



# YANBU NATIONAL PETROCHEMICAL COMPANY (YANSAB)

(A SAUDI JOINT STOCK COMPANY)

ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2024  
AND INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2024

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# Independent auditor's report to the shareholders of Yanbu National Petrochemical Company (YANSAB)

## Report on the audit of the financial statements

### Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Yanbu National Petrochemical Company (YANSAB) (the "Company") as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2024;
- the statement of income for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

### Basis for opinion

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

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

### Independence

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

### Our audit approach

#### Overview

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

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



## Independent auditor’s report to the shareholders of Yanbu National Petrochemical Company (YANSAB) (continued)

### Our audit approach

#### Key audit matters

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

Key audit matter	How our audit addressed the Key audit matter
<p style="color: #C8513E;"><i>Revenue recognition</i></p> <p>During the year ended 31 December 2024, the Company recognized total revenue of Saudi Riyals 6.2 billion from the sale of petrochemical products.</p> <p>The Company recognizes revenue from the sale of petrochemical products in accordance with the marketing agreement with the customer (the "Marketer"). Revenue is initially recorded based on a provisional price i.e. the estimate of the final sales price, as agreed between the Company and the Marketer at the time when control of the products is transferred to the Marketer.</p> <p>Subsequent to the sale of these petrochemical products by the Marketer to the end customers, the difference between the final sales price, adjusted for certain deductibles as allowed under the marketing agreement, and the provisional price is recorded and settled as a positive or negative net back adjustment. At the end of the reporting period, the Company also estimates the fair value of receivables from the Marketer for transactions at provisional prices, which are yet to be sold to the end customers and adjusts the revenue accordingly.</p> <p>Revenue recognition is considered a key audit matter due to the significance of the amount and risk of fraud associated with revenue recognition.</p> <p>Refer to Note 4.16 for the revenue recognition accounting policy and Note 20 for the relevant revenue disclosures.</p>	<p>Our audit procedures to address this key audit matter included:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of the marketing agreement based on which the Company records revenue and evaluated the design and implementation of the relevant controls related to revenue recognition;</li> <li>• Assessed the appropriateness of the accounting policy for revenue recognition as per the requirements of International Financial Reporting Standard 15 – Revenue from Contracts with <b>Customers ("IFRS 15")</b>, as endorsed in the Kingdom of Saudi Arabia;</li> <li>• Tested, on a sample basis, revenue transactions and traced these transactions to the underlying source documents;</li> <li>• Tested, on a sample basis, revenue transactions recorded before and after the reporting date, against the underlying source documents, to assess whether revenue was recognized in the correct period;</li> <li>• Evaluated the reasonableness of fair value adjustment recorded at the end of the reporting period with respect to the products which have not been sold by the Marketer to the end customers;</li> <li>• Obtained confirmation from the Marketer for the total sales transactions and the related net back adjustments recorded during the year ended 31 December 2024 and the fair value adjustment recorded at 31 December 2024; and</li> <li>• Assessed the adequacy and appropriateness of the related disclosures in the accompanying financial statements.</li> </ul>



## *Independent auditor's report to the shareholders of Yanbu National Petrochemical Company (YANSAB) (continued)*

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### *Other information*

The directors are responsible for the other information. The other information comprises the Board of Directors' report but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report.

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

**If, based on the work we have performed, on the other information that we obtained prior to the date of this auditor's report, 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.**

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

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

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

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

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### *Auditor's responsibilities for the audit of the financial statements*

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



## Independent auditor's report to the shareholders of Yanbu National Petrochemical Company (YANSAB) (continued)

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the **Company's internal control**.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- **Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.**
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

PricewaterhouseCoopers

Bader I. Benmohareb  
License Number 471



25 February 2025

## Statement of financial position

All amounts in thousands of Saudi Riyals unless otherwise stated

As at 31 December	Note	2024	2023
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	7,991,127	8,875,977
Right-of-use assets	8	95,594	99,926
Intangible assets	9	9,403	11,153
Other assets and receivables	10	347,752	400,927
<b>TOTAL NON-CURRENT ASSETS</b>		<b>8,443,876</b>	<b>9,387,983</b>
<b>CURRENT ASSETS</b>			
Inventories	11	803,686	781,213
Trade receivables	12	1,507,367	1,535,007
Other assets and receivables	10	230,158	417,012
Short-term investments	13	3,041,380	2,210,534
Cash and cash equivalents	14	97,708	450,137
<b>TOTAL CURRENT ASSETS</b>		<b>5,680,299</b>	<b>5,393,903</b>
<b>TOTAL ASSETS</b>		<b>14,124,175</b>	<b>14,781,886</b>
<b>EQUITY AND LIABILITIES</b>			
Equity			
Share capital	15	5,625,000	5,625,000
Statutory reserve	16	-	1,687,500
Actuarial reserve	17	262,020	221,498
Retained earnings		5,349,639	4,366,805
<b>TOTAL EQUITY</b>		<b>11,236,659</b>	<b>11,900,803</b>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities	8	94,967	102,717
Employee benefits	17	937,082	918,721
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,032,049</b>	<b>1,021,438</b>
<b>CURRENT LIABILITIES</b>			
Current portion of lease liabilities	8	10,189	9,912
Current portion of employee benefits	17	136,681	129,034
Trade payables	18	440,572	588,440
Accruals and other current liabilities	19	1,170,720	983,626
Zakat payable	26	97,305	148,633
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,855,467</b>	<b>1,859,645</b>
<b>TOTAL LIABILITIES</b>		<b>2,887,516</b>	<b>2,881,083</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>14,124,175</b>	<b>14,781,886</b>

The attached notes from 1 to 37 form an integral part of these financial statements.

## Statement of income

All amounts in thousands of Saudi Riyals unless otherwise stated

For the years ended 31 December	Note	2024	2023
Revenue	20, 28	6,160,538	4,532,731
Cost of revenue	21	(5,206,452)	(4,586,096)
<b>GROSS PROFIT / (LOSS)</b>		<b>954,086</b>	<b>(53,365)</b>
Selling and distribution expenses		(133,543)	(90,345)
General and administrative expenses	22	(426,892)	(351,152)
Other operating income	24	21,735	13,097
Other operating expenses	25	(11,653)	(4,531)
<b>INCOME / (LOSS) FROM OPERATIONS</b>		<b>403,733</b>	<b>(486,296)</b>
Finance income	23	146,179	151,280
Finance costs	23	(51,442)	(48,290)
<b>INCOME / (LOSS) BEFORE ZAKAT</b>		<b>498,470</b>	<b>(383,306)</b>
Zakat	26	(78,136)	(101,838)
<b>NET INCOME / (LOSS) FOR THE YEAR</b>		<b>420,334</b>	<b>(485,144)</b>
Earnings / (loss) per share (EPS)			
<b>Basic and diluted earnings / (loss) per share attributable to ordinary equity holders of the Company (Saudi Riyals)</b>	<b>27</b>	<b>0.75</b>	<b>(0.86)</b>

The attached notes from 1 to 37 form an integral part of these financial statements.

## Statement of comprehensive income

All amounts in thousands of Saudi Riyals unless otherwise stated

For the years ended 31 December	Note	2024	2023
Net income / (loss) income for the year		420,334	(485,144)
Other comprehensive income			
Items not to be reclassified to statement of income in subsequent periods:			
Re-measurement gain on defined benefit obligation	17	40,522	22,594
<b>TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR</b>		<b>460,856</b>	<b>(462,550)</b>

The attached notes from 1 to 37 form an integral part of these financial statements.

## Statement of of changes in equity

All amounts in thousands of Saudi Riyals unless otherwise stated

	Note	Share capital	Statutory reserve	Actuarial reserve	Retained earnings	Total Equity
Balance as at 1 January 2023		5,625,000	1,687,500	198,904	6,539,449	14,050,853
Net loss for the year		-	-	-	(485,144)	(485,144)
Other comprehensive income for the year		-	-	22,594	-	22,594
Total comprehensive loss for the year		-	-	22,594	(485,144)	(462,550)
Dividends	35	-	-	-	(1,687,500)	(1,687,500)
Balance as at 31 December 2023		5,625,000	1,687,500	221,498	4,366,805	11,900,803
<b>Balance as at 1 January 2024</b>		<b>5,625,000</b>	<b>1,687,500</b>	<b>221,498</b>	<b>4,366,805</b>	<b>11,900,803</b>
Net income for the year		-	-	-	420,334	420,334
Other comprehensive income for the year		-	-	40,522	-	40,522
Total comprehensive income for the year		-	-	40,522	420,334	460,856
Transfer of statutory reserve to retained earnings	16	-	(1,687,500)	-	1,687,500	-
Dividends	35	-	-	-	(1,125,000)	(1,125,000)
Balance as at 31 December 2024		5,625,000	-	262,020	5,349,639	11,236,659

## Statement of of cash flows

All amounts in thousands of Saudi Riyals unless otherwise stated

FOR THE YEARS ENDED 31 DECEMBER	NOTE	2024	2023
<b>OPERATING ACTIVITIES</b>			
Income / (loss) before zakat		498,470	(383,306)
<i>Adjustment to reconcile income / (loss) before zakat to net cash inflow from operating activities:</i>			
Depreciation of property, plant and equipment and right-of-use assets	7, 8	1,155,534	1,193,500
Amortisation of intangible assets	9	1,750	1,770
Provision for employee benefits	17	74,070	84,178
Reversal of provision for slow moving and obsolete inventories	11	-	(1,276)
Loss on disposal of property, plant and equipment and intangible assets	24	-	21
Finance costs	23	51,442	48,290
Finance income	23	(146,179)	(151,280)
		<u>1,635,087</u>	<u>791,897</u>
<i>Changes in working capital:</i>			
(Increase) / decrease in inventories		(22,473)	80,315
Decrease in trade receivables		27,640	480,655
Decrease / (increase) in other assets and receivables		242,174	(34,849)
Decrease in trade payables		(147,868)	(4,607)
Increase / (decrease) in accruals and other current liabilities		38,286	(138,651)
		<u>1,772,846</u>	<u>1,174,760</u>
<b>Cash flows from operations</b>			
Finance costs paid		(5,715)	(5,972)
Employee benefits paid	17	(44,486)	(56,082)
Zakat paid	26	(129,464)	(141,084)
		<u>1,593,181</u>	<u>971,622</u>
<b>Net cash from operating activities</b>			
<b>INVESTING ACTIVITIES</b>			
Short-term investments made		(4,961,300)	(6,066,300)
Proceeds from maturity of short-term investments		4,144,800	7,332,900
Purchase of property, plant and equipment	7	(267,738)	(918,404)
Insurance claim income received	24	-	17,531
Finance income received		131,833	155,080
		<u>(952,405)</u>	<u>520,807</u>
<b>Net cash (used in) / generated from investing activities</b>			
<b>FINANCING ACTIVITIES</b>			
Payment of principal portion of lease liabilities	8	(8,232)	(9,516)
Dividends paid		(984,973)	(1,265,266)
		<u>(993,205)</u>	<u>(1,274,782)</u>
<b>Net cash used in financing activities</b>			
<b>(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>		<u>(352,429)</u>	<u>217,647</u>
Cash and cash equivalents at the beginning of the year	14	450,137	232,490
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<u>97,708</u>	<u>450,137</u>

The attached notes from 1 to 37 form an integral part of these financial statements.

## Notes to the financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

### 1 COMPANY INFORMATION

Yanbu National Petrochemical Company (YANSAB) (the “Company”) is a Saudi Joint Stock Company registered in Yanbu, Kingdom of Saudi Arabia under Commercial Registration number 4700009432 dated 14 Muharram 1427H (corresponding to 13 February 2006) in accordance with the Ministerial Resolution number 49 dated 12 Muharram 1427H (corresponding to 11 February 2006) for the incorporation of the Company. The Company obtained its Industrial License number S/1367 on 18 Rajab 1426H (corresponding to 23 August 2005) and is engaged in the manufacturing of petrochemical products in accordance with the Company’s By-laws and other Saudi Arabian applicable regulations. The Company commenced commercial operations on 1 March 2010. The registered office is located at Yanbu, P.O. Box 31396, Yanbu Industrial City 41912.

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

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

#### 2.2 Basis of measurement

These financial statements are prepared under the historical cost convention except as explained in the relevant accounting policies below.

#### 2.3 Functional and presentation currency

These financial statements are presented in Saudi Riyals (SR), which is also the functional currency of the Company. All figures are rounded off to nearest thousands (SR ‘000), except when otherwise indicated.

### 3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

The estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised, if the changed estimates affect both current and future periods.

Other disclosures relating to the Company’s exposure to risks and uncertainties includes:

- Sensitivity analyses disclosures (Notes 17 and 29)
- Financial instruments risk management (Note 29)
- Capital management (Note 30)

#### 3.1 Judgements

In the process of applying the Company’s accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

## Notes to the financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

### 3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

#### 3.1.1 Component parts of property, plant and equipment

The Company's assets, classified within property, plant and equipment, are depreciated on a straight-line basis over their economic useful lives. When determining the economic useful life of an asset, it is broken down into significant component parts such that each significant component part is depreciated separately. Judgement is required in ascertaining the significant components of a larger asset, and while defining the significance of a component, management considers quantitative materiality of the component part as well as qualitative factors such as difference in useful life as compared to mother asset, its pattern of consumption, and its replacement cycle/maintenance schedule.

#### 3.1.2 Leases - extension and termination options – Company as lessee

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

#### 3.1.3 Going concern

The Company's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore the financial statements continue to be prepared on the going concern basis.

### 3.2 Estimates and assumptions

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

#### 3.2.1 Provisions

By their nature, provisions are dependent upon estimates and assessments whether the criteria for recognition have been met, including estimates of the probability of cash outflows. Decommissioning costs are provided for at the present value of expected costs to settle the obligation using estimated cash flows.

#### 3.2.2 Long-term assumptions for employee benefits

Post-employment defined benefits, end-of-service benefits and indemnity payment represent obligations that will be settled in the future and require assumptions to project obligations. The accounting requires management to make further assumptions regarding variables such as discount rates, rate of compensation increases, mortality rates, employment turnover and future healthcare costs. Periodically, management of the Company consults with external actuary regarding these assumptions. Changes in key assumptions can have a significant impact on the projected benefit obligations and/or periodic employee defined benefit costs incurred.

#### 3.2.3 Allowance for inventory losses

The Company recognizes an allowance for inventory losses due to factors such as slow movement, dormancy, obsolescence, physical damage, etc. The estimation of such losses includes the consideration of factors including but not limited to introduction of new models or technology by the manufacturer, past trends and both existing and emerging market conditions.

## Notes to the financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

### 3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

#### 3.2.4 Useful lives of property, plant and equipment/intangible asset

The Company's management determines the estimated useful lives of its property, plant and equipment/intangible asset for calculating depreciation/amortisation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation/amortisation charges are adjusted where the management believes the useful lives differ from previous estimates.

#### 3.2.5 Leases - Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the Company's functional currency). The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

### 4 SUMMARY OF MATERIAL ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently, except for the adoption of new interpretations and amendments as mentioned in Note 5 for the preparation of these financial statements.

#### 4.1 Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in the statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

#### 4.2 Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

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

The Company classifies all other liabilities as non-current.

## Notes to the financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

### 4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

#### 4.3 Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such costs include the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects (qualifying assets), if the recognition criteria is met. Where such assets are constructed in-house, their costs include all amounts necessary to bring the asset to the present condition and location to be ready for intended use by management and exclude all other costs not directly attributable to, such as general and administrative expenses and training costs. Any feasibility study costs are expensed as incurred unless they relate to specifically identifiable asset being constructed in-house and are directly attributable to it.

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

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

Depreciation is calculated from the date the items of property, plant and equipment are available for its intended use or in respect of self-constructed assets, from the date such assets ready for the intended use. Catalysts are treated as capital spares and are depreciated as and when put into use.

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

Buildings and leasehold improvements	13 - 40 years
Plant, machinery and heavy equipment	4 - 50 years
Furniture	3 - 10 years
Vehicles	3 - 10 years
Computers	3 - 10 years
Laboratory and safety equipment	4 - 50 years
Catalysts and precious metal	1.5 - 20 years

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

Assets under construction, which are not ready for its intended use, are not depreciated.

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

#### 4.4 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

## Notes to the financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

### 4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

#### 4.4 Leases (continued)

##### *Right-of-use assets*

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Leasehold land 30 to 99 years;
- Housing 5 to 11 years;
- Motor vehicles 5 years; and
- Pipeline 5 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

##### *Lease liabilities*

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs). Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The unwinding component of finance cost is included in the statement of income.

##### *Extension and termination options*

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

##### *Short-term leases and leases of low-value assets*

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

## Notes to the financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

### 4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

#### 4.5 Intangible assets

Intangible assets acquired separately are measured at cost upon initial recognition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any.

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

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

Software and others      3 - 15 years

The useful life of an intangible asset with a definite life is reviewed regularly to determine whether there is any indication that its current life assessment continues to be supportable. If not, the change in useful life assessment is made on a prospective basis. Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually either individually or at the aggregated CGU level.

Gains or losses arising from derecognizing an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of income when the asset is derecognised.

##### *Software*

Costs associated with maintaining software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

#### 4.6 Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset 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 post-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 of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

## Notes to the financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

### 4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

#### 4.6 Impairment of non-financial assets (continued)

The Company bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

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

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company 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 the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Intangible assets, excluding goodwill, with indefinite useful lives are tested at each reporting date at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

#### 4.7 Financial instruments

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

##### *i) Financial assets*

##### *Initial recognition and measurement*

At initial recognition, the Company measures financial assets at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition of financial asset. Financial assets are subsequently measured at amortised cost, or fair value through other comprehensive income (OCI) or fair value through income statement (FVIS).

Classification of financial assets depends on the Company's business model for managing its financial assets and the contractual terms of the cash flows. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

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

##### *Subsequent measurement*

For purposes of subsequent measurement, financial assets are classified in following categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through income statement.

##### *Financial assets at amortised cost (debt instruments)*

This category is relevant to the Company. Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in income statement when the asset is derecognised, modified or impaired. The Company's financial assets at amortised cost includes cash and cash equivalents, short-term investments and trade and other receivables, other than those subsequently measured at FVIS.

## Notes to the financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

### 4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

#### 4.7 Financial instruments (continued)

##### i) *Financial assets (continued)*

#### Financial assets at fair value through income statement

Financial assets at fair value through income statement are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of income.

Revenue contracts provide for provisional pricing at the time of shipment with the final pricing based on an average market price for a particular future period. Such trade receivables are measured at fair value because the contractual cash flows are not solely payments of principal and interest. Other trade receivables meet the criteria for amortized cost measurement under IFRS 9.

Trade receivables related to contracts with provisional pricing arrangements are subsequently measured at FVIS.

#### *Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
  - (a) the Company has transferred substantially all the risks and rewards of the asset, or
  - (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

#### *Impairment*

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through income statement.

##### ii) *Financial liabilities*

#### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through income statement, borrowings, payables, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of borrowings, net of directly attributable transaction costs. The Company's financial liabilities include trade payable, lease liabilities and other liabilities.

#### *Subsequent measurement*

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through income statement; and
- Financial liabilities at amortised cost (lease liabilities and trade and other payables).

#### Financial liabilities at fair value through income statement

Financial liabilities at fair value through income statement include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through income statement. Financial liabilities are classified as held for trading if these are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the statement of income. Financial liabilities designated upon initial recognition at fair value through income statement are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability at fair value through income statement.

## Notes to the financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

### 4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

#### 4.7 Financial instruments (continued)

##### i) *Financial liabilities (continued)*

##### *Financial liabilities at amortised cost*

This category is relevant to the Company. After initial recognition, lease liabilities and trade and other payables are subsequently measured at amortised cost using the effective interest rate (“EIR”) method. Gains and losses as a result of unwinding of interest cost through EIR amortization process and on de-recognition of financial liabilities are recognized in the statement of income.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of income.

##### *Derecognition*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of income.

##### iii) *Offsetting of financial instruments*

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

#### 4.8 Inventories

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

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

Abnormal inventory losses due to quality or other issues and overheads incurred during unplanned maintenance / shut down period are excluded from inventory cost. The allocation of overheads at year end for the purpose of inventory valuation are based on the higher of normal capacity or actual production for the year. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to complete a sale.

##### *Scrap inventory, co-product and by-product*

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

Where by-products and scrap are immaterial and where costs cannot be allocated to them or it is inefficient to do so, these items are measured under inventory at net realisable value and this value is deducted from the cost of the main product. As a result, the carrying amount of the main product inventory is not materially different from its cost.

## Notes to the financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

### 4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

#### 4.8 Inventories (continued)

##### *Scrap inventory, co-product and by-product (continued)*

In the statement of income, the net realisable value for the by-products and scrap reduces the cost of revenue for the year. Upon subsequent sale of such by-product, the proceeds are recorded as revenue with a corresponding cost of revenue being recorded based on earlier recorded net realisable value, while for scrap, the proceeds, net of cost is recorded as other income.

##### *Consumable spare parts*

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

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

- Stand-by equipment items acquired together with the plant/production line or purchased subsequently but related to a particular plant or production line and will rarely be required are critical to plant operation and must be available at stand-by at all times. These are capitalised as part of property, plant and equipment and depreciated from purchase date over a period which is shorter of the component's useful life or the remaining useful life of the plant in which it is to be utilised. These do not form part of inventory provided capitalization criteria under property, plant and equipment is met.
- Repairable items that are plant/production line specific with long lead times and will be replaced and refurbished frequently (mostly during turnarounds). These are capitalised as part of property, plant and equipment where the capitalization criteria are met. Depreciation is started from day of installation of these items in the plant, and the depreciation period is the shorter of the useful life of the component and the remaining useful life of the plant and equipment in which it is installed. These do not form part of inventory.

General capital spares and other consumables items which are not of a critical nature and are of a general nature, i.e., not plant specific and can be used in multiple plants or production lines and any other items which may be required at any time for facilitating plant operations. They are generally classified as 'consumables and spare parts' under inventory, unless they exceed the threshold and have a useful life of more than one year, under which case they are recorded under property, plant and equipment. Items recorded under inventory are subject to assessment for obsolescence provision and are charged to the statement of income upon their installation or use. Where such items meet criteria for capitalization, their depreciation method is similar to repairable items as noted above.

##### *Inventory swaps*

The Company has various types of inventory swap transactions, which are qualified as either location or time swaps.

##### *Location swap*

Where the inventory swap transactions represent exchange of similar items within a limited short period of time, these transactions do not generally carry commercial substance. Revenue can only be recognised for exchange of goods if they are dissimilar in nature or the exchange results in a significant change in the configuration of cash flows of the transferor. Where this is not the case, these transactions are recorded as stock transfers at cost and the corresponding effect is recorded as receivables and payables.

##### *Time swaps*

Where the swaps are for longer period of time during which prices fluctuate significantly, or where swaps include sending finished goods to third party customers (of any company), these generally indicate commercial substance and are recorded as sales and purchase based on agreed transfer pricing.

#### 4.9 Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank balances, short-term deposits, demand deposits and 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.

## Notes to the financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

### 4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

#### 4.10 Provisions

##### *General*

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where management of the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in statement of income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance costs.

#### 4.11 Employee benefits

##### *Short-term obligations*

Liabilities for wages and salaries including non-monetary benefits and accumulating leaves, air fare, child education allowance, furniture allowance that are expected to be settled wholly within twelve months after the end of the year in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in statement of financial position.

##### *Long-term employee benefit obligations*

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

##### *Defined contribution plans*

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

##### *Defined benefit plans*

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

##### *End of services benefits*

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

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

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

## Notes to the financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

### 4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

#### 4.11 Employee benefits (continued)

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

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

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

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

##### *Post-retirement medical benefits*

The Company provides post-retirement healthcare and life insurance benefits to their eligible retirees and their dependents. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit plans. Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to OCI in the year in which they arise. These obligations are valued annually by independent qualified actuary.

##### *Employee savings plan*

The Company operates a saving plan to encourage its Saudi employees to make savings in a manner that will warrant an increase in their income and contribute to securing their future according to the established plan. The saving contributions from the participants are deposited in a separate bank account other than the Company's normal operating bank accounts.

##### *Employee Home Ownership Program (HOP)*

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

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

##### *Employee Home Loan Program (HLP)*

The Company provides interest free home loan to its eligible employees for one time only during the period of the service for purposes related to purchase or building of a house or apartment. The loan is repaid on monthly instalment by deduction of employee's housing allowances.

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

## Notes to the financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

### 4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

#### 4.11 Employee benefits (continued)

##### *Executive vehicles*

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

#### 4.12 Earnings per share

Basic earnings per share is calculated by dividing:

- the income attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares

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
- by the weighted average number of ordinary shares outstanding during the financial year, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

#### 4.13 Zakat and taxes

##### *Zakat*

The Company is subject to Zakat in accordance with the Regulations of the Zakat, Tax and Customs Authority ("ZATCA") in KSA. The zakat provision is charged to the statement of income.

##### *Withholding tax*

Withholding tax related to dividends, royalties, interest and service fees are recorded as liabilities.

##### *Value Added Tax ("VAT")*

Assets and expenses are recognised net of amount of VAT, except when VAT incurred on a purchase of assets or services is not recoverable from the ZATCA, in which case, VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable. The net amount of VAT recoverable from, or payable to, ZATCA is included as part of other receivables or other payables.

##### *Uncertain zakat positions*

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

#### 4.14 Cash dividends

The Company recognises a liability to make cash distribution to equity holders of the Company when the distribution is authorised and the distribution is no longer at the discretion of the Company. Distribution authorization is assessed in line with the Companies Law in KSA, of which a distribution is authorised when approved by the shareholders. A corresponding amount is recognised directly in equity. Interim dividend, if any, are recorded when approved by the Board of Directors.

#### 4.15 Short-term investments

Short-term investments include placements in murabaha deposits with banks and other short term highly liquid investments, with original maturities of more than three months but not more than one year from the date of acquisition. Short-term murabaha deposits are placed with financial institutions with investment grade rating, which are considered to have low credit risk, hence a provision, if material, is recognized at an amount equal to twelve months' expected credit loss, unless there is evidence of significant increase in credit risk of the counter party. They carry profit at prevailing market rates and are measured at amortized cost.

## Notes to the financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

### 4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

#### 4.16 Revenue Recognition

##### *Sales revenue*

The Company recognises revenue when control of the products sold, transfers to the customer, which shall be considered in the context of a five-step approach and applying the applicable shipping terms. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. Revenue arrangements are assessed against specific criteria to determine whether the Company is acting as a principal or agent.

##### *Provisional pricing*

Revenue contracts with customers provide for provisional pricing at the time of shipment, with final pricing based on the average market price for a particular future period. Revenue on these contracts is recorded based on the estimate of the final price at the time control is transferred to the customer. Any difference between the estimate and the final price is recorded as a change in fair value of the related receivable, as part of revenue, in the statement of income.

#### 4.17 Finance income

For all financial instruments measured at amortised cost, interest income is recorded using the EIR method. EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Finance income is included in the statement of income. Earnings on time deposits are recognised on an accrual basis.

#### 4.18 Finance cost

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

#### 4.19 Costs and expenses

##### *Cost of revenue*

Production costs and direct manufacturing expenses are classified as cost of revenue. This includes raw material, direct labor and other attributable overhead costs.

##### *Selling and distribution expenses*

These include any costs incurred to carry out or facilitate selling activities of the Company. These costs typically include salaries of the sales staff, marketing and distribution and logistics expenses as well as sale commissions and such fees. These also include allocations of certain general overheads.

##### *General and administrative expenses*

These pertain to operation expenses which are not directly related to the production of any goods or services. These also include allocations of general overheads which are not specifically attributed to cost of revenue or selling and distribution expenses.

Allocation of overheads among cost of revenue, selling and distribution expenses, and general and administrative expenses, where required, is made on a consistent basis.

## Notes to the financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

### 5 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The amendments to IFRS, which are relevant to the Company and that have been applied on 1 January 2024 by the Company are described below:

- ***Amendment to IAS 1: Classification of Liabilities as Current or Non-current***

Amendment to IAS 1: 'Classification of Liabilities as Current or Non-current' elaborates the requirements of 'right to defer settlement' by clarifying the meaning of right to defer and how the classification is unaffected by the likelihood that an entity will exercise such deferral right. The amendments published in 2020 and 2022 respectively, clarify that the classification of liabilities as current or non-current is based solely on a company's right to defer settlement for at least 12 months at the reporting date. The right needs to exist at the reporting date and must have substance. Only covenants with which a company must comply on or before the reporting date may affect this right.

Covenants to be complied with after the reporting date do not affect the classification of a liability as current or non-current at the reporting date.

### 6 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The IFRS standards and interpretations that are issued and relevant for the Company, but not yet effective, are elaborated below. These standards will be adopted by the Company when they become effective.

- ***Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 – 'Financial Instruments' and IFRS 7 – 'Financial Instruments: Disclosures')***

The amendments clarify financial assets and financial liabilities are recognized and derecognized at settlement date except for regular way purchases or sales of financial assets and financial liabilities meeting conditions for new exception.

The new exception permits companies to elect to derecognize certain financial liabilities settled via electronic payment systems earlier than the settlement date.

Additionally, the amendment clarify with further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) test which apply to all contingent cash flows, including those arising from environmental, social, and governance (ESG)-linked features. These amendments also introduce new disclosure requirements and update others. The amendment is effective for annual reporting periods beginning on or after 1 January 2026 and will be adopted by the Company when applicable.

This amendment does not have any significant impact on the Company's financial statements.

- ***IFRS 18 'Presentation and Disclosure in Financial Statements'***

IFRS 18 is the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss. IFRS 18 replaces IAS 1, which sets out presentation and base disclosure requirements for financial statements. The changes, which mostly affect the income statement, include the requirement to classify income and expenses into three new categories – operating, investing and financing – and present subtotals for operating profit or loss and profit or loss before financing and income taxes. The new standard also requires disclosures in the financial statements for certain management-defined performance measures that are reported outside an entity's financial statements and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

The new standard is effective for annual reporting periods beginning on or after 1 January 2027 and will modify the Company's income statement presentation, specifically the presentation of share of results of integral and non-integral JVs. The new standard will be adopted when applicable.

## Notes to the financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

## 7 PROPERTY, PLANT AND EQUIPMENT

For the year ended 31 December 2024

	Buildings & leasehold improvements	Plant, machinery & heavy equipment	Furniture	Vehicles	Computers	Laboratory & safety equipment	Catalyst & precious metals	Capital work in progress	Total
<b>Cost:</b>									
At the beginning of the year	234,076	22,094,252	23,827	32,259	109,967	50,040	356,928	748,461	23,649,810
Additions	2,131	153,148	-	-	-	-	25,319	87,140	267,738
Transfers - net	15,751	292,793	-	-	-	-	7,153	(317,842)	(2,145)
Disposals	-	-	-	-	-	(1,140)	-	-	(1,140)
<b>At the end of the year</b>	<b>251,958</b>	<b>22,540,193</b>	<b>23,827</b>	<b>32,259</b>	<b>109,967</b>	<b>48,900</b>	<b>389,400</b>	<b>517,759</b>	<b>23,914,263</b>
<b>Depreciation and impairment:</b>									
At the beginning of the year	110,374	14,068,718	20,314	31,293	108,837	49,122	250,283	134,892	14,773,833
Charge for the year	10,197	1,100,274	988	134	969	142	37,739	-	1,150,443
Disposals	-	-	-	-	-	(1,140)	-	-	(1,140)
<b>At the end of the year</b>	<b>120,571</b>	<b>15,168,992</b>	<b>21,302</b>	<b>31,427</b>	<b>109,806</b>	<b>48,124</b>	<b>288,022</b>	<b>134,892</b>	<b>15,923,136</b>
<b>Net book amount:</b>									
At 31 December 2024	131,387	7,371,201	2,525	832	161	776	101,378	382,867	7,991,127

- (i) Transfers represent the capitalisation of assets under construction, transfers to intangible assets and transfers of HOP related assets to "Other assets and receivables" within non-current assets and are noncash in nature.

## Notes to the financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

## 7 PROPERTY, PLANT AND EQUIPMENT (continued)

For the year ended 31 December 2023

	Buildings & leasehold improvements	Plant, machinery & heavy equipment	Furniture	Vehicles	Computers	Laboratory & safety equipment	Catalyst & precious metals	Capital work in progress	Total
<b>Cost:</b>									
At the beginning of the year	228,686	21,275,711	23,827	32,259	109,967	50,040	248,100	857,558	22,826,148
Additions	4,164	590,620	-	-	-	-	43,874	279,746	918,404
Transfers - net (Note (d)) (i)	1,226	227,938	-	-	-	-	64,954	(388,843)	(94,725)
Disposals	-	(17)	-	-	-	-	-	-	(17)
At the end of the year	234,076	22,094,252	23,827	32,259	109,967	50,040	356,928	748,461	23,649,810
<b>Depreciation and impairment:</b>									
At the beginning of the year	100,910	12,953,244	19,014	30,733	107,215	48,981	200,935	134,892	13,595,924
Charge for the year	9,464	1,115,477	1,300	560	1,622	141	49,348	-	1,177,912
Disposals	-	(3)	-	-	-	-	-	-	(3)
At the end of the year	110,374	14,068,718	20,314	31,293	108,837	49,122	250,283	134,892	14,773,833
<b>Net book amount:</b>									
At 31 December 2023	123,702	8,025,534	3,513	966	1,130	918	106,645	613,569	8,875,977

(ii) Transfers represent the capitalisation of assets under construction, transfers to intangible assets and transfers of HOP related assets to "Other assets and receivables" within non-current assets and are noncash in nature.

## Notes to the financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

### 7 PROPERTY, PLANT AND EQUIPMENT (continued)

- a) The plants are situated on land leased from the Royal Commission of Jubail and Yanbu.
- b) Plant includes costs incurred to capture the planned turnaround cost. This cost will be depreciated over the period until the date of next planned turnaround. The net book value of such costs as at 31 December 2024 amounted to SR 318 million (2023: SR 451 million).
- c) Capital work in progress include ongoing projects in addition to cost being incurred on existing plants regarding major overhauling.
- d) The net transfers amounting to SR 94.7 million in the prior year represents the construction cost of residential units, which were transferred to eligible employees under the Home Ownership Program as per the Company's policies.
- e) Allocation of depreciation charge for the year:

For the years ended 31 December	2024	2023
Cost of revenue	1,139,138	1,165,916
General and administrative expenses	11,305	11,996
	<u>1,150,443</u>	<u>1,177,912</u>

### 8 LEASES

The Company has lease contracts for various parcels of land, housing units, motor vehicles and pipeline used in its operations but may have extension and termination option options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and leased assets may not be used as security for borrowing purposes.

The Company also has certain leases of accommodation buildings with lease terms of 12 months or less and leases of office equipment with low value. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

## Notes to the financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

## 8 LEASES (continued)

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	For the year ended 31 December 2024		
	Leasehold lands	Housing Units	Total
<b>Cost:</b>			
At the beginning of the year	68,205	47,131	115,336
Additions	-	968	968
Disposals and retirements	-	(9,573)	(9,573)
<b>At the end of the year</b>	<b>68,205</b>	<b>38,526</b>	<b>106,731</b>
<b>Depreciation:</b>			
At the beginning of the year	718	14,692	15,410
Depreciation expense	719	4,372	5,091
Disposals and retirements	-	(9,364)	(9,364)
<b>At the end of the year</b>	<b>1,437</b>	<b>9,700</b>	<b>11,137</b>
<b>Net book amount:</b>			
At 31 December 2024	66,768	28,826	95,594

	For the year ended 31 December 2023				Total
	Leasehold lands	Housing Units	Motor vehicles	Pipeline	
<b>Cost:</b>					
At the beginning of the year	94,539	130,720	6,257	2,084	233,600
Additions	-	9,065	-	-	9,065
Re-measurement (i)	26,976	-	-	-	26,976
Disposals and retirements	(53,310)	(92,654)	(6,257)	(2,084)	(154,305)
<b>At the end of the year</b>	<b>68,205</b>	<b>47,131</b>	<b>-</b>	<b>-</b>	<b>115,336</b>
<b>Depreciation:</b>					
At the beginning of the year	34,640	50,245	5,465	2,047	92,397
Depreciation expense	5,118	9,641	792	37	15,588
Disposals and retirements	(39,040)	(45,194)	(6,257)	(2,084)	(92,575)
<b>At the end of the year</b>	<b>718</b>	<b>14,692</b>	<b>-</b>	<b>-</b>	<b>15,410</b>
<b>Net book amount:</b>					
At 31 December 2023	67,487	32,439	-	-	99,926

- (i) The land lease contracts with the Royal Commission for Jubail and Yanbu was revised, and for the computation of the lease liabilities the lease terms applied have been extended to reflect Yansab's reasonable expectations of the period during which the underlying asset will be used. As a consequence of this change in assessment, the leasing term for certain land lease contracts have been extended to 99 years.

## Notes to the financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

**8 LEASES (continued)**

Allocation of depreciation charge for the year:

For the years ended 31 December	2024	2023
Cost of revenue	746	2,490
General and administrative expenses	4,345	13,098
	<u>5,091</u>	<u>15,588</u>

Set out below are the carrying amounts of lease liabilities and the movements during the year:

For the years ended 31 December	2024	2023
As at 1 January	112,629	147,834
Additions	968	9,065
Remeasurement	-	26,976
Terminations	(209)	(61,730)
Accretion of interest (Note 23)	5,395	5,957
Payments	(13,627)	(15,473)
	<u>105,156</u>	<u>112,629</u>
As at 31 December	105,156	112,629
Less: Current portion	(10,189)	(9,912)
	<u>94,967</u>	<u>102,717</u>
Non-current portion	94,967	102,717

The maturity analysis of lease liabilities is disclosed in Note 29.

The following are the amounts recognised in statement of income:

For the years ended 31 December	2024	2023
Depreciation expense of right-of-use assets	5,091	15,588
Interest expense on lease liabilities (Note 23)	5,395	5,957
Expense relating to short-term or low value leases	15,937	7,909
	<u>26,423</u>	<u>29,454</u>
Total amount recognised in statement of income	26,423	29,454

During the year, the Company had total cash outflows for leases of SR 29.6 million (2023: SR 23.4 million).

## Notes to the financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

## 9 INTANGIBLE ASSETS

	For the year ended 31 December 2024		
	Software and IT development	Under development	Total
<b>Cost:</b>			
At the beginning of the year	34,114	1,447	35,561
At the end of the year	34,114	1,447	35,561
<b>Amortization:</b>			
At the beginning of the year	24,408	-	24,408
Charge for the year	1,750	-	1,750
At the end of the year	26,158	-	26,158
<b>Net book amount</b>			
At 31 December 2024	7,956	1,447	9,403

	For the year ended 31 December 2023		
	Software and IT development	Under development	Total
<b>Cost:</b>			
At the beginning of the year	52,099	20,757	72,856
Write-off	(17,985)	-	(17,985)
Transfers (i)	-	(19,310)	(19,310)
At the end of the year	34,114	1,447	35,561
<b>Amortization:</b>			
At the beginning of the year	40,616	-	40,616
Charge for the year	1,770	-	1,770
Write-off	(17,978)	-	(17,978)
At the end of the year	24,408	-	24,408
<b>Net book amount</b>			
At 31 December 2023	9,706	1,447	11,153

i) Includes transfers from intangible assets to property, plant and equipment and transfers to other assets and receivables, which are non-cash in nature.

## Notes to the financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

**10 OTHER ASSETS AND RECEIVABLES**

<b>As at 31 December</b>	<b>2024</b>	<b>2023</b>
Non-current:		
Home ownership prepayment (Note 7)	283,063	334,983
Employee advances	35,676	43,367
Prepayments made to a related party (Note 28)	21,513	15,077
Due from a related party (Note 28)	7,500	7,500
	<u>347,752</u>	<u>400,927</u>

**Current:**

<b>As at 31 December</b>	<b>2024</b>	<b>2023</b>
Amounts due from related parties (Note 28)	25,545	200,415
Value added tax (VAT) receivable from ZATCA	97,157	105,250
Prepaid expenses	79,566	79,522
Employee advances and receivables	20,014	19,500
Other	7,876	12,325
	<u>230,158</u>	<u>417,012</u>

**11 INVENTORIES**

<b>As at 31 December</b>	<b>2024</b>	<b>2023</b>
Finished goods and work-in-progress	321,232	333,840
Spare parts	290,995	281,153
Raw materials	176,092	172,051
Goods-in-transit	43,590	22,392
	<u>831,909</u>	<u>809,436</u>
Less: Provision for slow moving and obsolete items	(28,223)	(28,223)
	<u>803,686</u>	<u>781,213</u>

During the year ended 31 December 2024, the write-down of inventories to net realizable value amounting to SR 5.6 million (2023: SR 13 million) was recognized in the cost of sales.

<b>As at 31 December</b>	<b>2024</b>	<b>2023</b>
Balance at 1 January	28,223	33,806
Reversal for the year	-	(1,276)
Written off during the year	-	(4,307)
	<u>28,223</u>	<u>28,223</u>

## Notes to the financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

### 12 TRADE RECEIVABLES

As at 31 December

	2024	2023
Trade receivables	<u>1,507,367</u>	<u>1,535,007</u>

Trade receivables relating to contracts with provisional pricing arrangements are measured at fair value. These trade receivables are classified as level 3 in the fair value hierarchy due to the inclusion of unobservable inputs including specific terms of the contract. For all other trade receivables, the carrying amount as at December 31, 2024 and 2023 approximates their fair value due to their short-term nature.

The ageing analysis of trade receivables is as follows:

	Total	Not yet due	≤ 30 days	31 - 60 days	61 - 90 days	91 - 120 days	> 120 days
2024	<u>1,507,367</u>	<u>1,503,706</u>	<u>261</u>	<u>2,541</u>	<u>78</u>	<u>131</u>	<u>650</u>
2023	<u>1,535,007</u>	<u>1,524,881</u>	<u>1,034</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,092</u>

Trade receivables are non-interest bearing. See financial instruments risk management note (Note 29) on credit risk of trade receivables, which explains how the Company manages and measure credit quality of trade receivables.

### 13 SHORT TERM INVESTMENTS

Short-term investments represent Murabaha commodity placements with original maturity exceeding three months but less than one year and maintained with local and foreign banks. These placements yield finance income at commission rates ranging from 5.3% to 6.2% (2023: 2.9% to 6.2%).

### 14 CASH AND CASH EQUIVALENTS

As at 31 December

	2024	2023
Short-term deposits	-	372,490
Bank balances	<u>97,708</u>	<u>77,647</u>
	<u>97,708</u>	<u>450,137</u>

Short-term deposits represented commodity placements with original maturity less than three months maintained with local banks. These placements yielded finance income at commission rates ranging from 5.7% to 6.3% (2023: 5.9% to 6.2%).

At 31 December 2024, the Company has funds amounting to SR 71 million (2023: 66 million) that are held in separate bank accounts and are not used as part of normal business operations.

### 15 SHARE CAPITAL

The Company's authorized, issued and fully paid share capital is SR 5,625 million which is divided into 562.5 million shares of SR 10 par value each. The Company is 51% owned by Saudi Basic Industries Corporation ("SABIC") (the "Parent Company") and 49% owned by others i.e. publicly traded.

### 16 STATUTORY RESERVE

The General Assembly in its extraordinary meeting held on 10 Ramadan 1445H (corresponding to 20 March 2024) approved to transfer the statutory reserve balance of SR 1,687.5 million to retained earnings.

## Notes to the financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

## 17 EMPLOYEE BENEFITS

As at 31 December	2024	2023
Defined benefits obligation – Non-current (Note 17.1)		
End of service benefits	840,768	842,222
Post-retirement medical benefits	90,138	70,823
Long-term service awards	6,176	5,676
	<u>937,082</u>	<u>918,721</u>
Defined benefits obligation – Current (Note 17.2)		
Savings plan	136,681	129,034
	<u>1,073,763</u>	<u>1,047,755</u>

***Defined benefits obligation***

The Company's management monitors the risks of all defined benefit plans of the Company and issues guidelines regarding the governance and risk management. The defined benefit plans obligations are subject to demographic and legal risks.

***End of service benefits***

End of service benefits are mandatory for all KSA based employees under the Saudi Arabian labour law and the Company's employment policies. End of service benefit is based on employees' compensation and accumulated period of service and is payable upon termination, resignation or retirement. The defined benefit obligation in respect of employees' end of service benefits is calculated by estimating the future benefit payment that employees have earned in return for their service in the current and prior periods. This amount is then discounted using an appropriate discount rate to determine the present value of the Company's obligation. This is an unfunded plan. Re-measurements are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to statement of income in subsequent periods.

***Long-term service awards***

The Company offers a long-term service award depending on years of service. This is measured similarly to a defined benefit obligation, however, any re-measurement is recognised in the current year statement of income.

***Savings plan***

Saving plans are related to all Saudi employees and recorded in current liabilities.

## Notes to the financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

## 17 EMPLOYEE BENEFITS (continued)

## 17.1 Defined benefits obligation

The following table represents the movement of the defined benefits obligation as at 31 December:

As at 31 December	2024	2023
Defined benefits obligation at beginning of the year	918,721	844,973
Included in statement of income		
Current service cost	46,698	51,831
Interest cost on defined benefits obligation (Note 23)	45,727	42,318
	92,425	94,149
Included in other comprehensive income		
Actuarial (gain) / loss on the obligation	(40,522)	32,055
Payments during the year	(24,761)	(41,863)
Transfers, net	(8,781)	(10,593)
Defined benefits obligation at the end of the year	<u>937,082</u>	<u>918,721</u>

Allocation of defined benefits obligation charge between cost of revenue and general and administrative expenses is as follows:

For the years ended 31 December	2024	2023
Cost of revenue	38,387	43,164
General and administrative expenses	8,311	8,667
	<u>46,698</u>	<u>51,831</u>

Significant assumptions used in determining defined benefits obligation for the Company are shown below:

As at 31 December	2024	2023
Discount rate	5.6%	5.0%
Salary increase rate – Executives	4.5%	4.5%
Salary increase rate – Non-Executives	6.05%	6.0%
Medical inflation rate	9% in 2025 And 8% thereafter	9% in 2024 decreasing to 5% for 2028+

A quantitative sensitivity analysis for significant assumptions on the defined benefits obligation as at 31 December:

As at 31 December	Increase/(decrease) in defined benefit obligation	
	2024	2023
Discount rate:		
+25 BPS increase	(27,162)	(26,004)
-25 BPS decrease	28,330	27,074
Salary increase rate:		
+25 BPS increase	24,202	23,835
-25 BPS decrease	(23,358)	(23,030)
Medical inflation rate:		
+25 BPS increase	4,031	3,031
-25 BPS decrease	(3,837)	(2,895)

## Notes to the financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

**17 EMPLOYEE BENEFITS (continued)****17.1 Defined benefits obligation (continued)**

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

The weighted average duration of the defined benefits obligation is 15.39 years (2023 14.97 years).

The following is the breakup of the actuarial (gain) / losses:

As at 31 December	2024	2023
Financial assumptions	34,692	23,440
Experience adjustment	5,830	8,615
	<u>40,522</u>	<u>32,055</u>
Adjustment related to prior year actuarial difference		

The following payments are expected to the defined benefit plans in future years:

As at 31 December	2024	2023
Within the next 12 months (next annual reporting period)	27,368	27,172
Between 1 and 2 years	30,370	33,270
Between 2 and 3 years	34,756	31,074
Between 3 and 4 years	47,449	41,954
Between 4 and 5 years	63,586	49,428
Next 5 years	387,465	381,131

Payments made to defined contribution plan amount to SR 6.4 million (2023: 6.9 million) and relates primarily to employee benefit savings' plan.

During the year ended 31 December 2023, the Company recorded a reversal of the liability recorded as payable to the related parties, relating to the employees transferred in the prior year, and the amount claimed by the related parties. Such difference amounting to SR 54.6 million had been recorded in other comprehensive income. Management concluded that since the number of employees transferred and the related liability does not represent a significant portion of the total employee headcount and the employee benefits liability, respectively, the transfer does not meet the definition of settlement as per IAS-19 'Employee benefits' and, accordingly, should be recorded in other comprehensive income instead of profit or loss.

**17.2 Employee savings plan**

For the years ended 31 December	2024	2023
Opening balance	129,034	110,906
Contribution for the year	27,372	32,347
Withdrawals during the year	(19,725)	(14,219)
Closing balance	<u>136,681</u>	<u>129,034</u>

**Notes to the financial statements (continued)**

All amounts in thousands of Saudi Riyals unless otherwise stated

**18 TRADE PAYABLES**

<b>As at 31 December</b>	<b>2024</b>	<b>2023</b>
Trade payables	440,572	588,440

Trade payables are non-interest bearing and are normally settled on 60-day terms. For explanations on the Company's liquidity risk management processes, refer to Note 28.

**19 ACCRUALS AND OTHER CURRENT LIABILITIES**

<b>As at 31 December</b>	<b>2024</b>	<b>2023</b>
Accrued liabilities	212,560	143,110
Accrued liabilities - amounts due to related parties (Note 28)	374,940	397,323
Dividend payable (note 35)	583,220	443,193
	1,170,720	983,626

**20 REVENUE**

<b>For the years ended 31 December</b>	<b>2024</b>	<b>2023</b>
Sale of goods – point in time	6,107,609	4,502,860
Tolling service – over time	-	4,058
	6,107,609	4,506,918
Total revenue from contracts with customer	6,107,609	4,506,918
Movement between provisional and final price	52,929	25,813
	6,160,538	4,532,731

The Company does not expect to have any contracts where the period between the transfer of goods to the customer and payment by the customer exceeds one year, and accordingly, the transaction prices are not adjusted for the time value of money.

There were no material returns, refunds, or advances and, therefore, no contract balances for the year ended 31 December 2024 (31 December 2023: Nil).

There are no unfulfilled performance obligations as at 31 December 2024 and 2023.

**21 COST OF REVENUE**

<b>For the years ended 31 December</b>	<b>2024</b>	<b>2023</b>
Raw materials and consumables	3,095,311	2,545,328
Depreciation and amortization	1,139,996	1,168,516
Employee related costs	478,681	461,348
Utilities	256,620	248,656
Other	235,844	162,248
	5,206,452	4,586,096

## Notes to the financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

**22 GENERAL AND ADMINISTRATIVE EXPENSES**

For the years ended 31 December	2024	2023
Employee related costs	135,080	125,156
Research and technology cost (Note 28)	123,246	90,427
Shared services costs	56,951	50,700
Depreciation and amortization	17,289	26,754
Maintenance and service	41,710	21,288
Board of directors' remuneration (Note 28)	1,400	1,400
Rental expense	8,776	4,076
Other	42,440	31,351
	<u>426,892</u>	<u>351,152</u>

**23 FINANCE INCOME AND COSTS, NET**

Finance income can be broken down as:

For the years ended 31 December	2024	2023
Murabaha (including fixed-term deposits)	146,147	151,235
Interest income	32	45
	<u>146,179</u>	<u>151,280</u>

Finance cost can be broken down as:

For the years ended 31 December	2024	2023
Finance cost on defined benefits obligation (Note 17.1)	45,727	42,318
Finance cost on lease liabilities (Note 8)	5,395	5,957
Other	320	15
	<u>51,442</u>	<u>48,290</u>

**24 OTHER OPERATING INCOME**

For the years ended 31 December	2024	2023
Management fees (Note 24.1)	7,124	-
Scrap sales	4,360	7,512
Foreign exchange gain	4,222	36
Other	6,029	5,549
	<u>21,735</u>	<u>13,097</u>

24.1 This represents the markup charged by the Company under operation and maintenance agreement to its related party.

**25 OTHER OPERATING EXPENSES**

Other operating expenses can be broken down as:

For the years ended 31 December	2024	2023
Donations	(9,771)	(3,325)
Loss on disposal of property, plant and equipment	-	(21)
Other	(1,882)	(1,185)
	<u>(11,653)</u>	<u>(4,531)</u>

## Notes to the financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

**26 ZAKAT**

Charge for the year

Zakat charge for the year consists of the following:

For the years ended 31 December	2024	2023
Provided during the year	97,305	101,838
Adjustments for zakat expense of prior periods (Note i)	(19,169)	-
	78,136	101,838
	78,136	101,838

On 12 Ramadan 1445H (corresponding to 22 March 2024), the new Regulations for Zakat Collection (“Revised ZATCA Regulations”) were approved with effect from fiscal years starting on or after 1 January 2024. The Revised ZATCA Regulations clarified certain zakat compliance requirements and zakat calculation methods particularly related to zakat base calculation.

During the year ended 31 December 2024, the Group has adopted the New ZATCA Regulations and has accordingly presented the zakat base in accordance with the new guidelines.

The current year's provision was calculated based on the following zakat base:

As at 31 December	2024	2023
Equity	11,333,118	12,865,384
Non-current liabilities and other adjustments	1,217,139	1,076,729
Non-current assets and other deductions	(8,748,062)	(9,669,133)
	3,802,195	4,272,980
Zakatable income / (loss) for the year	-	(274,315)
	3,802,195	3,998,665
	3,802,195	3,998,665

The differences between the financial and the zakat results are due to certain adjustments which are not allowed in the calculation of zakatable income.

Movement in provision

The movement in the zakat provision during the year is as follows:

As at 31 December	2024	2023
At beginning of the year	148,633	187,879
Provided during the year	97,305	101,838
Reversal during the year (i)	(19,169)	-
Paid during the year	(129,464)	(141,084)
	97,305	148,633
	97,305	148,633

i) During 2024, the Company has recorded a reversal of zakat provision resulting from a reassessment of its zakat positions in the current and previous years. This was a result of the updated Zakat regulations (Ministerial Resolution 1007) issued by the Zakat, Tax and Customs Authority (“ZATCA”) of the Kingdom of Saudi Arabia during the year ended 31 December 2024, for which the Company has applied retrospective application in 2024.

## Notes to the financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

### 26 ZAKAT (continued)

#### *Status of assessments*

The Company has filed its zakat returns with the ZATCA and received the zakat certificates up to 31 December 2023. The Company has settled the zakat dues and cleared its zakat assessments with ZATCA up to the year ended 31 December 2022.

During 2020, the Company received assessment for the years 2016 to 2018 claiming additional zakat aggregating to SR 91 million due to certain additions to zakat base made by ZATCA. Subsequently, the Company received revised assessments from ZATCA amounting to SR 88 million on 21 April 2022. The Company had filed an appeal against the total amount of assessment for such years. During the year ended 31 December 2024, the Company received a revised assessment from the settlement committee of ZATCA amounting to SR 21.3 million. The Company paid the amount due as per the revised assessment and, accordingly, received clearance from the ZATCA on the assessment for the years 2016 to 2018.

During 2021, the Company received assessment from ZATCA for the years 2019 and 2020 claiming additional zakat aggregating to SR 8.5 million. The Company had paid 25% of the additional zakat as required by the zakat By-laws and had filed an appeal against the total amount of assessment for these years. During the year ended 31 December 2024, the appeal was ruled in the favour of ZATCA. Accordingly, the Company paid the amount due as per the assessment and, accordingly, received clearance from the ZATCA on the assessment for the years 2019 and 2020.

### 27 EARNINGS PER SHARE

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

For the years ended 31 December	2024	2023
Net income / (loss) for the year (SR '000)	420,334	(485,144)
Weighted average number of ordinary shares ('000)	562,500	562,500
Earnings / (loss) per share (SR) - Basic and diluted	0.75	(0.86)

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

## Notes to the financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

**28 RELATED PARTY TRANSACTIONS AND BALANCES**

The immediate controlling party of the Company is SABIC. Saudi Arabian Oil Company (“Saudi Aramco”) owns 70% of SABIC through one of its subsidiaries, “Aramco Chemicals Company”. The Saudi Arabian Government is the largest shareholder of Saudi Aramco by 81.48% direct shareholding.

Related parties represent the shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties.

Pricing policies and terms of these transactions are approved by the Company’s management. Following is the list of related party transactions and balances of the Company:

Related party	Nature of transactions	Amount of transactions For the years ended 31 December		Balance as at 31 December	
		2024	2023	2024	2023
<b>a) Amounts due from related parties</b>					
Saudi Basic Industries Corporation (SABIC) – (Parent)	Sale of products	6,160,538	4,528,673	1,475,149	1,509,437
	Advances for purchase of materials, product sales and other transactions	520,821	421,879	18,707	182,396
	Long term advance for logistics	-	-	7,500	7,500
Other related parties	Tolling, Exchange of products and others	128,977	206,112	58,704	57,053
				<u>1,560,060 *</u>	<u>1,756,386 *</u>
<b>b) Amounts due to related parties</b>					
Saudi Basic Industries Corporation (SABIC) – (Parent)	Payments on behalf of the Company	2,696,371	2,941,190	591,331	485,607
	Research and technology	123,246	90,427	29,785	28,847
Saudi Aramco (Ultimate Parent) and its subsidiaries	Purchases of goods, services and others	2,894,472	2,427,864	426,896	398,758
Other related parties	Tolling, purchases of goods, services and others	273,410	364,995	91,518	72,230
Board of directors	Remuneration	1,400	1,400	-	-
				<u>1,139,530 **</u>	<u>985,442 **</u>

\* included in other assets and receivables (non-current, current) (Note 10) and trade receivables (Note 12)

\*\*included in trade payables (Note 18) and accruals and other current liabilities (Note 19)

## Notes to the financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

### 28 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Significant transactions with related parties were as follows:

- a) The Company has a service level agreement with SABIC (Shared Services Organization – SSO) for the provision of accounting, warehousing, human resources, information technology (ERP/SAP), transporting and arranging for delivery of materials related to the Company's spare parts, engineering, procurement and related services and other general services to the Company. The Company has also logistic service agreement with SABIC.
- b) Research and technology cost of 2% of the Company's sales is charged by SABIC and expensed in the period in which it is incurred. This is in accordance with an agreement approved by the Company's Board of Directors.
- c) Advances to SABIC represent the amount paid by the Company according to shared service agreement to finance the purchase of the Company's materials and services.
- d) The Company has an operation and maintenance agreement with Arabian Industrial Fibers Company (IBN RUSHD), a related party. As per the agreement, the Company will coordinate, execute, and manage all aspects of the related party's operations and maintenance in compliance with mutually approved procedures including plants, import and export facilities, and all shared facilities and utilities.
- e) The majority of Company's products are sold to SABIC ("the Marketer") under marketing and off-take agreements.
- f) The Company has a supply agreement with ARAMCO for the purchase of its feedstock, at mutually agreed prices.

#### Key management compensation

The amounts disclosed in the above table are the amounts recognised as an expense during the year related to key management personnel.

Compensation for key management is as follows:

<b>For the years ended 31 December</b>	<b>2024</b>	<b>2023</b>
Salaries and other benefits - short term	7,746	7,611
Post-employment benefits - long term	3,911	3,460
	<u>11,657</u>	<u>11,071</u>

#### Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at agreed terms. Outstanding balances as at 31 December 2024 and 2023 are unsecured, interest free and settled in cash. There have been no guarantees provided or received for any related party receivables or payables. For the years ended 31 December 2024 and 2023, the Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related parties and the market in which the related party operates.

## Notes to the financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

### 29 FINANCIAL INSTRUMENTS RISK MANAGEMENT

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

- Credit risk
- Liquidity risk
- Market risk

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

#### Risk management framework

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

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

Financial instruments principally include cash and cash equivalents, short-term investments, trade receivables, other receivables, trade payable, lease liabilities and other liabilities.

#### Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. The Company is exposed to credit risk from its operating activities from bank balances, short-term investments and trade receivables.

#### Cash and cash equivalents and short-term investments

#### As at 31 December

Short term investments and bank balances

Counterparties with external credit ratings (Moody's)

	31 December 2024	31 December 2023
A	2,363,912	1,248,284
A-	775,176	1,412,387
	<u>3,139,088</u>	<u>2,660,671</u>

#### Trade receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk.

## Notes to the financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

### 29 FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

The Company trades only with recognised, credit worthy third parties or related parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Credit quality of the customer is assessed based on an extensive credit rating scorecard.

The Company sells its main products to SABIC only. At 31 December 2024, its balance accounts for 97.1% of outstanding trade receivables balance (2023: 98.3%). Trade receivables are non-interest bearing and are generally on 30 – 120 days terms. As at 31 December 2024, all trade receivables are fully recoverable and considered unimpaired by the management.

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

For trade receivables other than those subsequently measured at FVIS, an impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The calculation reflects the probability-weighted outcome, reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. Outstanding trade receivables are regularly monitored. The credit risk exposure of the Company on trade receivables is insignificant due to no historical credit loss exposure of the Company.

#### Other receivables

Other receivables are also subject to impairment requirements of IFRS 9. Since they are considered to have low credit risk, therefore, are subject to 12 months ECL model for impairment assessment.

#### Guarantees

The Company monitors its risk to a shortage of funds using forecasting models to model impacts of operational activities on overall liquidity availability. The Company's objective is to maintain a balance between continuity of funding and flexibility.

#### Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry. Management believes that the concentration of credit risk is mitigated as majority receivable balance is due from a reputed related party customer and the receivables are recoverable as per the contractual arrangement.

#### Liquidity risk

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

The Company 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 reasonably be predicted, such as natural disasters.

## Notes to the financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

## 29 FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

## Liquidity risk (continued)

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

	31 December 2024			Total
	Within 1 year	Between 1-5 years	More than 5 years	
Trade payables	440,572	-	-	440,572
Lease liabilities	13,561	27,262	479,356	520,179
Accruals and other current liabilities	1,170,720	-	-	1,170,720
	<u>1,624,853</u>	<u>27,262</u>	<u>479,356</u>	<u>2,131,471</u>

  

	31 December 2023			Total
	Within 1 year	Between 1-5 years	More than 5 years	
Trade payables	588,440	-	-	588,440
Lease liabilities	12,875	29,729	484,343	526,947
Accruals and other current liabilities	983,626	-	-	983,626
	<u>1,584,941</u>	<u>29,729</u>	<u>484,343</u>	<u>2,099,013</u>

## Market risk

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

Market risk comprises three types of risk: currency risk, interest rate risk and commodity risk.

## Currency risk

The Company is exposed to currency risk on purchases that are denominated in a currency other than the functional currency of the Company, primarily the Euro (EUR). The currencies in which these transactions primarily are denominated are EUR, USD, GBP, AED, BHD and JPY. Since Saudi Riyal is pegged to USD, therefore, there is no such currency risk for USD.

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

The following table demonstrates the sensitivity of the Company to a reasonably possible change in the Saudi Riyals - EUR exchange rate, with all other variables held constant, of the Company's monetary assets and liabilities entered into for the year ended 31 December:

As at 31 December	Gain (loss) through statement of income	
	2024	2023
	EURO	EURO
	+/- 5 %	+/- 5 %
Increase in exchange rate Euro/SR	3,907	3,904

## Notes to the financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

**29 FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)**

Exposure to foreign currency risk was as follows:

	31 December 2024				
	EUR	GBP	JPY	AED	BHD
Trade payables	(6,095)	(314)	(347)	(4)	(89)

  

	31 December 2023				
	EUR	GBP	JPY	AED	BHD
Trade payables	(4,401)	(75)	(222)	(1)	-

**Interest rate risk**

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates. The Company is subject to interest rate risk on its interest-bearing assets. The management manages the Company's interest rate risks by monitoring changes in interest rates in the currencies in which its interest-bearing assets are denominated.

**Commodity risk**

The Company is exposed to the impact of market fluctuations of the price of various inputs to production including naphtha, benzene, natural gas and electricity. From time to time, the Company manages some elements of commodity price risk through the use of fixed price contracts.

**Financial assets and financial liabilities**

The financial assets and financial liabilities are carried at amortised cost. Trade receivables related to contracts with provisional pricing arrangements are subsequently measured at FVIS. The Company does not have any financial asset (except for trade receivables other than those subsequently measured at FVIS) or financial liability carried at fair value through income statement or fair value through OCI. The maximum exposure to credit risk at the end of the reporting year is the carrying amount of each class of financial assets.

As at 31 December	2024	2023
Financial assets as per statement of financial position		
Financial assets at fair value through income statement		
Trade receivables	1,506,367	1,533,393
Financial assets at amortised cost		
Trade receivables	1,000	1,614
Other non-current assets (excluding home ownership prepayment and prepayments made to a related party)	57,189	65,944
Other current assets (excluding prepaid expenses, home ownership prepayment and VAT)	33,421	212,740
Short-term investments	3,041,380	2,210,534
Cash and cash equivalents	97,708	450,137
	<u>4,737,065</u>	<u>4,474,362</u>
Financial liability as per statement of financial position		
Lease liabilities	105,156	112,629
Trade payables	440,572	588,440
Accruals and other current liabilities	1,170,720	983,626
	<u>1,716,448</u>	<u>1,684,695</u>

## Notes to the financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

### 30 CAPITAL MANAGEMENT

Capital is equity attributable to the equity holders of the Company. The primary objective to the Company's capital management is to support its business and maximise shareholder value.

The management's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company manages its capital structure and makes adjustments to it, in light of change in economic conditions. The Board of Directors monitors the return on capital, which the Company defines as result from operating activities divided by total shareholders' equity. The Board of Directors also monitors the level of dividend to shareholders. There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

The Company's debt to adjusted capital ratio is as follows:

**As at 31 December**

	2024	2023
Total liabilities	2,887,516	2,881,083
Less: Cash and cash equivalents	(97,708)	(450,137)
Net debt	<u>2,789,808</u>	<u>2,430,946</u>
Total equity	11,236,659	11,900,803
(Less): Amount directly accumulated in equity relating to actuarial valuation adjustments	(262,020)	(221,498)
Adjusted capital	<u>10,974,639</u>	<u>11,679,305</u>
Debt to adjusted capital ratio	<u>25.4%</u>	<u>20.8%</u>

### 31 FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible by the Company.

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

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

## Notes to the financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

**31 FAIR VALUE MEASUREMENT (continued)**

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 Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no transfers among the levels during the year.

The management assessed that the fair value of cash and cash equivalents, short-term investments, trade and other receivables and trade, accruals and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments. The fair values of the non-current financial instruments are estimated to approximate their carrying values as these are determined through cash flows discounted using interest rates which are based on prevailing market interest rates.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value. The fair value is determined using prevailing market rates at the reporting date. The following table presents the Company's assets and liabilities measured and recognized at fair value at 31 December 2024 and 31 December 2023, based on the prescribed fair value measurement hierarchy on a recurring basis. The Company did not measure any financial assets or financial liabilities at fair value on a non-recurring basis at 31 December 2024 and 31 December 2023.

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

As at 31 December	Fair value – Level 3 2024	Fair value – Level 3 2023
Trade receivables related to contracts with provisional pricing arrangements	1,506,367	1,533,393

**32 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES**

Changes in liabilities arising from financing activities:

	1 January 2024	Additions / remeasurement	Cash flows	Others	31 December 2024
Lease liabilities (Note 8)	112,629	968	(13,627)	5,186	105,156
Dividends payable (Note 19)	443,193	-	(984,973)	1,125,000	583,220
Total liabilities from financing activities	555,822	968	(998,600)	1,130,186	688,376
	1 January 2023	Additions	Cash flows	Others	31 December 2023
Lease liabilities (Note 8)	147,834	36,041	(15,473)	(55,773)	112,629
Dividends payable (Note 19)	20,959	-	(1,265,266)	1,687,500	443,193
Total liabilities from financing activities	168,793	36,041	(1,280,739)	1,631,727	555,822

The 'Other' column includes the effect of remeasurement / disposal of lease liabilities and dividend declared and accrued during the year that were not yet paid at the year-end. The Company classifies interest paid as cash flows from operating activities.

## Notes to the financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

### 33 SEGMENT INFORMATION

The Company's President and Board of Directors monitor the results of the Company's operations for the purpose of making decisions about resource allocation and performance assessment. They are collectively the chief operating decision makers ("CODM") for the Company. The CODM review the results of the Company as a whole, as they believe that decision making cannot be done effectively in isolation for single products of the Company due to complex nature of the business, integrated facility where multiple products including downstream product movement are simultaneous and the nature of the products market. Hence, the whole Company is treated as a single operating segment, the results and financial position of which has been presented already.

The key evaluation criteria for segment performance is the net income and this is evaluated and measured consistently throughout the accounting period. The non-current assets of the Company are based in KSA and petrochemical product sales by the Company are made primarily to Parent Company (SABIC) which is also based in Kingdom of Saudi Arabia.

### 34 COMMITMENTS AND CONTINGENCIES

#### *Commitments*

As at 31 December 2024, the Company has commitments of SR 324 million (2023: SR 247 million) relating to capital expenditures.

#### *Guarantees*

The Company's bankers have issued, on its behalf, bank guarantees amounting to SR 11.1 million in the normal course of business as at 31 December 2024 (2023: SR 11.1 million).

### 35 APPROPRIATION OF NET INCOME

On 29 December 2024, the Board of Directors approved a distribution of cash dividend amounting to SR 562.5 million (SR 1 per share) for the second half of the year 2024 which represents 10% of the nominal value of the shares. The dividend will be distributed on 16 March 2025.

On 2 June 2024, the Board of Directors approved a distribution of cash dividend amounting to SR 562.5 million (SR 1.00 per share) for the first half of the year 2024 which represents 10% of the nominal value of the shares.

On 25 December 2022, the Board of Directors proposed a distribution of cash dividend amounting to SR 703.13 million (at SR 1.25 per share) for the second half of the year 2022 which represents 12.5% of the nominal value of the shares. On 7 March 2023, the General Assembly approved a distribution of cash dividend amounting to SR 703.13 million (SR 1.25 per share) for the second half of the year 2022 which represents 12.5% of the nominal value of the shares.

On 4 June 2023, the Board of Directors approved a distribution of cash dividend amounting to SR 562.5 million (SR 1.00 per share) for the first half of the year 2023 which represents 10% of the nominal value of the shares.

On 24 December 2023, the Board of Directors approved a distribution of cash dividend amounting to SR 421.8 million (SR 0.75 per share) for the second half of the year 2023 which represents 7.5% of the nominal value of the shares.

### 36 SUBSEQUENT EVENTS

In the opinion of management, there have been no significant subsequent events since the year ended 31 December 2024, which would have a material impact on the financial position of the Company as reflected in these financial statements, except as mentioned below:

Subsequent to the year ended 31 December 2024, the Company received an official notification from Saudi Arabian Oil Company (Saudi Aramco) to increase the feedstock prices. The expected financial impact of the feedstock prices is estimated at an increase equivalent to approximately 2.6% of the Company's annual cost of sales according to the latest audited annual financial statements for 2023, and this impact will appear starting from the first quarter of the fiscal year 2025.

### 37 APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on 25 Shaban 1446H (corresponding to 24 February 2025).