Borouge PLC

REPORTS AND CONSOLIDATED
FINANCIAL STATEMENTS

FOR THE PERIOD FROM 28 APRIL 2022 (DATE OF INCORPORATION) TO 31 DECEMBER 2022

Principal business address:
P.O. Box: 764652
Abu Dhabi
UAE

Borouge PLC
REPORTS AND CONSOLIDATED FINANCIAL STATEMENTS
For the period from 28 April 2022 (date of incorporation) to 31 December 2022

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Borouge PLC

BOARD OF DIRECTORS' REPORT

31 DECEMBER 2022

DIRECTORS' REPORT

FOR THE PERIOD FROM 28 APRIL (DATE OF INCORPORATION) TO 31 DECEMBER 2022

The Directors present their report together with the audited consolidated financial statements of Borouge PLC ("the Company") and its subsidiaries (together, the Group") for the period from 28 April (date of incorporation) to 31 December 2022.

Principal activities
The purpose of the Company is to serve as a holding company for Abu Dhabi Polymers Co. Ltd (Borouge) L.L.C. ("ADP") and Borouge Pte Ltd. which are engaged in the principal activities of production of ethylene, propylene, polyethylene, polypropylene and trading of polyolefins, respectively.

Financial results
The financial results of the Group represent a profit for the period of USD 733.82 million as presented in these audited consolidated financial statements.

For the Board of Directors

Chairman

1 February 2023
Abu Dhabi, UAE

بروج
Borouge
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Borouge PLC

Borouge PLC

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2022

Ernst & Young – Middle East
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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF BOROUGE PLC

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of Borouge PLC ("Borouge" or the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period from 28 April 2022 (date of incorporation) to 31 December 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2022, and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Business combination of entities under common control
Abu Dhabi National Oil Company ("ADNOC") and Borealis AG ("Borealis") jointly owned Abu Dhabi Polymers Company Limited (Borouge) ("ADP") and Borouge PTE Limited ("PTE") through a joint venture capital agreement dated 26 April 1998. As disclosed in note 1 to the consolidated financial statements, during the period, ADNOC and Borealis entered into a Subscription and Transfer Agreement to rearrange the ownership in ADP and PTE and to combine the business of ADP and PTE after such rearrangement. On 1 June 2022, the combined business was transferred to Borouge PLC which was then listed on the Abu Dhabi Stock Exchange on 3 June 2022.

Report on the Audit of the Consolidated Financial Statements continued

Business combination of entities under common control continued
The business combination has been excluded from the scope of IFRS 3 as it represents a business combination of entities under common control. Given the complex nature of the transaction and its significance to the consolidated financial statements of the Group, the issue had warranted significant attention during our audit and has been identified as a key audit matter to be reported in our audit report.

Management has accounted for the business combination in the consolidated financial statements using the pooling of interest method resulting in a merger reserve of USD 4.4 billion.

The audit procedures performed to address this key audit matter include the following:

1. We held discussions with the Group's management and those charged with governance to obtain an understanding of the transaction details and objectives;
2. We reviewed the Subscription and Transfer agreement to understand the terms and conditions of the transaction and assess the appropriateness of the accounting treatment under the IFRS;
3. We reviewed the ownership structures of the entities involved before and after the business combination and inspected relevant supporting documents;
4. We traced the value of net assets contributed by ADP and PTE to the combined business, to the respective financial information of ADP and PTE as of 31 May 2022;
5. We traced the equity reserves presented in the consolidated financial statements to the respective financial information of ADP and PTE as of 31 May 2022.

Property, plant and equipment
As of 31 December 2022, the Group's property, plant and equipment amounted to USD 7 billion representing 70% of the Group's total assets as of that date. This balance includes Capital Work-in-Progress (CWIP) amounting to USD 317 million representing 337 capital projects in progress. During the year, capital work in progress amounting to USD 81 million was completed and transferred to the respective categories of property, plant and equipment and depreciated in accordance with the Group's depreciation policy.

Considering the magnitude of the amount and the risk surrounding the capitalization, depreciation and impairment of property, plant and equipment in terms of assessing the eligibility of costs capitalized during the period, the timing of capitalization and the related depreciation / impairment charge in line with IFRS requirements; this has been identified as a key audit matter to be reported in our audit report.

Report on the Audit of the Consolidated Financial Statements continued

Property, plant and equipment continued
The audit procedures performed to address this key audit matter include the following:

1. We reviewed the Group's policies and procedures for capitalization of project costs and assessed their compliance with the requirements of IFRS;
2. We tested the relevant controls over capitalization of project costs;
3. We performed substantive audit procedures over a sample of project costs capitalized to check adherence to the Group's policies and procedures, and compliance with the requirements of IFRS. This included management's processes and controls around identification of project costs eligible for capitalization, staff cost capitalization etc.;
4. We reviewed management's assessment for the existence of impairment indicators in respect of property, plant and equipment including capital work in progress;
5. We held discussions with project managers for significant projects and inquired about their status to determine whether indicators of impairment existed as of 31 December 2022; and
6. For a sample of projects, we checked the date of project capitalization against supporting documents such as completion certificates received from contractors to verify that depreciation has been charged from the capitalization date.

Other information
Other information consists of the information included in the Board of Directors' report and annual report other than the consolidated financial statements and our auditor's report thereon. We obtained the Board of Directors' report prior to the date of our audit report and we expect to obtain the annual report after the date of our auditor's report. Management is responsible for the other information.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF BOROUGE PLC continued

Report on the Audit of the Consolidated Financial Statements continued

Responsibilities of management and Those Charged with Governance for the consolidated financial statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and in compliance with the applicable provisions of the Company's Articles of Association and the Companies Regulations 2020 of Abu Dhabi Global Market, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those Charged with Governance are responsible for overseeing the Group's financial reporting process.

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

Report on the Audit of the Consolidated Financial Statements continued

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, action 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 consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF BOROUGE PLC continued

Report on Other Legal and Regulatory Requirements

Further, as required by the Companies Regulations 2020 of ADGM, we report that, in our opinion:

i) The consolidated financial statements include, in all material respects, the applicable requirements of the Companies Regulations 2020 of ADGM; and

ii) the financial information included in the report of the Board of Directors is consistent with the books of account and records of the Group.

Further, as required by the Abu Dhabi Accountability Authority Chairman Resolution No. 88 of 2021 pertaining to Auditing the Financial Statements of Subject Entities, we report that based on the information provided to us, nothing has come to our attention that causes us to believe that the Company has not complied, in all material respects, with the law of establishment of the Company and relevant provisions of the applicable laws, resolutions and circulars organising the Company's operations, which would materially affect its activities or the consolidated financial statements of the Company as at 31 December 2022.



Signed by
Ahmad Al Dali
Partner
Ernst & Young

1 February 2023
Abu Dhabi

STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

	Notes	2022 USD'000
ASSETS		
Non-current assets		
Property, plant and equipment	5	**7,053,196**
Intangible assets	6	**55,616**
Right-of-use assets	7(a)	**25,208**
Investment in sublease	7(b)&11(d)	**135,052**
Amounts due from related parties	11(d)	**2,606**
Loans to employees		**22,665**
Total non-current assets		**7,294,343**
Current assets		
Inventories	8	**654,639**
Amounts due from related parties	11(d)	**193,762**
Trade receivables	9(a)	**890,339**
Loans to employees		**11,276**
Prepayments and other receivables	9(b)	**47,059**
Cash and cash equivalents	10	**1,143,840**
Total current assets		**2,940,915**
TOTAL ASSETS		**10,235,258**
EQUITY AND LIABILITIES		
Equity		
Share capital	13	**4,809,231**
Merger reserve	14	**(4,446,467)**
Restricted reserve	14	**186,322**
Capital reserve	14	**12,490**
Actuarial reserve	14	**10,846**
Translation reserve	14	**(3,982)**
Retained earnings		**4,279,574**
Equity attributable to the owners of the Company		**4,848,014**
Non-controlling interests		**21,586**
Total equity		**4,869,600**
Non-current liabilities		
Provision for employees' end of service benefits	15	**93,926**
Lease liabilities	7(c)	**158,884**
Deferred tax liability	12(c)	**33,265**
Bank loans	16	**3,983,999**
Amounts due to related parties	11(c)	**67,441**
Total non-current liabilities		**4,337,515**
Current liabilities		
Trade and other payables	17	**369,761**
Amounts due to related parties	11(c)	**613,621**
Lease liabilities	7(c)	**4,494**
Income tax payable		**40,267**
Total current liabilities		**1,028,143**
Total liabilities		**5,365,658**
TOTAL EQUITY AND LIABILITIES		**10,235,258**

H.E. Dr. Sultan Ahmed Al Jaber
Chairman

Hazeem Sultan Al Suwaidi
Chief Executive Officer

Jan-Martin Nufer
Chief Financial Officer

The attached notes 1 to 31 form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the period 28 April 2022 (date of incorporation) to 31 December 2022

	Notes	***For the period 28 April 2022 (inception) to 31 December 2022 USD'000***
Revenue	18	**3,997,151**
Cost of sales	19	**(2,386,263)**
Gross profit		**1,610,888**
Other income	21	**26,707**
General and administrative expenses	22	**(112,583)**
Selling and distribution expenses	23	**(414,152)**
Impairment loss on property, plant and equipment	5	**(13,483)**
Operating profit		**1,097,377**
Finance income		**19,744**
Finance costs		**(95,841)**
Foreign exchange loss		**(2,622)**
Net finance loss		**(78,719)**
Profit for the period before tax		**1,018,658**
Income tax expense	12(a)	**(284,835)**
Profit for the period		**733,823**
Profit for the period attributable to:		
Owners of the Company		**724,345**
Non-controlling interests		**9,478**
		733,823
Other comprehensive income for the period		
Items that will not be reclassified to profit or loss in subsequent periods		
Defined benefit plan remeasurements		**19,586**
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operation		**(4,422)**
Other comprehensive income for the period		**15,164**
Total comprehensive income for the period		**748,987**
Total comprehensive income for the period attributable to:		
Owners of the Company		**739,865**
Non-controlling interests		**9,122**
Profit for the period		**748,987**
Earnings per share:		
Basic and Diluted (USD)	28	**0.02**

The attached notes 1 to 31 form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period 28 April 2022 (date of incorporation) to 31 December 2022

	Share capital USD'000	*Merger reserve USD'000*	*Restricted reserve USD'000*	*Capital reserve USD'000*	*Actuarial reserve USD'000*	*Translation reserve USD'000*	*Retained earnings USD'000*	*Equity attributable to Owners of the Company USD'000*	*Non-controlling interests USD'000*	*Total equity USD'000*
Balance at incorporation on 28 April 2022	-	-	-	-	-	-	-	-	-	-
Share capital introduced	50	-	-	-	-	-	-	50	-	50
Issuance of additional share capital on transfer of ADP and PTE (note 1)	4,809,181	-	-	-	-	-	-	4,809,181	-	4,809,181
Equity contributed upon transfer of subsidiaries (note 3)	-	(4,446,467)	185,730	12,490	(8,294)	(234)	3,880,620	(376,155)	12,464	(363,691)
Profit for the period	-	-	-	-	-	-	724,345	724,345	9,478	733,823
Other comprehensive income for the period	-	-	-	-	19,268	(3,748)	-	15,520	(356)	15,164
Total comprehensive income for the period	-	-	-	-	19,268	(3,748)	724,345	739,865	9,122	748,987
Movement during the period	-	-	592	-	(128)	-	(464)	-	-	-
Dividend declared (note 14)	-	-	-	-	-	-	(324,927)	(324,927)	-	(324,927)
Balance at 31 December 2022	**4,809,231**	**(4,446,467)**	**186,322**	**12,490**	**10,846**	**(3,982)**	**4,279,574**	**4,848,014**	**21,586**	**4,869,600**

The attached notes 1 to 31 form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the period 28 April 2022 (date of incorporation) to 31 December 2022

		For the period 28 April 2022 (inception) to 31 December 2022 USD'000
OPERATING ACTIVITIES		
Profit for the period before tax		**1,018,658**
Adjustments for:		
Depreciation on property, plant and equipment	5	**297,117**
Impairment of property, plant and equipment	5	**13,483**
Depreciation on right-of-use assets	7(a)	**2,865**
Amortisation of intangible assets	6	**10,608**
Reversal of provision for slow moving and obsolete inventory	8	**(1,103)**
Provision for expected credit losses on trade receivable	9	**2,246**
Reversal of provision for expected credit losses on prepayments and other receivable		**(668)**
Loss on modification of lease liability		**28**
End of service benefits charge	15	**5,707**
Finance costs		**95,841**
Finance income		**(19,744)**
Net cash flow from operating activities before changes in working capital		**1,425,038**
Changes in working capital:		
Increase in trade receivables		**(55,783)**
Increase in due from related party		**(18,009)**
Decrease in inventories		**160,689**
Decrease in prepayments and other receivables		**31,036**
Increase in due to related party		**144,613**
Decrease in trade and other payables		**(89,644)**
Increase in other payables		**55,857**
Decrease in contract liabilities		**(3,698)**
Cash generated from operating activities		**1,650,099**
End of service benefits paid	21	**(3,218)**
Tax paid		**(332,746)**
Net cash generated from operating activities		**1,314,135**
INVESTING ACTIVITIES		
Payments for purchase of property, plant and equipment	5	**(112,976)**
Proceeds from disposal of property, plant and equipment		**19**
Payments for purchase of intangible assets	6	**(882)**
Cash and cash equivalents acquired as part of business combination		**347,564**
Interest income received		**13,071**
Net cash generated from investing activities		**246,796**
FINANCING ACTIVITIES		
Repayment of lease liability	7(c)	**(2,857)**
Issuance of share capital		**50**
Payment of dividends	14	**(324,927)**
Payment of interest on bank loan		**(87,014)**
Net cash used in financing activities		**(414,748)**
Changes in translation reserve		**(2,343)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,143,840**
Cash and cash equivalents at beginning of the period		**-**
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	10	**1,143,840**
Significant non-cash transactions which have been excluded from the statement of cash flows are as follows:		
Transfer of right-of-use asset to sublease	7(a)	**(3,295)**

The attached notes 1 to 31 form part of the consolidated financial statements.

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Borouge PLC (the "Company") was incorporated on 28 April 2022 as a public company limited by shares, with registration number 000007602, pursuant to the Abu Dhabi Global Market Companies (Amendment No. 1) Regulations 2020. The Company has been established for the purpose of serving as a holding company for Abu Dhabi Polymers Co. Ltd and Borouge Pte. Ltd.

The Company is jointly controlled by Abu Dhabi National Oil Company ("ADNOC") and Borealis Middle East Holding GmbH ("BMEH", together with ADNOC, the "Shareholders").

Pursuant to a resolution of the Shareholders dated 10 May 2022, the shareholders approved listing the Company's shares on Abu Dhabi Securities Exchange whereby 10% of its shares were offered in an Initial Public Offering ("IPO"). As of the reporting date, ADNOC held 54% and BMEH held 36% of issued share capital of the Group while the remaining 10% is held by the general public.

These consolidated financial statements of the Company are for the period from the date of incorporation 28 April 2022 to 31 December 2022 and accordingly, no comparative information is presented.

Details of the Company's subsidiaries as at 31 December 2022 are as follows:

Name of subsidiary	*Ownership interest*	*Country of incorporation*	*Principal activities*
Abu Dhabi Polymers Co. Ltd (Borouge) L.L.C ("ADP")	100%	U.A.E.	Production of ethylene, propylene, polyethylene and polypropylene
Borouge Pte Ltd and its subsidiaries ("PTE")	84.746%	Singapore	Trading of polyolefins

The Company together with its subsidiaries is referred to as the "Group".

In accordance with the subscription and transfer agreement dated 17 May 2022 (the "Subscription and Transfer Agreement") entered into between the Company and the Shareholders, ADNOC and BMEH agreed to transfer their respective interests in ADP and approximately 84.746% interest in PTE to the Company in exchange of an issuance of shares by the Company. This transfer was in contemplation of an IPO of the Company. Upon the successful listing of the shares of the Company on 3 June 2022, the Company became the holder of the entire issued share capital of ADP and 84.746% of the issued share capital of PTE (the "Reorganisation"). Accordingly, immediately upon the transfer and prior to the listing:

a) ADNOC transferred to the Company:
   i. its full legal and beneficial interests in ADP, being 60% of ADP's total issued and outstanding share capital; and
   ii. its full legal and beneficial interests in PTE, being 50% of PTE's total issued and outstanding share capital.

b) BMEH transferred to the Company:
   i. its full legal and beneficial interests in ADP, being 40% of ADP's total issued and outstanding share capital; and
   ii. 34.746% of PTE's total issued and outstanding share capital.

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES continued

In consideration of the transfer by ADNOC of its entire shares in ADP and PTE and the transfer by BMEH of its entire shares in ADP and 34.746% interest in PTE, in each case to the Company, the Company:

a) issued and allotted 18,034,427,450 new shares to ADNOC, that resulted in ADNOC holding, immediately prior to listing, 60% of the Company's total issued and outstanding share capital; and
b) issued and allotted 12,022,951,633 new shares to BMEH, that resulted in BMEH holding, immediately prior to listing, 40% of the Company's total issued and outstanding share capital.

Based on the satisfaction of the condition precedent by the parties pursuant to the Subscription and Transfer Agreement, the effective date of completion of the above transaction was 31 May 2022. Post completion of the Reorganisation, the Company has acquired control over ADP and PTE (together referred to as "Borouge Business").

2 BASIS OF PREPARATION

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board (IASB) and the applicable provisions of the Companies Regulations 2020 of Abu Dhabi Global Market.

2.2 Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods or services.

Fair value is the price that would be received on sale of an asset or paid on transfer of a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

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 to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

In estimating the fair value of a financial asset or liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis.

2 BASIS OF PREPARATION continued

2.3 Functional and presentation currency

For financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which is described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 inputs are unobservable inputs for the asset or liability that are derived from valuation techniques.

The principal accounting policies adopted are set out below.

These consolidated financial statements are presented in US Dollar ("USD"), which is the Group' functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

2.4 Use of judgements and estimates

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The judgments, estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, including expectations of future events that are believed to be reasonable under the circumstances. The Group based its judgements, assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, the resulting accounting estimates may differ from actual results. The estimates and assumptions pose a risk of causing adjustment to the carrying amounts of assets and liabilities within the next financial year.

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 and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in these consolidated financial statements, is included in note 4.

2.5 STANDARDS ISSUED BUT NOT EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- IFRS 17 Insurance Contracts;
- Amendments to IAS 1: Classification of liabilities as Current or Non-Current
- Amendments to IAS 8: Definition of Accounting Estimates;
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies;
- Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction;
- Amendments to IFRS 16: Lease Liability in a Sale and Leaseback;
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current; and
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group does not expect that the adoption of these new and amended standards and interpretations will have a material impact on its consolidated financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

Generally, there is a presumption that a majority of voting rights results in control. When the Group has less than a majority of the voting or similar rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to equity holders of the Company and to the non-controlling interests, even if this results in the non-controlling interest having a deficit balance. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

3 SIGNIFICANT ACCOUNTING POLICIES continued

Basis of consolidation continued
A change in the ownership interest of a subsidiary without a loss of control, is accounted for as equity transaction. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable IFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 when applicable, or the cost on initial recognition of an investment in an associate or joint venture.

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

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

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 and IAS 19, respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquired entity are measured in accordance with IFRS 2 at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 are measured in accordance with that Standard.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

3 SIGNIFICANT ACCOUNTING POLICIES continued

Business combinations continued
The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interests (including joint operations) in the acquired entity is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period ends as soon as the Group receives the necessary information about the facts and circumstances that existed as of the acquisition date or learns that the information is not obtainable. However, the measurement period cannot exceed one year from the acquisition date.

Transactions under common control
A business combination involving entities or business under common control is a business combination in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the combination and that control is not transitory.

Transactions giving rise to transfer of interests in entities, which are under the common control of the Shareholders, are accounted for using the pooling of interest method without restatement of comparative information. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the books of the transferor entity. The components of equity of the acquired entities are added to the same components within Group equity. Any difference between the consideration paid and capital of the acquiree is recognised directly in equity.

Transfer of Borouge Business
The transfer of the interest in the Borouge Business (refer note 1) is assessed to be a common control transaction as the Borouge Business continued to be jointly controlled by the Shareholders before and after the Reorganisation. Therefore, the Reorganisation was considered to be outside the scope of IFRS 3 *Business Combinations*. Upon Completion of the Reorganisation, the Group has applied the pooling of interest method of accounting in line with its accounting policies. Accordingly, for the purpose of these consolidated financial statements:

- The assets and liabilities of the Borouge Business were reflected at their carrying amounts. No adjustments were made to reflect fair values, or recognise any new assets or liabilities, at the date of the combination that would otherwise be recognised under the acquisition method.
- No goodwill was recognised as a result of the combination. Any difference between the consideration transferred and the acquired net assets is reflected within equity.
- The consolidated statement of profit or loss reflects the results of the combining entities from the date of combination.

3 SIGNIFICANT ACCOUNTING POLICIES continued

Basis of combinations continued
Transfer of Borouge Business continued
The following table summarises the book value of the assets and liabilities of ADP and PTE as at the date of the combination:

	PTE USD'000	*ADP USD'000*	*Total USD'000*
Assets			
Property, plant and equipment	37,832	7,216,453	7,254,285
Intangible assets	586	63,375	63,961
Right-of-use assets	24,795	5,678	30,473
Investment in sublease	-	128,379	128,379
Amounts due from related parties	-	908,155	908,155
Inventories	12,677	802,608	815,285
Trade receivables	1,061,309	-	1,061,309
Cash and cash equivalents	93,628	253,936	347,564
Other assets	21,193	93,506	114,699
Total assets	**1,252,020**	**9,472,090**	**10,724,110**
Liabilities			
Bank loans	-	3,981,666	3,981,666
Trade and other payables	1,007,988	323,535	1,331,523
Income tax payable	7,621	101,262	108,883
Other liabilities	154,696	701,852	856,548
Total liabilities	**1,170,305**	**5,108,315**	**6,278,620**
Net assets as at acquisition date attributable to common equity holders	**81,715**	**4,363,775**	**4,445,490**

Upon the transfer of the subsidiaries, the following components of equity were brought forward from ADP & PTE:

	USD' 000
Restricted reserve	185,730
Capital reserve	12,490
Actuarial reserve	(8,294)
Translation reserve	(234)
Retained earnings	3,880,620

A merger reserve of USD 4,446,467 thousand arises as the difference between the book value of the shares issued in the Company in exchange for the share capital of ADP & PTE.

Going concern
The directors have, at the time of approving the consolidated financial statements, reasonable expectation that the Group will continue in operational existence for the foreseeable future as its subsidiaries have a history of profitable operations and the Group has ready access to financial resources. Thus, they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES continued

Financial instruments
Financial assets and financial liabilities are recognised in the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets
All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Amortised cost
The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

Impairment of financial assets
The Group recognises a loss allowance for expected credit losses on trade receivables, investment in sublease, other receivables and due from related parties. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group recognises lifetime ECL for trade receivables, investment in sublease, other receivables and due from related parties. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

3 SIGNIFICANT ACCOUNTING POLICIES continued

Financial assets continued
Impairment of financial assets continued
(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

a) the financial instrument has a low risk of default;
b) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
c) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

(ii) Definition of default

The Group employs models to analyse the data collected and generate estimates of probability of default ("PD") of exposures with the passage of time. This analysis includes the identification for any changes in default rates and changes in key macro-economic factors across various geographies of the Group.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a) significant financial difficulty of the issuer or the borrower;
b) a breach of contract, such as a default or past due event (see (ii) above);
c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
e) the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy
The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.

3 SIGNIFICANT ACCOUNTING POLICIES continued

Financial assets continued
Impairment of financial assets continued
(iv) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The Group has elected the IFRS 9 simplified approach to measure loss allowance for cash and bank balances, trade receivables, and due from related parties at an amount equal to lifetime ECLs. Accordingly, financial assets which are not credit impaired and which do not have significant financing component are categorised under stage 2 and lifetime ECL is recognised.

Expected credit losses related to cash and bank balances, trade and other receivables and due from related parties are presented in the consolidated statement of profit or loss and other comprehensive income.

Derecognition of financial assets
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at fair value through other comprehensive income (FVTOCI), the cumulative gain or loss previously accumulated in the investment's revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments' revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, lease liabilities, bank loans, contract liabilities, amount due to related parties and other payables.

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at fair value through profit or loss (FVTPL).

3 SIGNIFICANT ACCOUNTING POLICIES continued

Financial liabilities continued
Financial liabilities at FVTPL
Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch with profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Financial liabilities measured subsequently at amortised cost
Financial liabilities that are not designated as FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

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

Derecognition of financial liabilities
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, short-term deposits held with banks, other short-term highly liquid investments with original maturities of three months or less.

Revenue recognition
Application of IFRS 15 Revenue from Contracts with Customers
IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

3 SIGNIFICANT ACCOUNTING POLICIES continued

Revenue recognition continued
Application of IFRS 15 Revenue from Contracts with Customers continued
Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

The Group is in the business of sale of high-density Polyethylene, linear low-density Polyethylene, Polypropylene, Ethylene, polyolefin and other compounded products.

The Group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about its remaining performance obligations if:

a) the performance obligation is part of a contract that has an original expected duration of one year or less; or
b) the Group has a right to invoice a customer in an amount that corresponds directly with its performance to date, then it recognises revenue in that amount.

Revenue consideration is allocated to the respective performance obligations, i.e. sales of goods and the insurance and freight service, based on their stand-alone selling price. For sales transactions with delivery terms CIF and CFR (i.e. Cost, Insurance & Freight and Cost & Freight), the Group has an additional obligation to arrange for the insurance and freight services subsequent to the transfer of the goods to the customer.

Management assessed the Group's performance obligations are as follows:

(i) Sale of goods – revenue is recognised at a point of time when control of goods are transferred to the customers based on trade terms and all criteria for acceptance have been satisfied.
(ii) Freight and insurance – revenue is recognised over the course of service which coincides with the shipment delivery period.

Revenue from sale of goods and services in the ordinary course of business is recognised when the Group satisfies a performance obligation ("PO") by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO in the contract on the basis of the relative stand- alone selling prices of the promised goods or services. The individual standalone selling price of a good or service that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the transaction price after allocating the transaction price to goods and/or services with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the PO if it relates specifically to those POs.

The transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods or services. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if the Group does not receive a separate identifiable benefit from the customer. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

Revenue may be recognised at a point in time or over time following the timing of satisfaction of the PO. If a PO is satisfied over time, revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that PO.

Revenue represents the invoiced value of goods delivered to the customer and is recognised when all criteria for acceptance have been satisfied.

3 SIGNIFICANT ACCOUNTING POLICIES continued

Revenue recognition continued
Application of IFRS 15 Revenue from Contracts with Customers continued
The following table provides information about the nature and timing of the satisfaction of performance obligations in revenue contracts with customers, including significant payment terms, and the related revenue recognition policies:

Nature of goods or services	The Company generates revenue from sales of polyolefin and compounded products.
When revenue is recognised	Revenue consideration is allocated to the respective performance obligations, i.e. sales of goods and the insurance and freight service, based on their stand-alone selling price. For sales transactions with delivery terms CIF and CFR (i.e. Cost, Insurance & Freight and Cost & Freight), the Group has additional obligation to arrange for the insurance and freight services subsequent to the transfer of the goods to the customer. Management assessed the Group's performance obligations are as follows: (i) Sale of goods – revenue is recognised at a point of time when control of goods are transferred to the customers based on trade terms and all criteria for acceptance have been satisfied. (ii) Freight and insurance – revenue is recognised over the course of service which coincides with the shipment delivery period.
Significant payment terms	Invoices are issued upon goods delivery. The Group provides credit terms of between 30 to 90 days to their customers which are common market credit terms. In cases where, the Group received cash paid in advance of goods delivered and to the extent that they remain undelivered as at reporting date, the Group defers recognition of revenue and recognise such amounts in the consolidated statement of financial position as "Contract liabilities".
Obligations for returns and refunds, if any	*Sales returns* Customers have the right to return the goods to the Group within 14 days if the products are found defective or do not conform with requirements. For contracts that permit the customer to return an item, revenue is recognised to the extent that revenue recognised will not be reversed. The amount of revenue recognised is adjusted for expected returns, which are estimated based on past sales returns data. The Group will also recognise the related assets for the rights to recover the returned goods as inventories based on the previous carrying amounts of the goods plus expected recovery costs. *Volume rebate* Volume rebates are given to certain customers based on fulfilment of contractually agreed sales targets over a period of time. Such rebates are accounted for as a variable consideration and is adjusted against revenue. The rebate amount is estimated based on the most likely outcome method and is recognised when the probability of paying the sales rebates to the customers is high. The Group reviews its estimate of expected rebate at each reporting date based on the sales to customers, contingent on a future event occurring or not occurring, and recognise the rebate as a reduction of the revenue.

Other income
Other income is recognised when it is probable that the economic benefit will flow to the Group and the amount of income can be measured reliably.

3 SIGNIFICANT ACCOUNTING POLICIES continued

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Capital work in progress is carried at cost less any recognized impairment loss. When commissioned, capital work in progress is transferred to the appropriate property, plant and equipment category and is depreciated in accordance with the Group's policies.

Depreciation is charged so as to write off the cost less estimated residual values of property, plant and equipment, other than capital work in progress, over their estimated useful lives, using the straight-line method, on the following basis, as follows:

Buildings	15 – 40 years
Plant and machinery	8 – 30 years
Motor vehicles	4 – 10 years
Furniture, fixtures and equipment	3 – 4 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The plant performs regular major inspections and overhauls, i.e. turnarounds.

When each major turnaround is performed, its cost is recognised in the carrying amount of the item of property, plant and equipment as a replacement if the recognition criteria are satisfied. Other plant turnaround costs are expensed as incurred. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Intangible assets
Intangible assets acquired are recorded at cost and are amortised on a straight-line basis over their estimated useful lives as follows:

Computer software	3 – 5 years
Cracker rights	10 years
License costs	10 years
Others	4 years

License costs represent irrevocable exclusive and non-exclusive rights and licenses granted by Borealis to the Group for use of Borealis's proprietary catalyst, process design, patent rights and technical information in order to design, construct, maintain and operate the Ruwais plant, as well as use and sell Polyethylene ("PE") resins manufactured in the plant.

3 SIGNIFICANT ACCOUNTING POLICIES continued

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. The cost of finished goods and work in progress comprises raw materials, consumables, spare parts, direct labour and materials and related overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and costs necessary to make the sale. Provision is made for obsolete and slow-moving items.

Impairment of tangible assets
At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Leases
The Group as a lessee
At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non- lease components and account for the lease and non-lease components as a single lease component.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the earlier of the asset's useful life and the lease term on a straight-line basis. The estimated useful lives of the assets is as follows:

Land lease	35 years
Transportation, storage, and terminals	4 years
Buildings and infrastructure	3 to 9 years
Fixture, fittings, and office equipment	3 years

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), less any lease incentives receivable.

3 SIGNIFICANT ACCOUNTING POLICIES continued

Leases continued
The Group as a lessee continued
The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received; and
- restoration costs.

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

The Group as a lessor
When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right- of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

Investment in sub-lease is recognised in the consolidated financial statements to reflect the sub-lease of a plot of land to a related party Borouge 4.

Interest income
Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Taxation
Value added tax (VAT)
Expenses and assets are recognised net of the amount of VAT, except:

- When VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, 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

- When receivables and payables are stated with the amount of VAT included

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

3 SIGNIFICANT ACCOUNTING POLICIES continued

Taxation continued
Current income tax
The Group is subject to income taxes in several jurisdictions. Estimates are required in determining the group-wide provision for income taxes. There are some transactions and calculations for which the ultimate tax position is uncertain during the ordinary course of business. The Group recognizes provisions for anticipated tax audit issues based on estimates of whether additional taxes will be due.

Income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

The Group periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax
Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the consolidated statement of profit or loss and other comprehensive income.

Deferred tax assets and liabilities are offset for financial reporting purposes when they relate to income taxes levied by the taxation authorities.

Employees' benefit
(i) Short term obligation

An accrual is made for estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by eligible employees up to the end of the reporting period. The accrual relating to annual leave and leave passage is disclosed as a current liability in the consolidated statement of financial position.

(ii) Employees' end of service benefits (EOSB)

The liability recognised in the consolidated statement of financial position in respect of the defined end of service benefit plan is the present value of the projected defined benefit obligation ("DBO") at the end of the reporting period. The provision for EOSB is calculated by a qualified actuary using the projected unit credit method whilst considering the Group's policy with respect to end of service benefits where it requires the provision to be at least equal to the benefits payable in accordance with the UAE Labour law for their period of service up to the end of the reporting period.

The provision relating to EOSB is disclosed as a non-current liability.

3 SIGNIFICANT ACCOUNTING POLICIES continued

Employees' benefit continued

(ii) Employees' end of service benefits (EOSB) continued

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses are recognized immediately in other comprehensive income. Re-measurements are not reclassified to the consolidated statement of profit or loss in subsequent periods. The liability is calculated as the current value of the vested benefits to which the employee is entitled, should the employee leave at the consolidated statement of financial position date. Payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the UAE Labour law.

Net interest expense and other expenses related to defined benefit plans are recognised in the consolidated statement of profit or loss.

The net interest cost is calculated by applying the discount rate to the net balance of the defined EOSB obligation. The Group recognises the following changes in the net defined benefit obligation in the consolidated statement of profit or loss within personnel costs:

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

(iii) Pension contributions

With respect to its UAE national employees, the Group makes pension contributions to the Abu Dhabi Retirement Pensions and Benefits Funds in accordance with the Abu Dhabi Retirement Pensions and Benefits Fund's regulations. With respect to its GCC national employees, the Group makes pension contributions to the pension funds or agencies of their respective countries. Such contributions are charged to operating costs during the employees' period of service.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Foreign currencies transactions

Foreign currency transactions are translated at the rates prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.

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

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

3 SIGNIFICANT ACCOUNTING POLICIES continued

Foreign currencies transactions continued
Group companies
On consolidation, the assets and liabilities of foreign operations are translated into USD at the rate of exchange prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the foreign currency translation reserve. Such exchange differences are recognised in the profit or loss in the period in which the foreign operation is disposed of.

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

Current versus non-current classification
The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset as 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 period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

Corporate taxes
On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime will become effective for accounting periods beginning on or after 1 June 2023.

Generally, UAE businesses will be subject to a 9% CT rate. A rate of 0% will apply to taxable income not exceeding a particular threshold to be prescribed by way of a Cabinet Decision (expected to be AED 375,000 based on information released by the Ministry of Finance). In addition, there are several other decisions that are yet to be finalised by way of a Cabinet Decision that are significant in order for entities to determine their tax status and the taxable income. Therefore, pending such important decisions by the Cabinet as at 31 December 2022, the Group has considered that the Law is not substantively enacted from IAS 12 – Income Taxes perspective as at 31 December 2022. The Group shall continue to monitor the timing of the issuance of these critical cabinet decisions to determine their tax status and the application of IAS 12 – Income Taxes.

The Group is currently in the process of assessing the possible impact on the consolidated financial statements, both from current and deferred tax perspective, once these critical cabinet decisions are issued.

4 CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the consolidated financial statements in compliance with IFRS requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical judgements

Segment information
For management purpose, the Group is organised as one business unit based on the products and services and management has concluded that it has only one reportable segment. The Group is managed as a single business unit and the financial performance is reported in the internal reporting provided to the Chief Operating Decision-maker ("CODM"). The Executive Committee, which is responsible for allocating resources and assessing performance of the operating segments, has been identified as the CODM that makes strategic decisions. The financial information reviewed by the CODM is based on the IFRS compliant financial information for the Group. The CODM monitors the operating results of its business unit separately for the purpose of making decisions about resource allocation and performance assessment.

Determination of principal status
The Group measures its revenue at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty, as the Group has determined that it is acting as principal in the transactions. The determination of whether the Group is principal or agent requires judgement. In making this judgement, the Group evaluates whether it controls each specified good or service before that good or service is transferred to the customer.

Asset retirement obligation
The Group exercises judgement in evaluating whether an arrangement contains a legal or constructive obligation to remove the plant and equipment and restore the land at the end of the contractual arrangement or end of useful life of the Group's plant and equipment constructed and installed on land leased from government related entities. The management has concluded it does not have any legal or constructive obligation relating to decommissioning activity.

Functional currency
Management considers USD to be the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. USD is the currency in which the Group measures its performance and reports its results.

Key sources of estimation uncertainty

Useful lives and residual values of property, plant and equipment and intangible assets
The Group's management determines the estimated useful lives and residual values of the property, plant and equipment and the intangible assets based on the historical pattern of useful lives and general standards in the industry. The useful lives and residual values are reviewed for reasonableness by management on an annual basis.

4 CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY continued

Key sources of estimation uncertainty continued

Useful lives of right-of-use assets
The Group's management determines the estimated useful lives of its right-of- use assets for calculating depreciation. The cost of right-of-use assets are depreciated over the estimated useful lives of the assets, which is based on shorter of the lease term and the estimated useful lives of the assets. The Group reviews the estimated useful lives of right-of-use assets at the end of each annual reporting period. Any change in the lease term or pattern of consumption of these assets are adjusted prospectively.

Assessment of indicators of impairment of non-financial assets
The Group assesses at each reporting date whether there is objective evidence that its non- financial assets are impaired. The Group's non-financial assets primarily comprise property, plant and equipment, right-of-use assets and intangible assets. To determine whether there is objective evidence of impairment, the Group considers factors such as operating economic conditions, industry developments and other factors which could affect the carrying value of these assets. An impairment exists when carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value-in-use. During the current period, impairment expense amounting to USD 13,483 thousand was recorded in relation to property, plant and equipment.

Leases - Estimating the incremental borrowing rate
The Group 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 Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the Comnpany's stand-alone credit rating).

Contingencies
By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgement and estimate of the outcome of future events. The Group receives claims from its customers and suppliers as part of its ongoing business and records a provision based on assessment of reliability and probability of the outflow of economic resources (note 24).

Income tax and deferred tax assets
The amount of income tax payable is subject to adjustment pending final agreement on all items of revenue, costs and expenses for the period ended 31 December 2022 between the Group and the representatives of Supreme Council for Financial and Economic Affairs ("SCFAEA"). Management believes that the finalisation of the discussion will not have a material impact on the consolidated financial statements.

Deferred tax assets are recognised against differences between tax basis and accounting basis of recording for depreciation on property, plant and equipment, amortisation of intangible assets, amortisation of right-of-use asset and end of service benefits to the extent that it is probable that taxable profit will be available against which the temporary differences can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits (note 12).

4 CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY continued

Key sources of estimation uncertainty continued

Provision for expected credit losses on amounts due from related parties and trade and other receivables
The Group recognises an allowance for expected credit losses (ECLs) for amounts due from related parties and other receivables. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

An estimate of the collectible amount of due from related parties and trade and other receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. As at 31 December 2022, gross trade receivable, other receivables and amounts due from related parties were USD 892,585 thousand, USD 41,247 thousand and USD 196,368 thousand with provision for expected credit losses of USD 2,246 thousand, USD 2,604 thousand and USD nil respectively. Any difference between the amounts actually collected in future periods and the amounts expected to be received will be recognised in the consolidated statement of comprehensive income.

Impairment of inventories
Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices. As at 31 December 2022, gross inventory was USD 698,989 thousand. As at 31 December 2022, a provision of USD 44,350 thousand on inventories has been recorded. Any difference between the amounts actually realised in future periods and the amounts expected to be realised will be recognised in the profit or loss (note 8).

Impairment of non-financial assets
An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in arm’s length transactions of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset’s performance of the CGU being tested.

5 PROPERTY, PLANT AND EQUIPMENT

	Buildings USD'000	*Plant and machinery USD'000*	*Motor vehicles USD'000*	*Furniture, fixtures and equipment USD'000*	*Capital work-in-progress USD'000*	*Total USD'000*
Cost						
Balance at incorporation	-	-	-	-	-	-
Balance arising on business combination (note 3)	703,515	12,376,019	13,912	173,598	293,592	13,560,636
Additions	54	559	-	1,179	111,184	112,976
Disposals	-	(65)	-	(2,586)	-	(2,651)
Transfers from capital work in progress	5,966	72,587	181	2,180	(80,914)	-
Transfers to intangibles (note 6)	-	-	-	-	(1,338)	(1,338)
Exchange differences	(1,150)	(2,192)	-	(723)	(327)	(4,392)
At 31 December 2022	**708,385**	**12,446,908**	**14,093**	**173,648**	**322,197**	**13,665,231**
Accumulated depreciation and impairment						
Balance at incorporation	-	-	-	-	-	-
Balance arising on business combination (note 3)	304,537	5,821,889	13,056	166,869	-	6,306,351
Impairment	-	8,037	-	-	5,446	13,483
Depreciation	14,920	279,751	123	2,323	-	297,117
Disposals	-	(58)	-	(2,574)	-	(2,632)
Exchange differences	(429)	(1,200)	-	(655)	-	(2,284)
At 31 December 2022	**319,028**	**6,108,419**	**13,179**	**165,963**	**5,446**	**6,612,035**
Net book value						
At 31 December 2022	**389,357**	**6,338,489**	**914**	**7,685**	**316,751**	**7,053,196**

5 PROPERTY, PLANT AND EQUIPMENT continued

The right and license to use the land in Ruwais, on which the buildings, plant and machinery are constructed, was granted by the Supreme Petroleum Council, free of all fees, in accordance with the letter dated 28 October 1998. The land in Ruwais continues to be free of all fees, expect for the Borouge 4-Plant Site in accordance with the agreement signed between the Group and ADNOC on 16 November 2021. On the same day, the Group signed an agreement with ADNOC for the lease of Sas Al Nakhl Area where rent will be payable on land for the Innovation Centre Site.

The depreciation charge for the period is allocated to statement of profit or loss and inventory as follows:

	Period from 28 April 2022 (inception) to 31 December 2022 USD'000
Cost of sales (note 19)	**240,605**
Depreciation included in unsold inventory	**55,033**
General and administrative expenses (note 22)	**1,476**
Selling and distribution expenses (note 23)	**3**
	297,117

6 INTANGIBLE ASSETS

	Computer software USD'000	*Cracker rights USD'000*	*License costs USD'000*	*Capital work in progress USD'000*	*Others USD'000*	*Total USD'000*
Cost						
Balance at incorporation	-	-	-	-	-	-
Balance arising on business combination (note 3)	113,299	11,305	29,596	309	155,190	309,699
Additions	853	-	-	29	-	882
Disposals	(281)	-	-	-	-	(281)
Transfers from (to) property, plant, and equipment (note 5)	328	-	-	(238)	1,248	1,338
Exchange differences	(89)	-	-	71	-	(18)
At 31 December 2022	**114,110**	**11,305**	**29,596**	**171**	**156,438**	**311,620**
Accumulated amortisation						
Balance at incorporation	-	-	-	-	-	-
Balance arising on business combination (note 3)	72,097	11,305	25,343	-	136,993	245,738
Charge for the period	6,669	-	58	-	3,881	10,608
Disposals	(281)	-	-	-	-	(281)
Exchange differences	(61)	-	-	-	-	(61)
At 31 December 2022	**78,424**	**11,305**	**25,401**	**-**	**140,874**	**256,004**
Net book value						
At 31 December 2022	**35,686**	**-**	**4,195**	**171**	**15,564**	**55,616**

6 INTANGIBLE ASSETS continued

The amortisation charge for the period is allocated to consolidated statement of profit or loss and inventory as follows:

	Period from 28 April 2022 (inception) to 31 December 2022 USD'000
Cost of sales (note *19)*	**8,461**
Amortisation included in unsold inventory	**1,946**
General and administrative expenses (note 22)	**158**
Selling and distribution (note 23)	**43**
	10,608

7 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The right and license to use the land in Ruwais, on which the buildings, plant and machinery are constructed, was granted by the Supreme Petroleum Council, free of all fees, in accordance with the letter dated 28 October 1998. The land in Ruwais continues to be free of all fees, expect for the Borouge 4-Plant Site in accordance with the agreement signed between the Group and ADNOC on 16 November 2021. On the same day, the Group signed an agreement with ADNOC for the lease of Sas Al Nakhl Area where rent will be payable on land for the Innovation Centre Site.

(a) Right-of-use assets

	2022 USD'000
Cost:	
Balance at incorporation	**-**
Balance arising on business combination (note 3)	**47,802**
Additions	**99**
Disposals	**(634)**
Transfer to sublease, net	**(1,692)**
Exchange differences	**(1,212)**
At 31 December 2022	**44,363**
Accumulated depreciation:	
Balance at incorporation	**-**
Balance arising on business combination (note 3)	**17,329**
Charge for the period	**2,865**
Disposal	**(634)**
Exchange differences	**(405)**
At 31 December 2022	**19,155**
Carrying amount:	
At 31 December 2022	**25,208**

7 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES continued

(a) Right-of-use assets continued

The depreciation for the period is allocated to consolidated statement of profit or loss and inventory as follows:

	Period from 28 April 2022 (inception) to 31 December 2022 USD'000
Cost of sales *(*note *19)*	**181**
Amortisation included in unsold inventory	**2**
General and administrative expenses (note 22)	**2,578**
Selling and distribution expenses (note 23)	**104**
	2,865

(b) Investment in sublease

Investment in sub-lease is recognised in the consolidated financial statements to reflect the sub-lease of a plot of land to a related party Borouge 4 (note 11(d)).

	2022 USD'000
Balance at incorporation	**-**
Balance arising on business combination (note 3)	**128,379**
Accretion of interest	**6,673**
At 31 December 2022	**135,052**

(c) Lease liabilities

	2022 USD'000
Balance at incorporation	**-**
Balance arising on business combination	**162,870**
Payments	**(2,857)**
Interest expense	**4,161**
Exchange differences	**(796)**
At 31 December 2022	**163,378**
Non-current	**158,884**
Current	**4,494**
Total	**163,378**

7 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES continued

(c) Lease liabilities continued

Set out below, is the amount recognised in the consolidated statement of profit or loss and other comprehensive income related to lease liabilities:

	Period from 28 April 2022 (inception) to 31 December 2022 USD'000
Depreciation charge	**2,865**
Interest expense	**4,161**
	7,026

8 INVENTORIES

	2022 USD'000
Finished goods	**360,752**
Spare parts	**159,209**
Raw materials	**173,290**
Goods in transit	**310**
Work in progress	**5,428**
	698,989
Less: allowance for slow moving and obsolete inventories	**(44,350)**
	654,639

Finished goods include an allocation of depreciation and amortisation charges amounting to USD 56,981 thousand.

The movement in the allowance for slow moving and obsolete inventories during the period was as follows:

	2022 USD'000
Balance at incorporation	**-**
Balance arising on business combination	**45,453**
Reversal of provision during the period	**(1,103)**
At 31 December 2022	**44,350**

9 RECEIVABLES

(a) Trade receivables

	2022 USD'000
Trade receivables	**892,585**
Less: provision for expected credit losses	**(2,246)**
	890,339

Movement in the provision for expected credit losses of trade receivables were as follows:

	2022 USD'000
Balance at incorporation	**-**
Charge for expected credit losses	**2,246**
At 31 December 2022	**2,246**

As at 31 December 2022, the analysis of trade receivables and provision for expected credit losses is as follows:

			Past due				
	Total USD'000	*Neither past due nor due USD'000*	*1-30 days USD'000*	*31-60 days USD'000*	*61 – 90 days USD'000*	*91 – 180 days USD'000*	*Over 180 days USD'000*
31 December 2022							
Expected credit loss rate		**0.00%**	**0.00%**	**0.00%**	**0.00%**	**28%**	**0.00%**
Estimated total gross carrying amount at default	**892,585**	**829,131**	**39,950**	**6,098**	**9,344**	**8,062**	**-**
Expected credit losses	**2,246**	**2**	**-**	**1**	**6**	**2,237**	**-**

(b) Prepayments and other receivables

	2022 USD'000
Other receivables	**31,824**
Tax recoverable	**7,546**
Deposit	**1,877**
Less: provision for expected credit losses	**(2,604)**
	38,643
Prepayments	**8,416**
	47,059

No interest is charged on the other receivable balances. Past due receivables are provided for based on estimated irrecoverable amounts determined by reference to management expectations and past default history. In determining the recoverability of a receivable balance, the Group considers any change in the credit quality of the receivable balances from the date credit was initially granted up to the reporting date. The movement in the provision for expected credit losses during the period was as follows:

9 RECEIVABLES continued

	2022 USD'000
Balance at incorporation	-
Balance arising on business combination	**3,272**
Reversal of provision for the period, net	**(668)**
At 31 December 2022	**2,604**

10 CASH AND CASH EQUIVALENTS

	2022 USD'000
Cash at bank – *current accounts*	**633,949**
Short-term deposits	**509,886**
Cash in hand	**5**
Cash and cash equivalents	**1,143,840**

Included in the Group's cash and cash equivalents are cash and bank balances amounting to USD 4,267 thousand that are denominated in Chinese Renminbi ("RMB"). RMB is not a freely convertible currency and remittance of funds inward and outward of the People's Republic of China ("PRC") is subject to exchange control regulations by the PRC government.

Short-term deposits are mainly denominated in US Dollar and earn interest at floating rate of 1.63% per annum with an original maturity period of less than three months.

11 RELATED PARTIES TRANSACTIONS AND BALANCES

(a) Related parties

Related parties comprise the Government of Abu Dhabi and related departments and institutions (owner of the majority shareholder), associated companies, joint ventures, shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management. During the period, the Group entered into the following significant transactions with related parties at prices and on terms agreed between the related parties:

(b) Related party transactions

	Nature	*2022 USD'000*
Sale of goods		
ADNOC	Shareholder	**135,607**
Borealis AG	Shareholder	**219,987**
ADNOC Refining	Affiliate	**12,525**
		368,119

11 RELATED PARTIES TRANSACTIONS AND BALANCES continued

(b) Related party transactions continued

		2022
Cost of sales		
Purchase of feedstock (ADNOC)	Shareholder	**840,523**
Purchase of catalyst (Borealis AG)	Shareholder	**384,008**
Re-charge electricity and water (ADNOC)	Shareholder	**138,450**
Fuel, gas and oil (ADNOC Distribution)	Affiliate	**3,472**
Royalties (Borealis) (note 19)	Shareholder	**25,105**
Purchase of feedstock - ADNOC Gas processing	Affiliate	**12,096**
Purchase of feedstock - ADNOC Industrial Gas-(Elixir)	Affiliate	**3,656**
		1,407,310

	Nature	***USD'000***
Selling and distribution costs		
(ADNOC Logistics and Services)	Affiliate	**106,793**
Administrative costs including secondee costs		
(ADNOC, Borealis and Borouge Pte)	Shareholder /Affiliate	**9,648**

Compensation of key management personnel

	2022 USD'000
Short-term benefits	**2,966**
Long-term benefits	**234**

Other transactions

Tax

An amount of USD 324,946 thousand was paid to the Government of Abu Dhabi Department of Finance by the Group as per the fiscal agreement. At 31 December 2022, an amount of USD 34,763 thousand was payable to the tax authorities.

Land - right of use

The right and license to use the land in Ruwais, on which the buildings and plant and machinery are constructed, were granted by the Supreme Petroleum Council, free of all fees, in accordance with the letter dated 28 October 1998. The land in Ruwais continues to be free of all fees, expect for the Borouge 4 Plant Site in accordance with the agreement signed between the Group and ADNOC on 16 November 2021. On the same day, the Group signed an agreement with ADNOC for the lease of Sas Al Nakhl Area where rent will be payable on land for Innovation Centre Site (note 7).

Dividends

During the period ended 31 December 2022, dividends of USD 325 million were declared and paid in accordance with a resolution of the Board of Directors (note 14).

11 RELATED PARTIES TRANSACTIONS AND BALANCES continued

(c) Amounts due to related parties

	Nature	***2022 USD'000***
ADNOC	Shareholder	**500,609**
Borealis AG	Shareholder	**129,369**
ADNOC Distribution	Affiliate	**548**
ADNOC Logistics	Affiliate	**26,466**
ADNOC Gas Processing	Affiliate	**3,422**
ADNOC Global Trading co	Affiliate	**5**
ADNOC Onshore	Affiliate	**19**
ADNOC Refining	Affiliate	**14,578**
ADNOC Industrial Gas	Affiliate	**569**
Borouge 4	Affiliate	**5,477**
		681,062

Amounts due to related parties are disclosed in the consolidated statement of financial position as:

	2022 USD'000
Non-current	**67,441**
Current	**613,621**
Total	**681,062**

(d) Amounts due from related parties

	Nature	***2022 USD'000***
ADNOC	Shareholder	**74,613**
Borealis AG	Shareholder	**100,073**
Borouge 4	Affiliate	**14,206**
ADNOC Refining	Affiliate	**3,808**
ADNOC Global	Affiliate	**3,668**
		196,368
Borouge 4- Investment in sublease (note7(b))	Affiliate	**135,052**
		331,420

11 RELATED PARTIES TRANSACTIONS AND BALANCES continued

The Group provides credit terms of between 30 to 90 days to their customers which are common market credit terms. No interest is charged on amounts due from related parties. Past due receivables are provided for based on estimated irrecoverable amounts determined by reference to management expectations and past default history. In determining the recoverability of a receivable balance, the Group considers any change in the credit quality of the receivable balances from the date credit was initially granted up to the reporting date. Management believes that no provision for expected credit losses is required. The ageing analysis of amounts due from related parties is as follows:

	Weighted average loss rate	*Gross receivables USD'000*	*Provision for expected credit losses USD'000*
31 December 2022			
< 70 days	0%	177,003	-
Past due 71 -180 days	0%	22,112	-
Past due 181 -365 days	0%	129,699	-
Past due > 365 days	0%	2,606	-
		331,420	-

Amounts due from related parties are disclosed in the consolidated statement of financial position as:

	2022 USD'000
Investment in sublease - non-current	**135,052**
Amounts due from related parties - non-current	**2,606**
Amounts due from related parties - current	**193,762**
Total	**331,420**

12 INCOME TAX EXPENSE

a) Amounts recognised in profit or loss

	2022 USD'000
Current tax expense	**264,130**
Deferred tax expense	
Origination and reversal of temporary differences	**20,705**
	284,835

12 INCOME TAX EXPENSE continued

b) Reconciliation of effective tax rate

	Period from 28 April 2022 (inception) to 31 December 2022 USD'000
Profit for the period before tax	**1,018,658**
Effective tax rate	**29.03%**
Tax on accounting profit at applicable rate	**295,716**
Tax effect of non-deductible expenses	**-**
Tax effect of exempt income/tax holidays	**-**
Opening deferred tax assets remeasured	**(6,046)**
Deferred tax assets reversed on disposed assets during current period	-
Others	**(4,835)**
	284,835

c) Movement in deferred tax balances

Deferred tax represents temporary differences arising due to the difference in useful lives used for accounting purposes and that used for fiscal purposes for all assets. It also arises due to the timing difference created in respect of the provision and payment relating to end of service benefits. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences. Deferred tax relates to the following:

	At inception	*Recognised in profit or loss*	*At 31 December 2022*
	USD'000	*USD'000*	*USD'000*
Property, plant and equipment	**(74,858)**	**13,788**	**(61,070)**
Other provision	**62,298**	**(34,493)**	**27,805**
Deferred tax liability	**(12,560)**	**(20,705)**	**(33,265)**

13 SHARE CAPITAL

In accordance with the Articles of Association of the Company which became effective on 28 April 2022, the Company issued 50,000 ordinary shares of USD 1 each on its incorporation to the Shareholders. By virtue of the Subscription and Transfer agreement dated 17 May 2022, the Company issued further shares effective 31 May 2022 (note 1) increasing its share capital to USD 4.8 billion divided into 30,057,691,583 shares, each valued at USD 0.16.

	USD'000
Authorised, issued and fully paid	
30,057,691,583 ordinary shares of USD 0.16 each	**4,809,231**

14 RESERVES

Merger reserve
The merger reserve was recognised on combination of the Borouge Business under the pooling of interest method (note 3).

Restricted reserve
For the Company, in accordance with ADGM laws the provisions of the Decree Law No.32 of 2021 shall not apply to companies established in free zones of the Emirate of Abu Dhabi.

For the subsidiary ADP, in accordance with the UAE Federal Law No. 32 of 2021 and the Articles of Association of the subsidiary ADP , 10% of the profit is transferred to a non-distributable statutory reserve. Such transfers are required to be made until the reserve is equal to 50% of the paid-up share capital of ADP.

For the subsidiary PTE, pursuant to the relevant laws and regulations of PRC, a portion of the profit of a subsidiary established in PRC is required to transfer to a statutory reserve which is restricted in use.

Capital reserve
The capital reserve attributable to the owners of the Company relates to a waiver of a related party payable balance amounting to USD 14.8 million in prior years of PTE, the subsidiary.

Actuarial reserve
Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions on post-employment benefits are recognized in the period in which they occur, directly in other comprehensive income. They are included in the actuarial reserve in the consolidated statement of changes in equity and in the consolidated statement of financial position.

Translation reserve
The translation reserve comprises foreign currency differences arising from the translation of the consolidated financial statements of foreign operations into the Group's presentation currency.

Dividends
On 27 July 2022, the Board of Directors approved an interim dividend amounting to USD 325 million (amounting to AED 1.2 billion or 3.97 fils per share) which was distributed during the fourth quarter of the year 2022 (note 11(b)).

15 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

The Group has a post-employment benefit plan that is awarded to employees in the United Arab Emirates. Under the plan, qualifying employees will receive gratuity benefits when they leave service. The employees are entitled to receive a lumpsum benefit based on their last drawn salaries taking into account the number of years of their service to the Group.

The defined benefit plan is unfunded. In the estimation of the defined benefit liability, the Group engaged an independent actuary to assess the defined benefit plan obligation. The defined benefit plan exposes the Group to actuarial risks such as mortality rates, interest rates, and expected retirement and termination rates.

The provision for employees' end of service benefit as of 31 December 2022 is as follows:

	2022
	USD'000
Defined benefit obligation – non-current	**93,926**

15 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS continued

Movement in defined benefit obligation
The following table shows a reconciliation from the opening balances to the closing balances for the net defined benefit liability and its components.

	2022 USD'000
Balance at incorporation	**-**
Balance arising on business combination	**110,234**
Included in the consolidated statement of profit or loss	
Current service cost	**5,337**
Interest cost	**370**
	5,707
Other	
Benefits paid	**(3,218)**
Remeasurement of provision–	
Actuarial gains – arising from experience	**(15)**
Actuarial gains – arising from financial assumptions	**(18,782)**
	(18,797)
Balance at 31 December	**93,926**

Actuarial assumptions
The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages).

	2022
Discount rate	**5.00%**
Salary escalation rate per annum	**4.00%**

Sensitivity analysis
Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	2022 USD '000	
	Increase	*Decrease*
Discount rate (1% movement)	**(6,415)**	5,506
Salary escalation rate per annum (1% movement)	**5,776**	(6,742)

16 BANK LOANS

	31 December 2022 USD'000
Commercial term facility	**3,650,000**
Islamic facility	**350,000**
Unamortized transaction costs	**4,000,000**
	(16,001)
	3,983,999

This represents external facilities from a consortium of banks amounting to USD 4,000 million with a maturity of 5 years, comprising a commercial term facility of USD 3,650 million and an Islamic facility of USD 350 million. The commercial term facility carries an interest rate of LIBOR + 0.90% margin per annum and the Islamic facility carries a profit margin amount. The repayment of the commercial term and Islamic finance facilities will be in full after 5 years. During the period, interest on this loan amounted to USD 91,741 thousand and transaction costs amortized amounted to USD 2,333 thousand. There was no repayment of the principle loan balance during the period, except for the settlement of the interest balances. There are no bank covenants or collateral maintained for the loans.

As at 31 December 2022, the Group has an undrawn revolving loan facility with First Abu Dhabi Bank amounting to USD 500 million, valid up to 5 years. The loan bears an interest rate at LIBOR plus margin per annum of 0.8%. Total commitment fee recognised during the period amounted to USD 594 thousand. There are no bank covenants or collateral maintained for this facility.

	31 December 2022 USD'000
Current liabilities	**-**
Non – current liabilities	**3,983,999**
	3,983,999

17 TRADE AND OTHER PAYABLES

	2022 USD'000
Trade accounts payable	**87,666**
Accrued expenses	**238,597**
Contract liabilities (note 18)	**33,044**
Other payables	**10,454**
	369,761

Trade and other payables are non-interest bearing and have an average credit period of 30 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

18 REVENUE

	Period from 28 April 2022 (inception) to 31 December 2022 USD'000
Sale of goods (net of commissions and rebates)	
Polyethylene	**2,245,241**
Polypropylene	**1,603,369**
Ethylene and others	**148,541**
	3,997,151
Timing of revenue recognition	
At a point in time	**3,997,151**
Revenue from contracts with customers	**3,997,151**

In terms of the timing of revenue recognition, revenue is recognised at a point in time, when the control of goods is transferred to the Customer. The Group does not render any installation or other services. There are no financing components on these contracts with customers. The performance obligation is satisfied upon delivery of the goods and payment is generally due within 90 days from delivery. Certain contracts for the sale of goods provide customers with a right of return. However, the sales returns are negligible as compared to the gross revenue for the sale of goods. Based on estimated expected returns, goods that are likely to be returned are expected to be very minimal. Considering that the sales returns of the Group are not significant, the Group has not recorded a refund liability and a right of return asset for anticipated sales returns as of 31 December 2022.

Geographical information
Revenue based on the geographical location of customers as follow:

	Period from 28 April 2022 (inception) to 31 December 2022 USD'000
Austria	**223,472**
Bangladesh	**92,566**
Egypt	**316,457**
India	**564,385**
Israel	**65,893**
Pakistan	**168,272**
People's Republic of China	**1,272,880**
Saudi Arabia	**74,948**
United Arab Emirates	**464,899**
Vietnam	**85,902**
Others	**667,477**
	3,997,151

18 REVENUE continued

Contract balances
Contract liabilities relate to advance consideration received from customers for sale of polyolefin products. The Group did not account for any significant financing component arising from these advances as the related performance obligations are completed within less than 12 months.

19 COST OF SALES

	Period from 28 April 2022 (inception) to 31 December 2022 USD'000
Cost of production and other related costs	**1,921,335**
Staff cost (note 20)	**190,576**
Depreciation on goods sold (note 5)	**240,605**
Amortisation on goods sold (note 6)	**8,461**
Depreciation on right-of-use assets (note 7(a))	**181**
Royalty expense (note 11(b))	**25,105**
	2,386,263

19.1 Royalty expense relates to fees charged by Borealis for the manufacturing of polyolefin products under the Borstar process license and process design agreement.

20 STAFF COST

	Period from 28 April 2022 (inception) to 31 December 2022 USD'000
Cost of sales (note 19)	**190,576**
General and administrative expenses (note 22)	**51,594**
Selling and distribution expenses (note 23)	**58,368**
	300,538

21 OTHER INCOME

Other income relates mainly to sale of scrap materials that took place during the period.

22 GENERAL AND ADMINISTRATIVE EXPENSES

	Period from 28 April 2022 (inception) to 31 December 2022 USD'000
Salaries and wages (note 20)	**51,594**
Maintenance cost	**14,064**
General service cost	**11,369**
Corporate service cost	**5,509**
Human capability cost	**4,581**
Depreciation of right-of-use assets (note 7(a))	**2,578**
Depreciation of property, plant and equipment (note 5)	**1,476**
Insurance and taxation	**1,450**
Travel cost	**506**
Amortisation of intangible assets (note 6)	**158**
Others	**19,298**
	112,583

23 SELLING AND DISTRIBUTION EXPENSES

	Period from 28 April 2022 (inception) to 31 December 2022 USD'000
Shipping cost	**214,912**
Storage cost	**126,670**
Salaries and wages (note 20)	**58,368**
General service cost	**2,548**
Travel cost	**1,884**
Depreciation of property, plant and equipment (note 5)	**3**
Amortisation of intangible assets (note 6)	**43**
Depreciation of right-of-use assets (note 7(a))	**104**
Others	**9,620**
	414,152

24 CONTINGENCY

As at 31 December 2022, the Group had contingent liabilities amounting to USD 153 thousand in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.

The Group is involved in various legal proceedings and claims arising in the ordinary course of business. While the outcome of these matters cannot be predicted with certainty, management does not believe that these matters will have a material adverse effect on the Group's unaudited condensed consolidated financial statements if concluded unfavorably.

25 SEGMENTAL ANALYSIS

The business activities of the Group are performed on an integrated basis. Therefore, any segmentation of operating income, expenses, assets and liabilities is not relevant and is not performed for internal management reporting purposes.

For internal management purpose, the Group is organized as one business unit based on the products and services and has only one reportable segment. The Group is managed as a single business unit and the financial performance is reported in the internal reporting provided to the Chief Operating Decision-maker ("CODM"). The Executive Committee, which is responsible for allocating resources and assessing performance of the operating segments, has been identified as the CODM that makes strategic decisions. The financial information reviewed by the CODM is based on the IFRS compliant financial information for the Group. The CODM monitors the operating results of its business unit separately for the purpose of making decisions about resource allocation and performance assessment.

The CODM regularly reviews the consolidated statement of profit or loss and other comprehensive income. The CODM function is to allocate resources to and assess the performance of the operating segments of the Group. Based on the review and assessment of the CODM, the Group has a single operating segment, which is 'Polyolefin Business'.

There are no other economic characteristics within the Group that will lead to determination of other operating segments. This analysis requires significant judgement as to the circumstances of the Group.

The Group does not have any operating segments that are aggregated. The CODM has considered the following criteria in determining the operating segments of the Group:

- the nature of products and services;
- the nature of the production processes;
- the type or class of customer for their products and services; and
- the methods used to distribute their products or provide their services;

Based on the criteria and evaluation above, the CODM has determined that the Group has only one operating segment, which is consistent with the internal reporting and performance measurement.

26 FINANCIAL RISK MANAGEMENT

Overview
The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework and is responsible for developing and monitoring the Group's risk management policies. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

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

- Credit risk
- Liquidity risk
- Market risk

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

i Credit risk

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

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Notes	***2022 USD'000***
Amounts due from related parties	11(d)	**196,368**
Loans to employees		**33,941**
Cash and cash equivalents	10	**1,143,840**
Trade receivables	9(a)	**890,339**
Prepayments and other receivables	9(b)	**38,643**

The Group's credit risk primarily relates to concentration of credit attributable to the amounts due from third parties. Management estimates that this concentration of credit risk is not significant, as exposure is ultimately spread over a large number of third party customers. All balances with banks represent commercial banks in the Middle East region. For banks, only reputable and independently rated parties with a sound rating are accepted.

The amount that best represents its maximum credit risk exposure at the reporting date, in the event counter parties fail to perform their obligations under financial instruments generally approximates their carrying value. Amounts due from related parties and certain other receivables and balances with banks are not secured by any collateral.

26 FINANCIAL RISK MANAGEMENT continued

ii Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and funds from shareholders. The Group's principal financial liabilities comprise amounts due to related parties, trade and other payables, lease liabilities and bank loans. The main purpose of these financial liabilities is to raise finance for the Group's operations and construction activity.

The shareholders of the Group and the facilities obtained from banks are the main source of funding for the Group and the liquidity risk for the Group is assessed to be low. The Group limits its liquidity risk by ensuring adequate cash from operations, bank facilities and funds from Shareholders are available.

At 31 December 2022, 18.8% of the Group's financial liabilities will mature in less than one year based on the carrying value of borrowings reflected in the consolidated financial statements. The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2022 based on undiscounted payments and current market interest rates:

	Notes	*Carrying value USD '000*	*Contractual cash flows USD '000*	*One year or less USD '000*	*More than one year USD '000*
31 December 2022					
Amounts due to related parties	11(c)	**681,062**	**(681,062)**	**(613,621)**	**(67,441)**
Lease liability	7(c)	**163,378**	**(297,086)**	**(5,568)**	**(291,518)**
Bank loan including interest	16	**3,983,999**	**(4,831,345)**	**(214,912)**	**(4,616,433)**
Trade and other payables	17	**87,666**	**(87,666)**	**(87,666)**	**-**
		4,916,105	**(5,897,159)**	**(921,767)**	**(4,975,392)**

iii Market risk

Market price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Market prices comprise the following types of risk:

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to risk of changes in foreign exchange rates relates primarily to the operating activities and assets and liabilities denominated in a different currency from the functional currencies.

The Group undertakes certain transactions denominated in foreign currencies. Thus, exposures to exchange rate fluctuations arise.

26 FINANCIAL RISK MANAGEMENT continued

iii Market risk continued

Foreign currency risk continued
The following table demonstrates the sensitivity to a reasonably possible change of 5% increase in exchange rates for the Japanese Yen, Chinese Yuan Renminbi, Euro, Singaporean Dollar and Swiss Frank over the United States Dollar, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities). A 5% decrease in exchange rates will have the same opposite effect. The Group's exposure to foreign currency changes for all other currencies is not material.

	2022 USD'000
5% increase in exchange rates - impact on profit or loss	
Japanese Yen	**(19)**
Chinese Yuan Renminbi	**149**
Euro	**120**
Singaporean Dollar	**(900)**
Swiss Frank	**(52)**
	(702)

Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank loan drawdown.

The sensitivity of the relevant profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 December 2022.

The interest rate profile of the Group's interest bearing financial instruments is as follows:

	2022 USD'000
Increase of 0.5%	**(19,920)**
Decrease of 0.5%	**19,920**

iv Capital risk management

The primary objective of the Group's capital management is to achieve strong credit metrics and healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. There are no regulatory imposed requirements on the level of share capital which the Group has not met.

26 FINANCIAL RISK MANAGEMENT continued

iv Capital risk management continued

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, trade and other payables, amounts due to related parties, lease liabilities and income tax payable less cash and cash equivalents. Capital includes total equity.

	Notes	***2022 USD'000***
Trade and other payables	17	**369,761**
Amounts due to related parties	11(c)	**681,062**
Bank loans	16	**3,983,999**
Lease liabilities	7(c)	**163,378**
Income tax payable		**40,267**
Less: cash and cash equivalents		**(1,143,840)**
Total debt net of cash and cash equivalents		**4,094,627**
Total equity		**4,869,600**
Equity and total debt net of cash and cash equivalents		**8,964,227**
Gearing ratio		**0.46**

Changes in liabilities arising from financing activities

	At inception USD'000	***Balance arising on business combination USD'000***	***Cash outflows USD'000***	***Proceeds USD'000***	***31 December 2022 USD'000***
Bank loan	**-**	**3,983,999**	**-**	**-**	**3,983,999**
Total liabilities from financing activities	**-**	**3,983,999**	**-**	**-**	**3,983,999**

27 CAPITAL COMMITMENTS

The Group has authorised and committed estimated future expenditure amounting to USD 75,581 thousand.

28 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the profit attributable to shareholders of the Group by the weighted average number of share outstanding during the period as follows:

	Period from 28 April 2022 (inception) to 31 December 2022
Profit attributable to owners of the Company (USD '000)	**724,345**
Weighted average number of shares in issue	**30,057,691,583**
Earnings per share (USD)	**0.02**

There are no dilutive securities therefore diluted EPS is the same as basic EPS.

29 COVID-19 IMPACT

Given the strong pro-active Health and Safely Environment ("HSE") approach at production sites and plants combined with a diversified product portfolio that the Group produces, the management is not aware of any material uncertainties related to events or conditions that may cast significant risk on the Group or its operations and does not anticipate a future material impact of the Covid-19 outbreak on the Group's consolidated financial statements at this stage.

30 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Management considers that the carrying amounts of financial assets and liabilities approximate their fair values.

31 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 1 February 2023.