METHANOL CHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023

Building a better working world

Ernst & Young Professional Services (Professional LLC)
Paid-up capital (SR 5,500,000 – Five million five hundred thousand Saudi Riyal)
Adeer Tower, 15th Floor
Prince Turki Bin Abdulaziz Street, Al Khobar Corniche
P.O. Box 3795
Al Khobar 31952
Kingdom of Saudi Arabia
Head Office – Riyadh

Registration No. 45/11/323
C.R. No. 2051058792

Tel: +966 13 840 4600
Fax: +966 13 882 0087

ey.ksa@sa.ey.com
ey.com/mena

Independent Auditor's Report
To the Shareholders of Methanol Chemicals Company
(A Saudi Joint Stock Company)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Methanol Chemicals Company ("the Company"), a Saudi Joint Stock Company, which comprise the statement of financial position as at 31 December 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), that is endorsed in the Kingdom of Saudi Arabia, that is relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with that 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming auditor's 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 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 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 financial statements.

Independent Auditor's Report
To the Shareholders of Methanol Chemicals Company (continued)
(A Saudi Joint Stock Company)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Revenue recognition	
Key audit matter	How our audit addressed the key audit matter
During the year ended 31 December 2023, the Company has recognized revenue of SR 727.9 million (2022: SR 1,076.8 million). The Company recognises the revenue when the control of the products sold, transferred to the customers, which shall be considered in the context of five-step approach under IFRS 15 and applying the applicable pricing terms. The Company focuses on revenue as a key performance measure, which could create an incentive for misstatement of revenue. Based on above factors and materiality of the amounts involved, we have considered revenue recognition as a key audit matter. Refer to notes 3, and 7 of the accompanying financial statements for the accounting policy and other related information relating to the revenue recognition.	We performed the following procedures: - Reviewed the revenue recognition policy of the Company to ensure its compliance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia. - Discussed the overall policies and procedures and assessed the Company's internal controls over the recognition of revenue. - Inspected sample of contracts to validate that revenue recognition was in accordance with the contract terms with the customers and the Company's revenue recognition policies. - Performed test of details and inspected invoices on sample basis to ensure that revenue have been accurately recorded and at the correct price and period. - Tested transaction of sales pre and post year end, to ensure revenue were recognized in the correct accounting period. - Assessed the adequacy of the related disclosures in the accompanying financial statements.

Independent Auditor's Report
To the Shareholders of Methanol Chemicals Company (continued)
(A Saudi Joint Stock Company)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Impairment assessment of property, plant and equipment and right-of-use assets	
Key audit matter	How our audit addressed the key audit matter
As at 31 December 2023, the Company has net carrying amount of property, plant and equipment and right-of-use assets amounting to SR 1,028.9 million and 15.6 million, respectively (2022:SR 1,149.2 million and 17.4 million) which includes impairment amounting to 417.2 million for property, plant and equipment and 5 million for right-of-use assets. The Company identifies cash-generating units (CGUs) for such non-current assets at the lowest levels for which there are separately identifiable cash inflows. The carrying values of these CGUs are reviewed at each reporting period by management to assess whether there are indicators of impairment and, wherever indicators of impairment exist, an impairment assessment is performed in determining that if the recoverable amount, being the higher of fair value less costs to sell, exceeds its carrying value. For such purpose management has estimated the value-in-use of the such non-current assets related to the Company's CGUs based on the business plans as approved by the Company's Board of Directors which reflect the management's view of the external market conditions and certain key internal variables.	We performed the following procedures: - Reviewed the appropriateness of management's identification of the Company's CGUs. - Reviewed the management's procedures in identifying impairment indicators of property, plant and equipment. - Obtained the management's impairment calculations and related key assumptions including revenue forecasts, basis of selection of growth rates and discount rate. - Assessed the appropriateness of the valuation methodology used by the management and evaluated the reasonableness of management's assumptions used in the value-in-use workings to determine the recoverable amounts of non-current assets related to the Company's CGUs. This included: i. Performed a test, on sample basis, accuracy of the input data used by management to estimate the value-in-use based on discounted cash flow models;

Independent Auditor's Report
To the Shareholders of Methanol Chemicals Company (continued)
(A Saudi Joint Stock Company)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Impairment assessment of property, plant and equipment and right-of-use assets	
Key audit matter	How our audit addressed the key audit matter
For the purpose of the financial statements for the year ended 31 December 2023, management assessed recent development of the industry, forecasted demand and pricing of the Company's products as well as market volatility driven from input cost of raw material as impairment indicators and, accordingly, performed detailed impairment assessments for all the Company's CGUs. Based on the assessment performed, the Management has concluded that the recoverable amounts of non-currents assets of certain of the Company's CGUs were lower than their carrying amounts, and accordingly, recorded an impairment loss of SR 72 million for the year ended 31 December 2023 (2022: nil). *Refer to notes 5 and 13 of the accompanying financial statements for the accounting policy and other related information relating to the impairment of non-current assets.*	ii. Performed a test on the reasonableness of discount and growth rates used in such discounted cash flow models. Our internal valuation specialists were involved to assess the reasonableness of the discount rate used; iii. Performing sensitivity analyses over key assumptions in the discounted cash flow models in order to assess the potential impact of a range of possible outcomes. - Assessed the adequacy of the related disclosures in the accompanying financial statements.

Building a better
working world

Independent Auditor's Report
To the Shareholders of Methanol Chemicals Company (continued)
(A Saudi Joint Stock Company)

Report on the Audit of the Financial Statements (continued)

Other information included in the Company's 2023 Annual Report

Other information consists of the information included in the Company's 2023 annual report, other than the financial statements and our auditors' report thereon. Management is responsible for the other information in its annual report. The Company's 2023 annual report is expected to be made available to us after the date of this auditors' report.

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

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

When we read the Company's 2023 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

Those charged with governance is responsible for overseeing the Company's financial reporting process.

Independent Auditor's Report
To the Shareholders of Methanol Chemicals Company (continued)
(A Saudi Joint Stock Company)

Report on the Audit of the Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

Independent Auditor's Report
To the Shareholders of Methanol Chemicals Company (continued)
(A Saudi Joint Stock Company)

Report on the Audit of the Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

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

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

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

for Ernst & Young Professional Services

Marwan S. AlAfaliq
Certified Public Accountant
License No. 422

K20
EY
CR 2051058792
Ernst & Young Professional Services
(Professional LLC)

Al Khobar: 14 Ramadhan 1445H
24 March 2024

(All amounts in Saudi Riyals unless otherwise stated)

	Note	2023	2022
Revenue	7	**727,967,409**	1,076,824,269
Cost of sales	8	**(646,581,705)**	(664,629,817)
Impairment losses	13,14	**(72,000,000)**	-
GROSS PROFIT		**9,385,704**	412,194,452
Selling and distribution expenses	9	**(80,996,773)**	(106,249,352)
General and administrative expenses	10	**(73,458,537)**	(54,795,420)
Other operating expenses, net	11	**(1,139,350)**	(6,759,711)
OPERATING (LOSS)/PROFIT		**(146,208,956)**	244,389,969
Finance costs	12	**(27,920,786)**	(34,538,081)
Finance income		**9,003,545**	4,535,026
Finance costs, net		**(18,917,241)**	(30,003,055)
(LOSS)/PROFIT BEFORE ZAKAT		**(165,126,197)**	214,386,914
Zakat expense	29	**(12,674,270)**	(7,958,415)
NET (LOSS) / PROFIT FOR THE YEAR		**(177,800,467)**	206,428,499
Other comprehensive loss			
Items not to be reclassified to profit or loss in subsequent periods:			
Re-measurements loss on employee benefit obligations	25	**(3,256,989)**	(3,354,020)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		**(181,057,456)**	203,074,479
Earnings per share:			
Basic and diluted earnings per share	33	**(2.64)**	3.06

The accompanying financial statements were authorised for issue by the Company's Board of Directors on 17 March 2024 and were signed on their behalf by:

Syed Sohaib Ahsan Chief Financial Officer	Sabri Abdullah Al-Ghamdi Managing Director and CEO	Ali Abdul Aziz Al-Turki Chairman

The attached notes 1 to 35 form an integral part of these financial statements.

(All amounts in Saudi Riyals unless otherwise stated)

	Note	2023	2022
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	13	**1,028,951,732**	1,149,218,441
Right-of-use assets	14	**15,603,950**	17,405,174
Intangible assets	15	**7,088,450**	8,921,313
TOTAL NON-CURRENT ASSETS		**1,051,644,132**	1,175,544,928
CURRENT ASSETS			
Inventories	16	**103,945,864**	150,707,641
Trade receivables	17	**151,418,736**	220,526,585
Prepayments and other current assets	18	**92,834,555**	99,063,031
Advances against acquisitions	19	**6,310,000**	-
Short-term deposits	20	**126,400,000**	-
Cash and cash equivalents	21	**116,384,563**	150,233,163
TOTAL CURRENT ASSETS		**597,293,718**	620,530,420
TOTAL ASSETS		**1,648,937,850**	1,796,075,348
EQUITY AND LIABILITIES			
EQUITY			
Share capital	22	**674,508,630**	674,508,630
Share premium		**72,850,071**	72,850,071
Statutory reserve	23	**89,161,988**	89,161,988
Retained earnings		**204,037,799**	385,095,255
TOTAL EQUITY		**1,040,558,488**	1,221,615,944
LIABILITIES			
NON-CURRENT LIABILITIES			
Long-term borrowings	24	**320,585,633**	351,332,648
Lease liabilities	14	**20,071,605**	21,075,385
Employee benefit obligations	25	**68,470,623**	59,366,680
TOTAL NON-CURRENT LIABILITIES		**409,127,861**	431,774,713
CURRENT LIABILITIES			
Current portion of long-term borrowings	24	**30,993,415**	387,845
Trade payables	26	**54,508,779**	30,823,717
Accruals and other current liabilities	27	**89,779,153**	94,534,666
Current portion of lease liabilities	14	**1,271,898**	1,204,278
Zakat payable	29	**22,698,256**	15,734,185
TOTAL CURRENT LIABILITIES		**199,251,501**	142,684,691
TOTAL LIABILITIES		**608,379,362**	574,459,404
TOTAL EQUITY AND LIABILITIES		**1,648,937,850**	1,796,075,348

The accompanying financial statements were authorised for issue by the Company's Board of Directors on 17 March 2024 and were signed on their behalf by:

Syed Sohaib Ahsan Chief Financial Officer	Sabri Abdullah Al-Ghamdi Managing Director and CEO	Ali Abdul Aziz Al-Turki Chairman

The attached notes 1 to 35 form an integral part of these financial statements.

(All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Share premium	Statutory Reserve	Retained earnings	Total
At 1 January 2022	674,508,630	72,850,071	68,519,138	202,663,626	1,018,541,465
Profit for the year	-	-	-	206,428,499	206,428,499
Other comprehensive loss for the year	-	-	-	(3,354,020)	(3,354,020)
Total comprehensive income for the year	-	-	-	203,074,479	203,074,479
Transfer to statutory reserve	-	-	20,642,850	(20,642,850)	-
At 31 December 2022	674,508,630	72,850,071	89,161,988	385,095,255	1,221,615,944
Loss for the year	**-**	**-**	**-**	**(177,800,467)**	**(177,800,467)**
Other comprehensive loss for the year	**-**	**-**	**-**	**(3,256,989)**	**(3,256,989)**
Total comprehensive loss for the year	**-**	**-**	**-**	**(181,057,456)**	**(181,057,456)**
At 31 December 2023	**674,508,630**	**72,850,071**	**89,161,988**	**204,037,799**	**1,040,558,488**

The accompanying financial statements were authorised for issue by the Company's Board of Directors on 17 March 2024 and were signed on their behalf by:

Syed Sohaib Ahsan Chief Financial Officer	Sabri Abdullah Al-Ghamdi Managing Director and CEO	Ali Abdul Aziz Al-Turki Chairman

METHANOL CHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in Saudi Riyals unless otherwise stated)

كيمانول
CHEMANOL
شركة كيمائيات الميثانول
METHANOL CHEMICALS COMPANY

	Note	2023	2022
OPERATING ACTIVITIES			
(Loss)/Profit before zakat		**(165,126,197)**	214,386,914
Adjustments to reconcile profit before zakat to net cash flows:			
Depreciation on property, plant and equipment	13	**106,418,507**	107,830,233
Impairment losses on property, plant and equipment	13	**71,546,063**	-
Loss on disposal of property, plant and equipment	11	**1,118,014**	136,036
Loss on disposal of construction work in progress	13	**761,160**	-
Depreciation right-of-use assets	14	**1,347,286**	1,347,286
Impairment losses on right-of-use assets	14	**453,937**	-
Amortization of intangibles	15	**1,949,113**	1,778,053
Finance costs	12	**27,920,786**	34,538,081
Finance income		**(9,003,545)**	(4,535,026)
Provision for slow-moving inventories	16	**6,969,697**	1,950,243
Allowance for expected credit losses, net	10	**2,648,219**	3,837,258
Provision for employee benefit obligations	25	**8,675,873**	7,273,155
		55,678,913	368,542,233
Changes in operating assets and liabilities:			
Decrease/(increase) in inventories		**39,792,080**	(42,031,463)
Decrease in trade receivables		**66,459,630**	72,693,740
Decrease/(increase) in prepayments and other current assets		**6,228,476**	(40,213,113)
Increase/(decrease) in trade payables		**23,685,062**	(1,427,630)
(Decrease)/increase in accruals and other current liabilities		**(5,133,962)**	7,929,650
Cash generated from operations		**186,710,199**	365,493,417
Finance costs paid on long-term borrowings	24	**(26,884,313)**	(30,396,171)
Zakat paid during the year	29	**(5,710,199)**	(12,500,082)
Employee benefit obligations paid	25	**(2,450,470)**	(6,349,907)
Net cash flows from operating activities		**151,665,217**	316,247,257
INVESTING ACTIVITIES			
Short-term deposits		**(126,400,000)**	109,000,000
Advances against acquisitions	19	**(6,310,000)**	-
Additions to property, plant and equipment	13	**(59,623,909)**	(38,756,004)
Additions to intangible assets	15	**(69,375)**	(1,215,218)
Finance income received on short-term deposits		**9,003,545**	4,663,508
Net cash flows (used in)/ from investing activities		**(183,399,739)**	73,692,286
FINANCING ACTIVITIES			
Repayments of long-term borrowings	24	**-**	(672,720,080)
Refinancing facility, new long-term borrowings	24	**-**	455,000,000
Repayments of long-term borrowings from refinancing facility	24	**-**	(98,665,567)
Repayment of lease liabilities	14	**(2,114,080)**	(3,559,790)
Net cash flows used in financing activities		**(2,114,080)**	(319,945,437)
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		**(33,848,600)**	69,994,106
Cash and cash equivalents at beginning of the year		**150,233,163**	80,239,057
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	21	**116,384,563**	150,233,163
SIGNIFICANT NON-CASH TRANSACTIONS:			
Transfer from CWIP to intangibles	15	**49,875**	-
Employee's benefit obligations transferred to other payables	25	**378,449**	-

The accompanying financial statements were authorised for issue by the Company's Board of Directors on 17 March 2024 and were signed on their behalf by:

Syed Sohaib Ahsan Chief Financial Officer	Sabri Abdullah Al-Ghamdi Managing Director and CEO	Ali Abdul Aziz Al-Turki Chairman

The attached notes 1 to 35 form an integral part of these financial statements

1. CORPORATE INFORMATION

Methanol Chemicals Company (the "Company" or "Chemanol") is engaged in the production of Formaldehyde liquid and Urea Formaldehyde liquid or their mixture with different concentrations, Paraformaldehyde, liquid and powder Formaldehyde resins, Hexane Methylene Tetramine, Phenol Formaldehyde resins, concrete improvers, Methanol, Carbon monoxide, Di-methylamine, Mono-methylamine, Tri-mon-methylamine, Di-methyl Formamide, Di-methyl carbon, Penta Aritheretol, Sodium Formate and Acetaldehyde.

The Company is a joint stock company registered in the Kingdom of Saudi Arabia and operating under Commercial Registration (CR) number 2055001870 issued in Jubail on 28 Dhu al-Hijjah 1409H (1 August 1989). The financial statements include the accounts of the Company and its branch registered in Riyadh under CR No. 2050057828 dated 30 Dhu al-Hijjah 1428H (9 January 2008). The registered address of the Company is P.O. Box 2101, Jubail 31951, Kingdom of Saudi Arabia.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

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

These financial statements are prepared using historical cost convention expect as otherwise disclosed in the accounting policies below.

These financial statements are presented in Saudi Riyals which is also the functional currency of the Company. All values are in Saudi Riyals, except when otherwise indicated.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of financial statements of the Company are set out below. These policies have been consistently applied to all the years presented, except as disclosed in note 4.

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

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting 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 Company classifies all other liabilities as non-current.

Fair value measurement
The Company measures financial instruments and non-financial assets at fair value at each reporting date.

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

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

- 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 Company.

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At each reporting date, the Company analyses the movements in the values of assets and liabilities, which are required to be remeasured or re-assessed as per the Company's accounting policies. For this analysis, the Company verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Company also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

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

Revenue recognition
Sale of goods
The Company recognises revenue when control of the products sold, transfers to the customer, which shall be considered in the context of a five-step approach and applying the applicable pricing terms.

Revenue from sale of goods is measured at the fair value of the consideration received or receivable in the ordinary course of the Company's activities. The Company recognises revenue when control of the goods has transferred, being when the products are delivered to the customer, the customer has full discretion over the use or sale of such goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been shipped to the specific location as per the terms of the contract, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Variable pricing – preliminary pricing
Certain products in certain markets may be sold with variable pricing arrangements. Such arrangements determine that a preliminary price is charged to the customer at the time of transfer of control of the products while the final price for the products can only be determined by reference to a time period ending after that time. In such cases, and irrespective of the formula used for determining preliminary and final prices, revenue is recorded at the time of transfer of control of the products at an amount representing the expected final amount of consideration that the Company receives.

Where the Company records an 'trade receivable' for the preliminary price, subsequent changes in the estimated final price shall not be recorded as revenue until such point in time at which the actual final price is determined (as long as these changes result from changes in the market price/market price index of the products). They may however be considered in subsequent re-measurement as a financial asset at fair value. Such re-measurement may be recorded as a separate revenue.

All other updates to the preliminary price is recorded against revenue with the additional receivable amount recorded under a contract asset or contract liability. Such contract asset or liability is derecognised against trade receivable at the point in time at which the actual final price is determined.

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

Earnings on murabaha deposits are recognised on an accrual basis.

Expenses
Costs of sales
All expenses are recognised on an accrual basis. All operational expenses directly relating to the product sold are classified as cost of sales. All other remaining expenses are either presented as general and administrative expenses or selling and distribution expenses.

General and administrative expenses
These pertain to operation expenses which are not directly related to the product sold. These also include allocations of general overheads which are not specifically attributed to cost of product sold.

Selling and distribution expenses
These pertain to operation expenses which are directly relating to the selling and distribution activities such as freight cost, sales commission, sales employee related expenses, etc.

Allocation of overheads between cost of sales, general and administrative and selling and distribution expenses, where required, is made on factors determined by the management and applied on a consistent basis.

Zakat and tax
Zakat
Zakat is provided in accordance with the Regulations of the Zakat, Tax and Customs Authority ("the ZATCA") in the Kingdom of Saudi Arabia. Zakat provision is charged to the statement of profit or loss. Additional zakat, if any, is accounted for when determined to be required for payment.

Withholding tax
The Company withholds taxes on certain transactions with non-resident parties in the KSA, as required under Saudi Arabian Income Tax Law.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Zakat and tax (continued)

Value added tax
Expenses and assets are recognised net of the amount of value added tax, except:

- When the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax 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 value added tax included. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Foreign currencies
Functional and presentation currency
Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (“functional currency"). The financial statements are presented in "Saudi Riyals", which is the Company's presentation as well as functional currency.

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

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.

Cash dividend and non-cash distribution to equity holders of the Company
The Company recognises a liability to make cash or non-cash distributions to equity holders of the Company when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws in the KSA, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

Segment reporting
An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company’s other components, and which are reviewed by the Chief Operating Decision Maker of the Company.

The Board of Directors of the Company have appointed a Managing Director, who assesses the financial performance and position of the Company and makes strategic decisions. Managing Director has been identified as being the Chief Operating Decision Maker.

The financial statements are prepared on the basis of a single reporting segment consistent with the information reviewed by the Chief Operating Decision Maker of the Company.

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

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

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Property, plant and equipment
Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such costs include expenditure that is directly attributable to acquisition of the assets and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognizes and depreciates them separately based on its specific useful lives. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the statement of profit or loss and other comprehensive income as incurred.

Major spare parts and stand-by equipment qualify for recognition as property, plant and equipment when the Company expects their useful life to be more than one year. Catalysts are treated as capital spares and are depreciated as and when put into use.

Depreciation is calculated from the date the item of property, plant and equipment are available for intended use or in respect of self-constructed assets, from the date such assets are completed and ready for the intended use.

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

Buildings and leasehold improvements	5 to 33 years
Plant, machinery and equipment	3 to 35 years
Furniture, fixture and office equipment	3 to 10 years
Vehicles	4 years

Planned turnaround costs are deferred and depreciated over the period until the date of the next planned turnaround. Should an unexpected turnaround occur prior to the previously envisaged date of planned turnaround, the previously undepreciated costs are immediately expensed, and the new turnaround costs are depreciated over the period until the date of the next planned turnaround.

The assets’ residual values, useful lives and methods of depreciation are reviewed, and adjusted prospectively in case of a significant change in the assets technological capabilities or estimated planned use, at each financial year-end.

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

Leases
At the inception of the contract the Company assesses whether a contract is or contains a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of twelve months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

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

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Leases (continued)

Company as a lessee (continued)

Lease liabilities
The lease liability is initially measured at the net present value of the lease payments payable at the commencement date of the lease. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is the case for the Company's leases, 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, security and conditions.

To determine the incremental borrowing rate, the Company:
- where possible, uses recent third-party quotations which are adjusted to reflect changes in financing conditions since such quotations were received; and
- makes adjustments specific to the lease, for example lease term, country, currency and security.

Lease liabilities include the net present value of the following lease payments:
- fixed lease payments, less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable by the Company under residual value guarantees;
- the exercise price of purchase options, if the Company is reasonably certain to exercise the options;
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease and;
- lease payments to be made under reasonably certain extension options.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect lease payments made.

The Company re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:
- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

Right-of-use assets
The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement of the lease and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses, if any, and adjusted for remeasurement of lease liabilities.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37 "Provisions, contingent liabilities and contingent assets". The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of the lease term or the economic useful life of the underlying asset. If a lease transfers ownership of the underlying asset to the Company or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the date when the asset is ready for use. Shorter of the lease term or the estimated useful lives of the assets for the computation of the depreciation as follows:

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Leases (continued)

Company as a lessee (continued)

Right-of-use assets (continued)

Land	17 to 24 years
Warehouses and storage tanks	3 to 7 years

The Company applies IAS 36 "Impairment of Assets" to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Variable lease payments
If leases contain variable payments that are linked to the usage / performance of the leased asset. Such payments are recognised in statement of profit or loss and comprehensive income.

Significant judgement in determining the lease term of contracts with renewal options
The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has the option, under some of its leases to renew the leases at the end of lease term. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any. The useful lives of intangible assets are assessed to be finite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each annual reporting period. Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives which are between 4 to 20 years.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

The amortisation expense on intangible assets with finite lives is charged to profit or loss in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the disposal proceeds and carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

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

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

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

Intangible assets with indefinite useful lives are tested for impairment annually at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get 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. Other borrowing costs are charged to profit or loss in the period in which they are incurred.

Financial instruments – Initial recognition and subsequent measurement

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

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments – Initial recognition and subsequent measurement (continued)

Financial assets
Initial recognition and measurement
Financial assets are classified, at initial recognition, at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

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 Company'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.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon
- derecognition (equity instruments)
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)
This category is most relevant to the Company. Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Company's financial assets at amortised cost principally includes trade receivables.

Financial assets at fair value through OCI (debt instruments)
For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments – Initial recognition and subsequent measurement (continued)

Financial assets (continued)

Subsequent measurement (continued)
Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. No assets under this category at reporting date.

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

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass- through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

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

For trade receivables, the Company applies the simplified approach as permitted by IFRS 9, which requires expected lifetime losses to be recognised from the initial recognition of the related financial assets. The amount of loss is charged to profit or loss.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments – Initial recognition and subsequent measurement (continued)

Financial assets (continued)

Impairment of financial assets (continued)
The loss rates are based on probability of default based on historical trends relating to collections of Company's trade receivables. The loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the expected weighted average rate of increase in inflation for the upcoming year in the regions where its sales are concentrated as the most relevant factor and accordingly, adjusts the loss rates based on such expected changes.

Trade receivables are written-off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, significant decrease in credit worthiness of the customer, the failure of the customer to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 365 days past due.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in profit or loss.

While cash and cash equivalents and other receivables are also subject to impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, 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 borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade payables, accruals, other current liabilities, lease liabilitiies and borrowings.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

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

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments – Initial recognition and subsequent measurement (continued)

Financial liabilities (continued)

Financial liabilities at amortised cost (Borrowings)
This is the category most relevant to the Company. After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the effective internal rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective internal rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective internal rate. The effective internal rate amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing borrowings.

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

Offsetting financial assets and liabilities
Financial assets and liabilities are offset and net amounts are reported in the financial statements, when the Company has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the assets and liabilities simultaneously.

Inventories
Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

Raw materials, consumables and spare parts: purchase cost on weighted average basis.

Finished goods: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Provision for slow-moving inventories are made considering various factors including age of the inventory items, historic usage and expected utilization in future.

Provision for inventory obsolescence
When inventories become old or obsolete, an estimate is made for their net realisable value. For individually significant amounts, this amount is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively, and an allowance applied according to the inventory type and degree of ageing or obsolescence.

Trade receivables
Trade receivables are carried at the transaction price related to a performance obligation less allowance for expected credit losses on trade receivables. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. The Company holds trade receivables with the objective to collect the contractual cash flows and therefore measures them at amortised cost using effective interest rate method.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

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

Cash and cash equivalents
Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above. Bank overdrafts, if any, are shown within borrowings under current liabilities in the statement of financial position.

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

Statutory reserve
In accordance with the Saudi Arabian Regulations for Companies, the Company must set aside 10% of its income for the year after deducting losses brought forward in each year until it has built up a reserve equal to 30% of the capital. The Company may resolve to discontinue such transfers when the reserve totals 30% of the capital. The reserve is not available for distribution.

Employee benefit obligations
Employees' defined benefit plan
The Company operates a single post-employment benefit scheme of defined benefit plan driven by the labour laws and workman laws of the Kingdom of Saudi Arabia which is based on most recent salary and number of service years.

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

Current and past service costs related to post-employment benefits and unwinding of the liability at discount rates used are charged to profit or loss.

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

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

Short-term obligations
Liabilities for wages and salaries, including non-monetary benefits and accumulating leaves, air fare and other allowances that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefits in accruals and other current liabilities.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Contingencies

Contingent liabilities are not recognised in the statement of financial position. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Liabilities which are probable are recorded in statement of financial position under accounts payable and accruals. A contingent asset is not recognised in the statement of financial position but disclosed when an inflow of economic benefits is probable.

4. CHANGES IN MATERIAL ACCOUNTING POLICES

New and amended standards and interpretations

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach).
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

The new standard had no impact on the Company’s financial statements

Definition of Accounting Estimates – Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Company’s financial statements.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Company’s disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Company’s financial statements.

4. CHANGES IN MATERIAL ACCOUNTING POLICES (continued)

New and amended standards and interpretations (continued)

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities. The amendments had no impact on the Company's consolidated financial statements.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements in conformity IFRS as endorsed in the Kingdom of Saudi Arabia requires management to make judgements estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Impairment of property, plant and equipment
Management tests assets or CGUs for impairment whenever impairment indicators exist. Among others, the events or changes in circumstances which could indicate that an asset or CGUs may be impaired mainly include the following:

- A significant decrease in the market prices of Company's products;
- A significant change in the extent or manner in which an asset is being used or in its physical condition including a significant decrease in current and projected sales volumes; and
- A current-period operating loss combined with a history and forecast of operating losses.

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 of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Future events could cause the estimates used in these value-in-use calculations to change adversely with a consequent effect on the future results of the Company.

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 anticipated selling prices.

Useful lives of property, plant and equipment and intangible assets
The management determines the estimated useful lives of its property, plant and equipment and intangible assets for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Provisions
By their nature, provisions are dependent upon estimates and assessments whether the criteria for recognition have been met, including estimates of the probability of cash outflows. Management's estimates related to provisions for environmental matters are based on the nature and seriousness of the contamination, as well as on the technology required for clean up. Provisions for litigation are based on an estimate of the costs, taking into account legal advice and other information presently available.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Provisions (continued)

Provisions for termination benefits and exit costs, if any, also involve management's judgement in estimating the expected cash outflows for severance payments and site closures or other exit costs. Provisions for uncertain liabilities involve management's best estimate of whether cash outflows are probable.

Provision for expected credit losses of trade receivables

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit).

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

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 Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables is disclosed in note 17.

Leases - Estimating the incremental borrowing rate

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

Determining the lease term of contracts with renewal and terminations options

The Company determines the lease term as non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Company has several lease contracts that include extension and termination clauses. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. The Company considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate the contract. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Valuation of defined benefit obligations

Employee terminal benefits represent obligations that will be settled in the future and require assumptions to project obligations and fair values. The accounting requires management to make further assumptions regarding variables such as discount rates, rate of compensation increases, mortality rates and employment turnover. Periodically, management of the Company consults with external actuaries regarding these assumptions. Changes in key assumptions can have a significant impact on the projected benefit obligations and/or periodic employee defined benefit costs incurred. Further details about employee benefit are provided in note 24.

6. NEW IFRS STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

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

STANDARDS ISSUED BUT NOT YET EFFECTIVE
The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback
In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted and that fact must be disclosed.

The amendments are not expected to have a material impact on the Company's financial statements.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current
In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7
In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted, but will need to be disclosed.

The amendments are not expected to have a material impact on the Company's financial statements.

(All amounts in Saudi Riyals unless otherwise stated)

7. REVENUE

The Company's entire revenue is generated from the sale of petrochemical products which is recognised at a point in time.

	2023	2022
Export sales	**588,287,396**	899,237,680
Local sales	**139,680,013**	177,586,589
	727,967,409	1,076,824,269

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

As per the contracts with the customers, there is no financing, non-cash consideration or consideration payable to customers involved in transaction price.

There were no significant returns, refunds and warranties provided by the Company on sale of its products. The contract liability balance only relates to advances from customers as at 31 December 2023 and 2022.

Revenue recognised, during the year, that was included in the contract liability at the beginning of the year ended 31 December 2023 amounted to Saudi Riyals 4.1 million (2022: Saudi Riyals 7.5 million).

8. COST OF SALES

	Note	**2023**	2022
Raw materials and consumables used		**378,060,624**	396,020,988
Salaries, wages and benefits		**131,076,548**	123,060,345
Depreciation on property, plant and equipment	13	**104,898,168**	106,681,729
Repairs and maintenance		**15,777,476**	23,226,508
Insurance		**12,006,034**	11,646,551
Depreciation on right-of-use assets	14	**1,347,286**	1,347,286
Amortisation	15	**688,213**	597,303
Others		**2,727,356**	2,049,107
		646,581,705	664,629,817

9. SELLING AND DISTRIBUTION EXPENSES

	Note	**2023**	2022
Freight cost		**56,778,457**	80,193,255
Salaries, wages and benefits		**10,418,146**	9,150,743
Custom charges		**8,108,488**	7,946,065
Sales commission		**2,454,176**	6,392,403
Trade insurance		**777,685**	1,141,344
Depreciation on property, plant and equipment	13	**63,226**	101,045
Others		**2,396,595**	1,324,497
		80,996,773	106,249,352

(All amounts in Saudi Riyals unless otherwise stated)

10. GENERAL AND ADMINISTRATIVE EXPENSES

	Note	**2023**	2022
Salaries, wages and benefits		**30,342,036**	23,699,040
Board of directors' remuneration	28	**11,374,496**	4,789,378
Information and technology consultancy services		**9,755,536**	8,541,330
Professional and legal fees*		**6,405,791**	5,263,986
Travel and airfares		**2,550,614**	237,904
Rent		**1,573,132**	400,743
Depreciation on property, plant and equipment	13	**1,457,113**	1,047,459
Amortisation	15	**1,260,900**	1,180,750
Repairs and maintenance		**1,222,719**	774,375
Allowance for expected credit losses, net		**1,421,711**	3,837,258
Others		**6,094,489**	5,023,197
		73,458,537	54,795,420

* Professional and legal fee includes fee for audit and other non-audit services amounting to SR 515K (2022: SR 496K).

11. OTHER OPERATING EXPENSES, NET

	2023	2022
Bank charges	**3,169,063**	3,882,827
Loss on disposal of property, plant and equipment	**1,118,014**	136,036
Scrap sales	**(3,092,359)**	(443,189)
Others, net	**(55,368)**	3,184,037
	1,139,350	6,759,711

12. FINANCE COSTS

	Note	**2023**	2022
Finance costs on borrowings	24	**26,742,868**	22,430,051
Amortisation of transaction costs	24	**-**	10,832,712
Finance costs on lease liabilities	14	**1,177,918**	1,241,943
Others		**-**	33,375
		27,920,786	34,538,081

(All amounts in Saudi Riyals unless otherwise stated)

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings and leasehold improvements	**Plant, machinery and equipment**	**Furniture, fixtures and office equipment**	**Planned turnaround costs**	**Vehicles**	**Construction-in-progress**	**Total**
Cost							
At 1 January 2023	358,738,639	2,774,070,218	28,982,560	67,453,113	2,967,860	33,176,447	3,265,388,837
Additions during the year	140,632	39,296,482	718,285	(6,970)	670,000	18,805,480	59,623,909
Transfers	709,548	11,678,720	563,304	(860)		(12,950,712)	-
Transfer to intangible assets (note 15)	-	-	-	-	-	(46,875)	(46,875)
Disposals	(138,431)	(18,936,635)	(9,437,816)	-	(320,000)	(761,160)	(29,594,042)
At 31 December 2023	**359,450,388**	**2,806,108,785**	**20,826,333**	**67,445,283**	**3,317,860**	**38,223,180**	**3,295,371,829**
Accumulated depreciation and impairment							
At 1 January 2023	(183,697,747)	(1,848,343,895)	(26,950,204)	(54,426,568)	(2,751,982)	-	(2,116,170,396)
Charge for the year	(9,043,955)	(88,656,436)	(859,890)	(7,631,851)	(226,375)	-	(106,418,507)
Related to disposals	103,430	17,853,864	9,437,574	-	320,000	-	27,714,868
Impairment	(8,988,302)	(62,557,760)	-	-	-	-	(71,546,062)
At 31 December 2023	**(201,626,574)**	**(1,981,704,227)**	**(18,372,520)**	**(62,058,419)**	**(2,658,357)**	**-**	**(2,266,420,097)**
Net book value							
As at 31 December 2023	**157,823,814**	**824,404,558**	**2,453,813**	**5,386,864**	**659,503**	**38,223,180**	**1,028,951,732**

Depreciation charge has been allocated as follows:

	2023	2022
Cost of sales (note 8)	**104,898,168**	106,681,729
Selling and distribution expenses (note 9)	**63,226**	101,045
General and administration expenses (note 10)	**1,457,113**	1,047,459
	106,418,507	107,830,233

(All amounts in Saudi Riyals unless otherwise stated)

13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings and leasehold improvements	Plant, machinery and equipment	Furniture, fixtures and office equipment	Planned turnaround costs	Vehicles	Construction-in-progress	Total
Cost							
At 1 January 2022	358,488,639	2,759,171,073	28,590,678	60,460,947	3,220,360	17,482,118	3,227,413,815
Additions during the year	250,000	10,032,434	627,643	6,992,166	235,500	20,618,261	38,756,004
Transfers	-	4,866,711	57,221	-	-	(4,923,932)	-
Disposals	-	-	(292,982)	-	(488,000)	-	(780,982)
At 31 December 2022	**358,738,639**	**2,774,070,218**	**28,982,560**	**67,453,113**	**2,967,860**	**33,176,447**	**3,265,388,837**
Accumulated depreciation and impairment							
At 1 January 2022	(174,861,508)	(1,763,074,810)	(26,523,869)	(41,538,399)	(2,986,523)	-	(2,008,985,109)
Charge for the year	(8,836,239)	(85,269,085)	(715,448)	(12,888,169)	(121,292)	-	(107,830,233)
Related to disposals	-	-	289,113	-	355,833	-	644,946
At 31 December 2022	**(183,697,747)**	**(1,848,343,895)**	**(26,950,204)**	**(54,426,568)**	**(2,751,982)**	**-**	**(2,116,170,396)**
Net book value							
As at 31 December 2022	**175,040,892**	**925,726,323**	**2,032,356**	**13,026,545**	**215,878**	**33,176,447**	**1,149,218,441**

(All amounts in Saudi Riyals unless otherwise stated)

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

a) Construction-in-progress balance as at 31 December 2023 principally represents costs incurred on certain expansion projects. The Company expects such projects to be completed in 2024.

b) The Company's production facilities are constructed on parcels of land leased from the Royal Commission for Jubail and Yanbu (the "Royal Commission") at annual rent for the periods ranging from 10 to 30 Hijri years with an option to renew on similar terms upon expiry.

c) The accumulated impairment as at 31 December 2023 amounts to Saudi Riyals 412.5 million (2022: Saudi Riyals: 340.5 million)

d) The Company's property, plant and equipment with the net book value of Saudi Riyals 1,028.9 million (2022: Saudi Riyals 1,149.2 million) are mortgaged against the long-term borrowings, see note 24.

e) Impairment loss

The Company is involved in the production of various chemical through its two production sites namely Methanol Derivatives (MD) site 1 and Formaldehyde Derivatives (FD) site 2. During the year, management has assessed volatile market situation driven from the demand and supply of the products, recent developments of the industry, forecasted demand and pricing of the Company's products as impairment indicators. Accordingly, management performed a detailed impairment assessment for both production sites which are considered as separate CGUs, as at 31 December 2023 and updated the value-in-use workings for the non-current assets related to those CGUs based on the updated business plans. Such exercise resulted in impairment loss during the current year on certain plants located at FD production site where the carrying value of non-current assets exceed its recoverable value.

The carrying amounts, recoverable amounts and resultant impairment loss were as follows:

	2023				
Site	**Carrying amount of CGU**	**Working capital**	**Total**	**Recoverable amount (value-in-use)**	**Impairment loss**
Formaldehyde Derivatives and related products – Impaired plants (Line 1 and Line 2)	86,160,594	25,309,870	111,470,464	39,470,464	72,000,000
Formaldehyde Derivatives and related products – Non-impaired plants (Line 3 – 7)	112,452,840	55,383,971	167,836,811	268,054,093	-
Methanol Derivative and related products	874,418,062	108,544,101	982,962,163	1,150,341,164	-
Total	**1,073,031,496**	**189,237,942**	**1,262,269,438**	**1,457,865,721**	**72,000,000**

- Methanol Derivative products includes 2 major lines of Company's products.
- Formaldehyde Derivate products includes 7 major lines of Company's products.

The impairment loss in each of the years has been allocated as follows:

	Formaldehyde Derivative and related products
Property, plant and equipment	
Buildings and leasehold improvements	8,988,302
Plant, machinery and equipment	62,557,760
Right-of-use assets (note 14)	453,938
Total	**72,000,000**

(All amounts in Saudi Riyals unless otherwise stated)

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As at 31 December 2023, the recoverable amounts of the non-current assets related to all other CGUs were higher than their carrying amounts.

The estimates and assumptions used by the Company's management for the value-in-use calculations were as follows:

- Projected cash flows using approved five-year business plans;
- The discount rate used was approximately 11.74% based on post-tax weighted average cost of capital;
- A growth rate of 2% considered to project certain cash flows beyond the period covered by the five-year business plans; and
- Expected product prices over the period considered for management's assessment.

Management has performed sensitivity analyses around the key estimates and assumptions and believes that:
- A 1% change in the discount rate will result in change in impairment loss by approximately SR 3.7 million;

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

Management of the Company has considered and assessed reasonably possible changes for other estimates and assumptions and has not identified any instances that could cause the carrying amounts of any CGUs' non-current assets to exceed their recoverable amounts.

14. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES
Right-of-use assets

	Land	**Pipeline and storage tanks**	**Total**
2023			
Cost			
1 January and 31 December	25,712,372	3,846,358	29,558,730
Accumulated depreciation and impairment			
At 1 January 2023	(9,391,102)	(2,762,454)	(12,153,556)
Charge for the year	(1,076,310)	(270,976)	(1,347,286)
Impairment	(453,938)	-	(453,938)
At 31 December 2023	**(10,921,350)**	**(3,033,430)**	**(13,954,780)**
Net book value			
As at 31 December 2023	**14,791,022**	**812,928**	**15,603,950**

	Land	**Pipeline and storage tanks**	**Total**
2022			
Cost			
1 January and 31 December	25,712,372	3,846,358	29,558,730
Accumulated depreciation and impairment			
At 1 January 2022	(8,314,791)	(2,491,479)	(10,806,270)
Additions	(1,076,311)	(270,975)	(1,347,286)
At 31 December 2022	**(9,391,102)**	**(2,762,454)**	**(12,153,556)**
Net book value			
As at 31 December 2022	**16,321,270**	**1,083,904**	**17,405,174**

(All amounts in Saudi Riyals unless otherwise stated)

14. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

	2023	2022
Lease liabilities		
As at 1 January	**22,279,663**	24,597,510
Finance cost	**1,177,918**	1,241,943
Repayments*	**(2,114,078)**	(3,559,790)
As at 31 December	**21,343,503**	22,279,663

**Certain lease instalments due during the year were settled by the Company in 2024.*

Lease liabilities are presented in the statement of financial position as follows:

	2023	2022
Non-current liabilities	**20,071,605**	21,075,385
Current liabilities	**1,271,898**	1,204,278
	21,343,503	22,279,663

Maturity profile of lease liabilities is disclosed in note 30.

i) The accumulated impairment as at 31 December 2023 amounts to Saudi Riyals 4.6 million (2022: Saudi Riyals: 4.6 million)

ii) Other amounts recognised in profit and loss

Expense relating to short-term and low-value leases (included in selling and marketing and general and administrative expenses) recognised during the year ended 31 December 2023 amounted to Saudi Riyals 3.4 million (2022: Saudi Riyals 3.7 million).

The total cash outflow for leases in 2023 was Saudi Riyals 2.14 million (2022: Saudi Riyals 3.6 million).

iii) Additional information about the Company's leasing activities

The Company has leases in respect of various parcels of land, a warehouse facility and a storage tank. Rental contracts are typically made for fixed periods but may have extension options.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants. Leased assets may not be used as security for borrowing purposes.

Low-value assets comprise computer and technology equipment and certain storage tanks.

Extension and termination options are included to maximise operational flexibility in terms of managing the assets used in the Company's operations. The majority of extension options held are exercisable only by mutual agreement of the Company and the respective lessor.

(All amounts in Saudi Riyals unless otherwise stated)

15. INTANGIBLE ASSETS

	Computer software	Payment to acquire contractual rights of pipeline	Total
2023			
Cost			
1 January	29,034,560	15,750,000	44,784,560
Additions during the year	69,375	-	69,375
Transfer from CWIP (note 13)	46,875	-	46,875
31 December	**29,150,810**	**15,750,000**	**44,900,810**
Accumulated amortisation			
1 January	(24,365,748)	(11,497,499)	(35,863,247)
Charge for the year	(1,382,113)	(567,000)	(1,949,113)
31 December	**(25,747,861)**	**(12,064,499)**	**(37,812,360)**
Net book value			
31 December	**3,402,949**	**3,685,501**	**7,088,450**

Amortization charge has been allocated as follows:

	2023	2022
Cost of sales (note 8)	**688,213**	597,303
General and administration expenses (note 10)	**1,260,900**	1,180,750
	1,949,113	1,778,053

	Computer software	Payment to acquire contractual rights of pipeline	Total
2022			
Cost			
1 January	27,819,342	15,750,000	43,569,342
Additions during the year	1,215,218	-	1,215,218
31 December	**29,034,560**	**15,750,000**	**44,784,560**
Accumulated amortisation and impairment			
1 January	(23,154,695)	(10,930,499)	(34,085,194)
Charge for the year	(1,211,053)	(567,000)	(1,778,053)
31 December	**(24,365,748)**	**(11,497,499)**	**(35,863,247)**
Net book value			
31 December	**4,668,812**	**4,252,501**	**8,921,313**

(All amounts in Saudi Riyals unless otherwise stated)

16. INVENTORIES

	2023	2022
Consumables and spare parts	**88,578,183**	87,525,863
Finished products	**19,294,935**	42,337,427
Raw materials	**12,436,247**	20,963,656
Goods-in-transit	**23,937,767**	32,282,000
Others	**5,232,817**	6,163,083
	149,479,949	189,272,029
Less: provision for slow-moving inventories	**(45,534,085)**	(38,564,388)
	103,945,864	150,707,641

Finished products as at 31 December 2023 have been written-down by Saudi Riyals 4.3 million (2022: Saudi Riyals 6.1 million) to bring them to their net realisable values. The resulting loss has been charged to "Cost of sales" in the statement of profit or loss and other comprehensive income.

The movement in provision for slow-moving inventories is as follows:

	2023	2022
1 January	**38,564,388**	36,614,145
Charge for the year	**6,969,697**	1,950,243
31 December	**45,534,085**	38,564,388

17. TRADE RECEIVABLES

	Note	**2023**	2022
Trade receivables		**157,563,060**	225,444,402
Less: allowance for ECL on trade receivables	17.2	**(6,144,324)**	(4,917,817)
		151,418,736	220,526,585

17.1 The Company has assessed expected lifetime losses pertaining to trade receivables as per the simplified approach as permitted by IFRS 9. Trade receivables are due based on individual credit terms of each customer. There were no contracts with a significant financing component or variable consideration during the years ended 31 December 2023 and 2022. As at 31 December 2023, trade receivables of Saudi Riyals 53.7 million (2022: Saudi Riyals 38.3 million) were past due but not impaired. These relate to a number of individual customers for whom there is no history of default. Aging profile of trade receivables is as follows:

	2023	2022
Current	**103,841,676**	187,151,483
Up to 3 months	**34,978,750**	20,537,085
4 to 6 months	**3,870,319**	11,440,467
7 to 12 months	**9,329,165**	5,290,939
Over 12 months	**5,543,150**	1,024,428
	157,563,060	225,444,402

(All amounts in Saudi Riyals unless otherwise stated)

17. TRADE RECEIVABLES (CONTINUED)

The Company considers any trade receivables overdue for more than a year to be in default and are accordingly fully provided for, except few which are supported with recent assurances obtained. The expected credit loss rates for the other aging brackets are not significant.

17.2 The movement in allowance for ECL on trade receivables is as follows:

	Note	**2023**	2022
1 January		**4,917,817**	1,616,356
Charge for the year	10	**4,658,969**	3,837,258
Reversal during the year	10	**(3,237,258)**	-
Write-off during the year		**(195,204)**	(535,797)
31 December		**6,144,324**	4,917,817

17.3 The maximum exposure to credit risk at reporting date is the carrying amount of each receivable. The Company does not hold any collateral as security.

18. PREPAYMENTS AND OTHER CURRENT ASSETS

	2023	**2022**
Advances to suppliers	**29,441,499**	6,809,650
Prepayments	**25,503,775**	17,512,966
Advances to employees	**5,355,438**	4,101,270
Margin deposits	**784,157**	13,952,970
Other*	**31,749,686**	56,686,175
	92,834,555	99,063,031

Other current assets substantially include Value Added Tax (VAT) receivable.

19. ADVANCES AGAINST ACQUISITIONS

	2023	**2022**
Advances against acquisitions	**6,310,000**	-
	6,310,000	-

During the year, the board of the Company has resolved to purchase the 80% and 84% shares of Global Company for Chemical Industries (GCI) and Addar Chemicals Company (ACC), respectively. Subsequent to the year end, legal formalities relating to transfer of ownership of ACC has been completed. For GCI, legal formalities are in-progress.

20. SHORT-TERM DEPOSITS

Short-term deposits consist of murabaha deposits placed with commercial banks with a term of more than 90 days up to one year from original placement date and are denominated in Saudi Riyals were drawn at before year end and yielded finance income at rates ranging from 2.0% to 5.8% per annum. (2022: 0.70% to 4.40% per annum). Break down of short-term deposits is as follows:

	2023	2022
Short-term deposits	**212,880,000**	115,473,900
Less:- Short-term deposits with maturity less than three months	**(86,480,000)**	(115,473,900)
	126,400,000	-

21. CASH AND CASH EQUIVALENTS

	2023	2022
Cash in hand	**29,000**	32,000
Cash at bank	**29,875,563**	34,727,263
Time deposits (note 20)	**86,480,000**	115,473,900
	116,384,563	150,233,163

Time deposits are murabaha deposits placed with commercial banks, with a maturity period of three months or less from date of placement, and yield finance income at rates ranging from 5.8% to 6.1% per annum (2022: 2.00% to 3.80% per annum).

22. SHARE CAPITAL

As at 31 December 2023, the authorised, issued and fully paid-up share capital comprised 67.5 million (2022: 67.5 million) ordinary shares of Saudi Riyals 10 per share.

Subsequent to year end on 13 February 2024, the Board of directors of the Company have resolved to recommend to the shareholders' extraordinary general assembly to increase the Company's share capital through the offering of rights issue for a target amount of Saudi Riyals 674,508,630. Management is currently engaged in finalizing a financial advisor for the transaction.

23. STATUTORY RESERVE

In accordance with the Company's By-laws and Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer 10% of the net profit for the year to a statutory reserve until such reserve equals 30% of its share capital. The Company may resolve to discontinue such transfers when the reserve totals 30% of the capital. This reserve is not available for distribution to the shareholders of the Company.

24. LONG-TERM BORROWINGS

	2023	2022
Murabaha refinancing facility	**356,334,436**	356,334,436
Accrued finance costs	**246,400**	387,845
Less: unamortised transaction costs	**(5,001,788)**	(5,001,788)
	351,579,048	351,720,493

Long-term borrowings are presented in the statement of financial position as follows:

	2023	2022
Long-term borrowings	**320,585,633**	351,332,648
Current portion of long-term borrowings	**30,993,415**	387,845
	351,579,048	351,720,493

Movement in long-term borrowings is as follows:

	Note	2023	2022
At 1 January		**351,720,493**	665,206,173
Add: finance costs for the year	12	**26,742,868**	22,430,051
Add: amortisation of transaction costs	12	-	10,832,712
Less: transaction costs incurred during the year		-	(7,145,000)
Less: repayment of principal during the year		-	(771,385,647)
Less: repayment of finance costs		**(26,884,313)**	(23,217,796)
Add: drawdown of Murabaha refinancing facility		-	455,000,000
At 31 December		**351,579,048**	351,720,493

a. Murabaha refinancing facilities

In July 2022, the Company entered into a Murabaha refinancing facility agreement with Banque Saudi Fransi and Alinma Bank (collectively "Murabaha Facility Participants"), with Banque Saudi Fransi acting as Murabaha Refinancing Investment Agent for the purpose of repayment of existing facilities. The total facility amount under the agreement of Saudi Riyals 455 million is fully utilised during the quarter ended 30 September 2022. The facility is repayable in 17 variable semi-annual instalments commenced from December 2022 with the last instalment due in December 2030. These borrowings bear finance costs based on prevailing market rates which are based on Saudi inter-bank offered rates (SAIBOR) plus fixed margin. The borrowing is secured by a mortgage of the property, plant and equipment of the Company (note 13). The carrying values of such long-term borrowings are denominated in Saudi Riyals. The instalments due in 2023 were settled early by the Company in December 2022 taking advantage of the favourable cash position of the Company.

In addition to the Murabaha refinancing facility, an additional Murabaha expansion facility of Saudi Riyals 240 million is also available under the agreement for project financing subject to meeting initial conditions precedent prior to utilisation of the facility during 2023.

The maturity profile of long-term borrowings is as follows:

	2023	2022
2023	-	-
2024	32,104,573	32,104,573
2025	30,896,184	30,896,184
2026	24,472,949	24,472,949
2027	45,533,716	45,533,716
2028	46,545,226	46,545,226
Thereafter	176,781,788	176,781,788
Total	**356,334,436**	**356,334,436**

(All amounts in Saudi Riyals unless otherwise stated)

25. EMPLOYEE BENEFIT OBLIGATIONS

25.1 General description of the plan

The Company operates an unfunded defined benefit plan in line with the labour law requirement in the Kingdom of Saudi Arabia. The end of service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the labour laws of the Kingdom of Saudi Arabia. The benefit payments are due upon termination of or resignation from employment. In accordance with provision of IAS 19, management has hired independent actuary to carry out latest valuation of employee benefit obligations under the projected unit credit method as at 31 December 2023 for the Company.

	2023	2022
1 January	**59,366,680**	55,276,548
Net benefit expense	**8,675,873**	7,273,155
Payments	**(2,450,470)**	(6,349,907)
Benefits due but not paid (payables)	**(378,449)**	(187,136)
Remeasurements loss	**3,256,989**	3,354,020
31 December	**68,470,623**	59,366,680

25.2 Amounts recognised in the statement of profit or loss and other comprehensive income

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

	2023	2022
Current service cost	**6,128,739**	5,734,656
Past service cost	**43,598**	-
Interest expense	**2,503,536**	1,538,499
Total amount charged to profit or loss	**8,675,873**	7,273,155
Remeasurements		
Gain from changes in demographic assumptions	**-**	(723,213)
Gain from changes in financial assumptions	**(321,104)**	(1,281,187)
Loss from changes in experience adjustments	**3,578,093**	5,358,420
Total amount recognised in other comprehensive income	**3,256,989**	3,354,020

25.3 Key actuarial assumptions

	2023	2022
Discount rate	**4.88%**	4.32%
Salary growth rate	**4.80%**	4.30%

(All amounts in Saudi Riyals unless otherwise stated)

25. EMPLOYEE BENEFIT OBLIGATIONS (continued)

25.4 Sensitivity analysis for actuarial assumptions

	Change in assumption		**Impact on employee benefit obligations**	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
2023				
Discount rate	**1%**	**1%**	**(4,992,916)**	**5,719,913**
Salary growth rate	**1%**	**1%**	**5,670,143**	**(5,044,772)**

	Change in assumption		Impact on employee benefit obligations	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
2022				
Discount rate	1%	1%	(4,472,950)	5,143,197
Salary growth rate	1%	1%	5,094,476	(4,516,662)

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

25.5 Expected maturity analysis

The weighted average duration of the defined benefit obligation is 8 years (2022: 9 years). The expected maturity analysis of undiscounted employee benefits obligations is as follows:

	Less than a year	**Between 1 - 2 years**	**Between 2 - 5 years**	**Over 5 years**	**Total**
2023	**5,892,847**	**6,637,209**	**23,689,435**	**202,187,776**	**238,407,267**
2022	5,328,347	4,955,526	19,928,552	168,543,677	198,756,102

26. TRADE PAYABLES

	2023	2022
Trade payables	**54,508,779**	30,823,717

(All amounts in Saudi Riyals unless otherwise stated)

27. ACCRUALS AND OTHER CURRENT LIABILITIES

	2023	2022
Accrued expenses	**70,439,007**	86,653,011
Advance from customers	**12,716,170**	4,128,626
Others	**6,623,976**	3,753,029
	89,779,153	94,534,666

28. RELATED PARTY TRANSACTIONS

Related parties represent shareholders, directors, the key management of the Company, and entities controlled or significantly influenced by such parties ("other related parties").

(a) Significant transactions entered by the Company with its related parties comprise of costs and expenses charged by other related parties amounting to Saudi Riyals Nil (2022: Saudi Riyals Nil).

(b) Key management personnel compensation

	2023	2022
Salaries and other short-term employee benefits	**6,064,983**	12,511,730
Employee benefit obligations	**83,949**	93,195
	6,148,932	12,604,925

(c) Board of directors' compensation

During the year ended 31 December 2023, the Board of directors' compensation amounted to Saudi Riyals 11.4 million (2022: Saudi Riyals 4.8 million).

29. ZAKAT

29.1 Significant components of zakat base

	2023	2022
Shareholders' equity at beginning of the year	**836,520,689**	815,877,838
Long-term borrowings	**351,579,048**	120,079,823
Property, plant and equipment, as adjusted	**(1,140,633,441)**	(1,158,139,754)
Other	**519,659,893**	202,969,544
Total	**567,126,189**	(19,212,549)
Adjusted (loss)/net profit	**(77,777,954)**	242,990,127
Estimated zakat base	**489,348,235**	223,777,578

Zakat is payable at 2.578% of the zakat base, excluding adjusted profit for the year. Zakat on adjusted profit for the year is payable at 2.5%.

(All amounts in Saudi Riyals unless otherwise stated)

29. ZAKAT (continued)

29.2 Provision for zakat

	2023	2022
1 January	**15,734,185**	20,275,852
Provision for the year	**12,674,270**	10,007,549
Adjustment related to prior years	**-**	(2,049,134)
	12,674,270	7,958,415
Payments	**(5,710,199)**	(12,500,082)
31 December	**22,698,256**	15,734,185

29.3 Status of zakat assessments and certificates

Zakat assessment of the Company have been agreed with the Zakat, Tax and Customs Authority (the "ZATCA") up to 2013 and for the years 2017 and 2018.

During 2020, ZATCA issued additional zakat assessments for the years 2014 through 2018 amounting to Saudi Riyals 8.8 million, out of which the Company paid Saudi Riyals 0.2 million in 2020 relating to the years 2014 through 2017 and paid another Saudi Riyals 0.2 million in 2021 relating to 2016. The Company filed an appeal against ZATCA's assessments.

During 2021, ZATCA issued a revised assessment with an additional zakat liability of approximately Saudi Riyals 21.3 million for the years 2014 through 2016. The Company filed an appeal against ZATCA's revised assessment with the General Secretariat of Zakat, Tax and Customs Committees ("GSZTCC") for the years 2014 through 2016.

In December 2022, the Committee for Resolution of Tax Violations and Disputes ("CRTVD") has issued its decision for the years 2014 through 2016, where in the CRTVD partially accepted the Company's appeal and rejected the remaining.

The Company has filed an appeal against the CRTVD decisions and the case is still under review with the higher appeal committee. The management of the Company believes that the maximum liability that may arise upon the ultimate resolution of the appeal for the remaining items in the assessment for the years 2014 through 2016 is Saudi Riyals 4.3 million which is included in zakat payable as of 31 December 2023.

Further, during 2021, ZATCA issued zakat assessments for the years 2019 and 2020 with an additional liability amounting to Saudi Riyals 12.5 million. The Company filed an objection against ZATCA's assessments for these years and paid an amount of Saudi Riyals 0.4 million during the 2021. ZATCA subsequently issued a revised assessment amounting to Saudi Riyals 1.5 million. The Company filed an appeal against ZATCA's revised assessment with the GSZTCC for the years 2019 and 2020. During 2023, the CRTVD has issued its decision for the years 2019 and 2020 in favour of the Company. The ZATCA has filed an appeal against the decision of CRTVD. The case is still under review with Appeal Committee. The provision of Saudi Riyals 1.1 million provided against the assessments and included in zakat payable as of 31 December 2023.

The assessments for the years 2021 and 2022 have not yet been raised by the ZATCA.

Based on management`s best estimate, the management believes that the provision recognised as of 31 December 2023 with respect to the assessments raised is appropriate and no additional provision is required.

30. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities comprise trade payables, accruals and other current liabilities, lease liabilities and borrowings. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include trade receivables, prepayments and other current assets, cash and cash equivalent and short-term deposits that is derived directly from its operations.

The Company is exposed to market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management objectives and policies focuses on having cost effective funding as well as managing financial risk to minimize earnings volatility, sufficient liquidity to repay creditors and lender institutions and provide maximum return to shareholders.

(i) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include borrowings as well as deposits. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing returns.

a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the borrowings obtained at variable rates.

At 31 December 2023, the Company had variable interest bearing financial liabilities of Saudi Riyals 351.7 million (2022: Saudi Riyals 351.7 million), and had the interest rate varied by 1% with all the other variables held constant, net change in loss before zakat for the year would have been approximately Saudi Riyals 3.51 million (2022: net change in profit before zakat by Saudi Riyals 4.5 million) lower/higher, mainly as a result of lower / higher financial charges on floating rate borrowings.

b) Foreign exchange risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions and financial instruments are primarily in Saudi Riyals and United States dollars. Since Saudi Riyal is pegged to United States dollar, management of the Company believes that the currency risk for the financial instruments is not significant.

c) Price risk

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

(ii) 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 Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its investing activities, including short-term deposits.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. During the year, revenues of approximately Saudi Riyals 54.3 million were derived from a single customer, based in Sweden (2022: Saudi Riyals 101.0 million from single external customer, based in Sweden). At 31 December 2023, 16% of trade receivables were due from two customers (2022: 22% of the trade receivables were due form two customers). Management believes that this concentration of credit risk is mitigated as the customers have established track record of regular and timely payments. The Company's maximum exposure to credit risk is equal to the carrying amount of financial assets.

For trade receivables, an internal risk assessment process determines the credit quality of the customers, taking into account their financial positions, past experiences and other factors. Individual risk limits are set based on internal or external credit worthiness ratings in accordance with limits set by the management. The carrying amount of trade receivables relates to a number of independent customers for whom there is no recent history of default. Also see note 17 (trade receivables note).

Cash at bank and deposits are placed with local commercial banks with sound credit ratings.

30. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iii) Liquidity risk

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

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

Cash flow forecasting is performed by management on an annual basis. Management also monitors monthly rolling forecasts of the Company's liquidity requirements and takes necessary measures to ensure it has sufficient cash to meet its operational needs.

See note (iv) below for the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

(All amounts in Saudi Riyals unless otherwise stated)

30. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iv) Financial assets and liabilities as per their respective maturities

	Interest / Mark-up bearing			**Non-interest / Non mark-up bearing**			
	Maturity up to one year	Maturity after one year	Subtotal	Maturity up to one year	Maturity after one year	Subtotal	**Total**
Financial assets							
Trade receivables	-	-	-	**151,418,736**	-	**151,418,736**	**151,418,736**
Other current assets	-	-	-	**784,157**	-	**784,157**	**784,157**
Cash and cash equivalents	**86,480,000**	-	**86,480,000**	**29,904,563**	-	**29,904,563**	**116,384,563**
Short term deposits	**126,400,000**	-	**126,400,000**	-	-	-	**126,400,000**
31 December 2023	**212,880,000**	-	**212,880,000**	**182,107,456**	-	**182,107,456**	**394,987,456**
31 December 2022	115,473,900	-	115,473,900	269,238,819	-	269,238,819	384,712,719
Financial liabilities							
Long-term borrowings	**32,104,573**	**324,229,863**	**356,334,436**	**246,400**	-	**246,400**	**356,580,836**
Future finance costs on long-term borrowings	**26,742,868**	**100,355,459**	**127,098,327**	-	-	-	**127,098,327**
Lease liabilities	**1,271,898**	**20,071,605**	**21,343,503**	-	-	-	**21,343,503**
Trade payables	-	-	-	**54,508,779**	-	**54,508,779**	**54,508,779**
Accruals and other current liabilities	-	-	-	**82,062,983**	-	**82,062,983**	**82,062,983**
31 December 2023	**60,119,339**	**444,656,927**	**504,776,266**	**137,818,162**	-	**137,818,162**	**642,594,428**
31 December 2022	27,433,957	504,255,988	531,689,945	121,617,603	-	121,617,603	653,307,548

Non-financial assets and non-financial liabilities amounting to Saudi Riyals 92 million and Saudi Riyals 12.7 million, respectively (2022: 85.1 million and Saudi Riyals 4.1 million, respectively) have been excluded from prepayments and other current assets and accruals and other current liabilities, respectively.

(All amounts in Saudi Riyals unless otherwise stated)

30. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(v) Changes in liabilities arising from financing activities

31 December 2023

	As at 1 January 2023	**Cash Flows**	**Others**	**As at 31 December 2023**
Long-term borrowings	**351,720,493**	**-**	**(141,445)**	**351,579,048**
Leases	**22,279,663**	**(2,114,078)**	**1,177,918**	**21,343,503**
Total Financing activities	**374,000,156**	**(2,114,078)**	**1,036,473**	**372,922,551**

31 December 2022

	As at 1 January 2022	Cash Flows	Others	As at 31 December 2022
Long-term borrowings	665,206,173	(316,385,647)	2,899,967	351,720,493
Leases	24,597,510	(3,559,790)	1,241,943	22,279,663
Total Financing activities	689,803,683	(319,945,437)	4,141,910	374,000,156

31. FAIR VALUE OF ASSETS AND LIABILITIES

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

As at 31 December 2023 and 2022, the fair values of the Company's current financial instruments are estimated to approximate their carrying values since the financial instruments are short term in nature. The fair values of the non-current financial liabilities are estimated to approximate their carrying values as these carry interest rates which are based on prevailing market interest rates.

32. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to:

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders; and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company monitors capital on the basis of the following gearing ratio:

	Note	**2023**	2022
Total borrowings	24	**351,579,048**	351,720,493
Less: cash and cash equivalents		**(242,784,563)**	(150,233,163)
Net debt		**108,794,485**	201,487,330
Total equity		**1,040,558,490**	1,221,615,944
Gearing ratio		**10%**	16%

The management does not consider lease liabilities for the purposes of calculating its gearing ratio.

(All amounts in Saudi Riyals unless otherwise stated)

33. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings/ (loss) per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year. As the Company does not have any dilutive potential shares, the diluted earnings per share is the same as the basic earnings per share.

	2023	2022
(Loss)/Profit for the year	**(177,800,467)**	206,428,499
Adjusted number of ordinary shares for basic and diluted earnings per share	**67,450,863**	67,450,863
(Loss)/Earnings per share	**(2.64)**	3.06

34. CONTINGENCIES AND COMMITMENTS

(i) At 31 December 2023, the Company was contingently liable for bank guarantees and letters of credit issued in the normal course of business amounting to Saudi Riyals 51.3 million and Saudi Riyals 19.7 million, respectively (2022: 49.6 million and Saudi Riyals 10.2 million, respectively).

(ii) The capital expenditure contracted by the Company but not incurred till 31 December 2023 was approximately Saudi Riyals 20.0 million (2022: Saudi Riyals 34.4 million).

35. SUBSEQUENT EVENTS

In the opinion of management, there have been no significant subsequent events since the year ended 31 December 2023 that would have a material impact on the financial position of the Company as reflected in these financial statements.