

SABIC AGRI-NUTRIENTS COMPANY AND ITS SUBSIDIARIES

(A SAUDI JOINT STOCK COMPANY)

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

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Independent auditor's report to the shareholders of SABIC Agri-Nutrients Company

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of SABIC Agri-Nutrients Company (the "Company") and its subsidiaries (together the "Group") as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated statement of income for the year ended 31 December 2023;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

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

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

Independence

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

Our audit approach

Overview

Key audit matter • Revenue recognition

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

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



Independent auditor's report to the shareholders of SABIC Agri-Nutrients Company (continued)

Our audit approach (continued)

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
<p style="color: #C85A3D;"><i>Revenue recognition</i></p> <p>During the year ended 31 December 2023, the Group recognized total revenue of Saudi Riyals 11 billion (2022: Saudi Riyals 19 billion).</p> <p>The Group is the marketer of certain entities where the Group's immediate parent company has significant influence (collectively referred to as the "Producers"). Accordingly, the Group has the rights to market and sell agri-nutrients produced by the Producers directly to local and international customers.</p> <p>Further, the Group has resale arrangements for the sale of products to cross-border related parties ("Resellers"). Certain of the Group's sales to the Resellers are measured at a pre-approved provisional price which is mutually agreed between both parties. Subsequent to the sale of the products to the end customers, a positive or negative netback adjustment is made by the Resellers for actualising the final price and taking into account other deductibles as part of the net back adjustment.</p> <p>We considered this as a key audit matter as the Group has significant contractual arrangements that made the determination of revenue recognition under International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia (KSA) more complex, requiring management to exercise significant judgement primarily in the areas of:</p> <ul style="list-style-type: none"> (a) identifying different performance obligations; and (b) concluding whether the Group acts as an agent or as a principal in discharging these performance obligations. 	<p>Our audit procedures to address this key audit matter included:</p> <ul style="list-style-type: none"> • Understood and evaluated the revenue process for the Group's performance obligations/revenue streams; • Tested relevant controls established by management over the revenue process; • Assessed the appropriateness of the Group's revenue recognition accounting policy in light of the requirements of IFRS that are endorsed in KSA; • Inspected the main marketing and resale agreements entered into by the Group and assessed (a) management's identification of performance obligations; and (b) the judgement exercised by management in determining whether the Group is acting as agent or as a principal in these arrangements in line with the requirements of IFRS 15 - Revenue from Contracts with Customers; • Obtained a direct confirmation from Resellers on the total sale transactions and total netback adjustments charged during the year ended 31 December 2023; • Inspected a sample of contracts with external customers to test that revenue recognition was in accordance with both the contractual terms and the Group's revenue recognition policies in accordance with IFRS that are endorsed in KSA;



Independent auditor's report to the shareholders of SABIC Agri-Nutrients Company (continued)

Key audit matter (continued)	How our audit addressed the Key audit matter (continued)
Refer to Note 6.20 for the revenue recognition accounting policy; Note 3.2.4 for the disclosure of significant accounting estimates and judgements; and Note 25 for the relevant revenue disclosures.	<ul style="list-style-type: none"> Tested a sample of transactions for different performance obligations and traced these transactions to underlying source documents; Tested a sample of netback adjustments primarily with respect to unsettled transactions at the end of the reporting period; and Assessed the adequacy and appropriateness of the related disclosures in the accompanying consolidated financial statements.

Other information

The directors are responsible for the other information. The other information comprises the Board of Directors' report but does not include the consolidated financial statements and our auditor's report thereon, which is expected to be made available to us after the date of this auditor's report.

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

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

When we read the Board of Directors' 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 consolidated financial statements

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

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

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



Independent auditor's report to the shareholders of SABIC Agri-Nutrients Company (continued)

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

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

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

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

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

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



Independent auditor's report to the shareholders of SABIC Agri-Nutrients Company (continued)

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

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

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to be 'Bader I. Benmohareb', written over a circular stamp or seal.

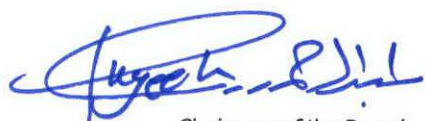
Bader I. Benmohareb
License Number 471

27 February 2024

Consolidated statement of financial position

All amounts in thousands of Saudi Riyals unless otherwise stated

	Note	As at 31 December 2023	As at 31 December 2022
ASSETS			
Non-current assets			
Property, plant and equipment	7	8,303,217	8,378,415
Right-of-use assets	8	210,692	241,570
Intangible assets	9	63,218	80,490
Investments in an associate and a joint venture	10	2,251,635	869,901
Investments in equity instruments	11	361,114	394,805
Other assets and receivables	12	410,667	343,822
Total non-current assets		11,600,543	10,309,003
Current assets			
Inventories	14	688,476	733,993
Other assets and receivables	12	344,852	471,598
Advance income tax	29	54,707	-
Trade receivables	15	1,566,606	2,560,964
Short-term investments	16	6,806,302	4,363,000
Cash and cash equivalents	16	4,242,043	8,618,127
Total current assets		13,702,986	16,747,682
Total assets		25,303,529	27,056,685
EQUITY AND LIABILITIES			
Equity			
Share capital	17	4,760,354	4,760,354
Share premium	18	3,998,485	3,998,485
Statutory reserve	18	1,428,106	1,428,106
Other reserves	18	424,684	505,073
Retained earnings		7,130,671	9,201,968
Equity attributable to equity holders of the Parent		17,742,300	19,893,986
Non-controlling interest	19	1,057,008	1,075,991
Total equity		18,799,308	20,969,977
Non-current liabilities			
Lease liabilities	20	197,329	222,521
Employee benefits	21	1,099,462	986,134
Derivative financial instruments	22	1,440,000	2,373,750
Deferred tax liabilities	29	56,256	55,395
Total non-current liabilities		2,793,047	3,637,800
Current liabilities			
Current portion of employee benefits	21	152,876	151,815
Current portion of lease liabilities	20	14,699	23,239
Trade payables	23	710,805	744,897
Other liabilities	24	766,685	776,877
Dividends payable	36	1,697,135	323,349
Income tax payable	29	-	25,956
Zakat payable	29	368,974	402,775
Total current liabilities		3,711,174	2,448,908
Total liabilities		6,504,221	6,086,708
Total equity and liabilities		25,303,529	27,056,685



Chairman of the Board
Abdulrahman Bin Saleh Al-Fageeh



Chief Executive Officer
Abdulrahman Ahmed Shamsaddin



General Manager Finance
Ayed Habib Al-Haider

The accompanying Notes from 1 to 38 form an integral part of these consolidated financial statements.

Consolidated statement of income

All amounts in thousands of Saudi Riyals unless otherwise stated

	Note	For the year ended 31 December 2023	For the year ended 31 December 2022
Revenue	25	11,033,429	18,980,830
Cost of sales	26.1	(6,435,798)	(7,793,978)
Gross profit		4,597,631	11,186,852
Selling and distribution expense	26.2	(256,636)	(284,756)
General and administrative expense	26.3	(491,816)	(533,162)
Research and development expense	26.4	(64,587)	(74,462)
Expected credit loss allowance (ECL)	15	(1,676)	(422)
Other operating (expense) income	28	(119,245)	44,301
Income from operations		3,663,671	10,338,351
Share of results from an associate and a joint venture	10	168,328	408,315
Finance income	27	564,622	214,604
Finance cost	27	(68,731)	(44,966)
Income before zakat and income tax		4,327,890	10,916,304
Zakat expense	29	(411,640)	(348,316)
Income tax expense	29	(51,016)	(107,080)
Deferred tax (expense) income	29	(1,124)	237
Net income for the year		3,864,110	10,461,145
Attributable to:			
- Equity holders of the Parent		3,659,449	10,036,764
- Non-controlling interests		204,661	424,381
		3,864,110	10,461,145
Basic and diluted earnings per share from net income attributable to equity holders of the Parent (Saudi Riyals)	30	7.69	21.08



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Consolidated statement of comprehensive income

All amounts in thousands of Saudi Riyals unless otherwise stated

	Notes	For the year ended 31 December 2023	For the year ended 31 December 2022
Net income for the year		3,864,110	10,461,145
Other comprehensive income			
<i>Items that will not be reclassified subsequently to the consolidated statement of income:</i>			
- Net loss on fair value of equity instruments	11	(33,691)	(257,192)
- Re-measurement (loss) gain on defined benefit plans	21	(53,736)	268,620
- Deferred tax impact on other comprehensive income	29	263	201
<i>Items that will be reclassified to the consolidated statement of income in subsequent periods:</i>			
- Exchange difference on translation of foreign investment	10.1	5,722	-
Net movement of other comprehensive income for the year		(81,442)	11,629
Total comprehensive income for the year		3,782,668	10,472,774
Attributable to:			
- Equity holders of the Parent		3,579,060	10,049,196
- Non-controlling interests		203,608	423,578
		3,782,668	10,472,774



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Consolidated statement of changes in equity

All amounts in thousands of Saudi Riyals unless otherwise stated

	Attributable to the equity holders of the Parent						Non-controlling interests	Total equity
	Share capital	Share premium	Statutory reserve	Other reserves	Retained earnings	Total		
Balance as at 1 January 2022	4,760,354	3,998,485	1,428,106	492,641	4,871,202	15,550,788	1,476,472	17,027,260
Net income	-	-	-	-	10,036,764	10,036,764	424,381	10,461,145
Other comprehensive income	-	-	-	12,432	-	12,432	(803)	11,629
Total comprehensive income	-	-	-	12,432	10,036,764	10,049,196	423,578	10,472,774
Recording of derivative financial instruments (Note 22)	-	-	-	-	(2,373,750)	(2,373,750)	-	(2,373,750)
Income tax reimbursed	-	-	-	-	-	-	95,941	95,941
Dividends (Note 36)	-	-	-	-	(3,332,248)	(3,332,248)	(920,000)	(4,252,248)
Balance as at 31 December 2022	4,760,354	3,998,485	1,428,106	505,073	9,201,968	19,893,986	1,075,991	20,969,977
Balance as at 1 January 2023	4,760,354	3,998,485	1,428,106	505,073	9,201,968	19,893,986	1,075,991	20,969,977
Net income	-	-	-	-	3,659,449	3,659,449	204,661	3,864,110
Other comprehensive loss	-	-	-	(80,389)	-	(80,389)	(1,053)	(81,442)
Total comprehensive income	-	-	-	(80,389)	3,659,449	3,579,060	203,608	3,782,668
Change in fair value of derivative financial instruments (Note 22)	-	-	-	-	933,750	933,750	-	933,750
<i>Transactions with owners in their capacity as owners</i>								
Income tax reimbursed	-	-	-	-	-	-	104,909	104,909
Dividends (Note 36)	-	-	-	-	(6,664,496)	(6,664,496)	(327,500)	(6,991,996)
Balance as at 31 December 2023	4,760,354	3,998,485	1,428,106	424,684	7,130,671	17,742,300	1,057,008	18,799,308



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Consolidated statement of cash flows

All amounts in thousands of Saudi Riyals unless otherwise stated

	Notes	For the year ended 31 December 2023	For the year ended 31 December 2022
Operating activities:			
Income before zakat and income tax		4,327,890	10,916,304
Adjustment to reconcile income before zakat and income tax to net cash generated from operating activities:			
- Loss on disposals of property, plant and equipment	7	6,048	9,719
- Depreciation of property, plant and equipment	7	878,164	808,536
- Depreciation of right-of-use assets	8	26,473	34,838
- Amortisation of intangible assets and other assets	9	10,771	11,094
- Share of results of associate and a joint venture	10	(168,328)	(408,315)
- Provision for slow moving and obsolete inventories	14	(54,610)	35,004
- Expected credit loss	15	1,676	422
- Employee benefit charge	21	69,325	79,527
- Finance income	27	(564,622)	(214,604)
- Finance costs	27	68,731	44,966
		4,601,518	11,317,491
<i>Change in operating assets and liabilities:</i>			
Increase in other assets and receivables		106,727	52,696
Decrease (increase) in inventories		100,127	(63,651)
Decrease (increase) in trade receivables		992,682	(40,917)
Increase in current portion of employee benefits		1,061	41,190
(Decrease) increase in trade payables		(34,092)	575,031
Decrease in other current liabilities		(24,707)	(45,591)
		5,743,316	11,836,249
Employee benefits paid	21	(65,925)	(52,078)
Finance cost paid		(19,534)	(14,442)
Finance income received		599,253	173,998
Zakat and income tax paid	29	(577,120)	(337,796)
Net cash generated from operating activities		5,679,990	11,605,931

The accompanying Notes from 1 to 38 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

	Notes	For the year ended 31 December 2023	For the year ended 31 December 2022
Investing activities:			
Purchase of property, plant and equipment	7	(888,661)	(770,311)
Purchase of intangible assets	9	(1,778)	(26,770)
Investment in a joint venture	10.2	(1,207,684)	-
Dividend received from an associate	10	-	307,502
Short-term investments – placements		(15,257,012)	(14,778,225)
Short-term investments – proceeds		12,827,174	10,980,225
Net cash used in investing activities		(4,527,961)	(4,287,579)
Financing activities:			
Lease payments		(29,327)	(32,092)
Dividends paid to shareholders	16.1	(5,223,013)	(3,317,347)
Dividends paid to non-controlling interests	16.1	(275,773)	(645,572)
Net cash used in financing activities		(5,528,113)	(3,995,011)
Change in cash and cash equivalents		(4,376,084)	3,323,341
Cash and cash equivalents at the beginning of the year	16	8,618,127	5,294,786
Cash and cash equivalents at the end of the year		4,242,043	8,618,127

Significant non-cash transactions:

	Notes	For the year ended 31 December 2023	For the year ended 31 December 2022
Change in fair value of derivative financial instruments recognized against retained earnings	22	933,750	-
Dividends payable adjusted against non-controlling interest		104,909	95,941
Transfers of property, plant and equipment to intangibles, other assets and receivables and inventory	7, 9, 12	79,647	75,018
Transfer of intangibles to other assets and receivables	9	8,279	-
Transfer of employee benefits from a related party	21, 31	6,995	149,162
Right of use assets reversed against corresponding lease liability	8, 20	4,405	-
Right of use assets recognized against corresponding lease liability	8, 20	-	99,467
Derivative financial instruments recognized against retained earnings	22	-	2,373,750



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The accompanying Notes from 1 to 38 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

All amounts in thousands of Saudi Riyals unless otherwise stated

1. Corporate information

SABIC Agri-Nutrients Company ("SABIC AN" or "the Company" or "the Parent Company") (formerly: Saudi Arabian Fertilizer Company (SAFCO)), is a Saudi Joint Stock Company incorporated under Royal Decree Number M/13 dated 11 Jumada' I 1385H (corresponding to 7 September 1965). The Company was initially registered in the city of Dammam with Commercial Registration number 2050001841 dated 1 Dhul al-Hijjah 1385H (corresponding to 24 March 1966), and later on the Company's head office was shifted to Jubail Industrial City with Commercial Registration number 2055002359 dated 29 Shawwal 1411H (corresponding to 14 May 1991). The previous commercial registration was converted to a branch and then cancelled in 2013.

The shareholders of the Parent Company in their Annual General Meeting on 12 Ramadan 1443H (corresponding to 13 April 2022) decided to change the registered office of the Company from Jubail to Riyadh. Effective 20 Dhul Hijjah 1443H (corresponding to 19 July 2022), the registered office of the Company was changed to P.O Box 13244, Airport Branch Road, Qurtubah District, Riyadh Kingdom of Saudi Arabia ("KSA").

The Company's shares are 50.1% owned by Saudi Basic Industries Corporation ("SABIC"). Saudi Arabian Oil Company ("Saudi Aramco") owns 70% of SABIC through one of its subsidiaries, "Aramco Chemicals Company". The Saudi Arabian Government is the largest shareholder of Saudi Aramco by 90.19% direct shareholding.

The Company and its subsidiaries (collectively the "Group") are mainly engaged in the production, conversion, manufacturing, and trade of agri-nutrients and chemical products. Also, the Company is engaged in the marketing of agri-nutrients products of all types inside and outside KSA.

On 21 Jumada II 1443H (corresponding to 24 January 2022), SABIC AN signed a Share Purchase Agreement ("SPA") to acquire 49% of the share capital of ETG Inputs Holdco Limited ("EIHL") with SABIC Agri-Nutrients Investments Company ("SANIC"), a wholly owned subsidiary of the Company, as its nominee. This acquisition is part of the Group's strategy to integrate the value chain, including blending and distribution of agri-nutrients products in the global markets and move closer to the end customer.

On 19 Ramadan 1444H (corresponding to 10 April 2023), SANIC completed the acquisition procedure of 49% shareholding in EIHL in terms of getting the regulatory approvals in compliance with the terms and conditions of the SPA. As per the SPA, SANIC is required to pay a fixed consideration of Saudi Riyals 1,200 million which shall be adjusted for debt, cash and cash equivalents and working capital changes as at 10 April 2023.

During 2023, SANIC finalised the total amount of consideration payable to be Saudi Riyals 1,207.7 million based on the final agreed figures at the completion date. This arrangement is determined to be a joint venture and has been accounted for under the equity method of accounting.

As at 31 December 2023, the provisional price exercise to determine the fair values of the net identifiable assets attributable to the acquisition of the joint venture is still not completed. The provisional price exercise and the detailed purchase price allocation for all the assets and liabilities of EIHL which forms part of the transaction is due to be completed within one year from the date of acquisition. Hence, the adjustment to consideration, if any, shall be made once the completion formalities are executed. Refer to Note 10.

The Company has the following subsidiaries, an associate and a joint venture as at 31 December:

	Relationship	Country of incorporation	Principal activities	% Shareholding (Direct and indirect)	
				2023	2022
SABIC Agri-Nutrients Investments Company ("SANIC")	Subsidiary	KSA	Agri-nutrients	100.00	100.00
National Chemical Fertiliser Company ("Ibn Al-Baytar")	Subsidiary	KSA	Agri-nutrients	100.00	100.00
Al-Jubail Fertiliser Company ("Al-Bayroni")	Subsidiary	KSA	Agri-nutrients and petrochemicals	50.00	50.00
Gulf Petrochemical Industries ("GPIC")	Associate	Bahrain	Agri-nutrients	33.33	33.33
ETG Inputs Holdco Limited ("EIHL")	Joint venture	United Arab Emirates	Agri-nutrients	49.00	-

The Company also holds 3.87% equity interest in Arabian Industrial Fibers Company ("Ibn Rushd") and 1.69% equity interest in Yanbu National Petrochemicals Company ("Yansab").

The consolidated financial statements of the Group for the year ended 31 December 2023 were authorised for issue in accordance with a resolution of the Board of Directors on 15 Sha'ban 1445H (corresponding to 25 February 2024).

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

2. Basis of preparation and consolidation

2.1 Basis of preparation

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

The Group has prepared these consolidated financial statements on the basis that it will continue to operate as a going concern.

2.1.1 Basis of measurement

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

2.1.2 Presentation and functional currency

The consolidated financial statements are presented in Saudi Riyal which is the presentation currency of the Group and the functional currency of the Company and its subsidiaries. All values are rounded to the nearest thousand (Saudi Riyals '000), except when otherwise indicated. For each entity, the Group determines the functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's subsidiaries at their respective functional currencies' spot rates at transaction date. 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 consolidated statement of income.

Non-monetary items that are measured on historical cost in a foreign currency are recognised using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are recognised using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item.

Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position
- income and expenses for each statement of income and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in the consolidated statement of comprehensive income.

Exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

The rates for Group's major currency are as follows:

	31 December 2023		31 December 2022	
	Closing rates	Average rates	Closing rates	Average rates
- United States Dollars (USD)	3.75	3.75	3.75	3.75
- Euro (EUR)	4.14	4.07	4.01	4.12
- Bahraini Dinar (BD)	9.95	9.95	9.95	9.95
- Pound Sterling (GBP)	4.77	4.68	4.54	4.75

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

2 Basis of preparation and consolidation (continued)

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and the financial statements of the subsidiaries controlled by the Group.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed during the period are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

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

Generally, there is a presumption that a majority of the voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

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

Refer Note 3.2.3 for judgments applied by the Group to assess control. The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to the elements of control.

Net income or loss and each component of Other Comprehensive Income ("OCI") are attributed to the equity holders of the Parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group asset and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of financial position, consolidated statement of income, consolidated statement of comprehensive income and consolidated statement of changes in equity. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Parent Company loses control over a subsidiary, it de-recognises the related assets (including goodwill, if applicable), liabilities, non-controlling interests and other components of equity, while any resulting gain or loss is recognised in the consolidated statement of income.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

3. Significant accounting estimates, assumptions and judgements

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

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

Other disclosures relating to the Group's exposure to risks and uncertainties include:

- Capital management, financial instrument risk management and policies (Notes 33 and 34); and
- Sensitivity analysis disclosures (Notes 11,13 and 21).

3.1 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing material differences in the carrying amounts of assets and liabilities within the next financial period, are disclosed below. The Group used these assumptions and estimates on the basis available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

3.1.1 Impairment of non-financial assets

Impairment exists when the carrying value of an asset or Cash Generating Unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing the asset. The value in use is based on a Discounted Cash Flow ("DCF") model. The cash flows are derived from the budget and business plan for the next five years and do not include restructuring activities or other initiatives that the Group is not yet committed to or significant future investments that will enhance the performance 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 net cash-inflows and the growth rate used for extrapolation purposes.

3.1.2 Incremental borrowing rate for lease agreements

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

3.1.3 Allowance for dormant and obsolete inventories

Allowances for inventory are recorded where events or changes in circumstances indicate that the carrying cost of inventories will not be fully realised. The quantification of allowance for inventories requires the use of estimates and judgements. Where the outcomes are different from the original estimates, such differences will impact the carrying value of inventories and allowance for inventory in the years in which such estimates have been changed.

3.1.4 Provisions

By their nature, the measurement of provisions depend upon estimates and assessments whether the criteria for recognition have been met, including estimates of the probability of cash outflows. The Group'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 remediation. Provisions for litigation are based on an estimate of costs, taking into account legal advice and other information available.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

3. Significant accounting estimates, assumptions and judgments (continued)

3.1 Estimates and assumptions (continued)

3.1.5 Defined employee benefit plans

Post-employment defined benefits plans, end-of-service benefits plans, indemnity payments and other long-term employee related liabilities represent obligations that will be settled in the future and require actuarial valuations to determine these obligations. The Group is required to make further assumptions regarding variables such as discount rates, rate of salary increase, longevity, employee turnover and future healthcare costs, if applicable. Changes in key assumptions can have a significant impact on the projected benefit obligations and employee defined benefit costs. The assumptions are reviewed at each reporting date.

Defined benefit obligations within the Group are discounted at a rate set by reference to relevant market yields at the end of the reporting period on high quality corporate or government bonds. Significant judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the size of the bonds, quality of the corporate bonds and the identification of outliers which are excluded; if any.

3.1.6 Accounting for income tax

As part of the process of preparing consolidated financial statements, the Group estimates income tax in each of the jurisdictions it operates. This process involves estimating current tax expense and temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the related tax bases. Temporary differences result in deferred tax assets and liabilities, which are included in the consolidated statement of financial position. Deferred tax assets and liabilities are carried at nominal value.

The Group assesses periodically the likelihood whether deferred tax assets will be recovered from future taxable income to the extent these deferred tax assets are recorded. Deferred tax assets are recognised for unused tax losses to the extent that it is probable that the taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

3.1.7 Financial derivatives on equity instruments

The Group has financial derivatives on equity instruments that require different estimates and judgements. When there are call or put options on an entity's equity instruments, and that entity is controlled by the shareholder, a financial liability is always recorded, however, the subsequent accounting treatment depends on whether IFRS 10 or IAS 32 applies. Entities decide that either the principles in IFRS 10 or those in IAS 32 will take precedence and be applied when determining their accounting policy. The Group has assessed that IFRS 10 takes precedence in relation to these transactions.

In relation to the Al-Bayroni option, due to the nature of the terms and conditions in the option agreements, management has assessed that based on its risks and rewards assessment, the shareholder has no present ownership interest in the shares subject to these options and therefore, a non-controlling interest will continue to be recognised. The terms of the agreement are such that the option is a symmetrical put and call, and therefore a forward in nature. The financial liability was recognised at fair value on initial recognition. Due to the nature of this derivative, the fair value recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets. Therefore, the fair value is measured using valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk, volatility, dividend yield and timing of dividends. Changes in assumptions relating to these factors could affect the reported fair value of the financial instrument. (Refer to Note 13)

Management has elected to recognise the fair value movements on the re-measurement of this liability within retained earnings.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

3. Significant accounting estimates, assumptions and judgments (continued)

3.2 Critical judgments in applying accounting standards

In addition to the application of the judgment in the above-mentioned estimates and assumptions, the following critical judgments have the most significant effect on the amounts recognised in the consolidated financial statements:

3.2.1 Component parts of plant and equipment

The Group's plant and equipment are segregated into significant components and depreciated on a straight-line basis over their economic useful lives. Judgment is required in ascertaining the significant components of a larger asset. In defining the significance of a component, the Group considers quantitative materiality of the component part as well as qualitative factors such as difference in useful life as compared to related asset.

3.2.2 Determining the lease term of contracts with renewal and terminations options

The Group 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 Group has several lease contracts that include extension and termination clauses. The Group applies judgement in evaluating if it is reasonably certain whether or not to exercise the option to renew or terminate the lease. All relevant factors that create an economic incentive for the Group and its contract partners to exercise either the renewal or termination are considered. Such facts and circumstances include a long term preferential rental rates availability, existence of significant penalty on terminations, substantial lease hold improvements etc. The Group reassesses the lease term if there is a significant event or change in the circumstances that affects its ability to exercise or not to exercise the option to renew or to terminate the contract.

The initial assessment of land lease contracts with the Royal Commission for Jubail and Yanbu was revised in 2022. For the computation of these lease liabilities the lease terms applied had been extended to reflect the Group's reasonable expectations of the period during which the underlying asset will be used. Considering the broader economics of these contracts and recent developments, the Group is reasonably certain that contract partners will exercise extension options given in the land lease agreements. As a consequence of this change in assessment, the leasing term for certain land lease contracts had been extended to 99 years.

3.2.3 Determination of control, joint control and significant influence

Subsidiaries are all investees over which the Group has control. Management considers that it controls an investee when the Group is exposed to or has rights to the majority of the variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of those returns through its power to direct the relevant activities of the investees.

The determination about whether the Group has power depends on the way decisions about the relevant activities are made and the rights the Group has, in relation to the investees.

Generally, there is a presumption that having majority of voting rights results in control. To support this presumption and when the Group has equal or less than a majority of the voting or similar rights of an investee, the Group considers all other relevant facts and circumstances in assessing whether it has power over an investee, including any contractual and other such arrangements which may affect the activities which impact investees' return.

3.2.4 Principal versus agent consideration over multiple performance obligations

A certain portion of the Group's revenue is derived from marketing agreements, whereby in some cases, SABIC AN purchases products from its affiliates and sells these to end customers on a provisional pricing basis. There is significant judgment over whether the Group controls the products before they are transferred to the customer. It has been concluded that SABIC AN is principal in these arrangements due to the following factors.

- the Group is exposed to fulfilment risk and is the primary obligor for the goods;
- the Group has a direct relationship with the customer and controls the underlying products before they are transferred to the end customers;
- the Group remains solely responsible for the quality of the goods and customers hold a substantive right of return which results in the Group being exposed to inventory risk.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

3. Significant accounting estimates, assumptions and judgments (continued)

3.2 Critical judgments in applying accounting standards (continued)

3.2.4 Principal versus agent consideration over multiple performance obligations (continued)

Further, for contracts where revenue from logistics and freight services is recognised as a separate performance obligation, the Group considers itself to be principal. There is significant judgment over whether the group controls the freight and logistics services prior to transferring this to the customer. It has been concluded that SABIC AN is principal in these arrangements due to the following factors:

- the Group is exposed to fulfilment risk and is the primary obligor for the freight and logistic service provided;
- the Group is exposed the risk of losses in relation to the service not being fulfilled;
- the Group has a direct relationship with the customer and controls the underlying service before it is transferred to the end customers.

4. Changes in accounting policies

The amendments to IFRS, which are relevant to the Group and that have been applied on 1 January 2023 by the Group are described below:

4.1 Amendments to IAS 8 'Accounting Policies Changes in Accounting Estimates and Errors'

Amendments to IAS 8 '*Definition of accounting estimates*' clarifies the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amendments also clarify how measurement techniques and inputs to develop accounting estimates should be used.

4.2 IAS 12 'Income Taxes, International Tax Reform – Pillar Two Model Rules'

Amendments to IAS 12 '*Income Taxes, International Tax Reform – Pillar Two Model Rules*' was issued on 23 May 2023 and is to be applied from 1 January 2023.

This amendment introduced an exception to the accounting treatment of deferred taxes. An entity will not recognize and will not disclose information about deferred tax assets and liabilities related to the Pillar Two taxes, established under an OECD Inclusive Framework. Multinational groups with consolidated revenues over EUR 750 million will be required to top-up their income taxes in each jurisdiction to a minimum effective tax rate of 15%.

The exception for deferred taxes has been applied since issuance of the IAS 12 amendments on 23 May 2023. The remaining disclosure requirements are applicable for annual reporting periods beginning on or after 1 January 2024.

4.3 Amendments to IAS 1 and IFRS Practice Statement 2

The IASB amended IAS 1 '*Presentation of Financial Statements*' which requires entities to disclose their material rather than their significant accounting policies. The amendments define what is material accounting policy information and explain how to identify when accounting policy information is material.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. The Group has applied the amendments in the current period and these amendments have no material impact on these consolidated financial statements.

5. IFRS issued but not yet effective

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

5.1 Amendments to IAS 1: Classification of Liabilities as Current or Non-current

The amendment published in 2020 and 2022 respectively, clarify that the classification of liabilities as current or non-current is based solely on a company's right to defer settlement for at least 12 months at the reporting date. The right needs to exist at the reporting date and must have substance. Only covenants with which a company must comply on or before the reporting date may affect this right. Covenants to be complied with after the reporting date do not affect the classification of a liability as current or noncurrent at the reporting date.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

6. Summary of material accounting policies

The material accounting policies adopted by the Group in preparing these consolidated financial statements are applied consistently and are described below and amendments to IFRS as endorsed in KSA as elaborated in Note 4 that have been applied from 1 January 2023:

6.1 Investment in associate and joint arrangements

Investment in an associate

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Interest in an associate is accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position.

Investments in joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the legal structure of the joint arrangement and also the contractual rights and obligations of each investor. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Joint operations: A joint operation is an arrangement whereby the parties that have joint control on the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held assets or incurred liabilities, revenues and expenses for its joint operations.

Joint ventures: A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position.

Equity method of accounting

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

On acquisition of the investment in an associate or joint venture, any excess of cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in the consolidated statement of income in the period in which the investment is acquired.

The aggregate of the Group's share in net results of associates and joint ventures is presented the consolidated statement of income and consolidated statement of comprehensive income.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it is liable due to constructive or legal obligations on behalf of the investee..

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The financial statements of the associate or joint venture should be for the same reporting period as the Group. If not, then adjustments are made to bring the balances and transactions to be at / for the reporting period similar to the Group. Adjustments shall also be made to bring the balances and transactions in line with the accounting policies of the Group, in case the accounting policies of such associate or joint venture differ from those of the Group.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated statement of income.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

6 Summary of material accounting policies (continued)

6.1 Investment in associate and joint arrangements (continued)

When the Group ceases to equity-account for an investment because of a loss of joint control or significant influence, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognised in the consolidated statement of income. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in OCI in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in OCI are reclassified to the consolidated statement of income.

If the ownership interest in an associate or joint venture is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in OCI, except for the items that will not be reclassified to the consolidated statement of comprehensive income, are reclassified to the consolidated statement of income, where appropriate.

At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value in the books of the Group, then recognizes the loss as 'Share in net result from an associate or joint venture' in the consolidated statement of income and in the consolidated statement of comprehensive income.

6.2 Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current and 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;
- it is held primarily for the purpose of trading;
- it is expected to be realised within twelve months after the reporting period; or
- it is 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 will be settled in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

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

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

6.3 Joint ownership, production arrangements and shared service agreements

The Group has agreements for shared assets such as Joint ownership and production arrangements (JOPA) or other shared services agreements wherein the companies contribute to the production and operation of a particular asset or a plant in a specific proportion. The entity which controls and manages the majority of the relevant activities related to the plant (referred to as "the operator") recognises the full amount of the asset at cost in its accounting records and depreciates it over the useful life of the asset. The entity, which contributes funds for the construction of the plant (referred to as "the non-operator", recognises the contribution as a production advance and amortises it in line with the useful life of the asset. Normal operational and production costs and sales of the related products from such plants are treated in line with various such agreements.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

6 Summary of material accounting policies (continued)

6.4 Property, plant and equipment

Owned assets

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such costs includes the cost of replacing part of the property, plant and equipment and borrowing costs for long term construction projects (qualifying assets), if the recognition criteria are met. Where such assets are constructed in-house, their cost includes all amounts necessary to bring the asset to the present condition and location to be ready for intended use by management and excludes all costs such as general and administrative expenses and training costs. Any feasibility study costs are expensed as incurred unless they relate to specifically identifiable asset being constructed in-house and are directly attributable to it.

When parts of property, plant and equipment are significant in cost in comparison to the total cost of the item, and where such parts/components have a useful life different than other parts and are required to be replaced at different intervals, the Group shall recognize such parts as individual assets with specific useful lives and depreciate them accordingly. Likewise, when a major inspection (turnaround/shutdown, planned) is performed, its directly attributable cost is recognized in the carrying amount of the property, plant and equipment if the recognition criteria are satisfied. This is recorded as a separate component with a useful life generally equal to the time period up to the next scheduled major inspection (turnaround).

If the next turnaround occurs prior to the planned date, any existing book value of the previous turnaround is expensed immediately. All other repair and maintenance costs are recognized in the consolidated statement of income and consolidated statement of comprehensive income as incurred.

The present value of the expected cost for the assets demolishing and site restoration costs of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. The Group will periodically assess the expectation and estimation for the assets demolishing and site restoration costs liability.

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

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

Buildings and leasehold improvements	13 to 40 years
Plant and equipment	4 to 50 years
Furniture and fixtures	3 to 10 years
Vehicles	5 years

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

Assets under construction, which are not ready for their intended use, and land are not depreciated.

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

The assets' residual values, useful lives and methods of depreciation are periodically reviewed, and adjusted prospectively in case of a significant change in the assets technological capabilities or estimated planned use.

6.5 Right-of-use assets

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Land	5-99 years
Housing	2-10 years
Equipment	2 years
Vehicles	2 to 5 years
Gas pipelines	15 years

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

6 Summary of material accounting policies (continued)

6.6 Leases

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

Group as lessee

Leases are recognised as right-of-use assets along with their corresponding liabilities at the date of which the leased assets are available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is recognised in the consolidated statement of income over the lease term. The right of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Right-of-use assets are initially measured at cost comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs, and restoration costs; if applicable.

Lease liabilities include, if applicable, the net present value of fixed payments including in-substance fixed payments, less any lease incentives receivable, variable lease payment that are based on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Short-term and low value assets' leases

Short-term leases are leases with a lease term of 12 months or less. Low-value assets are items that do not meet the Group's capitalisation threshold and are considered to be insignificant for the statement of financial position for the Group as a whole. Payments for short-term leases and leases of low-value assets are recognised on a straight-line basis in the consolidated statement of income.

Variable lease payments

Some leases contain variable payments that are linked to the usage or performance of the leased asset. Such payments are recognised in the consolidated statement of income.

Extension and termination options

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

6.7 Intangible assets

Intangible assets are measured at cost upon initial recognition. Intangible assets acquired in a business combination are measured at fair value at the date of acquisition. 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 as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indicator that the intangible asset may be impaired. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income in the expense category that is consistent with the function of the intangible asset.

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

Software and licenses	5 to 20 years
Patents and trademarks	5 to 12 years

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

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete and its ability and intention to use or sell the asset;
- How the asset will generate future economic benefits;

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

6 Summary of material accounting policies (continued)

6.7 Intangible assets (continued)

- The availability of resources to complete the asset; and
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in the consolidated statement of income. During the period of development, the asset is tested for impairment annually.

Technology and innovation expense related to product development is recorded in the consolidated statement of income in other operating expense and expense related to process improvement is recorded in cost of sales.

6.8 Impairment of non-current assets

The Group assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists or when annual impairment testing is required, the Group estimates the assets' recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and is written down to its recoverable amount.

In assessing the value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

The Group's impairment calculation is based on detailed budgets and forecast calculations which are prepared separately for each of the Group CGU's to which the individual assets are allocated. These budgets and forecast calculations are generally covering a five-year period. A long-term growth rate is calculated and applied to project future cash flows after the budget period.

Impairment losses of continuing operations, including impairment on working capital, if applicable, are recognised in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

For assets other than goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, The Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. This reversal is limited such that the recoverable amount does not exceed what the carrying amount would have been, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognized in the consolidated statement of income.

6.9 Financial assets

Classification of financial assets depends on the Group's business model for managing its financial assets and the contractual terms of the cash flows. The Group classifies its financial assets as:

- financial assets measured at amortised cost; or
- financial assets measured at fair value.

Gains or losses of financial assets measured at fair value will be recognised either through the consolidated statement of income or through the consolidated statement of OCI.

Certain sales contracts provide for provisional pricing at the time of shipment with the final pricing based on an average market price. Such trade receivables are measured at fair value because the contractual cash flows are not solely payments of principal and interest. Other trade receivables which are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interests, are measured at amortised cost.

In order for a financial asset to be classified and measured at amortised cost or FVOCI, 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. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Initial measurement

Financial assets are initially measured at their fair value plus transaction costs. Transaction costs of financial assets carried at fair value through income statement are recognised in the consolidated statement of income.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

6 Summary of material accounting policies (continued)

6.9 Financial assets (continued)

Subsequent measurement

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

- *Financial assets at amortised cost (Debt Instruments)*

Financial assets at amortised cost are subsequently measured using the Effective Interest Rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

- *Financial assets at 'Fair Value through Other Comprehensive Income' ("FVOCI") with recycling of cumulative gains and losses (Debt Instruments)*

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated statement of income and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon de-recognition, the cumulative fair value change recognised in OCI is recycled to the consolidated statements of income.

- *Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon de-recognition (Equity Instruments)*

The Group measures all equity investments at fair value and presents changes in fair value of equity investments in OCI. Dividends from such investments continue to be recognised in the consolidated statement of income as other income when the Group's right to receive payments is established. Gains and losses on these financial assets are never recycled to the consolidated statement of income. These investments were irrevocably designated at FVOCI as the Group considers these investments to be strategic in nature.

- *Financial assets at Fair Value Through Income Statements (FVIS)*

Financial assets that do not meet the criteria for subsequent recognition at amortised cost or FVOCI are measured at FVIS. A gain or loss on a debt investment that is subsequently measured at fair value through the income statement and which is not part of a hedging relationship is recognised and presented net in the consolidated statement of income in the period in which it arises.

De-recognition

A financial asset or a part of a financial asset is de-recognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group 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 Group has transferred substantially all the risks and rewards of the asset; or
 - b) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Group assesses on a forward-looking basis the ECL associated with its debt instruments as part of its financial assets, which are carried at amortised cost and FVOCI.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

6 Summary of material accounting policies (continued)

6.10 Financial liabilities

Financial liabilities are classified under either of the below two classes:

- Financial liabilities at fair value; and
- Other financial liabilities measured at amortised cost using the EIR method.

The category of financial liability at fair value has two sub-categories:

- Designated: A financial liability that is designated by the entity as a liability at FV upon initial recognition;
- Held for trading: A financial liability classified as held for trading, such as an obligation for securities borrowed in a short sale, which have to be returned in the future. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are classified as held for trading unless they are designated as effective hedging instruments.

All financial liabilities are recognised initially when the Group becomes party to contractual provisions and obligations under the financial instrument. The liabilities are recorded at fair value, and in the case of loans and borrowings and payables, the proceeds received net of directly attributable transaction costs.

Subsequent measurement

Financial liabilities at FVIS continue to be recorded at fair value with changes being recorded in the consolidated statement of income.

Financial liabilities arising out of options over non-controlling interests are recorded at fair value with the subsequent measurement being recorded in retained earnings.

For other financial liabilities, including loans and borrowings, after initial recognition, these are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the consolidated statement of income when the liabilities are de-recognised as well as through the EIR 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 EIR method. The EIR amortisation is included as finance costs in the consolidated statement of income.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial period which are unpaid. The amounts are unsecured and are usually paid within 30 to 60 days of recognition. They are recognised initially at their fair value and subsequently measured at amortised cost using the EIR method.

Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value adjusted for transaction costs that are directly attributable to the issuance of the guarantee. The fair value of financial guarantee is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligation.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

De-recognition

A financial liability (except for options over non-controlling interests) is de-recognised when the obligation under the liability is settled or discharged. 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 de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of income.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

6 Summary of material accounting policies (continued)

6.11 Options and forward contracts on (own) equity instruments

Call and put options on equity instruments are derivative financial instruments to be recognised at fair value. When there are call or put options on an entity's equity instruments and that entity is controlled by the Group a financial liability is always recorded, however, the subsequent accounting treatment depends on whether IFRS 10 or IAS 32 applies.

If IFRS 10 takes precedence, then the terms of the forward and option contracts should be analysed to assess whether they provide the parent or the non-controlling interest with access to the risks and rewards associated with the actual ownership of the shares. The non-controlling interest should be recognised if risks and rewards associated with ownership have been retained by the non-controlling interest. The non-controlling interest should not be recognised if the risks and rewards associated with ownership have transferred to the parent.

If IAS 32 takes precedence, a risks and rewards analysis is not performed, and the non-controlling interest is derecognised when the forward or put option liability is recognised. The financial liability is recognised at the present value of the redemption amount. If the forward or put option was entered into at the business combination date there would not be a non-controlling interest recognised.

Put and call options over non-controlling interests

Put options are recognised at the present value of the best estimated amount to be paid at the end of the agreement. Call options are recognised at their fair value. Subsequent re-measurement of put and call options will be recognised in retained earnings. Put and call options offer contract parties the right to exercise them or to refrain from exercising the option rights.

If put options are being exercised, the financial liability, is re-measured immediately before the transaction, is extinguished by payment of the exercise price and the non-controlling interest purchased is derecognised against equity attributable to the owners of the parent. If the put option expires unexercised, the financial liability is reclassified to retained earnings.

If call options are being exercised, the fair value of the call option will be recognised as part of the consideration paid for the acquisition of the non-controlling interest. If call option expires unexercised, it is derecognised through consolidated statement of income as a finance cost.

Forward share purchase contracts arising from options over non-controlling interests

Forward share purchase contracts are commitments to purchase the shares subject to the contract stipulations in due time. Therefore, the present value of the best estimated amount to be paid at the end of the agreement is recognised as a liability. The subsequent movement in the liability is recognised in retained earnings.

6.12 Offsetting of financial instruments

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

6.13 Inventories

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

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

Inventories of finished goods include cost of materials, labour and an appropriate proportion of variable and fixed direct overheads.

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.

Abnormal inventory losses due to quality or other issues and overheads incurred during unplanned maintenance / shut down period are excluded from inventory cost. The allocation of overheads at period end for the purpose of inventory valuation are based on the higher of normal capacity or actual production for the period. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

6 Summary of material accounting policies (continued)

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

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

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

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

Consumable spare parts

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

Capital spare parts

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

- Stand-by equipment items acquired together with the plant production line or purchased subsequently but related to a particular plant or production line and will rarely be required are critical to plant operation and must be available at stand-by at all times. These are capitalized as part of property, plant and equipment and depreciated from purchase date over a period which is shorter of the component's useful life or the remaining useful life of the plant in which it is to be utilized. These do not form part of inventory provided capitalization criteria under property, plant and equipment is met.
- Repairable items that are plant/production line specific with long lead times and will be replaced and refurbished frequently (mostly during turnarounds). These are capitalized as part of property, plant and equipment where the capitalization criteria are met. Depreciation is started from day of installation of these items in the plant, and the depreciation period is the shorter of the useful life of the component and the remaining useful life of the plant and equipment in which it is installed. These do not form part of inventory.
- General capital spares and other consumables items which are not of a critical nature and are of a general nature, i.e., not plant specific and can be used in multiple plants or production lines and any other items which may be required at any time for facilitating plant operations. They are generally classified as 'consumables and spare parts under inventory, unless they exceed the threshold and have a useful life of more than one year, under which case they are recorded under property, plant and equipment. Items recorded under inventory are subject to assessment for obsolescence provision and are charged to the consolidated statement of income upon their installation or use.

6.14 Short term investments

Short term investments represent Murabaha commodity deposits with maturity over three months and less than a year upon acquisition are presented under current assets. These deposits are maintained with local and foreign commercial banks in Saudi Riyals and US dollars and carry profit at commercial rates.

6.15 Cash and cash equivalents

Cash and short-term deposits in the consolidated statement of financial position comprise bank balances, short-term deposits, demand deposits 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 held with banks all of which are available for use by the Group unless otherwise stated.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

6 Summary of material accounting policies (continued)

6.16 Dividend

The Group recognises a liability to make cash distribution to equity holders of the Group when the distribution is authorised and the distribution is no longer at the discretion of the Group. In accordance with the Companies Law in KSA a distribution is authorized when approved by the Board of Directors. Interim dividends, if any, are recognised when approved by the Board of Directors, a corresponding amount is recognised directly in these consolidated statement of changes in equity.

6.17 Employee benefits

Long-term employee benefit obligations

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

Post-employment obligation

The Group offers various post-employment schemes, including both defined contribution and defined benefit plans, and post-employment medical and life insurance plans for eligible employees and their dependents.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and has no other legal or constructive obligation. The contributions are recognised as employee benefit expense in the consolidated statement of income when they are due.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group primarily has end of service benefits, defined benefit pension plans and post-retirement medical and life insurance plans, which qualify as defined benefit plans.

a) End of service benefits and pension award

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

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

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

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

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

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

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

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

6 Summary of material accounting policies (continued)

6.17 Employee benefits (continued)

b) Post-retirement medical care

The Group provides post-retirement healthcare and life insurance benefits to its eligible retirees and their dependents for 5 years. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit plans. Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited as other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

The accounting for these plans requires that the Group makes certain assumptions relating to discount rates used to measure future obligations and expenses, salary scale inflation rates, health care cost trend rates, mortality and other assumptions. These estimates are highly susceptible to change from period to period based on the performance of plan assets (if any), actuarial valuations, market conditions and contracted benefit changes. The selection of assumptions is based on historical trends, future estimates based on economic and market conditions at the time of valuation. However, actual results may differ substantially from the estimates that were based on the critical assumptions used.

Termination benefits (early retirement program)

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognizes costs for a restructuring that involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after the end of the reporting period are discounted to present value.

Employee saving plan

The Group operates a saving plan to encourage its Saudi employees to make savings. The saving contributions from the participants are deposited in a separate bank account other than the Group's normal operating bank accounts. Employee saving plan represents the contribution made by the employee and the Group in accordance with the SABIC Human Resource policy and is presented as current liabilities.

Employee Home Ownership Program ("HOP")

Certain companies within the Group have established employee's HOP that offer eligible employees the opportunity to buy residential units constructed by these subsidiaries through a series of payments over a particular number of years. Ownership of the houses is transferred upon completion of full payment.

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

Employee Home Loan Program ("HLP")

The Group provides interest free home loan to its eligible employees for purposes related to purchase or building of a house or apartment. The loan is repaid in monthly instalment by deduction of employee's pay.

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

Executive vehicles

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

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

6 Summary of material accounting policies (continued)

6.18 Provisions

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation amount. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

Assets demolishing and site restoration costs

The Group records a provision for demolishing costs of manufacturing facilities when an obligation exists. Demolition costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the particular asset. The cash flows are discounted at a current pre-tax risk free rate that reflects the risks specific to this liability. The unwinding of the discount is expensed as incurred and recognised in the consolidated statement of income as a finance cost. The estimates for this provision are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

6.19 Zakat and tax

Zakat

Zakat is levied based on adjusted income subject to zakat and the zakat base in accordance with the Regulations of the Zakat, Tax and Customs Authority ("ZATCA") in KSA. The zakat provision is charged to the consolidated statement of income. Differences, if any, resulting from the final assessments are adjusted in the period of their finalisation.

Current Income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the relevant tax authorities.

Uncertain zakat and tax positions

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

Deferred tax

Deferred tax is provided for using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax law enacted or substantively enacted at the reporting date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets and current tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

6.20 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. Revenue arrangements are assessed against specific criteria to determine whether the Group is acting as a principal or agent.

For certain revenue contracts, an intermediary is used to provide the goods and services. The Group assesses whether it is an agent or principal in these arrangements. The Group acts as a principal when it controls the specified good or service prior to transfer. When the Group acts as a principal the revenue recorded is the gross amount billed.

Sales of goods revenue

The Group recognises revenue when control of the products sold, transfers to the customer, which shall be considered in the context of a five-step approach and applying the applicable shipping terms.

Rights of return

When a contract with a customer provides a right of return of the good within a specified period, the Group accounts for the right of return when requested by the customer and contractual conditions are met.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

6 Summary of material accounting policies (continued)

6.20 Revenue recognition (continued)

Identification of performance obligations

In certain instances, the Group determines delivery services for goods sold based on the C-class incoterms as separately identifiable and distinct from the sale of goods. This is because the Group transfers control of goods at the Group's loading site and provides delivery services to the buyer's site. The Group allocates a portion of the total transaction price to delivery services based on a best estimate of a similar stand-alone service.

Transportation services

Transportation services are satisfied over the period of delivery and recognised as revenue accordingly. The separate transaction price is not explicitly available in the contract and the Group uses estimation method to allocate the transaction price to such performance obligation. The estimation is based on standalone selling price.

Provisional pricing

Certain revenue contracts with customers include provisional pricing at the time of shipment. Initially, revenue on these contracts is recognized based on the estimate of the final price at the time control is transferred to the customer. The final pricing is based on the actual average market indexed price. Any difference between the estimate and the final price is recorded as a change in fair value of the related receivable, as part of revenue, in the consolidated statement of income. The associated trade receivables related to contracts with provisional pricing arrangements are subsequently measured at FVIS.

6.21 Expenses

All expenses are recognized on an accrual basis.

Cost of sales

Operating costs are recognized on a historical cost basis. Production costs, direct manufacturing and transportation expenses are classified as cost of sales. This includes raw material, direct labour and other attributable overhead costs as well as transportation costs associated with fulfilment of certain sales. Other costs such as selling costs are recorded as selling and distribution expenses while all remaining other costs are presented as general and administrative expenses.

Selling and distribution expenses

These include any costs incurred to carry out or facilitate all selling activities at the Group. These costs typically include distribution and logistics expenses as well as allocations of certain general overheads.

General and administration expenses

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

Allocation of overheads between cost of sales, selling and distribution expenses, and general and administrative expenses, where required, is made on a consistent basis based on predetermined rates as appropriate by the Group.

Research and development expense

Research and development expense pertains to activities related to:

- develop and improve our existing materials, products, solutions and processes,
- improve ecological footprint

These activities focus on delivering differentiated and sustainable product and application solutions and sustainable cost-advantaged process innovation to meet the needs of our customers and the value chain over the near, mid-, and long-term horizon.

6.22 Finance income

For all financial instruments measured at amortized cost and interest-bearing financial assets classified as investments in equity instruments at FVOCI, finance income is recorded using the EIR. EIR is the rate that discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

6 Summary of material accounting policies (continued)

6.23 Finance cost

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

6.24 Earnings per share

The Group presents basic, and diluted, if any, earning per share (EPS) data for the Company's ordinary shares its shareholders. Basic EPS is calculated by dividing net income for the year of the Group by the weighted average number of ordinary shares of the Company outstanding during the year, adjusted for own shares held, if any. Diluted EPS, if any is determined by adjusting the net income for the year of the Group by the weighted average number of ordinary shares of the Company outstanding during the year, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

6.25 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless whether that price is directly observable or estimated using another technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within scope of IAS 17 'Leases', and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 'Inventories' or value in use in IAS 36 'Impairment of Assets'.

The Group has categorized its financial assets and liabilities into a three-level fair value hierarchy, based on the degree to which the inputs to fair value measurement are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is not directly or indirectly observable.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

7. Property, plant and equipment

	For the year ended 31 December 2023					
	Building and leasehold improvements	Plant and equipment	Furniture and fixtures	Vehicles	Assets under construction	Total
Cost:						
At the beginning of the year	1,148,247	17,402,957	44,498	34,375	1,066,220	19,696,297
Additions	-	70,597	-	24	818,040	888,661
Transfers within property plant and equipment	4,530	918,285	-	748	(923,563)	-
Transfers of property, plant and equipment (i)	-	-	-	-	(79,647)	(79,647)
Disposals	(204,189)	(309,676)	(30,903)	(6,522)	-	(551,290)
At the end of the year	948,588	18,082,163	13,595	28,625	881,050	19,954,021
Accumulated depreciation and impairment						
At the beginning of the year	729,788	10,513,783	41,735	32,576	-	11,317,882
Charge for the year	29,853	846,499	711	1,101	-	878,164
Disposals	(204,189)	(303,628)	(30,903)	(6,522)	-	(545,242)
At the end of the year	555,452	11,056,654	11,543	27,155	-	11,650,804
Net book value:						
At 31 December 2023	393,136	7,025,509	2,052	1,470	881,050	8,303,217
At 1 January 2023	418,459	6,889,174	2,763	1,799	1,066,220	8,378,415

(i) Includes transfers of housing units constructed for employees to other non-current assets and receivables amounting to Saudi Riyals 79.6 million.

(ii) The ongoing projects for assets under construction mainly represent plant turnaround activities, reliability overhauling, and other capital expenditures.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

7 Property, plant and equipment (continued)

	For the year ended 31 December 2022					
	Building and leasehold improvements	Plant and equipment	Furniture and fixtures	Vehicles	Assets under construction	Total
Cost:						
At the beginning of the year	1,073,769	17,147,083	44,274	33,800	1,069,595	19,368,521
Additions	-	-	-	-	770,311	770,311
Transfers within property plant and equipment	77,537	614,104	224	575	(692,440)	-
Transfers of property, plant and equipment (i) (ii)	-	4,530	-	-	(79,548)	(75,018)
Disposals	(3,059)	(362,760)	-	-	(1,698)	(367,517)
At the end of the year	1,148,247	17,402,957	44,498	34,375	1,066,220	19,696,297
Accumulated depreciation and impairment						
At the beginning of the year	690,609	10,104,789	40,987	30,759	-	10,867,144
Charge for the year	39,938	766,033	748	1,817	-	808,536
Disposals	(759)	(357,039)	-	-	-	(357,798)
At the end of the year	729,788	10,513,783	41,735	32,576	-	11,317,882
Net book value:						
At 31 December 2022	418,459	6,889,174	2,763	1,799	1,066,220	8,378,415
At 1 January 2022	383,160	7,042,294	3,287	3,041	1,069,595	8,501,377

(i) Includes transfers of housing units constructed for employees to other assets and receivables amounting to Saudi Riyals 71.9 million and transfer to intangible assets amounting to Saudi Riyals 6.5 million.

(ii) Includes transfers in from inventory amounting to Saudi Riyals 3.4 million.

Allocation of depreciation charge for the year:

	Note	For the year ended 31 December 2023	For the year ended 31 December 2022
Cost of sales	26.1	850,101	776,120
Selling and distribution expenses	26.2	5,627	5,612
General and administrative expenses	26.3	22,436	26,804
		878,164	808,536

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

8 Right-of-use assets

	For the year ended 31 December 2023					
	Land	Housing	Vehicles	Gas pipelines	Others	Total
Cost:						
At the beginning of the year	194,345	124,361	4,111	22,116	-	344,933
Re-measurement	(19,241)	324	-	-	-	(18,917)
Retirements	(2,097)	(4,446)	(366)	(7,396)	-	(14,305)
At the end of the year	173,007	120,239	3,745	14,720	-	311,711
Accumulated depreciation and impairment:						
At the beginning of the year	26,867	58,647	3,361	14,488	-	103,363
Charge for the year	5,297	19,914	750	512	-	26,473
Re-measurement	(16,714)	-	-	-	-	(16,714)
Retirements	-	(4,341)	(366)	(7,396)	-	(12,103)
At the end of the year	15,450	74,220	3,745	7,604	-	101,019
Net book value:						
At 31 December 2023	157,557	46,019	-	7,116	-	210,692
At 1 January 2023	167,478	65,714	750	7,628	-	241,570

- (i) The Group leases various housing units, equipment, vehicles, land and other assets. Rental contracts are typically made for fixed periods from 1 to 10 years except for the land lease. 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 covenant, but lease assets may not be used as security for borrowing purposes.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

8 Right-of-use assets (continued)

	For the year ended 31 December 2022					Total
	Land	Housing	Vehicles	Gas pipelines	Others	
Cost:						
At the beginning of the year	119,068	107,285	10,960	22,116	285	259,714
Re-measurement (i)	75,277	-	-	-	-	75,277
Additions	-	24,190	-	-	-	24,190
Retirements	-	(7,114)	(6,849)	-	(285)	(14,248)
At the end of the year	194,345	124,361	4,111	22,116	-	344,933
Accumulated depreciation and impairment:						
At the beginning of the year	18,729	41,767	9,023	13,003	251	82,773
Charge for the year	8,138	23,994	1,187	1,485	34	34,838
Retirements	-	(7,114)	(6,849)	-	(285)	(14,248)
At the end of the year	26,867	58,647	3,361	14,488	-	103,363
Net book value:						
At 31 December 2022	167,478	65,714	750	7,628	-	241,570
At 1 January 2022	100,339	65,518	1,937	9,113	34	176,941

(i) During 2022, the lease term for land lease contracts with the Royal Commission for Jubail and Yanbu was re-assessed and extended from 30 years to 99 years during 2022 to reflect the Group's reasonable expectations of the period during which the underlying asset will be used. The lease contracts have a renewable option with mutual agreement by both parties.

Allocation of depreciation charge for the year:

	Note	For the year ended 31 December 2023	For the year ended 31 December 2022
Cost of sales	26.1	2,855	5,212
Selling and distribution expenses	26.2	2,293	3,203
General and administrative expenses	26.3	18,112	23,424
Research and technology expenses	26.4	3,213	2,999
		26,473	34,838

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

9 Intangible assets

	For the year ended 31 December 2023			Total
	Software and licenses	Patents and trademarks	Intangibles under development	
Cost:				
At the beginning of the year	215,854	25,478	18,818	260,150
Additions	-	-	1,778	1,778
Transfer to other assets and receivables	-	-	(8,279)	(8,279)
At the end of the year	215,854	25,478	12,317	253,649
Accumulated amortisation and impairment				
At the beginning of the year	179,660	-	-	179,660
Charge for the year	8,344	2,427	-	10,771
At the end of the year	188,004	2,427	-	190,431
Net book value:				
At 31 December 2023	27,850	23,051	12,317	63,218
At 1 January 2023	36,194	25,478	18,818	80,490

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

9 Intangible assets (continued)

	For the year ended 31 December 2022			Total
	Software and licenses	Patents and trademarks	Intangibles under development	
Cost:				
At the beginning of the year	204,040	-	23,657	227,697
Additions (i)	730	25,478	562	26,770
Transfers within intangible assets	3,102	-	(3,102)	-
Transfer from (to) property, plant and equipment	8,831	-	(2,299)	6,532
Disposals	(849)	-	-	(849)
At the end of the year	215,854	25,478	18,818	260,150
Accumulated amortisation and impairment				
At the beginning of the year	169,415	-	-	169,415
Charge for the year	11,094	-	-	11,094
Disposals	(849)	-	-	(849)
At the end of the year	179,660	-	-	179,660
Net book value:				
At 31 December 2022	36,194	25,478	18,818	80,490
At 1 January 2022	34,625	-	23,657	58,282

(i) Patents and trade-marks were acquired from SABIC by the Group during 2022.

Allocation of amortisation charge for the year:

	Note	For the year ended 31 December 2023	For the year ended 31 December 2022
Cost of sales	26.1	1,811	1,874
General and administrative expenses	26.3	6,534	9,220
Research and technology expenses	26.4	2,426	-
		10,771	11,094

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

10 Investments in an associate and a joint venture

The table below outlines the Group's investments in an associate and a joint venture:

Name of investee	Note	Relationship	Ownership	As at 31 December 2023	As at 31 December 2022
GPIC	10.1	Associate	33.33%	985,413	869,901
EIHL	10.2	Joint venture	49.00%	1,266,222	-
Balance at the end of the year				2,251,635	869,901

The table below outlines the Group's share of results from an associate and a joint venture:

Name of investee	Note	For the year ended 31 December 2023	For the year ended 31 December 2022
GPIC	10.1	109,790	408,315
EIHL	10.2	58,538	-
Total share of results from an associate and a joint venture:		168,328	408,315

10.1 Investment in an associate

GPIC is incorporated in the Kingdom of Bahrain and is engaged in manufacturing and exporting of ammonia, urea and methanol products. Investment in an associate is accounted for using the equity method. The Parent Company does not exercise control over the associate.

The movement of investment in an associate is as follows:

	For the year ended 31 December 2023	For the year ended 31 December 2022
Balance at the beginning of the year	869,901	769,088
Share of results	109,790	408,315
Exchange difference on translation of foreign investment	5,722	-
Dividends received	-	(307,502)
Balance at the end of the year	985,413	869,901

The tables below provide summarised financial information of GPIC. The information disclosed reflects the amounts presented in the available financial statements of the relevant associate and not the Group's share of those amounts.

	As at 31 December 2023	As at 31 December 2022
Current assets	1,449,635	1,088,948
Non-current assets	1,612,000	1,635,580
Current liabilities	(105,099)	(114,564)
Net assets	2,956,536	2,609,964
Reconciliation:		
Group's share	33.33%	33.33%
Carrying amount	985,413	869,901

	For the year ended 31 December 2023	For the year ended 31 December 2022
Revenue	1,466,909	2,235,626
Net income for the year	329,404	1,224,946
Reconciliation:		
Group's share	33.33%	33.33%
Share in earnings	109,790	408,315

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

10 Investments in an associate and a joint venture (continued)

10.2 Investment in a joint venture

EIHL, which is incorporated in Dubai, United Arab Emirates. EIHL is a group of companies engaged in the trading, processing and distribution of agri-nutrient products. Refer to Note 1.

The movement of investment in a joint venture is as follows:

	For the year ended 31 December 2023
Balance at the beginning of the year	-
Acquired on 10 April 2023	1,207,684
Share of results for the period from 10 April 2023 to 31 December 2023	58,538
Dividends received	-
Balance at the end of the year	1,266,222

The tables below provide summarised financial information of EIHL. The information disclosed reflects the amounts presented in the available financial statements of the relevant joint venture and not the Group's share of those amounts.

	As at 31 December 2023
Current assets	3,058,975
Non-current assets	317,227
Current liabilities	(1,813,216)
Non-current liabilities	(80,454)
Net assets	1,482,532

Reconciliation:

Group's share	49%
	726,441
Consideration paid in addition to the share in book value of net assets (i)	518,173
Unrealized gains on downstream transactions (ii)	21,608
Carrying amount	1,266,222

	Post acquisition period*
Revenue	3,628,072
Net income	130,011
Reconciliation:	
Group's share	49%
	63,705
Unrealized gains on downstream transactions (ii)	(21,608)
Share in net results to be recorded by the Group	42,097
Share in net results recorded by the Group (iii)	58,538

*period from 10 April 2023 to 31 December 2023

- i) The excess consideration pertains to the difference between the book values of the share of net assets and the consideration paid by the Group to acquire the investment. Refer to Note 1.
- ii) Unrealised gains on downstream transactions between the Group and EIHL are eliminated to the extent of the Group's interest in the investment. An unrealised gain of Saudi Riyals 21.6 million has been eliminated from the consolidated statement of income.
- iii) Difference between the share in net results recorded by the Group for the year ended 31 December 2023 and the Group's actual share in the net results of EIHL amounted to Saudi Riyals 16.4 million. This was mainly due to differences between provisional and final results reported by EIHL which is considered to be insignificant by the Group.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

11 Investments in equity instruments

Carrying value of the investments in equity instruments are as follows:

	As at 31 December 2023	As at 31 December 2022
Listed securities		
Equity securities measured at FVOCI (i)	361,114	394,805
Un-listed securities		
Equity securities measured at FVOCI (ii)	-	-
Total investments in equity instruments	361,114	394,805

- i) Quoted investments represent 1.69% (2022: 1.69%) shares held in Yansab, a listed entity in Tadawul.
 ii) Unquoted investments represent 3.87% (2022: 3.87%) shares held in Ibn Rushd, a subsidiary of SABIC.

Movement in the securities measured at FVOCI for the years ended 31 December 2023 and 2022 is as follows:

	As at 31 December 2023		As at 31 December 2022	
	Quoted	Unquoted	Quoted	Unquoted
Cost:				
At the beginning and end of the year	94,905	77,363	94,905	77,363
Fair value reserve of financial assets at FVOCI:				
At the beginning of the year	299,900	(77,363)	557,092	(77,363)
Change in fair value during the year (i)	(33,691)	-	(257,192)	-
At the end of the year	266,209	(77,363)	299,900	(77,363)
Carrying value at the end of the year	361,114	-	394,805	-

The effect on investments in equity instruments due to change in price by 10%, with all other variables held consistent, is Saudi Riyals 36.1 million (2022: Saudi Riyals 39.5 million). Other components of equity would increase/decrease as a result of these fluctuation. Both the investments are carried at fair value. Please refer Note 13.1 for further details.

12 Other assets and receivables

	As at 31 December 2023	As at 31 December 2022
Non-current:		
House ownership and home loan program (i)	305,866	261,575
HOP site development costs	77,502	73,705
JOPA advances	8,263	7,988
Advances to related parties (ii)	19,036	554
	410,667	343,822
Current:		
Employee advances and receivables (i)	29,845	9,408
Advances to related parties (ii)	138,331	158,325
Employee benefits - receivable from a related party (iii)	67,380	148,908
Prepaid expenses	81,620	70,061
Interest receivable on Murabaha	-	52,224
Miscellaneous items (iv)	27,676	32,672
	344,852	471,598

- (i) Employee advances represents receivables from employees related to Housing Ownership Program ("HOP") and other benefits.
 (ii) Advances to related parties represent advance against operations, support services and other projects.
 (iii) Employee benefits receivable pertains to the employee benefit obligation transferred to the Group from SABIC as a result of transfer of employees from SABIC to the Group.
 (iv) Miscellaneous items include dividends receivable and VAT refundable.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

13 Financial assets and financial liabilities

	<i>Notes</i>	31 December 2023							
		Total	Financial assets / liabilities at amortised cost	Financial assets / liabilities at FVIS	Financial assets at FVOCI	Fair value (13.1)	Level I	Level II	Level III
<i>Financial assets</i>									
Investments in quoted equity instruments	11	361,114	-	-	361,114	361,114	361,114	-	-
Unquoted equity instruments (i)	11	Nil	-	-	-	Nil	-	-	Nil
Trade receivables (ii)	15	1,566,606	1,038,761	527,845	-	527,845	-	-	527,845
<i>Short-term investments</i>		-	-	-	-	-	-	-	-
- Murabaha deposits	16.2	6,806,302	6,806,302	-	-	-	-	-	-
<i>Cash and cash equivalents (iii)</i>		-	-	-	-	-	-	-	-
- Cash and bank balances	16	342,595	342,595	-	-	-	-	-	-
- Murabaha deposits	16	3,899,448	3,899,448	-	-	-	-	-	-
Other financial assets (iv)		78,106	78,106	-	-	-	-	-	-
		13,054,171	12,165,212	527,845	361,114	888,959	361,114	-	527,845
<i>Financial liabilities</i>									
Lease liabilities	20	212,028	212,028	-	-	-	-	-	-
Trade payables	23	710,805	710,805	-	-	-	-	-	-
Derivative financial instruments (v)	22	1,440,000	-	-	-	1,440,000	-	-	1,440,000
Dividends payable	36	1,697,135	1,697,135	-	-	-	-	-	-
Other financial liabilities (iv)		344,934	344,934	-	-	-	-	-	-
		4,404,902	2,964,902	-	-	1,440,000	-	-	1,440,000

(i) The Group's unquoted investments are valued under level 3 where inputs are not based on observable market data (unobservable inputs).

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

(iii) The Group assessed fair value of short-term investments, cash and cash equivalents, trade payables, dividends payable and other financial assets and liabilities to approximate their carrying amounts largely due to the short-term maturities of these instruments.

(iv) Other financial assets include loans to employees and other receivables, net of expected credit losses, where applicable. Other financial liabilities include payables to related parties and employee related payables.

(v) Amount recorded as fair value of option to acquire non-controlling interest of Al-Bayroni. Refer to Note 22.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

13 Financial assets and financial liabilities (continued)

	Notes	31 December 2022							
		Total	Financial assets / liabilities at amortised cost	Financial assets / liabilities at FVIS	Financial assets at FVOCI	Fair value (13.1)	Level I	Level II	Level III
Financial assets									
Investments in quoted equity instruments	11	394,805	-	-	394,805	394,805	394,805	-	-
Unquoted equity instruments (i)	11	Nil	-	-	-	Nil	-	-	Nil
Trade receivables (ii)	15	2,560,964	2,135,339	425,625	-	425,625	-	-	425,625
<i>Short-term investments</i>									
- Murabaha deposits	16.2	4,363,000	4,363,000	-	-	-	-	-	-
<i>Cash and cash equivalents (iii)</i>									
- Cash and bank balances	16	263,248	263,248	-	-	-	-	-	-
- Murabaha deposits	16	8,354,879	8,354,879	-	-	-	-	-	-
Other financial assets (iv)		205,105	205,105	-	-	-	-	-	-
		16,142,001	15,321,571	425,625	394,805	820,430	394,805	-	425,625
Financial liabilities									
Lease liabilities	20	245,760	245,760	-	-	-	-	-	-
Trade payables	23	744,897	744,897	-	-	-	-	-	-
Derivative financial instruments (v)	22	2,373,750	-	-	-	2,373,750	-	-	2,373,750
Dividends payable	36	323,349	323,349	-	-	-	-	-	-
Other financial liabilities (iv)		260,685	260,685	-	-	-	-	-	-
		3,948,441	1,574,691	-	-	2,373,750	-	-	2,373,750

(i) The Group's unquoted investments are valued under level 3 where inputs are not based on observable market data (unobservable inputs).

(ii) Trade receivables relating to contracts with provisional pricing arrangements are measured at fair value. These trade receivables are classified as level 3 in the fair value hierarchy due to the inclusion of unobservable inputs including specific terms of the contract. For trade receivables carried at amortised cost, the carrying amount as at December 31, 2022 approximates their fair value due to their short-term nature.

(iii) The Group assessed fair value of short-term investments, cash and cash equivalents, trade payables, dividends payable and other financial assets and liabilities to approximate their carrying amounts largely due to the short-term maturities of these instruments.

(iv) Other financial assets include interest receivables, loans to employees and other receivables, net of expected credit losses, where applicable. Other financial liabilities include payables to related parties and employee related payables.

(v) Amount recorded as fair value of option to acquire non-controlling interest of Al-Bayroni. Refer to Note 22.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

13 Financial assets and financial liabilities (continued)

The Group's exposure to various risks associated with the financial instruments is discussed in Note 33. The maximum exposure to credit risk at the end of the reporting year is the carrying amount of each class of financial assets mentioned above.

13.1 Fair value measurement

Set out in the table above is a comparison, by class, of the carrying amounts and fair value of the Group's financial assets for which fair valuation had been performed, for other financial assets the carrying amounts are reasonable approximations of fair values. All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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 Group measures financial assets at fair value thorough other comprehensive income at each statement of consolidated financial position date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

There were no transfers between the levels of the fair value hierarchy in the twelve months to 31 December 2023. There were no changes made to any of the valuation techniques applied as of December 2023.

The following methods and assumptions were used to estimate the fair values:

- Fair values of quoted investments in equity instruments are derived from quoted prices in active markets. For the fair value of un-quoted equity instruments, the Group makes certain assumptions in valuation about the model inputs, including fair value derived based on comparable transactions. The probabilities of the various estimates within a range can be reasonably used in the Group's estimate of fair value for these unquoted investments in equity instruments.
- For the fair value of the Derivative financial instruments, the Group used the market approach to measure the fair value of the derivative instruments using certain non-observable inputs (equity value to EBITDA multiple).
- The fair value of trade receivables carried at FVIS are valued using valuation techniques, which employ the use of market observable inputs. The valuation techniques is based on marked-to-market observable inputs of the underlying commodities.

The following table summarises the information about the significant non-observable inputs used in level 3 fair value measurements:

Description	Valuation technique	Significant non-observable input	2023	2022
Derivative financial instruments	Market approach	Put options and forward contracts		
		- Equity value to, EBITDA multiple	5.4	4.7
		- Dividend to EBITDA %	38.6%	20.3%
		- Discount rate	10.5%	10.5%

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

13 Financial assets and financial liabilities (continued)

13.1 Fair value measurement (continued)

A change in the significant non-observable inputs would result in a change in the value of the derivative financial instrument as follows:

As at 31 December 2023	Change in the significant non-observable inputs		Derivative financial instruments value	
	From	To	From	To
Increase equity value to EBITDA multiple by 10%	5.4	5.9	1,440,000	1,645,000
Decrease equity value to EBITDA multiple by 10%	5.4	4.9	1,440,000	1,234,000
High range of Dividend to EBITDA %	38.6%	40.0%	1,440,000	1,418,000
Low range of Dividend to EBITDA %	38.6%	23.6%	1,440,000	1,688,000
Increase discount rate by 1%	10.5%	11.5%	1,440,000	1,464,000
Decrease discount rate by 1%	10.5%	9.5%	1,440,000	1,414,000

As at 31 December 2022	Change in the significant non-observable inputs		Derivative financial instruments value	
	From	To	From	To
Increase equity value to EBITDA multiple by 10%	4.7	5.2	2,373,750	2,648,433
Decrease equity value to EBITDA multiple by 10%	4.7	4.2	2,373,750	2,058,219
High range of Dividend to EBITDA %	20.3%	27.4%	2,373,750	2,143,052
Low range of Dividend to EBITDA %	20.3%	19.6%	2,373,750	2,375,692
Increase discount rate by 1%	10.5%	11.5%	2,373,750	2,378,335
Decrease discount rate by 1%	10.5%	9.5%	2,373,750	2,326,594

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.

14 Inventories

Inventories are detailed as follows:

	As at 31 December 2023	As at 31 December 2022
Finished goods	244,667	211,992
Spare parts	608,182	656,638
Raw materials	31,511	108,813
Goods in transit	25,086	32,130
	909,446	1,009,573
Less: Provision for slow moving and obsolete items	(220,970)	(275,580)
	688,476	733,993

Movements in the provision for slow moving and obsolete inventories were as follows:

	For the year ended 31 December 2023	For the year ended 31 December 2022
At the beginning of the year	275,580	240,576
(Reversal) charge for the year	(54,610)	35,004
At the end of the year	220,970	275,580

The movement was recognised in cost of sales and it is essentially due to consumption or utilisation of certain inventory items.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

15 Trade receivables

Trade receivables can be detailed as follows:

	As at 31 December 2023	As at 31 December 2022
Trade receivables	381,196	1,514,000
Due from Taiwan Fertilizer Company Limited ("TFC")	-	41,263
Due from other related parties	1,187,508	1,006,123
	1,568,704	2,561,386
Less: allowance for expected credit losses	(2,098)	(422)
	1,566,606	2,560,964

Accounts receivable are non-interest bearing and are generally due between 30 – 120 days.

As of 31 December, the ageing analysis of trade receivable along with related expected credit loss is as follows:

	Total	Current	Less than 60 days	60-90 days	91-180 Days	181-365 days	More than one year
31 December 2023							
Expected credit loss rate	0.55%	0.37%	0.66%	0%	0%	0%	0%
Gross carrying amount (i)	1,040,859	949,487	77,349	2,179	4,713	7,098	33
Expected credit loss	(2,098)	(1,958)	(140)	-	-	-	-
Total	1,038,761	947,529	77,209	2,179	4,713	7,098	33
31 December 2022							
Expected credit loss rate	0.03%	0.02%	0.04%	0%	0%	0%	0%
Gross carrying amount (i)	2,135,761	1,504,511	627,259	805	790	1,855	541
Expected credit loss	(422)	(213)	(209)	-	-	-	-
Total	2,135,339	1,504,298	627,050	805	790	1,855	541

i) The amount excludes trade receivable carried at FVIS amounting to Saudi Riyals 527.8 million as at 31 December 2023 (2022: Saudi Riyals 425.6 million).

The movements in the allowance for expected credit losses were as follows:

	For the year ended 31 December 2023	For the year ended 31 December 2022
At the beginning of the year	422	-
Charge for the year	1,676	422
At the end of the year	2,098	422

16 Cash and cash equivalents

Cash and cash equivalents are detailed as follows:

	As at 31 December 2023	As at 31 December 2022
Call account	45,251	45,228
Current accounts	297,344	218,020
	342,595	263,248
Murabaha deposits	3,899,448	8,354,879
Total	4,242,043	8,618,127
Conventional cash and cash equivalents	342,595	263,248
Non-conventional cash and cash equivalents	3,899,448	8,354,879
	4,242,043	8,618,127

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

16 Cash and cash equivalents (continued)

The table below provides details of amounts placed in various currencies:

	As at 31 December 2023	As at 31 December 2022
Saudi Riyals (i)	3,001,819	6,571,175
USD (i)	1,240,224	2,046,952
	4,242,043	8,618,127

(i) Included in above are Islamic Murabaha deposits with banks of original maturities of less than three months. These carry interest ranging from 4.2% to 6.3% (2022: 1.5% to 5.5%) per annum.

16.1 Cash flows related disclosures

Change in liabilities arising from financing activities is detailed as follows:

	As at 1 January 2023	Movement during the year	Cash outflows	Other non-cash	As at 31 December 2023
Lease	245,760	-	(29,327)	(4,405)	212,028
Dividends to shareholders	131,911	6,664,496	(5,223,013)	-	1,573,394
Dividends to non-controlling interest	191,438	327,500	(275,773)	(119,424)	123,741
	569,109	6,991,996	(5,528,113)	(123,829)	1,909,163

	As at 1 January 2022	Movement during the year	Cash outflows	Other non-cash	As at 31 December 2022
Lease	178,385	-	(32,092)	99,467	245,760
Dividends to shareholders of the Company	117,010	3,332,248	(3,317,347)	-	131,911
Dividends to non-controlling interest	54,761	920,000	(645,572)	(137,751)	191,438
	350,156	4,252,248	(3,995,011)	(38,284)	569,109

Cash held in separate bank accounts is as below:

	As at 31 December 2023	As at 31 December 2022
Dividends to shareholders of the Company	145,288	131,911
Cash held for non-controlling interest for paying donations	45,251	45,228
Employee savings plan bank balance	76,695	75,678
	267,234	252,817

At 31 December 2023, the Group has funds amounting to Saudi Riyals 267.2 million (31 December 2022: Saudi Riyals 252.8 million) which are held in separate bank accounts and are not used as part of normal business operations. The cash held in these bank accounts is available for access by the Group at any point in time.

16.2 Short term investments

Short term investments are detailed as follows:

	As at 31 December 2023	As at 31 December 2022
Murabaha	6,806,302	4,363,000

Short term investments represent Murabaha commodity deposits with original maturity of more than three months and less than a year upon acquisition and are presented under current assets. These deposits are maintained with local commercial banks in Saudi Riyal and carry interest ranging from 6% to 6.4% (2022: 3.1% to 5.7 %) per annum.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

17 Share capital

	As at 31 December 2023	As at 31 December 2022
Authorised shares:		
Ordinary shares of Saudi Riyals 10 each ('000)	476,035	476,035
Ordinary shares issued and fully paid of Saudi Riyals 10 each ('000)	476,035	476,035
Issued and paid up capital (Saudi Riyals '000)	4,760,354	4,760,354

18 Reserves

Share premium

Share premium was recorded due to the excess of issue price over par value for the issuance of 59,368,738 additional shares to SABIC as a consideration for the Company's acquisition of 100% of the share capital of SANIC from SABIC in 2021. The issuance of additional shares resulted in share premium as follows:

The total value of shares at Saudi Riyals 77.35 per share which had been valued as the weighted average price per share over the 3 month period ended 19 December 2019	4,592,172
Total par value of the additional shares issued at Saudi Riyals 10 each	(593,687)
Share premium as a result of additional shares issued	3,998,485

Statutory reserve

In accordance with the Company's by-laws, the Company must set aside 10% of its net income in each year until it has built up a reserve equal to 30% of the share capital. As the reserve has reached the minimum amount, the Company has resolved to discontinue such transfers. This reserve is not available for distribution.

According to the latest update in the Regulations for Companies in the KSA, the mandatory statutory reserve requirement had been abolished. In pursuant to this change, the Company is in the process of amending its by-laws.

Other reserves

The following table shows a breakdown of other reserves and the movements during the year:

	For the year ended 31 December 2023			
	Equity instruments	Actuarial gain (loss)	Foreign currency translation	Total
At the beginning of the year	222,537	282,536	-	505,073
Re-measurement loss on defined benefit plans, net of tax	-	(52,420)	-	(52,420)
Exchange difference on translation of foreign investment	-	-	5,722	5,722
Net change on revaluation of investments in equity instruments classified as fair value through other comprehensive income	(33,691)	-	-	(33,691)
At the end of the year	188,846	230,116	5,722	424,684

	For the year ended 31 December 2022			
	Equity instruments	Actuarial gain	Foreign currency translation	Total
At the beginning of the year	479,729	12,912	-	492,641
Re-measurement gain on defined benefit plans, net of tax	-	269,624	-	269,624
Net change on revaluation of investments in equity instruments classified as fair value through other comprehensive income	(257,192)	-	-	(257,192)
At the end of the year	222,537	282,536	-	505,073

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

19 Non-controlling interest

Al Jubail Fertilizer Company (Al-Bayroni) is a Saudi Limited Liability Company registered in Al- Jubail Industrial City in the Kingdom of Saudi Arabia under Commercial Registration number 2055000435 dated 21 Rabi Al-Awwal, 1400 H (corresponding to 8 February 1980). From 4 January 2021, it is equally owned by SANIC and TFC, a company incorporated in Taiwan, but controlled by the Parent Company. The registered office is located in Jubail Industrial City, P. O. Box 10046, Al-Jubail Kingdom of Saudi Arabia.

Al-Bayroni is engaged in using methane as a raw material to produce ammonia and urea used as fertilizer and for industrial purposes and producing 2EH (2-ethylhexanol) and DOP (di-Octyl Phthalate) under the SAGIA's License No. 121030125558 dated 22 Rabi Al-Awwal 1400 H (corresponding to 9 February 1980) and under industrial license No. 1368 dated 2 Jumada I 1437 H (corresponding to 11 February 2018).

Summarised statement of financial position

Set out below is summarised financial information for Al-Bayroni which has a non-controlling interest, TFC, which is material to the Group. The amounts disclosed are before inter-company eliminations:

	As at 31 December 2023	As at 31 December 2022
Current assets	875,253	1,067,526
Current liabilities	(450,200)	(673,497)
Current net assets	425,053	394,029
Non-current assets	1,866,820	1,988,387
Non-current liabilities	(103,912)	(111,126)
Non-current net assets	1,762,908	1,877,261
Net assets	2,187,961	2,271,290
Accumulated non-controlling interests (i)	1,057,008	1,075,991

(i) Accumulated non-controlling interests includes adjustments such as inter-group profit elimination, absorption of income tax in non-controlling interests and others.

Summarised statement of comprehensive income

	For the year ended 31 December 2023	For the year ended 31 December 2022
Revenue	1,630,647	2,171,479
Net income for the year	450,110	940,779
Other comprehensive income	(2,369)	(1,806)
Total comprehensive income	447,741	938,973
Net income attributable to non-controlling interests (i)	204,661	424,381
Other comprehensive loss attributable to non-controlling interests (ii)	(1,053)	(803)
Dividends paid to non-controlling interests	(275,773)	(645,572)

(ii) Net income (loss) attributable to non-controlling interests includes adjustments such as inter-group profit elimination, absorption of income tax in non-controlling interests and others.

(iii) Other comprehensive loss attributable to non-controlling interests includes actuarial gain/ loss on defined benefit obligation and deferred tax impact on OCI.

Summarised statement of cash flows

	For the year ended 31 December 2023	For the year ended 31 December 2022
Cash flow from operating activities	647,561	1,376,207
Cash flow used in investing activities	(89,490)	(11,508)
Cash flow used in financing activities	(683,501)	(1,485,082)
Decrease in cash and cash equivalents	(125,430)	(120,383)

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

20 Lease liabilities

Lease liabilities are detailed as follows:

	As at 31 December 2023	As at 31 December 2022
Non-current		
Lease liabilities	197,329	222,521
Current		
Lease liabilities	14,699	23,239
	212,028	245,760

All addition to leases are recorded as right-of-use assets which are disclosed in Note 8.

There are no residual value guarantees and no leases yet commenced, to which SABIC AN is committed.

Movement in lease liability is as follows:

	As at 31 December 2023	As at 31 December 2022
At the beginning of the year	245,760	178,385
Additions	-	99,467
Accretion of interest (Note 27)	16,605	11,560
Retirements	(2,202)	-
Re-measurement	(2,203)	-
Payment	(45,932)	(43,652)
At the end of the year	212,028	245,760

The following amounts related to short term and low value leases that are recognised in consolidated statement of income:

	For the year ended 31 December 2023	For the year ended 31 December 2022
Expense related to short-term leases	15,622	16,652
Expense related to leases of low-value assets	2,017	2,525

The aggregate repayment schedule of leases is as follows:

	As at 31 December 2023	As at 31 December 2022
Within one year	32,677	34,677
1-5 years	79,108	99,539
More than 5 years	734,867	1,003,371
Total	846,652	1,137,587

The maturity of the lease obligation and debt are further elaborated in liquidity risk (Note 33).

21 Employee benefits

The provision for employee benefits is detailed as follows:

	As at 31 December 2023	As at 31 December 2022
Defined benefit obligations		
End of service benefits	1,003,988	901,733
Post-retirement medical benefits	89,551	73,321
Continuous service award	5,923	11,080
Total defined benefit obligation presented under non-current liabilities	1,099,462	986,134
Defined contribution plan		
Employee savings plan	152,876	151,815
Total defined contribution plan presented under current liabilities	152,876	151,815

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

21 Employee benefits (continued)

Defined benefits obligation

The Group provides end of service and pension benefits to its employees taking into consideration the local labour laws, employment market and tax laws of the countries where the companies are located.

End of service benefits are mandatory for all KSA based employees under the Saudi Arabian labour law and the Group's employment policies. End of service benefit is based on employees' compensation and accumulated period of service and is payable upon termination, resignation or retirement. The Defined Benefit Obligation ("DBO") in respect of employees' end of service benefits is calculated by estimating the future benefit payment that employees have earned in return for their service. An appropriate discount rate is then applied to determine the present value of the Group's obligation. This is an unfunded plan.

Re-measurements are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to other reserves through OCI in the period in which they occur. Re-measurements are not reclassified to consolidated statement of income in subsequent periods.

Other long-term employee benefits

Long-term service awards

The Group offers a long-term service award to its employees in KSA, depending on years of service. This is measured similarly to a DBO.

Early retirement plans

Employee early retirement plan costs are provided for in accordance with the Group's employee benefit policies. If an instalment-based compensation is agreed on, the obligation is initially discounted to its present value and then unwound through the period of compensation, which can be up to the regular retirement age of the employee.

Saving plans

Saving plans are related to KSA based employees.

The following table represents the movement of the defined benefit obligation position:

	For the year ended 31 December 2023			
	End of service	Post-retirement medical	Continuous service awards	Total
At the beginning of the year	901,733	73,321	11,080	986,134
Current service cost	63,010	5,781	534	69,325
Finance cost	44,935	3,985	277	49,197
Actuarial changes arising due to:				
- financial assumptions	19,127	5,507	71	24,705
- demographic changes	-	(60)	-	(60)
- experience adjustments	19,910	9,024	157	29,091
Adjustment	-	5,317	(5,317)	-
Benefits paid during the year	(51,182)	(13,842)	(901)	(65,925)
Transfer from a related party	6,455	518	22	6,995
At the end of the year	1,003,988	89,551	5,923	1,099,462

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

21 Employee benefits (continued)

	For the year ended 31 December 2022			
	End of service	Post-retirement medical	Continuous service awards	Total
At the beginning of the year	952,264	83,843	11,512	1,047,619
Current service cost	72,469	6,485	573	79,527
Finance cost	28,067	2,300	157	30,524
Actuarial changes arising due to:				
- financial assumptions	(268,534)	(20,145)	(984)	(289,663)
- demographic changes	-	(39)	-	(39)
- experience adjustments	15,065	6,047	(30)	21,082
Benefits paid during the year	(38,212)	(13,184)	(682)	(52,078)
Transfer from a related party	140,614	8,014	534	149,162
At the end of the year	901,733	73,321	11,080	986,134

	For the year ended 31 December 2023	For the year ended 31 December 2022
Net benefit expense		
Current service cost and past service cost	69,325	79,527
Finance cost on benefit obligation (Note 27)	49,197	30,524
Net benefit expense	118,522	110,051

The major economic and actuarial assumptions used in benefits liabilities computation can be shown as follows:

	As at 31 December 2023	As at 31 December 2022
Discount rate	5.0%	5.2%
Average salary increase	5.2%	5.3%
Inflation rate (health care cost)	9.0%	9.0%

Sensitivity analysis

The table below illustrates the approximate impact on the DBO if the Group were to change one key assumption, while the other actuarial assumptions remain unchanged. The sensitivity analysis is intended to illustrate the inherent uncertainty in the valuation of the DBO under market conditions at the measurement date. These results cannot be extrapolated due to non-linear effects that changes in key actuarial assumptions may have on the total DBO. The sensitivities only apply to the DBO and not to the net amounts recognised in the consolidated statement of financial position. Movements in the fair value of plan assets would, to a certain extent, be expected to offset movements in the DBO resulting from changes in the given assumptions.

	As at 31 December 2023	As at 31 December 2022
Increase		
Discount rate (+25 bps)	(26,927)	(24,082)
Salary (+25 bps)	24,508	22,114
Health care costs (+25 bps)	3,609	8,214
Decrease		
Discount rate (-25 bps)	28,059	25,518
Salary (-25 bps)	(23,669)	(21,330)
Health care costs (-25 bps)	(3,005)	(2,554)

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

21 Employee benefits (continued)

Expected total benefit payments is detailed as follows:

	As at 31 December 2023	As at 31 December 2022
Within one year	61,371	61,439
1 – 2 years	74,026	52,148
2 – 3 years	85,158	73,362
3 – 4 years	69,085	79,455
4 – 5 years	88,011	67,688
Next 5 years	483,899	477,340
Total	861,550	811,432

The weighted average duration of the defined benefit obligation is 9 years, (31 December 2022: 9 years).

22 Derivative financial instruments

A Joint Venture (JV) Agreement dated 4 December 1979 was signed between SABIC and TFC for the joint ownership of Al-Bayroni. Upon acquisition of SANIC in 2021, the JV agreement was novated from SABIC to SANIC with effect from 29 December 2022. Hence, SANIC was also obliged to buy the remaining shares of Al-Bayroni upon termination of the JV agreement. The amount of liability in the form of forward contract transferred by SABIC amounting to Saudi Riyals 2.4 billion which was recorded in the prior year as a non-current liability with adjustment in retained earnings. Subsequent changes in the fair value of the liability shall be recorded against the retained earnings. Refer Note 13.1 for the sensitivity analysis.

	As at 31 December 2023	As at 31 December 2022
At the beginning of the year	2,373,750	-
Recognition of derivative financial instruments	-	2,373,750
Change in fair value of derivative financial instruments	(933,750)	-
At the end of the year	1,440,000	2,373,750

23 Trade payables

Trade payables are detailed as follows:

	As at 31 December 2023	As at 31 December 2022
Trade accounts payable	39,317	66,030
Amounts due to related parties	671,488	678,867
	710,805	744,897

Trade payables are non-interest bearing and are settled within normal commercial terms.

The Group's exposure to currency and liquidity risk related to accounts payables is disclosed in Note 33.

24 Other liabilities

Other liabilities are detailed as follows:

	As at 31 December 2023	As at 31 December 2022
Accrued liabilities	271,560	457,773
Accrued liabilities due to related parties	262,343	189,963
Employees related liabilities	99,280	122,925
Miscellaneous items (i)	133,502	6,216
	766,685	776,877

- i) Miscellaneous items include various risks and commitments including constructive obligations arising from a construction project using the best estimate of the expenditure required to settle the present obligation, which is expected to be settled in the next twelve months.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

25 Revenue

Revenue is detailed as follows:

	For the year ended 31 December 2023	For the year ended 31 December 2022
Sales of goods revenue*	10,650,790	18,430,087
Transportation services	382,639	550,743
	11,033,429	18,980,830

* Sale of goods revenue includes movement between provisional and final price amounting to Saudi Riyals 139.7 million (2022: 160.8 million).

There is no revenue that has been recognised in 2023 from performance obligations satisfied in previous years. All unfulfilled remaining performance obligations as at 31 December 2023 are expected to be satisfied in the following year.

Refer to Note 32 for the segment and geographical distribution of revenue.

26 Expenses

Based on the nature of expense, cost of sales, selling and distribution expenses and general and administrative expenses are elaborated as follows:

26.1 Cost of sales

Cost of sales is detailed as follows:

	For the year ended 31 December 2023	For the year ended 31 December 2022
Changes in inventories of finished products, raw materials and consumables used	3,371,399	4,594,585
Depreciation and amortisation	854,767	783,206
Utilities	852,550	845,453
Employee related costs	574,825	567,138
Logistic service-related costs	382,639	550,743
Electricity	144,862	144,146
Repairs and maintenance	114,677	147,836
Amortisation of JOPA	16,562	14,122
Others	123,517	146,749
	6,435,798	7,793,978

26.2 Selling and distribution expense

Selling and distribution expenses is detailed as follows:

	For the year ended 31 December 2023	For the year ended 31 December 2022
Transportation and shipping	179,425	207,059
Employee related expenses	46,621	41,603
Depreciation and amortisation	7,920	8,815
Others	22,670	27,279
	256,636	284,756

26.3 General and administrative expense

General and administrative expenses is detailed as follows:

	For the year ended 31 December 2023	For the year ended 31 December 2022
Employee related expenses	213,296	208,344
Administrative support	109,458	87,920
Depreciation and amortisation	47,082	59,448
Amortisation of site development cost	20,024	32,101
Maintenance	20,521	26,792
Withholding tax expense	7,310	22,302
Others	74,125	96,255
	491,816	533,162

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

26 Expenses (continued)

26.4 Research and development expense

Research and development expenses is detailed as follows:

	For the year ended 31 December 2023	For the year ended 31 December 2022
Corporate Technology and Innovation charges (T&I)	33,011	35,102
Employee related expenses	15,567	18,822
Maintenance	8,305	2,660
Depreciation of right-of use assets	3,213	2,999
Amortisation of intangible asset	2,426	-
Administrative support	2,065	14,879
	64,587	74,462

27 Finance income and cost

Finance income is detailed as follows:

	For the year ended 31 December 2023	For the year ended 31 December 2022
Murabaha deposits	564,268	213,896
Others	354	708
	564,622	214,604

Finance cost is detailed as follows:

	For the year ended 31 December 2023	For the year ended 31 December 2022
Interest expenses related to defined benefit plans	49,058	30,524
Interest expense on lease liabilities	16,605	11,560
Bank charges and others	3,068	2,882
	68,731	44,966

Conventional and non-conventional break-up of finance income and finance cost is as follows:

	For the year ended 31 December 2023	For the year ended 31 December 2022
Finance income		
Others	354	708
Total conventional finance income	354	708
- Income on non-conventional Murabaha deposits	564,268	213,896
Total finance income	564,622	214,604
Finance cost		
- Net interest on employee benefits (Note 21)	49,197	30,524
- Lease liabilities (Note 20)	16,605	11,560
- Bank charges and others	2,929	2,882
Total conventional finance cost	68,731	44,966
Total finance cost	68,731	44,966
Net conventional finance cost	(68,377)	(44,258)
Net non-conventional finance income	564,268	213,896
Net financial income	495,891	169,638

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

28 Other operating (expenses) income

Other operating (expenses) income is detailed as follows:

	For the year ended 31 December 2023	For the year ended 31 December 2022
Dividend income	28,472	28,472
Foreign exchange (loss) gain	(3,429)	4,152
Donations expense	(9,992)	(6,813)
Miscellaneous items (Note 24)	(130,236)	-
Others	(4,060)	18,490
	(119,245)	44,301

29 Zakat and income tax

The movement in the net zakat and income tax payable can be shown as follows:

	For the year ended 31 December 2023		
	Zakat (Note 29.2)	Income tax (Notes 29.1 and 29.3)	Deferred tax (Note 29.4)
At the beginning of the year	402,775	25,956	55,395
Provided during the year (Note 29.2 and 29.3)	324,527	50,222	1,124
Adjustment in respect of previous years	87,113	794	-
	411,640	51,016	1,124
Paid during the year	(445,441)	(131,679)	-
Effect of deferred tax on OCI	-	-	(263)
At the end of the year	368,974	(54,707)	56,256

	For the year ended 31 December 2022		
	Zakat (Note 29.2)	Income tax (Notes 29.1 and 29.3)	Deferred tax (Note 29.4)
At the beginning of the year	251,120	60,011	55,833
Provided during the year (Note 29.2 and 29.3)	334,265	104,115	(237)
Adjustment in respect of previous years	14,051	2,965	-
	348,316	107,080	(237)
Paid during the year	(196,661)	(141,135)	-
Effect of deferred tax on OCI	-	-	(201)
At the end of the year	402,775	25,956	55,395

29.1 Advance income tax

The Group made advance quarterly payments of income tax pertaining to the year-ended 31 December 2023. The Group expects the advance payments to be realised within twelve months after the reporting period and has accordingly presented the advance payment balance as a current asset in the consolidated statement of financial position.

29.2 Zakat

The zakat is based on the consolidated financial statements of the Group. The zakat base is as follows:

	For the year ended 31 December 2023	For the year ended 31 December 2022
Equity	21,076,639	20,348,564
Opening provision and other adjustments	3,748,761	1,411,590
Book value of long term assets	(18,182,424)	(18,617,412)
Zakat base	6,642,976	3,142,742
Adjusted income	6,125,493	10,127,280
Zakat expense on zakat base at the rate of 2.58%	171,389	81,083
Zakat expense on adjusted income at the rate of 2.5%	153,138	253,182
Total zakat expense in consolidated statement of income	324,527	334,265

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

29 Zakat and income tax (continued)

29.2 Zakat (continued)

Zakat returns of the Company and wholly owned are submitted to the ZATCA based on special purpose consolidated financial statements prepared for zakat purposes. Zakat return for the non-wholly owned subsidiary are submitted to the ZATCA based on separate financial statements of the subsidiary. During the year ended 31 December 2022, the zakat returns of the Company and wholly owned as well as non-wholly owned subsidiaries were submitted to the ZATCA based on separate financial statements of each entity.

SABIC AN:

The Company has filed its zakat returns with ZATCA, received the zakat certificates, settled the zakat dues up to the year ended 31 December 2022. SABIC AN cleared its zakat assessments with ZATCA up to the year ended 31 December 2017.

During 2020, the Company had received Zakat assessment for the year 2018 with additional Zakat liability amounting to Saudi Riyals 18.3 million for which it had recognised additional provision amounting to Saudi Riyals 8.3 million. Management had appealed the assessment and it believes that the result will be in favour of the Group.

During 2021, the Company had received Zakat assessment for the years 2019 and 2020 with additional Zakat liability amounting to Saudi Riyals 10.3 million for which it was fully provided for. Management had appealed the assessment and it believes that the result will be in favour of the Group.

During 2023, the Company received the decision of the Tax Violation Dispute Appellate Committee ("TVDAC"), the second level of the General Securate of Zakat, Tax and Customs Committees ("GSTC"), for the year 2018 and the case is now closed. Presently, the SABIC-AN is waiting for a revised assessment from ZATCA for the year 2018.

Further, the Company had appealed to TVDAC for the years 2019 and 2020 and is awaiting their final ruling. Zakat returns for 2021 and 2022 are still under ZATCA's review.

Ibn Al Baytar:

Zakat assessments have been finalised with the ZATCA up to 2018. Zakat returns for the years 2019 to 2022 have been submitted to the ZATCA. However, they are under the ZATCA's review.

Al-Bayroni:

Al-Bayroni has finalised its zakat and income tax assessments with the ZATCA up to 2014

ZATCA issued zakat assessments for the years 2015 through 2018 for an additional zakat liability of Saudi Riyals 6.5 million. Al-Bayroni has recognised an additional Saudi Riyals 6.2 million against such assessments.

ZATCA issued income tax assessments for the years 2015 through 2018 for an additional income tax liability of Saudi Riyals 21.2 million. Al-Bayroni has recognised an additional Saudi Riyals 21.2 million against such assessments and also paid the same amount during 2020.

Further, Al-Bayroni recognized an additional Saudi Riyals 5.9 million as a potential Zakat exposure for the years 2019 through 2022 that are under review by ZATCA.

During 2023, Al-Bayroni received the decision of TVDAC for the above assessments and the case was closed in November 2023. Presently, the Al-Bayroni is waiting for a revised assessment from ZATCA for the years 2015 through 2018.

Zakat returns for 2019 through 2022 have been submitted to the ZATCA, however, they are still under the ZATCA's review.

SANIC:

Zakat returns for 2021 and 2022 have been submitted to the ZATCA, however, they are still under the ZATCA's review.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

29 Zakat and income tax (continued)

29.3 Income tax

The major components of income tax in the consolidated statement of income and consolidated statement of comprehensive income is detailed as follows:

	For the year ended 31 December 2023	For the year ended 31 December 2022
Current income tax		
Current year charge	50,222	104,115
Prior year adjustment	794	2,965
Deferred income tax		
Increase (Decrease) in deferred tax liabilities	1,124	(237)
Total income tax expense reported in the consolidated statement of income	52,140	106,843
Effect of deferred tax on OCI	(263)	(201)
Total income tax expense reported in the consolidated statement of income and consolidated statement of comprehensive income	51,877	106,642

The following deferred income tax related items charged or credited directly to equity, and reported in the consolidated statement of comprehensive income, is detailed as follows for the years ended 31 December:

	For the year ended 31 December 2023	For the year ended 31 December 2022
Tax benefit on re-measurement of defined benefit plans	263	201
(Increase) decrease in deferred tax liability	(1,124)	237
Deferred income tax (expense) benefit recorded in other comprehensive income	(861)	438

The relationship between the domestic (Saudi Arabia) income tax expense and the effective tax expense is as follows for the years ended 31 December:

	For the year ended 31 December 2023	For the year ended 31 December 2022
Income before zakat and income tax	4,327,890	10,916,304
Exclude: income subject to Zakat	(4,071,090)	(10,384,232)
Income subject to income tax (i)	256,800	531,224
Domestic income tax rate (KSA) (%)	20%	20%
Income tax at domestic tax rate	51,360	106,245
Tax effects of:		
- Prior year tax assessments	794	2,965
- Other	(14)	(2,367)
Total income tax expense in consolidated statement of income	52,140	106,843

- i) The income subject to tax income tax is based on the foreign shareholder's percentage of 50% (2022: 50%) of the income from Al-Bayroni.
- ii) The effective income tax rate on the income subject to income tax is 20.3% (2022: 20.1%).
- iii) Increased profitability of the Group and increases of various reserves for uncertain zakat positions have contributed to a higher zakat expense.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

29 Zakat and income tax (continued)

29.4 Deferred tax

The deferred income tax liabilities presented in the consolidated statement of financial position are as follows:

	As at 31 December 2023	As at 31 December 2022
Deferred income tax assets	(4,219)	(4,240)
Deferred income tax liabilities	60,475	59,635
	56,256	55,395

Components of deferred income tax are as follows:

	Consolidated statement of financial position		Consolidated statement of income	
	2023	2022	2023	2022
- Property, plant and equipment and intangible assets	604,750	596,352	60,475	59,635
Net deferred income tax liabilities	604,750	596,352	60,475	59,635
- Provisions on inventories	(40,950)	(39,618)	(4,095)	(3,962)
- Employee benefits	(1,240)	(2,781)	(124)	(278)
Net deferred income tax assets	(42,190)	(42,399)	(4,219)	(4,240)
Deferred income tax expense (benefit)			1,124	(237)

The Group offsets tax assets and liabilities, if, and only if, it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred to income taxes levied by the same tax authority.

The ultimate realisation of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considered the scheduled reversal of deferred income tax liabilities, projected future taxable income and tax planning strategies in making this assessment.

30 Basic and diluted earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares during the year.

Diluted earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	For the year ended 31 December 2023	For the year ended 31 December 2022
Net income attributable to equity holders of the Parent (Saudi Riyals '000)	3,659,449	10,036,764
Weighted average number of ordinary shares ('000)	476,035	476,035
Earnings per share from net income attributable to equity holders of the Parent (Saudi Riyals)	7.69	21.08

There are no instruments that have dilutive impact on the earnings per share.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

31 Related party transactions and balances

Interests in subsidiaries are set out in Note 1.

Related parties represent the ultimate parent company, parent company, shareholders, associated companies, key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties.

The following is the list of the major related parties of the Group:

Details	Nature of relationship
Saudi Arabian Oil Company ("Saudi Aramco")	Ultimate parent company
Aramco Trading Company	Subsidiary of Saudi Aramco
Saudi Basic Industries Corporation ("SABIC")	Controlling shareholder and Parent Company
SABIC associates	Entities where SABIC has significant influence
SABIC affiliates	Entities where SABIC has control
TFC	Non-controlling interest in Al-Bayroni
ETG Agri Inputs FZE	Subsidiary of EIHL

The following table provides the significant transactions that have been entered into with related parties during the year ended 31 December 2023 and 2022, as well as balances with related parties as of those dates:

	For the year ended 31 December 2023		As at 31 December 2023	
	Sales to related parties	Purchases, shared services charges, T&I and other charges	Amounts owed by related parties	Amounts owed to related parties
SABIC	686,623	(456,661)	105,980	(143,275)
SABIC associates	19,261	(3,192,355)	20,264	(414,142)
SABIC affiliates	5,286,646	(558,691)	831,972	(44,099)
Saudi Aramco	-	(717,270)	-	(69,972)
Aramco Trading Company	19	-	-	-
ETG Agri Inputs FZE	436,680	-	229,292	-

	For the year ended 31 December 2022		As at 31 December 2022	
	Sales to related parties	Purchases, shared services charges, T&I and other charges	Amounts owed by related parties	Amounts owed to related parties
SABIC	876,447	(280,038)	123,184	(207,403)
SABIC associates	-	(4,416,433)	-	(395,144)
SABIC Affiliates	9,632,906	(601,063)	882,939	(9,127)
Saudi Aramco	-	(711,498)	-	(67,193)
TFC	-	-	41,263	-

- The Group has a service level agreement with SABIC (Shared Services Organization - SSO) for the provision of accounting, human resources, information technology (ERP/SAP), engineering, procurement and related services.
- The Group's annual contribution to SABIC for technology and innovation is based on a cost allocation basis based on the employees' headcount which is charged to general and administrative expenses in the consolidated statement of income and consolidated statement of comprehensive income.
- All petrochemical products revenue is made to SABIC under marketing agreements. See Note 32.
- Revenue of the Group includes sales of Saudi Riyals 36.8 million (2022: Saudi Riyals 80.3 million) as part of the off-take agreement with TFC.
- Outstanding balances at 31 December 2023 and at 31 December 2022 are unsecured, interest free and to be settled in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2023, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (31 December 2022: Nil). This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.
- Accrued liabilities (Note 24) include accrued expenses against related party charges amounting to Saudi Riyals 262.3 million as of 31 December 2023. (31 December 2022: Saudi Riyals 189.9 million)
- Other assets and receivables (Note 12) include employee benefits receivables from SABIC amounting to Saudi Riyals 67.4 million as at 31 December 2023 (31 December 2022: Saudi Riyals 148.9 million).
- The Group has opted for the exemption under IAS 24 for disclosing related party transactions for entities where government has control or joint control, or significant influence considering the insignificance of such transactions.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

31 Related party transactions and balances (continued)

Key management personnel compensation

In addition to remunerations to key management personnel, the Group also provides non-cash benefits to directors and executive officers, and contributes to a post-employment defined benefit plan on their behalf. Remuneration of key management can be shown as follows:

	For the year ended 31 December 2023	For the year ended 31 December 2022
Short-term employee benefits	34,596	28,671
Post-employment benefits	13,989	13,543
Total	48,585	42,214

32 Segment information

For management purposes, the Group is organised into two Strategic Business Units ("SBU"), which, based on its products, are grouped in two reporting segments (Agri-Nutrients and Petrochemicals).

The **Agri-Nutrients** SBU consists of a range of fertiliser products; including urea, ammonia, phosphate, as well as compound fertilisers.

The **Petrochemicals** SBU consists of chemicals which are produced from hydrocarbon feedstock into a range of products including 2EH (2-ethylhexanol) and DOP (di-Octyl Phthalate).

Based on a management decision and in line with management reporting, the income and expenses relating to the Corporate segment, have been allocated over the Petrochemicals and Agri-nutrients SBUs according to an internally agreed consistent basis. The performance of the SBUs is reviewed internally by the Chief Operating Decision Maker ("CODM") (i.e. the Board of Directors) based on the statement of income only. Assets and liabilities are not included in the measures used by the CODM, hence segment assets and liabilities are not reported in the below segment disclosure. All operating assets of the Group are located in the Kingdom of Saudi Arabia. All intercompany transactions within the reporting segments have been appropriately eliminated.

Revenues of approximately Saudi Riyals 5.9 billion for the year ended 31 December 2023 were derived from two related party customers (31 December 2022: Saudi Riyals 9.6 billion). See related party Note 31.

All intercompany transactions within the reporting segments have been appropriately eliminated. The segments' financial details are shown below:

	For the year ended 31 December 2023		
	Petrochemicals	Agri-nutrients	Consolidated
Revenue	691,825	10,341,604	11,033,429
Depreciation and amortisation	76,451	875,543	951,994
Income from operations	128,207	3,535,464	3,663,671
Share of results of non-integral associate	-	168,328	168,328
Finance income	3,856	560,766	564,622
Finance cost	(6,659)	(62,072)	(68,731)
Income before zakat and income tax	125,404	4,202,486	4,327,890

	For the year ended 31 December 2022		
	Petrochemicals	Agri-nutrients	Consolidated
Revenue	785,094	18,195,736	18,980,830
Depreciation and amortisation	(58,513)	(828,056)	(886,569)
Income from operations	208,173	10,130,178	10,338,351
Share of results of non-integral associate	-	408,315	408,315
Finance income	1,766	212,838	214,604
Finance cost	(1,550)	(43,416)	(44,966)
Income before zakat and income tax	208,389	10,707,915	10,916,304

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

32 Segment information (continued)

Geographical distribution of revenue

	For the year ended 31 December 2023		For the year ended 31 December 2022	
	Amount	%	Amount	%
United states of America	2,216,812	20%	3,844,021	20%
Bangladesh	642,528	6%	1,057,196	6%
India	2,047,451	19%	3,675,188	19%
Kingdom of Saudi Arabia	1,658,457	15%	2,340,603	12%
Singapore	3,193,625	29%	6,181,747	33%
Others	1,274,556	11%	1,882,075	10%
	11,033,429	100%	18,980,830	100%

The revenue information above is based on the locations of the customers.

33 Financial risk management

Overview

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

- Credit risk
- Liquidity risk
- Market risk

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

Risk management framework

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

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

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

33.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities. The maximum exposure to credit risk is the carrying value of these assets.

The Group's policies limit the amount of credit exposure to any individual counterparty based on their credit rating as well as other factors. Moreover, the Group's policies require that cash and cash equivalents and short-term investments be invested with a diversified group of financial institutions, in the majority of cases with investment grade credit ratings. The group ensures that each counterparty is of an acceptable credit quality by relying on quantitative and qualitative measures compiled from internal and third party rating models.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

33 Financial risk management (continued)

33.1 Credit risk (continued)

	A+	A	A-	BBB+	Other	Carry value in the statement of financial position 31 December 2023
Cash and cash equivalents	1,151,340	2,062,824	1,027,879	-	-	4,242,043
Short term investments	-	4,600,611	2,205,691	-	-	6,806,302
Trade receivables	958,215	-	-	-	608,391	1,566,606
Financial asset at FVOCI	-	-	-	-	361,114	361,114
	2,109,555	6,663,435	3,233,570	-	969,505	12,976,065

	A+	A	A-	BBB+	Other	Carry value in the statement of financial position 31 December 2022
Cash and cash equivalents	-	2,295,000	4,096,070	2,227,057	-	8,618,127
Short term investments	-	-	207,000	4,156,000	-	4,363,000
Trade receivables	1,006,123	-	-	-	1,554,841	2,560,964
Financial asset at FVOCI	-	-	-	-	394,805	394,805
	1,006,123	2,295,000	4,303,070	6,383,057	1,949,646	15,936,896

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly in the currently deteriorating economic circumstances. Also, geographically there is no concentration of credit risk.

The Group trades only with recognised, credit worthy third parties and related parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Credit quality of the customer is assessed based on an extensive credit rating scorecard. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers using an internal and external rating criteria. Credit quality of the customer is assessed based on a credit rating scorecard. Outstanding customer receivables are regularly monitored. In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. The Risk Management Committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases, bank references. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Risk Management Committee; these limits are reviewed quarterly. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

33.2 Liquidity risk

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

Management also monitors its risk to a shortage of funds using forecasting models to model impacts of operational activities on overall liquidity availability. The Group invests surplus cash in current accounts and time deposits, ensuring instruments with appropriate maturities or sufficient liquidity to meet forecasted cash flow requirements. The Group prioritizes security and liquidity over yield.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

33 Financial risk management (continued)

33.2 Liquidity risk (continued)

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

	31 December 2023			Total
	Within 1 year	Between 1-5 years	More than 5 years	
Trade payables	710,805	-	-	710,805
Lease liabilities	32,677	79,108	734,867	846,652
Dividend Payable	1,697,135	-	-	1,697,135
Derivative financial instruments	-	-	1,440,000	1,440,000
Other liabilities	344,934	-	-	344,934
	2,785,551	79,108	2,174,867	5,039,526

	31 December 2022			Total
	Within 1 year	Between 1-5 years	More than 5 years	
Trade payables	744,897	-	-	744,897
Lease liabilities	34,677	99,539	1,003,371	1,137,587
Dividend Payable	323,349	-	-	323,349
Derivative financial instruments	-	-	2,373,750	2,373,750
Other liabilities	260,685	-	-	260,685
	1,363,608	99,539	3,377,121	4,840,268

33.3 Market risk

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

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

Equity price risk

The Group's exposure to equity securities price risk arises from investments held by the Group and classified as financial assets at FVOCI.

The effect on financial assets at FVOCI due to change in price by 10%, with all other variables held consistent, is Saudi Riyals 36 million (2022: Saudi Riyals 39.5 million). Other components of equity would increase/decrease as a result of these fluctuations.

Exchange rate risk

The Group's foreign currency risk management objective is to protect future cash flows in Saudi Riyals and in USD. Cash flow foreign currency risk exposures are considered at the group level and these primarily consist of currency exchange risks from account payables and receivables. When managing currency risk the Group assumes all capital expenditure is in USD and EUR exposures are reflected in the sales price, with an appropriate holding period. If a foreign currency exposure breaches certain thresholds then the Group will apply risk management activities. There is no exposure of Saudi Riyals to USD, as the Saudi Riyal is pegged to the USD.

34 Capital management

The primary objective to the Group's capital management is to support its business and maximise shareholder value.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group manages its capital structure and makes adjustments to it, in light of change in economic conditions. The Board of Directors monitors the return on capital, which the Group defines as result from operating activities divided by total shareholders' equity, and non-controlling interests. There were no changes in the Group's approach to capital management during the year. The Board of Directors also monitors the level of dividends to ordinary shareholders and capital management. Neither the Group nor any of its subsidiaries are subject to externally imposed capital requirements.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

34 Capital management (continued)

The Group's negative net debt as at 31 December 2023 and 2022 as follows:

	As at 31 December 2023	As at 31 December 2022
Total liabilities	6,504,221	6,086,708
Less: Short-term investments	(6,806,302)	(4,363,000)
Less: Cash and cash equivalents	(4,242,043)	(8,618,127)
Net debt	(4,544,124)	(6,894,419)

34.1 Compliance with covenants

The Group does not have any borrowing and is not subject to any covenants.

35 Commitments and contingencies**35.1 Commitments**

At 31 December 2023, the Group had commitments of Saudi Riyals 631.7 million (31 December 2022: Saudi Riyals 778.3 million) relating to capital expenditures.

The Group also has lease arrangements with Royal Commission for Jubail and Yanbu (refer Note 8) where the Group is obliged to restore the land to its original condition by the end of the lease term as per the terms of the agreement.

35.2 Contingent liabilities

The Group is subject to risks related to legal and regulatory frameworks. These may include product liability, competition and anti-trust law, export control, data protection, patent law, procurement law, tax legislation and environmental protection. Furthermore, litigation and regulatory proceedings are unpredictable, and legal or regulatory proceedings in which the Group is or becomes involved (or settlements thereof) could result in substantial penalties, which may give rise to significant losses, costs and expenses. Such losses, costs and expenses may not be covered, or fully covered, by insurance benefits. Violation of such legal or regulatory laws may result in civil or criminal penalties, effect on reputation and/or other adverse financial consequences on the Group.

In the ordinary course of business, the Group has several legal claims. After having obtained appropriate legal advice, management is of the opinion that these claims will not have a significant adverse impact on the financial position of the Group or its future results, other than those that have been accrued for.

The Group's bankers have issued, on its behalf, bank guarantees amounting to Saudi Riyals 201.8 million (31 December 2022: Saudi Riyals 208.0 million) in the normal course of business.

36 Appropriation of net income and dividends distributions

	For the year ended 31 December 2023	For the year ended 31 December 2022
Dividends attributable to the shareholders of the Company	6,664,496	3,332,248
Dividends attributable to the non-controlling interest	327,500	920,000
Total	6,991,996	4,252,248

Dividends attributable to the shareholders of the Company*i) During the year ended 31 December 2023*

- On 04 Jamada II 1445H (corresponding to 17 December 2023), the Board of Directors approved to distribute an interim cash dividend amounting to Saudi Riyals 3 per share (Saudi Riyals 1,428 million in total) for the second half of 2023. Dividends will be available for distribution to shareholders on 11 Sha'aban 1445H (corresponding to 21 February 2024).
- On 16 Thul-Qa'adh 1444H (corresponding to 05 June 2023), the Board of Directors approved to distribute an interim cash dividend amounting to Saudi Riyals 3 per share (Saudi Riyals 1,428 million in total) for the first half of 2023. Dividends were available for distribution on 13 Muharram 1445H (corresponding to 31 July 2023).
- On 25 Jamada I 1444H (corresponding to 19 December 2022), the Board of Directors recommended to distribute a cash dividend amounting to Saudi Riyals 8 per share (Saudi Riyals 3,808 million in total) for the second half of 2022. The proposed dividends were approved by the General Assembly on their meeting held on 4 Ramadan 1444H (corresponding to 26 March 2023). These were not included as a liability in the year ended 31 December 2022 consolidated financial statements.

Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

36 Appropriation of net income and dividends distributions (continued)

ii) During the year ended 31 December 2022

- On 29 Dhul Qa'adh 1443H (corresponding to 28 June 2022), the Board of Directors approved to distribute an interim cash dividend amounting to Saudi Riyals 4 per share (Saudi Riyals 1,904 million in total) for the first half of 2022. Dividends were available for distribution to shareholders on 03 Muharram 1444H (corresponding to 01 August 2022).
- On 15 Jamada 1 1443H (corresponding to 19 December 2021), the Board of Directors recommended to distribute an interim cash dividend amounting to Saudi Riyals 3 per share (Saudi Riyals 1,428 million in total) for the second half of 2021. This was approved by the General Assembly in the extra ordinary meeting held on 12 Ramadan 1443H (corresponding to 13 April 2022). Dividends were available for distribution to shareholders on 26 Ramadan 1443H (corresponding to 27 April 2022).

Dividends attributable to the non-controlling interest

i) During the year ended 31 December 2023

- On 08 Jamada II 1445H (corresponding to 21 December 2023), the Board of Directors of Al-Bayroni approved to distribute interim dividends for the period ended 31 December 2023 amounting to Saudi Riyals 75 million (Saudi Riyals 37.5 million to each Partner). Dividends were available for distribution to the Partners on 15 Jamada II 1445H (corresponding to 28 December 2023).
- On 10 Rabi' Al-Awwal 1445H (corresponding to 25 September 2023), the Board of Directors of Al-Bayroni approved to distribute interim dividends for the period ended 30 September 2023 amounting to Saudi Riyals 240 million (Saudi Riyals 120 million to each Partner). Dividends were available for distribution to the Partners on 13 Rabi' Al-Awwal 1445H (corresponding to 28 September 2023).
- On 02 Thul-Hijjah 1444H (corresponding to 20 June 2023), the Board of Directors of Al-Bayroni approved to distribute interim dividends for the period ended 30 June 2023 amounting to Saudi Riyals 240 million (Saudi Riyals 120 million to each Partner). Dividends were available for distribution to the Partners on 18 Thul-Hijjah 1444H (corresponding to 6 July 2023).
- On 06 Ramadan 1444H (corresponding to 28 March 2023), the Board of Directors of Al-Bayroni approved to distribute interim dividends for the period ended 31 March 2023 amounting to Saudi Riyals 100 million (Saudi Riyals 50 million to each Partner). Dividends were available for distribution to the Partners on 8 Ramadan 1444H (corresponding to 30 March 2023).

ii) During the year ended 31 December 2022

- On 05 Jamada II 1444H (corresponding to 29 December 2022), the Board of Directors of Al-Bayroni approved to distribute final interim dividends for the year ended 31 December 2022 amounting to Saudi Riyals 190 million (Saudi Riyals 95 million to each Partner). Dividends were available for distribution to the Partners on 16 Jamada II 1444H (corresponding to 9 January 2023).
- On 30 Safar 1444H (corresponding to 26 September 2022), the Board of Directors of Al-Bayroni approved to distribute interim dividends for the period ended 30 September 2022 amounting to Saudi Riyals 500 million (Saudi Riyals 250 million to each Partner). Dividends were available for distribution to the Partners on 10 Rabi Al Awal 1444H (corresponding to 6 October 2022).
- On 22 Dhul Qa'adh 1443H (corresponding to 21 June 2022), the Board of Directors of Al-Bayroni approved to distribute dividends for the first half of 2022 amounting to Saudi Riyals 400 million (Saudi Riyals 200 million to each Partner). Dividends were available for distribution to the Partners on 01 Dhul Hijjah 1443H (corresponding to 30 June 2022).
- On 11 Shaban 1443H (corresponding to 14 March 2022), the Board of Directors of Al-Bayroni approved to distribute dividends for the year ended 31 December 2021 amounting to Saudi Riyals 750 million (Saudi Riyals 375 million to each Partner). Dividends were available for distribution to the Partners on 14 Ramadan 1443H (corresponding to 15 April 2022).

37 Other Information

On 28 Dhul Hijjah 1443H (corresponding to 27 July 2022), the Company and Saudi Agricultural and Livestock Investment Company (SALIC) had signed a Memorandum of Understanding to jointly explore global commercial and innovation opportunities to help ensure food security and address growing environmental challenges. There is no impact on the consolidated financial statements of the Group as of 31 December 2023 and 2022.

38 Subsequent events

There have been no subsequent events since the year ended 31 December 2023 which would have a material impact on the financial position of the Group as reflected in these consolidated financial statements.