint ventures accounted for using the equity method (continued)

	For the year ended 31 December 2020					
	SCP	**JCP**	**ADCO**	**SPCO**	**GPDC**	**Total**
Opening balance, 1 January	744,390	1,266,252	-	7,324,455	693,534	10,028,631
Share of net profit (loss)	1,788	(71,190)	54,458	172,645	95,813	253,514
Share of net other comprehensive loss	(8,340)	(4,714)	-	(20,860)	-	(33,914)
Issuance of share capital	-	-	51	-	-	51
Reduction in share capital	(205,625)	(496,875)	-	-	-	(702,500)
Dividends received from joint ventures	-	-	-	-	(195,000)	(195,000)
Zakat reimbursed to joint ventures	4,485	6,266	-	16,785	-	27,536
Closing balance, 31 December	536,698	699,739	54,509	7,493,025	594,347	9,378,318

Summarised financial information for joint ventures is provided below. The information disclosed reflects the amounts presented in the financial statements of the joint venture and not the Group's share of those amounts.

Summarised statement of financial position

	SCP		JCP	
	31 December 2021	**31 December 2020**	**31 December 2021**	**31 December 2020**
Current assets				
Cash and cash equivalents	**196,148**	635,618	**278,276**	313,478
Other current assets	**1,419,353**	938,496	**1,132,823**	1,028,189
Total current assets	**1,615,501**	1,574,114	**1,411,099**	1,341,667
Non-current assets	**989,164**	970,688	**1,660,790**	1,849,437
Current liabilities				
Financial liabilities (excluding trade payables)	**(782,224)**	(921,749)	**(736,946)**	(987,236)
Other current liabilities	**(148,433)**	(181,392)	**(689,757)**	(692,351)
Total current liabilities	**(930,657)**	(1,103,141)	**(1,426,703)**	(1,679,587)
Non-current liabilities				
Financial liabilities (excluding trade payables)	**(821)**	(9,176)	**(4,639)**	(5,685)
Other non-current liabilities	**(223,283)**	(201,480)	**(119,712)**	(121,673)
Total non-current liabilities	**(224,104)**	(210,656)	**(124,351)**	(127,358)
Net assets	**1,449,904**	1,231,005	**1,520,835**	1,384,159

(All amounts in Saudi Riyals thousands unless otherwise stated)

4 Interests in other entities (continued)

4.3 Investments in joint ventures accounted for using the equity method (continued)

Summarised statement of financial position (continued)

	ADCO		SPCO	
	31 December 2021	**31 December 2020**	**31 December 2021**	**31 December 2020**
Current assets				
Cash and cash equivalents	**286,091**	82,639	**598,729**	792,308
Other current assets	**508,117**	448,961	**1,923,478**	1,326,240
Total current assets	**794,208**	531,600	**2,522,207**	2,118,548
Non-current assets	**-**	-	**12,392,888**	13,142,310
Current liabilities				
Financial liabilities (excluding trade payables)	**(547,980)**	(422,513)	**(3,023,955)**	(1,200,228)
Other current liabilities	**-**	-	**(604,171)**	(519,870)
Total current liabilities	**(547,980)**	(422,513)	**(3,628,126)**	(1,720,098)
Non-current liabilities				
Financial liabilities (excluding trade payables)	**-**	-	**(799,425)**	(1,536,083)
Other non-current liabilities	**(86)**	(71)	**(653,944)**	(609,597)
Total non-current liabilities	**(86)**	(71)	**(1,453,369)**	(2,145,680)
Net assets	**246,142**	109,016	**9,833,600**	11,395,080

	GPDC	
	31 December 2021	**31 December 2020**
Current assets		
Cash and cash equivalents	**95,693**	122,921
Other current assets	**1,475,171**	946,234
Total current assets	**1,570,864**	1,069,155
Non-current assets	**304**	1,376
Current liabilities		
Financial liabilities (excluding trade payables)	**(568,778)**	(88,579)
Other current liabilities	**(51,506)**	(66,592)
Total current liabilities	**(620,284)**	(155,171)
Non-current liabilities		
Financial liabilities (excluding trade payables)	**-**	(15)
Other non-current liabilities	**(1,182)**	(964)
Total non-current liabilities	**(1,182)**	(979)
Net assets	**949,702**	914,381

(All amounts in Saudi Riyals thousands unless otherwise stated)

4 Interests in other entities (continued)

4.3 Investments in joint ventures accounted for using the equity method (continued)

The reconciliation of the Group's interest in the joint ventures is as given below:

	SCP		JCP	
	31 December 2021	**31 December 2020**	**31 December 2021**	**31 December 2020**
Joint venture net assets	**1,449,904**	1,231,005	**1,520,835**	1,384,159
Group's share	**50%**	50%	**50%**	50%
	724,952	615,503	**760,418**	692,080
Intra-group eliminations	**-**	-	**-**	-
Timing differences in zakat / current income tax recognition and reimbursement	**(40,530)**	(78,805)	**14,645**	7,659
Carrying value of investments	**684,422**	536,698	**775,063**	699,739

	ADCO		SPCO	
	31 December 2021	**31 December 2020**	**31 December 2021**	**31 December 2020**
Joint venture net assets	**246,142**	109,016	**9,833,600**	11,395,080
Group's share	**50%**	50%	**65%**	65%
	123,072	54,509	**6,391,840**	7,406,802
Intra-group eliminations	**-**	-	**(38,622)**	(36,754)
Timing differences in zakat / current income tax recognition and reimbursement	**-**	-	**176,867**	122,977
Carrying value of investments	**123,072**	54,509	**6,530,085**	7,493,025

	GPDC	
	31 December 2021	**31 December 2020**
Joint venture net assets	**949,702**	914,381
Group's share	**65%**	65%
Carrying value of investment	**617,306**	594,347

(All amounts in Saudi Riyals thousands unless otherwise stated)

4 Interests in other entities (continued)

4.3 Investments in joint ventures accounted for using the equity method (continued)

Summarised statement of profit or loss and other comprehensive income

	For the year ended 31 December			
	SCP		JCP	
	2021	2020	2021	2020
Revenue from contracts with customers	**4,498,256**	2,703,428	**6,019,253**	3,876,885
Finance income	**2,618**	7,590	**1,733**	3,814
Depreciation	**(134,605)**	(127,448)	**(270,286)**	(293,479)
Finance costs	**(5,355)**	(9,105)	**(2,445)**	(2,711)
Zakat and income tax expense (credit)	**(80,640)**	(9,345)	**(16,050)**	5,876
Profit (loss) for the year	**634,223**	23,254	**120,900**	(122,127)
Other comprehensive income (loss) for the year	**1,594**	(15,011)	**1,275**	(8,487)
Total comprehensive income (loss) for the year	**635,817**	8,243	**122,175**	(130,614)

	For the year ended 31 December	
	ADCO	
	2021	2020
Revenue from contracts with customers	**4,236,593**	1,798,301
Depreciation	**(120)**	-
Finance costs	**(4)**	-
Profit for the year	**230,876**	108,915
Other comprehensive income for the year	**-**	-
Total comprehensive income for the year	**230,876**	108,915

	For the year ended 31 December			
	SPCO		GPDC	
	2021	2020	2021	2020
Revenue from contracts with customers	**8,201,284**	5,532,143	**7,582,751**	4,944,986
Finance income	**5,719**	20,539	**15**	34
Depreciation	**(871,346)**	(875,138)	**(1,073)**	(1,106)
Finance costs	**(37,635)**	(86,494)	**(4)**	(79)
Zakat and income tax expense	**(171,046)**	(32,749)	**-**	-
Profit (loss) for the year	**1,763,036**	259,353	**222,821**	(147,405)
Other comprehensive income (loss) for the year	**10,425**	(29,847)	**-**	-
Total comprehensive income (loss) for the year	**1,773,461**	229,506	**222,821**	(147,405)

(All amounts in Saudi Riyals thousands unless otherwise stated)

4 Interests in other entities (continued)

4.3 Investments in joint ventures accounted for using the equity method (continued)

The joint ventures' contingent liabilities with respect to bank guarantees and approved capital expenditures is as follows:

	As at 31 December	
	2021	**2020**
SCP	**738,647**	783,800
JCP	**971,762**	1,011,100
ADCO	**-**	-
SPCO	**1,256,083**	593,100
GPDC	**-**	-

Also see Note 23.

5 Other assets

Other assets represent non-interest bearing housing loans provided to eligible Saudi Arabian employees. The loans are secured by mortgages on the property purchased under the employee home ownership program and are repayable in monthly installments within a maximum period of 15 years.

The installments due within one year expected to be amortised within one year are included in 'Prepayments and other current assets' under current assets. The carrying value at the reporting date is presented as follows:

	Note	**2021**	**2020**
			(Restated)
Non-current portion presented under 'Other assets'		**4,986**	5,195
Current portion presented under 'Prepayments and other current assets'	6	**1,160**	847
		6,146	6,042

Also see Note 23.

(All amounts in Saudi Riyals thousands unless otherwise stated)

6 Prepayments and other current assets

	Note	2021	2020 (Restated)
Prepaid expenses		**927**	1,161
Loans to employees - current portion	5	**1,160**	847
Cash margin against bank guarantee		**-**	2,264
Accrued Murabaha finance income		**2,242**	2,240
Other receivables		**163**	109
		4,492	6,621

The above classes within prepayments and other current assets do not contain impaired assets. The maximum exposure to the credit risk at the reporting date is the carrying amount of each class of receivable mentioned above.

Also see Note 23.

7 Cash and cash equivalents

	2021	2020 (Restated)
Cash at banks	**36,811**	39,822
Cash in hand	**-**	20
Short-term Murabaha deposits	**1,777,000**	1,125,900
	1,813,811	1,165,742

Short-term Murabaha deposits are placed with commercial banks, with a maturity period of three months or less from the date of placement, and yield finance income at commercial rates ranging from 0.35% to 1.25% per annum (2020: 0.45% to 0.85% per annum). Short-term Murabaha deposits, with maturity periods of more than three months and less than twelve months from the date of placement, yield finance income at commercial rates ranging from 0.35% to 1.25% per annum (2020: Nil).

Also see Note 23.

8 Share capital

As at 31 December 2021 and 2020, the authorized, issued and fully paid-up share capital comprised 450 million ordinary shares of Saudi Riyals 10 per share.

9 Statutory reserve

In accordance with the Company's By-laws and the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer 10% of the net profit for the year to a statutory reserve until such reserve equals 30% of share capital. The statutory reserve in the accompanying consolidated financial statements is the statutory reserve of the Company. This reserve currently is not available for distribution to the shareholders of the Company.

(All amounts in Saudi Riyals thousands unless otherwise stated)

10 Employee benefit obligations

10.1 General description of the defined benefit plan

The Company and its direct subsidiary operate their respective single post-employment benefit scheme of defined benefit plan driven by the labor laws of the Kingdom of Saudi Arabia which is based on the most recent salary and number of service years. The end-of-service benefit payments under the plans are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the labor laws of the Kingdom of Saudi Arabia. Employees' end-of-service benefit plans are unfunded plans and the benefit payment obligation are met when they fall due upon termination of employment or employee's resignation from the company. An independent actuary carried out the latest valuation of employee benefit obligations under the projected unit credit method as at 31 December 2021 for the Group.

10.2 Movement in net liability recognised in the consolidated statement of financial position

	Note	2021	2020 (Restated)
1 January		**18,551**	20,547
Current service cost		**1,466**	4,034
Finance cost		**339**	372
Benefits paid		**(201)**	(8,648)
Transfer from a related party	13	**-**	1,391
Remeasurements		**(190)**	855
31 December		**19,965**	18,551

10.3 Amounts recognized in the consolidated statement of profit or loss and other comprehensive income

The amounts recognised in the consolidated statement of profit or loss and other comprehensive income related to employee benefit obligations are as follows:

	2021	2020 (Restated)
Current service cost	**1,466**	4,034
Interest expense	**339**	372
Total amount recognised in consolidated profit or loss	**1,805**	4,406
Remeasurements		
(Gain) loss from change in financial assumptions	**(1,280)**	391
Loss from change in experience adjustments	**1,090**	464
Total amount recognised in consolidated other comprehensive income	**(190)**	855

(All amounts in Saudi Riyals thousands unless otherwise stated)

10 Employee benefit obligations (continued)

10.4 Key actuarial assumptions

	2021	2020
Discount rate	**2.6%**	1.7%
Salary growth rate	**3.0%**	3.0%

10.5 Sensitivity analysis for actuarial assumptions

2021	**Change in assumption**		**Impact on employee benefit obligations**	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate	**100 basis points**	**100 basis points**	**(1,288)**	**1,436**
Salary growth rate	**100 basis points**	**100 basis points**	**1,416**	**(1,295)**

2020	**Change in assumption**		**Impact on employee benefit obligations**	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate	25 basis points	25 basis points	(1,250)	1,398
Salary growth rate	25 basis points	25 basis points	1,366	(1,247)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with projected unit credit method at the end of the reporting period) has been applied when calculating the employee termination.

10.6 Expected maturity analysis

The weighted average duration of the defined benefit obligation is 7 years (2020: 7.0 - 8 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
31 December 2021	**2,030**	**2,034**	**4,118**	**29,742**	**37,924**
31 December 2020 (Restated)	1,968	1,718	3,965	26,176	33,827

Also see Note 23.

(All amounts in Saudi Riyals thousands unless otherwise stated)

11 Accrued and other liabilities

	2021	2020 (Restated)
Accrued expenses	**6,232**	1,066
Accrued salaries and benefits	**5,095**	5,907
Other payables	**23,593**	25,211
	34,920	32,184

Also see Note 23.

12 Zakat

12.1 Components of zakat base

The Company files its zakat and income tax declaration on an unconsolidated basis. The significant components of the zakat base of the Company and each of its subsidiaries which are subject to zakat under zakat and income tax regulations, are principally comprised of shareholders' equity, provisions at the beginning of year and adjusted net profit, less deduction for the net book value of property, plant and equipment and certain other items.

12.2 Provision for zakat

	2021	2020 (Restated)
1 January	**418,796**	449,042
Provision for the year	**103,542**	49,270
Adjustment relating to prior years	**(73,873)**	(35,394)
	29,669	13,876
Payments	**(85,290)**	(44,122)
31 December	**363,175**	418,796

Also see Note 23.

12.3 Zakat charged to the consolidated statement of profit and loss and other comprehensive income

	2021	2020 (Restated)
Zakat for the Company	**54,310**	(9,656)
Zakat for Petrochem	**(24,641)**	23,532
	29,669	13,876

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%.

Also see Note 23.

12 Zakat (continued)

12.4 Status of certificates and final assessments

(a) Status of assessments of the Company

The Company has filed its Zakat with the ZATCA up to 2020. The Company has finalised its zakat status with the ZATCA for all years up to 31 December 2006 on standalone basis.

The ZATCA raised assessments for the years from 2007 to 2014 with additional zakat liability of Saudi Riyals 42.0 million. The Company has filed an appeal against the additional zakat liability with the General Secretariat of Tax Committees (the "GSTC") and the final ruling is awaited.

During 2020, the ZATCA raised assessments for the years from 2015 to 2018 with additional zakat liability of Saudi Riyals 38.7 million. The Company filed an appeal against the additional zakat liability with the ZATCA, following which the Company received revised assessments from ZATCA reducing the additional zakat liability to Saudi Riyals 17.0 million, which the Company has settled during the year ended 31 December 2021.

During 2021, the ZATCA raised assessments for the years from 2019 to 2020 with additional zakat liability of Saudi Riyals 15.7 million. The Company filed an appeal against the additional zakat liability with the ZATCA, following which the Company received revised assessments from ZATCA reducing the additional zakat liability to Saudi Riyals 14.8 million, for which the Company has settled Saudi Riyals 3.9 million during the year ended 31 December 2021 and the remaining balance of Saudi Riyals 10.9 million during January 2022.

(b) Status of assessments of Petrochem

Petrochem has filed its Zakat return with the ZATCA up to 2020. Petrochem has finalised its zakat status with the ZATCA for all years up to 31 December 2010 on a standalone basis. A number of additional assessments have been issued by the ZATCA as follows:

The ZATCA raised assessments for the years from 2011 to 2013 with additional zakat liability of Saudi Riyals 95.5 million. Petrochem had filed an appeal against the additional zakat liability with the GSTC. During 2020, the committee at GSTC issued a final ruling in favor of the ZATCA's revised assessment, amounting to Saudi Riyals 5.7 million. Petrochem paid Saudi Riyals 3.5 million during 2020 and the remaining balance, amounting to Saudi Riyals 2.2 million, during the year ended 31 December 2021.

The ZATCA raised assessments for the years from 2014 to 2016 with additional zakat liability of Saudi Riyals 204.2 million. Petrochem had filed an appeal against the additional zakat liability to the ZATCA, following which the case had been escalated to the GSTC. During the year ended 31 December 2021, the Committee for Resolution of Tax Violations and Disputes ("CRTVD", the first level of the GSTC) issued its ruling, accepting Petrochem's appealed items partially and, accordingly, the zakat liability for such years has been reduced to Saudi Riyals 92.5 million. Petrochem and ZATCA, both, have filed an appeal to the Appellate Committee for Tax Violations and Disputes Resolution ("ACTVD", the final level of GSTC) and the final ruling is awaited.

During 2020, the ZATCA raised assessments for the years 2017 and 2018 with additional zakat liability of Saudi Riyals 128.9 million. Petrochem had filed an appeal against the additional zakat liability to the ZATCA, following which the case had been escalated to the GSTC. During 2022, the CRTVD issued its ruling, accepting Petrochem's appealed items partially and, accordingly, the zakat liability for such years has been reduced to Saudi Riyals 91.8 million. Petrochem intends to file an appeal to the ACTVD within the stipulated time.

During 2021, the ZATCA raised assessments for the years 2019 and 2020 with additional zakat liability of Saudi Riyals 9.2 million. Petrochem has filed an appeal against the additional zakat liability to the ZATCA and the ZATCA's decision is awaited.

(All amounts in Saudi Riyals thousands unless otherwise stated)

13 Related party transactions and balances

The Group has transactions with its shareholders and their affiliated entities (collectively "related parties").

Related parties comprise the shareholders, directors, associated companies, key management personnel. Related parties also include business entities in which certain directors or senior management have an interest (other related parties).

(a) Following are the significant transactions entered into by the Group:

Related parties	Nature of transactions	2021	2020 (Restated)
Joint ventures:			
SPCO	*Reduction in share capital*	**2,206,100**	-
SCP	*Reduction in share capital*	**-**	205,625
JCP	*Reduction in share capital*	**-**	496,875
ADCO	*Contribution of share capital*	**-**	(51)
GPDC	*Transfer of employee benefit obligations*	**-**	1,391

Also see Note 23.

(b) Key management personnel compensation:

	2021	2020 (Restated)
Salaries and other short-term employee benefits	**21,396**	19,588
Post-employment benefits	**1,892**	3,547
	23,288	23,135

(i) Due from related parties

	2021	2020 (Restated)
SCP	**-**	111,875
JCP	**271,875**	496,875
SPCO	**987,686**	-
	1,259,561	608,750

Also see Note 23.

(ii) Due to related parties

	2021	2020 (Restated)
ACPPCL	**51**	51

Also see Note 23.

(All amounts in Saudi Riyals thousands unless otherwise stated)

14 General and administrative expenses

	2021	2020 (Restated)
Salaries and benefits	**27,339**	31,540
Professional fees	**26,142**	8,524
Withholding tax	**4,376**	27
Donations	**3,000**	6,937
Rent	**1,501**	1,436
Depreciation	**783**	803
Other	**5,969**	3,033
	69,110	52,300

Also see Note 23.

15 Finance income

	2021	2020 (Restated)
Finance income on short-term deposits	**10,445**	11,235
Unwinding of finance income on loans to a joint venture	**-**	8,770
	10,445	20,005

Also see Note 23.

16 Other income - net

	Note	2021	2020 (Restated)
Loss on modification of subordinated loan to a joint venture	4	**-**	(1,151)
Gain on disposals of property and equipment		**80**	-
Other - net		**442**	1,236
		522	85

Also see Note 23.

(All amounts in Saudi Riyals thousands unless otherwise stated)

17 Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the earnings for the year attributable to the shareholders of the Company by the weighted average number of ordinary shares in issue during the year. As the Company does not have any dilutive potential shares, the diluted earnings per share is the same as the basic earnings per share.

	2021	**2020**
Earnings for the year	**1,136,272**	91,645
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	**450,000**	450,000
Earnings per share	**2.53**	0.20

18 Dividends

During the year ended 31 December 2021, the Company's shareholders approved dividends amounting to Saudi Riyals 225.0 million (Saudi Riyals 0.50 per share) of which Saudi Riyals 223.4 million were paid during the year and also paid dividends amounting to Saudi Riyals 224.8 million in relation to Saudi Riyals 225.0 million declared and approved during 2020 (Saudi Riyals 0.50 per share) (31 December 2020: Saudi Riyals 225.0 million (Saudi Riyals 0.50 per share) which were fully paid during the year and paid dividends amounting to Saudi Riyals 337.5 million (Saudi Riyals 0.75 per share) which were declared and approved in 2019).

Furthermore, during the year ended 31 December 2021, the shareholders of Petrochem approved dividends amounting to Saudi Riyals 360.0 million (Saudi Riyals 0.75 per share), which were fully paid during the year (31 December 2020: Saudi Riyals 240.0 million (Saudi Riyals 0.50 per share) which were fully paid during the year).

19 Segment reporting

In respect of performance appraisal and allocation of resources, management is of the opinion that all activities and operations of the Group and its joint ventures comprises two operating segments which are within the petrochemical sector i.e. the polymers and aromatics product envelopes.

Operating assets are located in the Kingdom of Saudi Arabia. The revenue of the operating segments is geographically distributed as follows:

Polymers	**2021**	**2020**
Domestic/Middle East	**20%**	28%
Asia	**49%**	48%
Europe/Africa	**31%**	24%
	100%	100%

Aromatics	**2021**	**2020**
Domestic/Middle East	**45%**	48%
Asia	**26%**	30%
Europe/Africa	**29%**	22%
	100%	100%

Also see Note 23.

20 Financial risk management

20.1 Financial risk factors

The Group's activities expose it to a variety of financial risks including the effects of changes in market risk (including currency risk, fair value and cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management under policies approved by the Board of Directors.

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

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

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

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

(a) Market risk

(i) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's transactions are primarily in Saudi Riyals. Management of the Group believes that the currency risk for the financial instruments is not significant

(ii) Fair value and cash flow interest rate risk

Interest rate risk is the risk that the value or cash flows of a financial instrument will fluctuate due to changes in market interest rates. At 31 December 2021, the Group had interest bearing financial assets of Saudi Riyals 1.78 billion (2020: Saudi Riyals 1.13 billion). However, the interest rates have been agreed with the respective financial institutions.

(iii) Price risk

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group's financial assets and liabilities are not exposed to price risk.

20 Financial risk management (continued)

20.1 Financial risk factors (continued)

(b) Credit risk

Credit risk arises from cash and cash equivalents, trade, related party, employee and other receivables carried at amortised cost.

Credit risk represents the financial loss that would be recognized at the reporting date if the counter parties failed to meet its contractual obligations. The maximum exposure to credit risk is equal to the carrying amount of financial assets.

Due from related parties:

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location. As at 31 December 2021 and 2020, all amounts were due from SPCO, SCP and JCP. Also refer to Note 13.

The Group has established credit policies and procedures that are considered appropriate and commensurate with the nature and size of receivables. The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all due from related parties' balances arising out of commercial transactions. For due from related parties' balances arising out of non-commercial transactions, the Group uses the following staging criteria when using the general approach for estimating ECL:

- At initial recognition, stage 1 is assigned to the financial asset;
- At subsequent measurement dates, a financial asset would be classified in:

  i) Stage 1 (12-month ECL), if at the reporting date it is not credit impaired and credit risk has not increased significantly since initial recognition or it belongs to a low credit risk portfolio;

  ii) Stage 2 (30+ days overdue or counterparty risk downgraded to non-investment grade), if at the reporting date it is not credit impaired and credit risk has not increased significantly since initial recognition; or

  iii) Stage 3 (365+ days overdue or in default), if at the reporting date it is credit-impaired.

For due from related parties, an internal risk assessment process determines the credit quality of the counter-parties, considering their financial positions, past experiences and other factors. Individual risk limits are set based on internal or external credit worthiness ratings in accordance with limits set by the management. As at 31 December 2021 and 2020, there are no assumptions to which a reasonably possible change may cause a material change to the provision for expected credit loss on due from related parties.

Credit risk on related parties is considered minimal as management monitors and reconciles amounts due from related parties on a regular basis and recoverability is not considered to be doubtful. Management does not expect any losses from non-performance by such related parties. At 31 December 2021 and 2020, the non-commercial portion of due from related parties' balance was in Stage 1 and the ECL allowance on due from related parties was immaterial.

20 Financial risk management (continued)

20.1 Financial risk factors (continued)

(b) Credit risk (continued)

Other financial assets:

Other financial assets at amortised cost include loans to employees and other receivables. The instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. Management considers 'low credit risk' for loan to employees and other receivables. At 31 December 2021 and 2020, the ECL allowance on other financial assets was immaterial.

Cash at bank:

For banks, parties generally with a rating of P-1 are accepted. The stated rating is as per the global bank ratings by Moody's Investors Service. Management does not expect any losses from nonperformance by these counterparties. At 31 December 2021 and 2020, the ECL allowance on cash at bank was immaterial.

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters.

The maturity of the Group's financial liabilities based on the remaining contractual maturity period at the reporting date is less than one year.

20.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Total capital for the Group is calculated as 'total equity' as shown in the consolidated statement of financial position.

During the years ended 31 December 2021 and 2020, the Group did not have any debt.

20 Financial risk management (continued)

20.3 Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

The Group has established practices with respect to the measurement of fair values. Management has overall responsibility for overseeing all significant fair value measurements, including level three fair values.

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by SOCPA, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability falls into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The fair values of the Group’s financial instruments are estimated to approximate their carrying values since the financial instruments are short-term in nature, carry interest rates which are based on prevailing market interest rates and are expected to be realized at their current carrying values within twelve months from the date of consolidated statement of financial position.

Also see Note 23.

(All amounts in Saudi Riyals thousands unless otherwise stated)

21 Financial instruments

The financial instruments by measurement category are detailed in the table below:

	2021	2020 (Restated)
Financial assets at amortised cost		
Other assets	**4,986**	5,195
Prepayments and other current assets	**3,402**	3,087
Due from related parties	**1,259,561**	608,750
Cash and cash equivalents	**1,813,811**	1,165,742
Total	**3,081,760**	1,782,774
Financial liabilities at amortised cost		
Due to related parties	**51**	51
Accrued and other liabilities	**34,920**	32,184
Dividends payable	**-**	225,000
Total	**34,971**	257,235

Also see Note 23.

22 Contingencies and commitments

At 31 December 2020, the Group has contingencies in relation to bank guarantees issued in the normal course of business amounting to Saudi Riyals 2.4 million (31 December 2021: Nil).

Also see Note 23.

23 Restatement

Until 31 December 2020, Petrochem, a subsidiary of the Group, consolidated SPCO and GPDC on the assessment that it had control over both SPCO and GPDC. During the three-month period ended 30 September 2021, Petrochem reassessed the basis of this conclusion in light of the contractual arrangements between the shareholders and concluded that Petrochem exercised joint control according to the requirements of IFRS 10, 'Consolidated Financial Statements' and IFRS 11 'Joint Arrangements'. As a consequence, Petrochem has now accounted for the investments in SPCO and GPDC as investments in joint ventures using the equity method in the financial statements of Petrochem. Accordingly, the Group has included a restatement of these investments in these consolidated financial statements. The restatement had no impact on the total equity attributable to the shareholders of SIIG, net income and earnings per share (basic and diluted). This restatement has resulted in the following:

(All amounts in Saudi Riyals thousands unless otherwise stated)

23 Restatement (continued)

	At 31 December 2020			At 1 January 2020		
Consolidated statement of financial position	**As previously reported**	**Restatement**	**As restated**	**As previously reported**	**Restatement**	**As restated**
Assets						
Non-current assets						
Property, plant and equipment	12,951,249	(12,949,710)	1,539	14,175,897	(14,174,131)	1,766
Investments in joint ventures accounted for using the equity method	1,290,946	8,087,372	9,378,318	2,010,642	8,017,989	10,028,631
Other assets	135,905	(130,710)	5,195	140,980	(134,713)	6,267
Right-of-use assets	63,266	(63,266)	-	69,280	(69,280)	-
Subordinated loan to a joint venture	-	-	-	-	339,291	339,291
Total non-current assets	**14,441,366**	**(5,056,314)**	**9,385,052**	**16,396,799**	**(6,020,844)**	**10,375,955**
Current assets						
Trade receivables	784,883	(784,883)	-	906,097	(906,097)	-
Inventories	1,013,390	(1,013,390)	-	915,053	(915,053)	-
Prepayments and other current assets	147,621	(141,000)	6,621	93,745	(81,843)	11,902
Due from related parties	838,231	(229,481)	608,750	264,920	(263,960)	960
Cash and cash equivalents	2,080,971	(915,229)	1,165,742	3,658,384	(2,341,551)	1,316,833
Total current assets	**4,865,096**	**(3,083,983)**	**1,781,113**	**5,838,199**	**(4,508,504)**	**1,329,695**
Total assets	**19,306,462**	**(8,140,297)**	**11,166,165**	**22,234,998**	**(10,529,348)**	**11,705,650**
Equity and liabilities						
Equity						
Share capital	4,500,000	-	4,500,000	4,500,000	-	4,500,000
Statutory reserve	906,301	-	906,301	897,136	-	897,136
Retained earnings	1,005,359	-	1,005,359	1,396,789	-	1,396,789
Equity attributable to the shareholders of Saudi Industrial Investment Group Company	6,411,660	-	6,411,660	6,793,925	-	6,793,925
Non-controlling interest	8,221,670	(4,161,747)	4,059,923	8,174,422	(4,099,051)	4,075,371
Total equity	**14,633,330**	**(4,161,747)**	**10,471,583**	**14,968,347**	**(4,099,051)**	**10,869,296**

(continued)

(All amounts in Saudi Riyals thousands unless otherwise stated)

23 Restatement (continued)

		At 31 December 2020			At 1 January 2020	
Consolidated statement of financial position	**As previously reported**	**Restatement**	**As restated**	**As previously reported**	**Restatement**	**As restated**
Liabilities						
Non-current liabilities						
Long-term borrowings	1,493,854	(1,493,854)	-	3,435,135	(3,435,135)	-
Lease liabilities	42,244	(42,244)	-	52,097	(52,097)	-
Deferred tax liabilities, net	298,696	(298,696)	-	326,273	(326,273)	-
Employee benefit obligations	330,416	(311,865)	18,551	270,094	(249,547)	20,547
Subordinated loan from non-controlling interest	-	-	-	182,696	(182,696)	-
Total non-current liabilities	**2,165,210**	**(2,146,659)**	**18,551**	**4,266,295**	**(4,245,748)**	**20,547**
Current liabilities						
Trade payables	300,975	(300,975)	-	203,467	(203,467)	-
Accrued and other liabilities	392,367	(360,183)	32,184	364,304	(335,039)	29,265
Due to related parties	198,884	(198,833)	51	206,885	(206,885)	-
Dividends payable	225,000	-	225,000	337,500	-	337,500
Current portion of long-term borrowings	743,254	(743,254)	-	1,210,425	(1,210,425)	-
Current portion of lease liabilities	23,187	(23,187)	-	12,917	(12,917)	-
Zakat and income tax	624,255	(205,459)	418,796	664,858	(215,816)	449,042
Total current liabilities	**2,507,922**	**(1,831,891)**	**676,031**	**3,000,356**	**(2,184,549)**	**815,807**
Total liabilities	**4,673,132**	**(3,978,550)**	**694,582**	**7,266,651**	**(6,430,297)**	**836,354**
Total equity and liabilities	**19,306,462**	**(8,140,297)**	**11,166,165**	**22,234,998**	**(10,529,348)**	**11,705,650**

(All amounts in Saudi Riyals thousands unless otherwise stated)

23 Restatement (continued)

	For the year ended 31 December 2020		
Consolidated statement of profit or loss and other comprehensive income	**As previously reported**	**Restatement**	**As restated**
Revenue from contracts with customers	6,112,766	(6,112,766)	-
Cost of revenues	(5,169,261)	5,169,261	-
Gross profit	**943,505**	**(943,505)**	**-**
Share of net (loss) profit of joint ventures accounted for using the equity method	(14,944)	268,458	253,514
Selling and distribution expenses	(333,263)	333,263	-
General and administrative expenses	(193,172)	140,872	(52,300)
Operating profit	**402,126**	**(200,912)**	**201,214**
Finance costs	(78,175)	77,803	(372)
Finance income	31,808	(11,803)	20,005
Finance (costs) income - net	(46,367)	66,000	19,633
Other income - net	24,070	(23,985)	85
Profit before zakat and income tax	**379,829**	**(158,897)**	**220,932**
Zakat expense	(23,881)	10,005	(13,876)
Income tax	(22,744)	22,744	-
Profit for the year	**333,204**	**(126,148)**	**207,056**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Re-measurements of employee benefit obligations	(32,948)	32,093	(855)
Deferred tax	2,246	(2,246)	-
Share of net other comprehensive loss of joint ventures accounted for using the equity method	(13,054)	(20,860)	(33,914)
Other comprehensive loss for the year	**(43,756)**	**8,987**	**(34,769)**
Total comprehensive income for the year	**289,448**	**(117,161)**	**172,287**
Profit for the year is attributable to:			
Shareholders of SIIG	91,645	-	91,645
Non-controlling interests	241,559	(126,148)	115,411
	333,204	**(126,148)**	**207,056**
Total comprehensive income for the year is attributable to:			
Shareholders of SIIG	67,735	-	67,735
Non-controlling interests	221,713	(117,161)	104,552
	289,448	**(117,161)**	**172,287**
Earnings per share (Saudi Riyals)			
Basic and diluted	**0.20**	**-**	**0.20**

(All amounts in Saudi Riyals thousands unless otherwise stated)

23 Restatement (continued)

	For the year ended 31 December 2020		
Consolidated statement of cash flows	**As previously reported**	**Restatement**	**As restated**
Cash flows from operating activities			
Profit before zakat and income tax	379,829	(158,897)	220,932
Adjustments for:			
Depreciation	877,045	(876,242)	803
Impairment of property, plant and equipment	389,969	(389,969)	-
Gain on disposals of property, plant and equipment	(953)	953	-
Finance costs – net	46,367	(66,000)	(19,633)
Loss on modification of subordinated loan to a joint venture	-	1,151	1,151
Gain on modification of subordinated loan from non-controlling interest	(619)	619	-
Share of net profit of joint ventures accounted for using the equity method	14,944	(268,458)	(253,514)
Provision for employee benefit obligations	29,575	(25,541)	4,034
Changes in operating assets and liabilities:			
Increase in inventories	(98,337)	98,337	-
(Increase) decrease in prepayments and other current assets and loans to employees	(19,053)	27,646	8,593
Decrease in due from related parties	133,557	(131,206)	2,351
Decrease in trade receivables	121,214	(121,214)	-
Increase in trade payables	97,508	(97,508)	-
(Decrease) increase in due to related parties	(8,001)	8,052	51
Increase in accrued and other liabilities	28,063	(25,144)	2,919
Cash generated from (utilized in) operations	1,991,108	(2,023,421)	(32,313)
Finance costs paid	(59,001)	59,001	-
Finance income received	18,048	(283)	17,765
Zakat and income tax paid	(124,572)	80,450	(44,122)
Employee benefit obligations paid	(14,535)	5,887	(8,648)
Loans to employees paid	(4,966)	4,966	-
Dividends received from a joint venture	-	195,000	195,000
Contribution of share capital in a joint venture	(51)	-	(51)
Zakat reimbursed to joint ventures	(10,751)	(16,785)	(27,536)
Net cash inflow from operating activities	**1,795,280**	**(1,695,185)**	**100,095**
Cash flows from investing activities			
Payments for purchases of property, plant and equipment	(25,461)	24,803	(658)
Proceeds from disposals of property, plant and equipment	5,591	(5,509)	82
Reduction in share capital of a joint venture	-	93,750	93,750
Net cash (outflow) inflow from investing activities	**(19,870)**	**113,044**	**93,174**

(continued)

(All amounts in Saudi Riyals thousands unless otherwise stated)

23 Restatement (continued)

	For the year ended 31 December 2020		
	As previously reported	**Restatement**	**As restated**
Cash flows from financing activities			
Proceeds from long-term borrowings	2,980,369	(2,980,369)	
Repayments of long-term borrowings	(5,399,038)	5,399,038	
Repayment of subordinated loan from a joint venture	(182,077)	520,217	338,140
Dividends paid	(562,500)	-	(562,500)
Principal elements of lease payments	(15,112)	15,112	-
Dividends paid by a subsidiary to non-controlling interest	(225,000)	105,000	(120,000)
Income tax reimbursed by non-controlling interest	50,535	(50,535)	-
Net cash outflow from financing activities	**(3,352,823)**	**3,008,463**	**(344,360)**
Net decrease in cash and cash equivalents	**(1,577,413)**	**1,426,322**	**(151,091)**
Cash and cash equivalents at beginning of year	3,658,384	(2,341,551)	1,316,833
Cash and cash equivalents at end of year	**2,080,971**	**(915,229)**	**1,165,742**
Non-cash operating, investing and financing activities:			
Reduction in share capital of joint ventures adjusted against due from related parties	702,500	-	702,500
Right-of-use assets recorded against lease liabilities	15,529	(15,529)	-
Amortization of transaction costs	10,217	(10,217)	-
Transfer of employee benefit obligations from a joint venture	1,702	(311)	1,391
Accrued capital expenditure	1,410	(1410)	-