

**NATIONAL INDUSTRIALIZATION COMPANY  
(A Saudi Joint Stock Company)**

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022 AND  
INDEPENDENT AUDITOR'S REPORT**

**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

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# *Independent auditor's report to the shareholders of National Industrialization Company*

## *Report on the audit of the consolidated financial statements*

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### *Our opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of National Industrialization Company (the "Company") and its subsidiaries (together the "Group") as at 31 December 2022, 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 2022;
- the consolidated statement of profit or loss for the year then ended;
- 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, which include significant accounting policies and other explanatory information.

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### *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.

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### *Our audit approach*

#### **Overview**

Our key audit matter comprise the following:

- Valuation of investments in equity accounted associates and joint ventures and project under progress

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 National Industrialization Company

### Our audit approach (Continued)

#### Key audit matters

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

Key audit matter	How our audit addressed the Key audit matter
<b><i>Valuation of investments in equity accounted associates and joint ventures and projects under progress</i></b> <p>At 31 December 2022, the Group had investments in equity accounted associates and joint ventures amounting to Saudi Riyals 11,765 million and projects under progress amounting to SR 1,602 million.</p> <p>Management performs an assessment at each reporting period to consider whether there are any events or circumstances (impairment triggers) that indicate that the carrying amounts of these assets, or cash generating unit (CGUs) may not be recoverable. If any such indication exists, management estimates the recoverable amounts of the relevant assets, or the CGUs to record the related impairment charge.</p> <p>The determination of the recoverable amounts, being the higher of value-in-use and fair value less costs of disposal, requires management to identify and then estimate the recoverable amounts of the assets or the CGUs to which the assets belong. Recoverable amounts, in case of value-in-use, are based on management's view of key inputs such as future business growth in the forecasted period as well as the external market conditions, terminal growth rates and the most appropriate discount rates.</p> <p>Specific assets, or the CGUs to which the assets belong, where management identified the impairment indicators and where we focused our audit procedures included the following:</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"><li>- Assessed reasonableness of management's identification of impairment indicators, which includes evaluating the design and implementation of key controls over the impairment assessment processes comprising impairment indicators identification and the estimation of recoverable amounts of the assets, or the CGUs where impairment indicators have been identified.</li><li>- Assessed the methodology used by management to estimate the value-in-use along with the appropriateness of the input data used in the discounted cash flow models.</li><li>- Checked the mathematical accuracy of the discounted cash flow models used in the calculation of the value-in-use.</li><li>- In respect of one of the equity accounted associates - Tronox, we also tested reasonableness of the key assumptions used in the discounted cash flow model such as EBIDTA margins which have been estimated based on third parties' forecasts for the industry and consideration of historical results. Further, we engaged our internal valuation expert to assist us in the assessment of the methodology underlying the value-in-use calculations and reasonableness of discount rate and terminal growth rate assumed in the model.</li></ul>



## *Independent auditor's report to the shareholders of National Industrialization Company*

Key audit matter	How our audit addressed the Key audit matter
<ul style="list-style-type: none"><li>- In respect of one of the equity accounted associates - Tronox, the Group has determined that the recoverable amount was higher than the carrying value resulting in no impairment loss being recognized in the consolidated financial statements as at 31 December 2022.</li><li>- In respect of project under progress - Slagger plant, the Group intends to sell the plant once it is complete and meets certain operations criteria. The Group has determined that the recoverable amount of Slagger plant was lower than the carrying value resulting in an impairment loss of SR 222 million being recognized in the consolidated financial statements as at 31 December 2022.</li></ul>	<ul style="list-style-type: none"><li>- In respect of project under progress – Slagger plant, we also tested reasonableness of the key assumptions used in the discounted cash flow model such as expected timing and costs to achieve the sustainable operations of Slagger plant along with the expected cash flows and terms of the Option agreement.</li><li>- Performed sensitivity analyses over key assumptions used in the calculation of the value-in-use in order to assess the potential impact of a range of possible outcomes.</li><li>- Considered the appropriateness of the related accounting policies and disclosures in the consolidated financial statements.</li></ul>

We considered this to be a key audit matter given the judgment involved in identifying impairment triggers and the complexity inherent in estimating the recoverable amount.

Refer to Note 5.12 to the consolidated financial statements for the accounting policy relating to the impairment of these assets, Note 6 for the disclosure of significant accounting judgements, estimates and assumptions, Note 9 and Note 12.1.1 for the disclosures of matters related to impairment considerations of the respective assets, or the CGUs.

### *Other information*

Management is responsible for the other information. The other information comprises the Annual 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 Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.



## *Independent auditor's report to the shareholders of National Industrialization Company*

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### *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 Audit Committee, is responsible for overseeing the Group's financial reporting process.

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

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

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

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



## *Independent auditor's report to the shareholders of National Industrialization Company*

### *Auditor's responsibilities for the audit of the consolidated financial statements (Continued)*

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- 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.

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

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**PricewaterhouseCoopers**

A blue ink signature, likely of Bader I. Benmohareb, written over the PricewaterhouseCoopers text.


Bader I. Benmohareb  
License No. 471

28 February 2023



**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**Consolidated Statement of Financial Position**  
**As at 31 December 2022**  
(All amounts in SR'000 unless otherwise stated)

	Note	2022	2021
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	2,638,653	2,825,486
Projects under progress	9	1,602,376	1,709,944
Right-of-use assets	10	159,378	116,083
Intangible assets	11	96,045	106,672
Investments in equity accounted associates and joint ventures	12	11,764,509	12,306,040
Investments in financial assets designated as FVOCI	13	1,095,648	941,330
Investments in debt securities	14	102,140	-
Other non-current assets	15	890,550	565,370
<b>Total non-current assets</b>		<b>18,349,299</b>	<b>18,570,925</b>
<b>Current assets</b>			
Inventories	16	759,832	699,503
Accounts receivable	17	1,223,422	1,687,953
Prepayments and other current assets	18	554,070	627,835
Short term investments	19	935,500	-
Cash and cash equivalents	20	2,835,779	3,393,975
<b>Total current assets</b>		<b>6,308,603</b>	<b>6,409,266</b>
<b>Total assets</b>		<b>24,657,902</b>	<b>24,980,191</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	21	6,689,142	6,689,142
Statutory reserve	22	1,556,786	1,490,151
Other reserves	23	(383,343)	(586,603)
Retained earnings		1,752,367	1,109,374
<b>Equity attributable to the equity holders of parent</b>		<b>9,614,952</b>	<b>8,702,064</b>
Non-controlling interests	24	2,780,479	2,860,844
<b>Total equity</b>		<b>12,395,431</b>	<b>11,562,908</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long-term borrowings	25	4,514,563	5,865,343
Employee benefits obligations	26	506,687	505,397
Lease liabilities	27	151,752	111,645
Provisions and other non-current liabilities	28	1,641,373	2,167,045
<b>Total non-current liabilities</b>		<b>6,814,375</b>	<b>8,649,430</b>
<b>Current liabilities</b>			
Long-term borrowings - current portion	25	1,327,922	940,241
Lease liabilities - current portion	27	22,284	13,816
Accounts payable	29	1,414,189	1,888,669
Accruals, provisions and other current liabilities	30	1,716,954	1,160,463
Zakat and income tax payable	31	966,747	764,664
<b>Total current liabilities</b>		<b>5,448,096</b>	<b>4,767,853</b>
<b>Total liabilities</b>		<b>12,262,471</b>	<b>13,417,283</b>
<b>Total equity and liabilities</b>		<b>24,657,902</b>	<b>24,980,191</b>

  
Chief Financial Officer

  
Chief Executive Officer

  
Authorized Board Member

The accompanying notes from (1) to (47) form an integral part of these consolidated financial statements.



**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**Consolidated Statement of Profit or Loss**  
**For the year ended 31 December 2022**  
(All amounts in SR'000 unless otherwise stated)

	Note	2022	2021
Revenue	32	3,882,862	3,673,085
Cost of revenue	33	(3,018,573)	(2,686,081)
<b>Gross profit</b>		<b>864,289</b>	<b>987,004</b>
Selling and distribution expenses	34	(169,462)	(173,522)
General and administrative expenses	35	(323,679)	(419,408)
Impairment of non-financial assets	8, 9 & 11	(256,077)	(180,000)
Reversal / (impairment) of financial assets	12, 15, 17 & 30	58,981	(482,027)
Share of net profit from associates and joint ventures, net	12	1,146,731	2,783,066
<b>Operating profit</b>		<b>1,320,783</b>	<b>2,515,113</b>
Other income, net	36	178,220	37,199
Finance costs	37	(278,730)	(192,464)
Finance income	37	152,403	22,698
<b>Profit before zakat and income tax</b>		<b>1,372,676</b>	<b>2,382,546</b>
Zakat and income tax	31	(286,962)	(328,935)
<b>Profit for the year</b>		<b>1,085,714</b>	<b>2,053,611</b>
<b>Attributable to:</b>			
Equity holders of parent		666,346	1,356,388
Non-controlling interests	24	419,368	697,223
		<b>1,085,714</b>	<b>2,053,611</b>
<b>Basic and diluted earnings per share (SR)</b>	38		
From operating profit		1.97	3.76
From profit attributable to equity holders of parent		1.00	2.03



Chief Financial Officer



Chief Executive Officer



Authorized Board Member

The accompanying notes from (1) to (47) form an integral part of these consolidated financial statements.

**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**Consolidated Statement of Comprehensive Income**  
**For the year ended 31 December 2022**  
 (All amounts in SR'000 unless otherwise stated)

	Note	2022	2021
Profit for the year		1,085,714	2,053,611
Other comprehensive income / loss			
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>			
Cash flow hedge reserve	23	45,077	5,722
Share of other comprehensive income / (loss) from associates and joint ventures, net	23	10,875	(11,603)
<b>Total items that may be reclassified to profit or loss in subsequent periods</b>		<b>55,952</b>	<b>(5,881)</b>
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>			
Re-measurement of defined benefit plans	23, 26	40,021	39,039
Gain from investments in financial assets designated as FVOCI	13, 23	208,553	135,907
Share of other comprehensive loss from associates and joint ventures, net	23	(72,228)	(118,127)
<b>Total items that will not be reclassified to profit or loss in subsequent periods</b>		<b>176,346</b>	<b>56,819</b>
<b>Total other comprehensive income for the year</b>		<b>232,298</b>	<b>50,938</b>
<b>Total comprehensive income for the year</b>		<b>1,318,012</b>	<b>2,104,549</b>
<b>Attributable to:</b>			
Equity holders of Parent		909,678	1,432,408
Non-controlling interests		408,334	672,141
		<b>1,318,012</b>	<b>2,104,549</b>



Chief Financial Officer



Chief Executive Officer



Authorized Board Member

The accompanying notes from (1) to (47) form an integral part of these consolidated financial statements

**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**Consolidated Statement of Changes in Equity**  
**For the year ended 31 December 2022**  
 (All amounts in SR'000 unless otherwise stated)

**As at 1 January 2021**

Profit for the year  
 Other comprehensive income  
 Total comprehensive income for the year

Transfer to statutory reserve  
 Dividend paid by subsidiaries to non-controlling interests

**As at 31 December 2021**

Profit for the year  
 Other comprehensive income  
 Total comprehensive income for the year

Acquisition of non- controlling interest (note 1.1)  
 Transfer on disposal of investment at FVOCI  
 Transfer to statutory reserve  
 Dividend paid by subsidiaries to non-controlling interests

**As at 31 December 2022**

Attributable to the equity holders of parent					
Share capital (note 21)	Statutory reserve (note 22)	Other reserves (note 23)	Retained earnings	Total shareholders' equity	Non- controlling interests (note 24)
6,689,142	1,354,512	(662,623)	(111,375)	7,269,656	2,313,357
-	-	-	1,356,388	1,356,388	697,223
-	-	76,020	-	76,020	(25,082)
-	-	76,020	1,356,388	1,432,408	672,141
-	135,639	-	(135,639)	-	-
-	-	-	-	-	(124,654)
6,689,142	1,490,151	(586,603)	1,109,374	8,702,064	2,860,844
-	-	-	666,346	666,346	419,368
-	-	243,332	-	243,332	(11,034)
-	-	243,332	666,346	909,678	408,334
-	-	3,210	-	3,210	(4,210)
-	-	(43,282)	43,282	-	-
-	66,635	-	(66,635)	-	-
-	-	-	-	-	(484,489)
6,689,142	1,556,786	(383,343)	1,752,367	9,614,952	2,780,479
					12,395,431



Chief Financial Officer



Chief Executive Officer



Authorized Board Member

The accompanying notes from (1) to (47) form an integral part of these consolidated financial statements.



**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**Consolidated Statement of Cash Flows**  
**For the year ended 31 December 2022**  
(All amounts in SR'000 unless otherwise stated)

	Note	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before zakat and income tax		1,372,676	2,382,546
<b>Adjustments for:</b>			
Depreciation and amortization	8,11	212,476	251,321
Right-of-use assets depreciation	10	19,348	20,836
Amortization of deferred settlement income	28.1	(18,933)	(9,470)
Impairment of non-financial assets	8, 9	234,386	180,000
Impairment of goodwill	11	21,691	-
Price differential obligations to a joint venture - MGT	36	(25,472)	-
Share of net profit from equity accounted associates and joint ventures	12	(1,146,731)	(2,783,066)
Provision for slow moving inventories	16	676	6,921
(Reversal) / impairment of financial assets	12, 15, 17 & 30	(58,981)	482,027
Employee benefits expenses	26	72,468	74,184
Bonus shares in lieu of dividend	13	(1,577)	-
Finance costs	37	278,730	192,464
Finance income	37	(152,403)	(22,698)
<b>Changes in operating assets and liabilities:</b>			
Other non-current assets	15	36,267	49,319
Inventories	16	(61,005)	(126,912)
Accounts receivables	17	458,245	(610,301)
Prepayments and other current assets	18	78,447	31,326
Provisions and other non-current liabilities	28	(117,924)	258,526
Accounts payables	29	(474,480)	500,253
Accruals, provisions and other current liabilities	30	192,143	102,805
<b>Cash generated from operations</b>		<b>920,047</b>	<b>980,081</b>
Employee benefits paid	26	(31,157)	(44,392)
Zakat and income tax paid	31	(84,879)	(90,841)
<b>Net cash generated from operating activities</b>		<b>804,011</b>	<b>844,848</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment	8	(20,220)	(46,789)
Proceeds from disposal of property, plant and equipment	8	3,339	1,612
Additions to projects under progress	9	(123,978)	(7,363)
Additions to intangible assets, net	11	(22,666)	(3,667)
Proceeds from disposal of investment in equity instruments designated as FVOCI	13	55,812	-
Investments in debt securities	14	(100,000)	-
Short term investments	19	(935,500)	-
Interest income received		51,065	22,698
Dividends received	12	1,626,103	982,245
Acquisition of non-controlling interests		(1,000)	-
Additions in investments in associates and joint ventures	12	-	(38,182)
<b>Net cash generated from investing activities</b>		<b>532,955</b>	<b>910,554</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of long-term borrowings		(983,667)	(426,462)
Finance costs paid		(213,704)	(170,718)
Payment of principal portion of lease liabilities	27	(20,702)	(19,442)
Loan given to a joint venture	15	(192,600)	(275,000)
Dividend paid by subsidiaries to non-controlling interests	24	(484,489)	(124,654)
<b>Net cash used in financing activities</b>		<b>(1,895,162)</b>	<b>(1,016,276)</b>
<b>Net change in cash and cash equivalents</b>		<b>(558,196)</b>	<b>739,126</b>
Cash and cash equivalents at beginning of the year		3,393,975	2,654,849
<b>Cash and cash equivalents at end of the year</b>	20	<b>2,835,779</b>	<b>3,393,975</b>

Refer note 44 for non-cash transactions.

  
Chief Financial Officer

  
Chief Executive Officer

  
Authorized Board Member

The accompanying notes from (1) to (47) form an integral part of these consolidated financial statements.

**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
(All amounts in SR'000 unless otherwise stated)

**1. STATUS AND NATURE OF ACTIVITIES**

National Industrialization Company (the "Company" or "Tasnee" or "Parent") is a Saudi Joint Stock Company registered in Riyadh, Saudi Arabia under Commercial Registration no. 1010059693 dated 7 Shawwal 1405H (corresponding to 25 June 1985G). The Company was formed pursuant to the Ministerial Resolution no. 601 dated 24 Dhul Hijja 1404H (corresponding to 19 September 1984G).

The principal activities of the Company and its subsidiaries (collectively referred to as "the Group") comprises of industrial investment, transfer of advanced industrial technology to the Kingdom of Saudi Arabia, and to the Arab region in general, in the areas of manufacturing and transforming petrochemical and chemical, engineering and mechanical industries, management and ownership of petrochemical and chemical projects and marketing their products. The activities also comprise rendering technical industrial services and manufacturing of steel and non-steel castings, producing towed steel wires, spring wires, and steel wires for cables, twisted reinforcement wires to carry electrical conductors, twisted re-enforcement wires for concrete and welding wires. It also includes production and marketing of liquid batteries for vehicles and for industrial usage and the production and marketing of lead and sodium sulphate. It also includes conducting technical tests on industrial facilities, chemical, petrochemical and metal plants, and water desalination and electricity generating plants; setting up all types of plastic industries and production and marketing of acrylic boards; the production and marketing ethylene, polyethylene, propylene and polypropylene.

The registered office address is:  
National Industrialization Company  
P. O. Box 26707  
Riyadh 11496, Kingdom of Saudi Arabia

**1.1 Subsidiaries**

The following are the subsidiaries included in these consolidated financial statements and the combined direct and indirect ownership percentages:

Company Name	Legal Form	<i>Effective Shareholding (%)</i>	
		2022	2021
Rowad National Plastic Company ("Rowad") and its subsidiaries (1)	Limited liability	100.00	100.00
National Lead Smelting Company Ltd. ("Rassas") and its subsidiaries (2)	Limited liability	100.00	100.00
National Marketing and Industrial Services Company ("Khadamat II") (3)	Limited liability	100.00	100.00
Taldeem Plastic Solution Company Ltd. ("Taldeem") (4)	Limited liability	100.00	100.00
Al Khadra Environment Company for Industrials Waste Management ("Khadra") (5)	Limited liability	100.00	100.00
National Industrialization Petrochemical Marketing Company (6)	Limited liability	100.00	100.00
Rowad United Marketing Company ("RUMC") (7)	Limited liability	100.00	-
National Petrochemical Industrialization Company (8)	Limited liability	100.00	100.00
National Worldwide Industrial Advancement Company Ltd. (8)	Limited liability	100.00	100.00
NIPRAS National Technical Company Ltd. (8)	Limited liability	100.00	100.00
National Gulf Company for Petrochemical Technology (8)	Limited liability	100.00	100.00
National Industrialization Company for Industrial Investments (8)	Limited liability	100.00	100.00
National Operation and Industrial Services Company ("Khadamat") - under liquidation (9)	Limited liability	100.00	96.67
Advanced Metal Industries Cluster Company Ltd. ("AMIC") (10)	Limited liability	89.50	89.50
The National Titanium Dioxide Company Ltd. ("Cristal") and its subsidiaries (11)	Limited liability	79.00	79.00
National Inspection and Technical Testing Company Ltd. ("Fahss") (12)	Limited liability	74.90	73.42
TUV - Middle East WLL ("TUV") (13)	Limited liability	74.90	73.42
Tasnee and Sahara Olefins Company and its subsidiaries (14)	Closed joint stock	60.45	60.45

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**1. STATUS AND NATURE OF ACTIVITIES (continued)**

**1.1 Subsidiaries (continued)**

**1. Rowad National Plastic Company and its subsidiaries ("Rowad")**

Rowad National Plastic Company is a Saudi Limited Liability Company with its head office based in Riyadh, Saudi Arabia. Rowad is engaged in the manufacturing of all types of plastic production and managing and operating the industrial plants.

Rowad National Plastic Company owns 62.5% of equity interest in Rowad Global Packing Company Ltd., Saudi Limited Liability Company registered in Dammam, Saudi Arabia.

**2. National Lead Smelting Company and its subsidiary ("Rassas")**

National Lead Smelting Company Ltd. ("Rassas") is a Saudi Limited Liability Company with its head office based in Riyadh, Saudi Arabia. Rassas is engaged in the manufacturing of lead as well as polypropylene and sodium sulphate. Rassas owns 100% of Technical Tetravalent Lead Smelting Company Limited ("TTLSP"), a Saudi Limited Liability Company, which is registered in Jeddah, Saudi Arabia. Rassas also owns 90% of equity interest in National Batteries Company ("Battariat"), a Saudi Limited Liability Company, registered in Riyadh, Saudi Arabia.

**3. National Marketing and Industrial Services Company ("Khadamat II")**

National Marketing and Industrial Services Company is a Saudi Limited Liability Company based in Riyadh, Saudi Arabia. Khadamat II is engaged in marketing, sale and distribution of industrial products, including car batteries, plastic sheets, imports and exports, trading agencies for industrial products and investment in industrial services fields.

**4. Taldeen Plastic Solution Company limited ("Taldeen")**

Taldeen Plastic Solutions Company Ltd. is a Saudi Limited Liability Company based in Hail, Saudi Arabia. Taldeen has four plants and is engaged in producing plastic pallets, plastic pipes, agri-film and waste-water treatment units.

**5. Al Khadra Environment Company for Industrials Waste Management ("Khadra")**

Al Khadra Environment Company for Industrials Waste Management ("Khadra") is a Saudi Limited Liability Company based in Jeddah, Saudi Arabia. Khadra is engaged in sale, gathering and recycling of used and damaged batteries, lead, plastics, industrial materials and environmental waste.

**6. National Industrialization Petrochemical Marketing Company ("NIPMC")**

National Industrialization Petrochemical Marketing Company is a Saudi Limited Liability Company based in Riyadh, Saudi Arabia. NIPMC is engaged in the marketing services of chemical, petrochemical and plastic items including polypropylene and polyethylene.

**7. Rowad United Marketing Company ("RUMC")**

Rowad United Marketing Company is a Saudi Limited Liability Company based in Riyadh, Saudi Arabia. RUMC is engaged in the marketing services of plastic products.

**8. Other Subsidiaries**

These are direct subsidiaries and are incorporated in the Kingdom of Saudi Arabia. These subsidiaries are mainly holding companies for the Group's investments.



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**1. STATUS AND NATURE OF ACTIVITIES (continued)**

**1.1 Subsidiaries (continued)**

**9. National Operation and Industrial Services Company ("Khadamat") - under liquidation**

National Operating and Industrial Services Company is a Saudi Limited Liability Company based in Riyadh, Saudi Arabia. Khadamat is engaged in marketing, sale and distribution of industrial products, including car batteries, plastic sheets, imports and exports, trading agencies for industrial products and investment in industrial services fields. Khadamat is currently under liquidation and the procedures for liquidation are ongoing as at the date of these consolidated financial statements.

During the year, the Group has acquired 3.33% shares from a minority shareholder for a price of SR 1 million and now owns 100% (31 December 2021: 96.67%) ownership in Khadamat. The transaction has been accounted for as an equity transaction and resulting gain was recognized in other reserves under equity.

**10. Advanced Metal Industries Cluster Company Ltd. ("AMIC")**

Advanced Metal Industries Cluster Company Ltd. ("AMIC") was established with direct ownership percentage of 50% each by Tasnee and Cristal. AMIC is a Saudi Limited Liability Company and registered in Jeddah, Saudi Arabia. AMIC is engaged in setting up industrial projects related to Titanium metals of various type and other related substances including Titanium ore, Iron ore and manufacturing of Titanium dioxide through high pressure oxidation.

AMIC owns 100% equity interest in Advanced Smelting Industries Co. Ltd., a Saudi Limited Liability Company, registered in Jazan, Saudi Arabia.

**11. The National Titanium Dioxide Limited Company ("Cristal")**

The National Titanium Dioxide Limited Company is a Saudi Limited Liability Company with its head office based in Jeddah, Saudi Arabia. Cristal owns 100% equity interest in Cristal International Holdings B.V., a limited liability company registered in The Netherlands.

**12. National Inspection and Technical Testing Company Ltd. ("Fahss")**

National Inspection and Technical Testing Company Ltd. is a Saudi Limited Liability Company based in Dammam, Saudi Arabia. Fahss is engaged in providing technical services in inspection, testing, calibration, maintenance and quality management and environment systems (ISO).

**13. TUV – Middle East WLL ("TUV")**

TUV - Middle East WLL is a Limited Liability Company incorporated in Kingdom of Bahrain. TUV is engaged in inspection of mechanical equipment and industrial instruments, quality management and environment systems (ISO), academic trainings, information technology consultancy and laboratory testing services for various products within GCC countries. TUV - Middle East WLL owns 100% beneficial ownership of a subsidiary, German Safety and Quality Inspection Company LLC, a limited liability company, which is registered in Doha, Qatar.

**14. Tasnee and Sahara Olefins Company ("TSOC")**

Tasnee and Sahara Olefins Company is a Saudi Closed Joint Stock Company with its head office based in Riyadh, Saudi Arabia. The main objectives of TSOC are the production and marketing of petrochemical and chemical materials. TSOC owns 65% of Saudi Acrylic Acid Company ("SAAC"), a Saudi Limited Liability Company, which is registered in Riyadh, Saudi Arabia.

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**1. STATUS AND NATURE OF ACTIVITIES (continued)**

**1.2 Associates and Joint Arrangements**

The following is the list of the Group's associated companies and joint arrangements included in these consolidated financial statements with effective ownership percentages:

Company Name	Relationship	Legal Form	Effective shareholding (%)	
			2022	2021
Saudi Polyolefins Company ("SPC")	Joint Venture	Limited liability	<b>75.00</b>	75.00
Advanced Metal Industries Cluster and Toho Titanium Metal Company Limited ("ATTM")	Joint Venture	Limited liability	<b>58.18</b>	58.18
Saudi Ethylene and Polyethylene Company (SEPC)	Joint Venture	Limited liability	<b>45.34</b>	45.34
Clariant Masterbatches (Saudi Arabia) Ltd.	Associate	Limited liability	<b>40.00</b>	40.00
Saudi Acrylic Monomers Company (SAMCO")	Joint Venture	Limited liability	<b>39.22</b>	39.22
Saudi Acrylic Polymers Company (SAPCO")	Joint Venture	Limited liability	<b>39.22</b>	39.22
National Metal Manufacturing and Casting Company ("Maadaniyah")	Associate	Saudi joint stock company	<b>34.93</b>	34.93
Evonik Tasnee Marketing Company (ETM)	Associate	Limited liability	<b>25.00</b>	25.00
Tronox Holdings plc ("Tronox")	Associate	Listed in NYSE	<b>19.21</b>	19.28
Saudi Butanol Company ("SABUCO")	Joint Operations	Limited liability	<b>17.43</b>	17.43

**1.2 (a) Saudi Butanol Company ("SABUCO")**

Saudi Butanol Company is a mixed limited liability company registered in Jubail city, Kingdom of Saudi Arabia under commercial registration number 2055019713 dated 17 Rajab 1434H (corresponding to 27 May 2013). The Company's objective is to produce normal butanol and iso butanol. SABUCO is 33.33% owned by Saudi Acrylic Acid Company ("SAAC") (a Saudi limited liability company), 33.33% by Sadara Chemical Company (a Saudi limited liability company) and 33.33% by Saudi Kayan Petrochemical Company (a Saudi joint stock company).

**2. BASIS OF PREPARATION**

**(i) Statement of Compliance**

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA").

**(ii) Basis of measurement**

The financial statements have been prepared on a historical cost basis, except for the following:

- certain financial assets and liabilities (including derivative instruments) - measured at fair value; and
- the employee benefits obligations – are recognized at the present value of future obligations using the Projected Unit Credit Method.

**(iii) Functional and presentation currency**

These consolidated financial statements are presented in Saudi Riyals, which is the Parent's functional currency. All amounts have been rounded to the nearest thousand (SR in '000), unless otherwise indicated.

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**3. BASIS OF CONSOLIDATION**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries except for joint operations which are consolidated based on the Group's relative share in the arrangement.

Subsidiaries are all entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent and to the non-controlling interests "NCI", even if this results in the NCI having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. When Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in the profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary.
- Derecognises the carrying amount of any non-controlling interest.
- Derecognises the cumulative translation differences recorded in equity.
- Recognises the fair value of the consideration received.
- Recognises the fair value of any investment retained.
- Recognises any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

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**4. CHANGES IN ACCOUNTING POLICIES**

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021 except for the adoption of following amendments to existing standards that had no significant financial impact on these consolidated financial statements of the Group:

- Amendments to IFRS 3, 'business combinations' update a reference in IFRS 3 to the conceptual framework for financial reporting without changing the accounting requirements for business combinations.
- Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related costs in profit or loss.
- Amendments to IAS 37, 'provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.
- Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted by the Group in preparing these consolidated financial statements are applied consistently and are described below:

**5.1. Business combinations and goodwill**

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

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss.

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

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. All contingent consideration (except that which is classified as equity) is measured at fair value with the changes in fair value in profit or loss. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held, over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, then the gain is recognized in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

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**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**5.1. Business combinations and goodwill (continued)**

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which generally does not exceed one year from the date of acquisition, the Group retrospectively adjusts the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as at the acquisition date and, if known, would have affected the measurement of the amounts recognized as at that date. Any additional assets or liabilities are also recognized during the measurement period if new information is obtained about facts and circumstances that existed as at the acquisition date.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. CGU is the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups thereof. A CGU is identified consistently from period to period for the same asset or types of assets, unless a change is justified.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash generating unit retained.

**5.2. Investments in associates, joint arrangements and equity accounting**

**(i) Associates**

Associates are all entities over which the Group has significant influence but no control or joint control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control over those policies. This is generally the case where the Group holds between 20% and 50% of the voting rights. The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries. Investments in associates are accounted for using the equity method, after initially being recognized at cost.

**(ii) Joint arrangements**

Under IFRS 11 Joint Arrangements, joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The considerations made in determining whether joint control exists or not are similar to those necessary to determine control over subsidiaries. Also refer to note 6.2.

Investments in joint arrangements are classified as either joint ventures or joint operations. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has both joint ventures and joint operations. (Refer note 1.2 for the details)

**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 recognized at cost in the consolidated statement of financial position.

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**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**5.2. Investments in associates, joint arrangements and equity accounting (continued)**

**Joint operations:**

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and liabilities of the joint operation.

The Group recognizes its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the consolidated financial statements under the appropriate headings.

**(iii) Equity method**

Under the equity method of accounting, the investments are initially recognized at cost. Appropriate adjustments are made in order to account for the Group's share in the fair value of associate's or joint venture's net assets at the date of the acquisition. Excess of the Group's share in the fair value of associate's net assets over the cost is recognized in the consolidated statement of profit or loss. The net carrying amount of the investment is subsequently adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Adjustments are made to account for the Group's share of the associate's or joint venture's profit or loss after acquisition in order to account, for example, for depreciation of the depreciable assets based on their fair values at the acquisition date. Similarly, appropriate adjustments to the Group's share of the associate's or joint venture's profit or loss after acquisition are made for impairment losses such as for goodwill or property, plant and equipment.

Adjustments are made to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of other comprehensive income of the investee in other comprehensive income. Long term loans, which are not expected to be settled in the foreseeable future, are in substance considered as part of net investment. Where the carrying value of the investment is reduced to zero, a liability is recognized only to the extent that there is an obligation to fund the investee's operations, or any payments have been made on behalf of the investee. Dividends received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investment. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in the other comprehensive income ("OCI") of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate and joint venture are eliminated to the extent of the interest in the associate or joint venture. The financial statements of the associate or joint venture are prepared for the same reporting period as the Group.

When necessary, adjustments are made to bring the accounting policies of the associate or joint venture in line with those of the Group. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the loss separately within 'Share of profit or loss from associates and joint ventures' in the consolidated statement of profit or loss, as the Group considers this to be the most relevant classification for understanding of the Group's financial performance.

The Group assess at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods on its investment in its associate or joint venture may no longer exist or may have decreased. If any such indication exists, the Group estimates the recoverable amount of its investments. The reversal is limited so that the carrying amount of the investment does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, had no impairment loss been recognized for the investment in prior years. Such reversal is also recognized separately within 'Share of profit or loss from associates and joint ventures' in the consolidated statement of profit or loss.

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 associate or joint venture upon loss of significant influence or joint control and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.



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**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**5.3 Non-current assets held for sale and discontinued operation**

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group).

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale; and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after zakat and income tax from discontinued operations in the consolidated statement of profit or loss.

**5.4. Revenue recognition**

The Group manufactures and sells a wide range of products including chemicals, polymers and plastics. Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties such as taxes.

Revenue is recognized when obligations under the terms of a contract with our customer are satisfied. This generally occurs at the time when performance obligations are fulfilled and control transfers to the customer. In most instances, control transfers upon the transfer of risk of loss and title to the customer, which usually occurs when we ship products to the customer from our facilities.

Some of the joint venture companies market their products through subsidiaries of the Group (referred hereto as "the Marketers"). For all such arrangements, the Group reviews whether it acts as a principal or agent. Based on this review, the Group when acts as principal, record sale on gross basis, while net accounting is followed where it acts as an agent.

Some of the subsidiaries provide services related to inspection of electrical, mechanical and industrial equipment, ISO Certification, academic training, information technology consultancy and laboratory testing under fixed-price and variable price contracts. Contract service revenues are recognized based on the value of work rendered to the customer in accordance with the terms and rates as specified in the service contracts. Revenue from providing services is recognized in the accounting period in which the services are rendered.

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**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**5.5. Cost of revenue, selling, distribution and general and administrative expenses**

Operating costs are recognized on a historical cost basis. Production costs which include consumption of inventory, direct labor and attributable overhead costs are classified as cost of revenue.

Selling and distribution expenses principally comprise costs incurred in marketing and sale of the subsidiaries' products. Other expenses are classified as general and administrative expenses.

General and administrative expenses include direct and indirect costs not specifically attributable to cost of revenue.

Allocations between general and administrative expenses and cost of revenue, when required, are made on a consistent basis.

**5.6. Foreign currency translation**

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Saudi Riyal ('SR'), which is Group functional and presentation currency.

**(i) Transactions and balances**

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rate at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

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

**(ii) Group companies**

On consolidation, the assets and liabilities of foreign operations are translated into Saudi Riyals at the rate of exchange prevailing at the reporting date and their statement of profit or loss are translated at exchange rate prevailing at the date of the transactions or the average rate for the period. All resulting exchange differences arising on the translation are recognized in consolidated statement of comprehensive income. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to the consolidated statement of profit or loss.

**5.7. Zakat, income and deferred taxes**

**(i) Zakat**

Zakat is provided on an accruals basis and computed at the higher of adjusted net income for zakat purposes for the year or zakat base calculated per Zakat, Tax and Customs Authority ("ZATCA") regulations. Any difference in the previously recorded estimate is recognized when the final assessment is approved by ZATCA.

**(ii) Current income tax**

Foreign shareholders in the Group's subsidiaries in the Kingdom of Saudi Arabia are subject to income tax. Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

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**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**5.7. Zakat, income and deferred taxes (continued)**

**(iii) Deferred taxes**

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

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized.

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 utilized. Un-recognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been 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 against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**5.8. Property, plant and equipment and projects under progress**

**(a) Property, plant and equipment**

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment in value, except for land which is stated at cost and are not depreciated.

Cost includes all expenditure directly attributable to the construction or purchase of the item of property, plant and equipment. Such costs include the cost of replacing parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, costs of major maintenance and repairs incurred as part of substantial overhauls or turnarounds of major units at the Group's manufacturing facilities are capitalized and generally depreciated using the straight-line method over the period until the next planned turnaround, the cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statement of profit or loss as incurred. Any subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group and cost can be measured reliably.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows;

<b>Asset class</b>	<b>Useful lives (in years)</b>
Buildings	20 – 33
Leasehold improvements	Shorter of the lease term or useful life
Plant, machinery and equipment	3 – 25
Tools and capital spares	2 – 20
Furniture, fixtures and equipment	3 – 10
Motor vehicles	4 – 5
Computers	3 – 5
Catalyst	2 – 5

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**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**5.8. Property, plant and equipment and projects under progress (continued)**

**(a) Property, plant and equipment (continued)**

Property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Stores and spares having a useful life of more than one year are depreciated over their estimated useful lives.

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

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

**(b) Projects under progress**

Projects under progress represent costs relating directly to the new projects and other capital work in progress including cost of expansion of existing facilities. These are capitalized as property, plant and equipment when the project is completed, or the related assets is ready for its intended use. Projects under progress are stated at cost less accumulated impairment, if any.

**5.9. Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**5.10. Leases**

The Group assesses whether a contract contains a lease, at inception of the contract. For all such lease arrangements, the Group recognize right of use assets and lease liabilities except for the short-term leases and leases of low value assets as follows:

**Right-of-use assets**

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

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

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**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**5.10. Lease (continued)**

**Lease liabilities**

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The discount rate used is the entity's incremental borrowing rate, being the rate that the entity would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

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

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

**5.11. Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is recognized in the consolidated statement of profit or loss when it is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of profit or loss in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized but are tested for impairment annually or at each reporting date when there is an indicator of impairment, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of profit or loss when the asset is derecognized.

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**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**5.11. Intangible assets (continued)**

**(i) Goodwill**

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is not amortized but is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

**(ii) Technological and software licenses**

Acquisition cost of technological licenses and computer software licenses and implementation costs are amortized using the straight-line method over 5-25 years from the date of commencement of operation.

An intangible asset with an indefinite life is not being amortized but instead is measured for impairment at least annually, or when events indicate that impairment exists.

Research and development costs are charged to the consolidated statement of profit or loss during the period incurred, except for the clear and specified projects, in which development costs can be recovered through the commercial activities generated by these projects. In this case, the development costs are considered intangible assets and are amortized using the straight-line method over a period of seven to fifteen years.

**5.12. Impairment of non-financial assets**

Goodwill and assets with indefinite life are tested for impairment annually.

For other 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 for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating units ("CGU") fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment calculation is based on detailed forecasts which are prepared separately for each of the Group's CGU to which the individual assets are allocated. These forecast calculations generally cover a period of five years. Long-term growth rate is calculated and applied to project future cash flows after the fifth year.

The Group assess at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of profit or loss.

Impairment recognized previously on goodwill is not reversed.



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**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**5.13. Inventories**

The cost of raw materials, consumables, spare parts and finished goods is determined on a weighted average cost basis. The cost of work in progress and finished goods includes cost of material, labor and an appropriate allocation of indirect overheads. Inventories are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to sell.

**5.14. Cash and cash equivalents**

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits and murabaha with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

**5.15. Employee benefits obligations**

**(i) Short-term obligations**

Liabilities for wages and salaries and any other short-term benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

**(ii) Post-employment obligations**

**Defined contribution plan**

A defined contribution plan is employee benefit plan under which the Group pays fixed contributions. The Group offers a saving plan to eligible employees to encourage them to make savings in a manner that will warrant an increase in their income and contribute to securing their future according to the established plan. The saving contributions from the participants are deposited in a separate bank account other than the Group's normal operating bank accounts (but not in any separate legal entity).

**Defined benefit plans**

The Group primarily has end of service benefits which qualify as defined benefit (unfunded) plan.

The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method, with actuarial valuation being carried out at regular interval. Re-measurements, comprising actuarial gains and losses, are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to other reserves through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

The present value of the defined benefit obligation for the Group has been determined by discounting the estimated future cash outflows by reference to US bond yields (as the Saudi Riyal is pegged to the US dollar) adjusted for an additional risk premium reflecting the possibility of the linkage being broken.

Past service costs are recognized in the consolidated statement of profit or loss on the earlier of the date of the plan amendment or curtailment and the date on which the Group recognises related restructuring costs. Net interest is calculated by applying the discount rate to the net defined benefit liability. The Group recognises the changes in the net defined benefit obligation under 'cost of revenue, 'general and administrative expenses' and 'selling and distribution expenses' in the consolidated statement of profit or loss.

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**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**5.15. Employee benefits obligations (continued)**

**(iii) Employees House Ownership Program (HOP) and Employees Housing Loans (HLP)**

Certain companies within the Group have established employees HOP where eligible employees after paying a series of payments over a particular number of years can purchase houses constructed by these companies. Costs which are not directly related to residential units are absorbed by the Group. Ownership of these houses is transferred to the employees at the completion of full payment. Under the program, the amounts paid by the employees towards the houses are repayable back to the employees after certain adjustments in case of discontinued employment and the house is returned to the Group.

The Group also 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 recognized as a non-current financial asset at fair value and measured at amortised cost using the effective interest rate (EIR) method. The difference between the fair value and the actual amount of cash given to the employee is recognized as a '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.

**5.16. Provisions and contingent liabilities**

**(i) Provisions**

Provisions are recognized 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 amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of profit or loss net of any reimbursement.

**(ii) Contingent liabilities**

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made.

**5.17. Accounts receivables**

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method less impairment. For impairment of financial assets, (refer to note 5.21 (iv)).

**5.18. Accounts 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. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

**5.19. Financial guarantees**

Financial guarantee contracts are recognized 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 guarantee, and subsequently at the higher of the amount determined in accordance with the expected credit loss model under IFRS 9 Financial Instruments, and the amount initially recognized. The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required 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 obligations. Where guarantees in relation to loans or other payables of associates or joint ventures are provided for no compensation, the fair values are accounted for as contributions and recognized as part of the cost of the investment.

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**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**5.20. Deferred settlement income / expense**

Deferred settlement payments received are recognized where there is reasonable assurance that these will be received and all related conditions, if any, will be complied with. When the payment relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the payment relates to an asset, the amount received are deferred and recognized as income in equal amounts over the expected useful life of the related asset

**5.21. Financial instruments**

Financial instruments are recognized when the Group becomes a party to the contractual provisions of the instrument. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**Financial assets**

The Group determines the classification of its financial assets at initial recognition. Regular way purchases and sales of financial assets are recognized on trade date, being the date on which the Group commits to purchase or sell the asset. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

**i. Classification**

The financial assets are classified in the following measurement categories:

- a) Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss); and
- b) Those to be measured at amortized cost.

For assets measured at fair value, gains and losses will either be recorded in the consolidated statement of profit or loss or the consolidated statement of other comprehensive income. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

**ii. Measurement**

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

**Debt instruments**

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies debt instruments at amortised cost based on the below:

- a) The asset is held within a business model with the objective of collecting the contractual cash flows; and
- b) The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Amortized 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. Employees' loans and shareholders' loans to joint venture entities are carried at amortized cost.

**Equity instruments**

Equity securities which are not held for trading, and which the group has irrevocably elected at initial recognition to recognise in the category of fair value through other comprehensive income ("FVOCI"). For strategic investments the Group considers this classification to be more relevant.

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**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**5.21. Financial instruments (continued)**

**Equity instruments (continued)**

If the Group elects to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments shall continue to be recognized in the consolidated statement of profit or loss as other income when the Groups' right to receive payments is established. There are no impairment requirements for equity investments measured at fair value through other comprehensive income. Changes in the fair value of financial assets at fair value through profit or loss shall be recognized in other income / (expenses) in the consolidated statement of profit or loss as applicable.

**iii. De-recognition of financial assets**

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

**iv. Impairment of financial assets**

The Group assesses on a forward-looking basis the Expected Credit Losses ("ECL") associated with its debt instruments as part of its financial assets, carried at amortised cost.

For accounts receivables, the Group applies the simplified approach, which requires expected lifetime losses to be recognized from initial recognition of the receivables. To measure the expected credit losses, receivables are grouped based on shared credit risk characteristics and the days past due. Expected loss rates are derived from historical information of the Group and are adjusted to reflect the expected future outcome which also incorporates forward looking information for macroeconomic factors.

The financial assets, other than trade receivables, of the Group are categorized as follows:

- (a) Performing (Stage 1): these represent the financial assets where customers have a low risk of default and a strong capacity to meet contractual cash flows. Less than 30 days past due balances do not result in significant increase in credit risk and are considered as performing.
- (b) Underperforming (Stage 2): these represent the financial assets where there is a significant increase in credit risk and that is presumed if the customer is more than 30 days but less than 90 days past due in making a contractual payment.
- (c) Non-performing (Stage 3): these represent defaulted financial assets. A default on a financial asset is considered when the customer fails to make a contractual payment within 90 days after they fall due.

The Company measures the loss allowance for performing financial assets at an amount equal to 12-month expected credit losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime. 12-month expected credit losses are the portion of expected credit losses that results from default events on the financial assets that are possible within 12 months after the reporting date. The Group measures the loss allowance for underperforming and non-performing financial assets at an amount equal to lifetime expected credit losses. If the Group has reasonable and supporting information to demonstrate that the counterparty is not impaired, but has crossed days past due (DPD) of 90+, then the Group applies stage-2 for ECL estimation. Similarly, where the counterparty balance does not go beyond DPD of 90+, but the Group has reasonable and supporting information to demonstrate that counterparty will face significant financial difficulty, the Group applies stage-3 for ECL estimation.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the counterparty. The Group categorizes a financial asset for write off when a debtor fails to make contractual payments and no reasonable expectation of recovering the contractual cash flows. Where a financial asset has been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in consolidated statement of profit or loss.

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**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**5.21. Financial instruments (continued)**

**v. Income recognition**

**Murabaha income**

For all financial instruments measured at amortized cost and interest-bearing financial assets, Murabaha income is recognized using the effective interest rate (EIR), which is the rate that discounts the estimated future cash financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original EIR of the instrument and continues unwinding the discount as interest income. Interest income on impaired financial asset is recognized using the original EIR.

**Dividend income**

Dividends receivable from financial instruments are recognized in the consolidated statement of profit or loss only when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be measured reliably.

**Financial liabilities**

The Group determines the classification of its financial liabilities at initial recognition.

**i. Classification**

The financial liabilities are classified in the following measurement categories:

- a) Those to be measured as financial liabilities at fair value through profit or loss; and
- b) Those to be measured at amortized cost.

**ii. Measurement**

All financial liabilities are recognized initially at fair value. Financial liabilities accounted at amortized cost like borrowings are accounted at the fair value determined based on the effective interest rate method (EIR) after considering the directly attributable transaction costs.

The Group classifies all financial liabilities as subsequently measured at amortized cost, except for financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value.

EIR method calculates the amortized cost of a debt instrument by allocating interest charge over the relevant effective interest rate period. The effective interest rate is the rate that exactly discounts estimated future cash outflow (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. This category generally applies to borrowings, trade payables, etc.

The Group's financial liabilities include trade and other payables, borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments. The Group measures financial liabilities (except derivatives) at amortised cost.

**iii. Derecognition of financial liabilities**

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

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**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**5.22. Derivative financial instruments and hedge accounting**

The Group's activities expose it to the financial risks of changes in foreign exchange rates and interest rates. Derivatives are used for economic hedge purposes and not as speculative investments.

Derivative financial instruments are initially measured at fair value on the contract date and are subsequently re-measured to fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged and the type of hedge relationship designated.

The Group's activities expose it to the financial risks of changes in foreign exchange rates and interest rates. The Group documents at the inception of the hedging transaction the economic relationship between hedging instruments and hedged items including whether the hedging instrument is expected to offset changes in cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking various hedge transactions at the inception of each hedge relationship.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; and classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

**(i) Derivatives that are not designated as hedges**

The Group enters into certain derivative contracts to hedge risks which are not designated as hedges. Such contracts are accounted for at fair value through profit or loss, within other income / (losses).

**(ii) Derivatives that are designated as cash flow hedges**

The effective portion of changes in the fair value of derivatives such as forward contracts and interest rate swaps that are designated and qualify as cash flow hedges is recognized in the other comprehensive income in cash flow hedging reserve within equity, limited to the cumulative change in fair value of the hedged item on a present value basis from the inception of the hedge. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, within other income / (losses).

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss, within other income / (losses).

If the hedge ratio for risk management purposes is no longer optimal but the risk management objective remains unchanged and the hedge continues to qualify for hedge accounting, the hedge relationship will be rebalanced by adjusting either the volume of the hedging instrument or the volume of the hedged item so that the hedge ratio aligns with the ratio used for risk management purposes. Any hedge ineffectiveness is calculated and accounted for in profit or loss at the time of the hedge relationship rebalancing.

**5.23. Current versus non-current classification**

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

- expected to be realised or intended to be sold or consumed in the normal operating cycle
- held primarily for the purpose of trading
- expected to be realised within twelve months after the reporting period.

All other assets are classified as non-current.



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**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**5.23. Current versus non-current classification (continued)**

All other assets are classified as non-current.

A liability is current when it is:

- expected to be settled in the normal operating cycle
- held primarily for the purpose of trading
- due to be settled within twelve months after the reporting period
- the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification. The Group classifies all other liabilities as non-current.

**5.24. Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

**5.25. Statutory reserve**

In accordance with the Saudi companies' law, the Company transfers 10% of the annual net income to the statutory reserve until it reaches 30% of the share capital. This reserve is not available for distribution.

**6. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of consolidated financial statements requires the Group's management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying accounting disclosures, and the disclosures of contingent liabilities at the reporting date of the consolidated financial statements.

Estimates and assumptions are continually evaluated and are based on management's historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**6.1 The areas requiring the most significant estimates and assumptions in the preparation of the consolidated financial statements are explained below:**

**(i) Recoverability of non- financial asset's carrying value**

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, projects under progress, intangible assets and investments in joint ventures and associates to determine whether there is any indication that those assets are impaired or require reversal thereof. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment or reversal. Impairment tests are undertaken on the basis of the smallest identifiable group of assets (cash-generating unit), or individual assets, for which there are largely independent cash inflows. The key assumptions used to determine the different cash-generating units, estimating the cost of disposal and VIU calculation involves significant judgments from management.

For the purposes of determining whether impairment of assets has occurred, and the extent of any impairment or its reversal, a recoverable amount is calculated. Recoverable amount is the higher of fair value less costs of disposal ("FVLCD") or value-in-use ("VIU").

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**6. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

**(i) Recoverability of non- financial asset's carrying value (continued)**

In assessing VIU, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted. The key assumptions management uses in estimating future cash flows for its VIU calculations are growth in earnings before interest, tax, depreciation and amortization (EBITDA), timing and quantum of future capital expenditure, long term growth rate, selection of discount rates to reflect the risks involved. There is an inherent uncertainty over forecasted information and assumptions. Changes in these assumptions and forecasts could impact the recoverable amounts of assets and any calculated impairment and reversals thereof. Also refer notes 9 and 12.

**(ii) Provision for zakat and income tax**

The Group's zakat and tax charge on ordinary activities is the sum of the total zakat and current and deferred income taxes charges. The calculation of the Group's zakat and income taxes charge necessarily involves a degree of estimation and judgment in respect of certain items whose treatment cannot be finally determined until resolution has been reached with the relevant tax authority or, as appropriate, through a formal legal process. The final resolution of some of these items may give rise to material profits / (losses) and/or cash flows. The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future, against which the reversal of temporary differences can be deducted. To determine the future taxable profits, reference is made to the latest available profit forecasts. Where the temporary differences are related to losses, relevant tax law is considered to determine the availability of the losses to offset against the future taxable profits.

**(iii) Estimation of useful life and residual value**

The useful life used to amortize or depreciate intangible assets or property, plant and equipment respectively relates to the expected future performance of the assets acquired and management's judgement based on technical evaluation of the period over which economic benefit will be derived from the asset. The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. An asset's expected life and residual value have a direct effect on the depreciation charged in the consolidated statement of profit or loss.

The useful lives and residual values of Group's assets are determined by management based on technical evaluation at the time the asset is acquired and reviewed annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events which may impact their life such as changes in technology.

**(iv) Recoverability of loans given to equity accounted investments**

Loans given to equity accounted investments which are in management judgment not expected to be recovered or settled in foreseeable future are considered for impairment as per the requirements of IFRS-9 general approach. Refer note 42.1.

**6.2 The areas requiring the most significant judgments in the preparation of the consolidated financial statements are explained below:**

**(i) Determination of control, joint control and significant influence**

Subsidiaries are all investees over which the Group has control. Management considers that it controls an entity 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, legal and contractual ability to exercise power, 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.

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**6. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

**(i) Determination of control, joint control and significant influence (continued)**

Hence, the Group has consolidated investees, which meet the above criteria of control as part of the Group's consolidated financial statements.

**(ii) Assessment of IFRS 5: "Non-current Assets Held-for-Sale and Discontinued Operations"**

Principles of IFRS 5 are applied in determining whether the criterion for held for sale classification are met. These include determining if the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification. The Group reclassifies assets and liabilities as "held for sale" which meet the above criterion as part of the Group's consolidated financial statements.

**(iii) Determining whether the Group or component of the Group is acting as an agent or principal**

Principles of IFRS 15 are applied by identifying each specified (i.e., distinct) good or service promised to the customer in the contract and evaluating whether the entity under consideration obtains control of the specified good or service before it is transferred to the customer. This assessment requires significant judgment based on specific facts and circumstances.

**7. NEW STANDARD AND AMENDMENTS TO EXISTING STANDARDS ISSUED BUT NOT YET EFFECTIVE**

The following standard and amendments to existing standards are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements:

**Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8**

The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

**Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction**

These amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

**Amendment to IFRS 16 – Leases on sale and leaseback**

These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

**Amendment to IAS 1 – Non-current liabilities with covenants**

These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

**IFRS 17, 'Insurance contracts**

This standard replaces IFRS 4, which permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

The Group will apply the above standard and amendment from their effective dates. The Group has not yet undertaken an assessment to determine potential impacts on the amounts reported and disclosures to be made under the applicable new standards or amendments to existing standards.

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**8. PROPERTY, PLANT AND EQUIPMENT**

	Land, buildings and leasehold improvements	Plant, machinery and equipment	Tools and capital spares	Furniture, fixtures and equipment	Motor vehicles	Computers	Catalyst	Total
<b>Cost</b>								
<b>As at 1 January 2021</b>	<b>1,249,106</b>	<b>3,112,461</b>	<b>68,010</b>	<b>29,713</b>	<b>20,938</b>	<b>16,341</b>	<b>40,054</b>	<b>4,536,623</b>
Additions	3,546	33,603	3,908	331	1,259	479	3,663	46,789
Disposals	(412)	(16,800)	(35,375)	(1,273)	(4,697)	(393)	(108)	(59,058)
Transfers – note 9	4,884	21,969	-	-	-	1,044	1,183	29,080
<b>As at 31 December 2021</b>	<b>1,257,124</b>	<b>3,151,233</b>	<b>36,543</b>	<b>28,771</b>	<b>17,500</b>	<b>17,471</b>	<b>44,792</b>	<b>4,553,434</b>
Additions	<b>1,530</b>	<b>11,955</b>	<b>3,468</b>	<b>694</b>	<b>1,104</b>	<b>79</b>	<b>1,390</b>	<b>20,220</b>
Disposals	<b>(413)</b>	<b>(3,226)</b>	<b>(46)</b>	<b>(4,312)</b>	<b>(2,303)</b>	<b>(243)</b>	<b>(1,503)</b>	<b>(12,046)</b>
Transfers – note 9 ,11	<b>15</b>	<b>(602)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(587)</b>
<b>As at 31 December 2022</b>	<b>1,258,256</b>	<b>3,159,360</b>	<b>39,965</b>	<b>25,153</b>	<b>16,301</b>	<b>17,307</b>	<b>44,679</b>	<b>4,561,021</b>
<b>Accumulated depreciation/impairment</b>								
<b>As at 1 January 2021</b>	367,429	1,045,323	59,100	24,347	19,197	13,286	31,577	1,560,259
Charge for the year	51,851	159,955	5,171	1,753	1,040	1,873	3,512	225,155
Disposals	(322)	(13,428)	(38,160)	(1,099)	(4,389)	(43)	(5)	(57,446)
Transfers	-	-	-	-	-	(20)	-	(20)
<b>As at 31 December 2021</b>	<b>418,958</b>	<b>1,191,850</b>	<b>26,111</b>	<b>25,001</b>	<b>15,848</b>	<b>15,096</b>	<b>35,084</b>	<b>1,727,948</b>
Charge for the year	<b>41,584</b>	<b>140,699</b>	<b>4,439</b>	<b>1,558</b>	<b>810</b>	<b>651</b>	<b>1,407</b>	<b>191,148</b>
Disposals	<b>(51)</b>	<b>(1,516)</b>	<b>(38)</b>	<b>(4,138)</b>	<b>(2,256)</b>	<b>(209)</b>	<b>(499)</b>	<b>(8,707)</b>
Impairment	-	<b>11,979</b>	-	-	-	-	-	<b>11,979</b>
<b>As at 31 December 2022</b>	<b>460,491</b>	<b>1,343,012</b>	<b>30,512</b>	<b>22,421</b>	<b>14,402</b>	<b>15,538</b>	<b>35,992</b>	<b>1,922,368</b>
<b>Net carrying value</b>								
<b>As at 31 December 2022</b>	<b>797,765</b>	<b>1,816,348</b>	<b>9,453</b>	<b>2,732</b>	<b>1,899</b>	<b>1,769</b>	<b>8,687</b>	<b>2,638,653</b>
<b>As at 31 December 2021</b>	<b>838,166</b>	<b>1,959,383</b>	<b>10,432</b>	<b>3,770</b>	<b>1,652</b>	<b>2,375</b>	<b>9,708</b>	<b>2,825,486</b>

**8.1** Land, buildings and leasehold improvements includes freehold land amounting to SR 110 million (2021: SR 110 million).

**8.2** Leasehold improvements were built on certain lands which are leased from the government at nominal rents, for periods up to 30 years, and renewable for further periods.

**8.3** As at 31 December 2022 property, plant and equipment with a net carrying value of SR 2,232 million (2021: SR 2,428 million) have been pledged as collateral for borrowings (also refer to note 25.1).

**8.4** During the year, the Group carried out a review of recoverable amount of certain of its assets by comparing the carrying value with value in use which led to a recognition of impairment loss amounting to SR 11.9 million (2021: nil). Key assumptions used in estimating future cash flows for its value in use calculations are forecasted prices, expected production volumes, future operating and development costs and the discount rate used for the discounted cash flows.

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**9. PROJECTS UNDER PROGRESS**

	<b>2022</b>	<b>2021</b>
As at 1 January	<b>1,709,944</b>	1,916,318
Additions	<b>123,978</b>	7,363
Transfer to property, plant and equipment / intangible assets (note 8 & 11)	<b>(9,139)</b>	(33,737)
Impairment loss	<b>(222,407)</b>	(180,000)
<b>As at 31 December</b>	<b><u>1,602,376</u></b>	<b><u>1,709,944</u></b>

Projects under progress mainly represent costs of establishing a project (Slagger) relating to Titanium metals of various types and other related substances including Titanium ore, Iron ore and manufacturing of Titanium dioxide through high pressure oxidation at Jizan by a subsidiary and certain costs of expansion of facilities of production lines, safety and environment improvement costs. During 2022, the Group has carried out a review of recoverable amount due to delay in achieving sustainable operations (as defined in option agreement (refer 9.1)), and compared the carrying value with value in use using discounted cash flow model which led to a recognition of impairment loss amounting to SR 222 million (2021: SR 180 million), which has been recognized in consolidated statement of profit or loss. Key assumptions used in the analysis includes the expected timing and costs to achieve the sustainable operations based on approved business plan, consideration of historical results along with the expected cash flows and terms of the Option agreement (refer note 9.1).

During 2022, certain projects were completed, and cost of SR 9.1 million (2021: SR 33.7 million) was transferred to the property plant and equipment and intangible assets.

**9.1 Option agreement for slagger asset in AMIC**

AMIC, a subsidiary of the Group, has signed an option agreement with Tronox Holdings Plc ("Tronox") with the following key terms:

(1) AMIC shall (a) incorporate a wholly owned Special Purpose Vehicle ("SPV") in the Kingdom of Saudi Arabia and (b) subject to certain exceptions as set out in the Option Agreement, transfer (or procure the transfer of) the assets, liabilities and contracts used for its Jazan-based titanium slag smelting Slagger Business (as defined in the Option Agreement) to the SPV;

(2) subject to the satisfaction of certain conditions precedent set out in the Option Agreement including reaching the Sustainable Operations (as defined in the Option Agreement), AMIC shall have an option to require Tronox to purchase, and Tronox shall have an option to require AMIC to sell, 90% of AMIC's ownership in the SPV.

Furthermore, pursuant to the Option Agreement and during its term, Tronox agreed to lend the Group up to \$125 million for capital expenditures intended to facilitate the start-up of the Slagger. Tronox lent AMIC the amount of \$125 million, which is recorded within "Provisions and other non-current liabilities" in the consolidated statement of financial position. The Tronox loan carries a charge at SAIBOR plus agreed margin and will be settled as detailed in the Option Agreement.

For the year ended 31 December 2022, Tronox purchased feedstock material produced by the Slagger amounting to SR 224 million (2021: SR nil). Such sales and related costs are recorded under "Revenue" and "Cost of revenue" respectively in the consolidated statement of profit or loss.

Additionally, the Group maintains a Technical Services Agreement with Tronox. Under this arrangement, Tronox provides technical advice and project management services including supervision and project management. As compensation for these services, Tronox receives a management fee.

At the consolidated statement of financial position date, the Group's management is of the view that the high probability test of transaction completion as required by IFRS 5: "Non-current Assets Held-for-Sale and Discontinued Operations" before assets and liabilities are reclassified as "held for sale" had not been met due to the conditions precedent for the exercise of call or put option, and consequently no reclassification has been made in these consolidated financial statements.

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**10. RIGHT-OF-USE ASSETS**

The Group holds various properties and vehicles on lease. Rental contracts period after considering extension options reach between 3 to 40 years. Lease terms are negotiated on an individual basis and contain different terms and conditions. The lease agreements do not impose any covenants.

The carrying amounts of the Group's right-of-use assets and the movements during the year were as follows:

	<b>Land and buildings</b>	<b>Motor vehicles</b>	<b>Total</b>
<b>As at 1 January 2021</b>	132,748	4,666	137,414
Additions	539	526	1,065
Depreciation expense	(17,091)	(3,745)	(20,836)
Disposals	(1,419)	(141)	(1,560)
<b>As at 31 December 2021</b>	<b>114,777</b>	<b>1,306</b>	<b>116,083</b>
Additions	57,653	5,415	63,068
Depreciation expense	(17,300)	(2,048)	(19,348)
Disposals	(283)	(142)	(425)
<b>As at 31 December 2022</b>	<b>154,847</b>	<b>4,531</b>	<b>159,378</b>

Set out below, are the amounts recognized in consolidated statement of profit or loss:

	<b>2022</b>	<b>2021</b>
Depreciation expense of right-of-use assets	19,348	20,836
Interest expense on lease liabilities	6,209	1,353
Rent expense - short-term leases	889	709
<b>Total amounts recognized in consolidated statement of profit or loss</b>	<b>26,446</b>	<b>22,898</b>

The Group had total cash outflows for leases of SR 20 million in 2022 (2021: SR 19 million).

**11. INTANGIBLE ASSETS**

	<b>Goodwill</b>	<b>Technological and software licenses</b>	<b>Total</b>
<b>Cost</b>			
<b>As at 1 January 2021</b>	21,691	202,836	224,527
Additions	-	3,667	3,667
Disposal	-	(923)	(923)
Transfer from project under progress (note 9)	-	4,657	4,657
<b>As at 31 December 2021</b>	<b>21,691</b>	<b>210,237</b>	<b>231,928</b>
Additions	-	22,666	22,666
Disposal	-	(50)	(50)
Transfer from project under progress (note 9)	-	9,726	9,726
<b>As at 31 December 2022</b>	<b>21,691</b>	<b>242,579</b>	<b>264,270</b>
<b>Amortization</b>			
<b>As at 1 January 2021</b>	-	99,993	99,993
Charge for the year	-	26,166	26,166
Disposal	-	(923)	(923)
Transfer	-	20	20
<b>As at 31 December 2021</b>	<b>-</b>	<b>125,256</b>	<b>125,256</b>
Charge for the year	-	21,328	21,328
Disposal	-	(50)	(50)
Impairment	21,691	-	21,691
<b>As at 31 December 2022</b>	<b>21,691</b>	<b>146,534</b>	<b>168,225</b>
<b>Net carrying value</b>			
<b>As at 31 December 2022</b>	<b>-</b>	<b>96,045</b>	<b>96,045</b>
<b>As at 31 December 2021</b>	<b>21,691</b>	<b>84,981</b>	<b>106,672</b>

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**11. INTANGIBLE ASSETS (continued)**

The Group tests annually whether goodwill has suffered any impairment by comparing the carrying value with the value in use, which led to a recognition of impairment loss amounting to SR 21.7 million (2021: SR nil). The recoverable amount of the cash-generating units (CGUs) was determined based on value-in-use calculations. The calculations use cash flow projections based on financial forecast approved by management covering a five-year period as well as the factors used in computing terminal value. Terminal value was calculated using Gordon Growth Model for the final year of the forecast period. The key assumptions used are the growth rate of 2.5% (2021: 2.2%) to extrapolate cash flow projections beyond the period covered by the most recent forecasts and the discount rates of 12.5% (2021: 11.7%) applied to the cash flow projections. Management believes that the estimated growth rates used do not exceed the average growth rates over the long term on the Group's activities.

**12. INVESTMENTS IN EQUITY ACCOUNTED ASSOCIATES AND JOINT VENTURES**

	<b>2022</b>	<b>2021</b>
Investments in associates (refer note 12.1)	<b>3,143,549</b>	2,968,264
Investments in joint ventures (refer note 12.2)	<b>8,620,960</b>	9,337,776
	<b>11,764,509</b>	12,306,040

**12.1 Investments in associates**

	<b>2022</b>	<b>2021</b>
Investment in Tronox Holdings plc (refer note 12.1.1)	<b>2,977,698</b>	2,796,000
Investments in other associates (refer note 12.1.2)	<b>165,851</b>	172,264
	<b>3,143,549</b>	2,968,264

The movement in investments in associates was as follows:

	<b>2022</b>	<b>2021</b>
As at 1 January	<b>2,968,264</b>	2,212,112
Additions during the year	-	38,182
Share of profit	<b>307,100</b>	205,638
Impairment reversal	-	692,795
Share of other comprehensive loss	<b>(61,353)</b>	(129,730)
Dividend income	<b>(70,462)</b>	(50,733)
<b>As at 31 December</b>	<b>3,143,549</b>	2,968,264

**12.1.1 Tronox Holdings plc**

Tronox Holdings plc ("Tronox") a public limited company incorporated under the laws of England and Wales is one of the world's leading producers of high-quality titanium products, including titanium dioxide pigment, specialty-grade titanium dioxide products and high-purity titanium chemicals and zircon. Tronox also mines titanium-bearing mineral sands and operate upgrading facilities that produce high-grade titanium feedstock materials, pig iron and other minerals. The Group owns 24.32% (2021: 24.41%) shareholding in Tronox. For Group effective shareholding percentage refer to note 1.2 of the consolidated financial statements.

Movement in the carrying amount of investment in Tronox using the equity method of accounting is as follows:

	<b>2022</b>	<b>2021</b>
As at 1 January	<b>2,796,000</b>	2,066,375
Share of profit	<b>313,513</b>	215,649
Impairment reversal	-	692,795
Share of other comprehensive loss	<b>(61,353)</b>	(128,086)
Dividend income	<b>(70,462)</b>	(50,733)
<b>As at 31 December</b>	<b>2,977,698</b>	2,796,000

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**12. INVESTMENTS IN EQUITY ACCOUNTED ASSOCIATES AND JOINT VENTURES (continued)**

**12.1 Investments in associates (continued)**

**12.1.1 Tronox Holdings plc (continued)**

Tronox is listed on the New York Stock Exchange and its shares are publicly traded. The value of the Group's investment in Tronox based on the closing price as at 31 December 2022 was SR 1,932 million (2021: SR 3,386 million). In compliance with the requirements of applicable accounting standards, due to fluctuation in share prices the Group has performed an impairment assessment of its investment in Tronox by comparing the carrying value with value in use using discounted cash flow model, which resulted in no impairment. Key assumptions used in the analysis include discount rate of 10%, terminal growth rate of 2.5% and EBIDTA margins, which have been estimated based on third parties' forecasts for the industry and consideration of historical results.

During 2021, the fair value of Tronox shares significantly increased resulting in reversal of the previously recognized impairment in compliance with the requirements of applicable accounting standards.

The share of other comprehensive loss mainly represents the Group's net share in the foreign exchange translation differences, cash flow hedging reserve, and re-measurement of defined benefit plan as reported by Tronox and adjustments in relation to step up in the carrying values as a result of purchase price allocation exercise on the date of acquisition of Tronox by the Group.

The summarised financial information of Tronox is as follows:

	<b>As at 31 December</b>	
	<b>2022</b>	<b>2021</b>
Current assets	<b>7,928,625</b>	7,811,250
Non-current assets	<b>21,314,413</b>	20,651,072
Current liabilities	<b>3,098,625</b>	3,086,250
Non-current liabilities	<b>13,733,338</b>	13,745,499
Non-controlling interest	<b>167,251</b>	176,250
Equity attributable to the shareholders	<b>12,243,824</b>	11,454,323
 Group's share of equity and carrying value	 <b>2,977,698</b>	 <b>2,796,000</b>
 Cash and cash equivalents	 <b>615,000</b>	 870,000
Financial liabilities – Non-current	<b>9,676,875</b>	11,385,000
Financial liabilities – Current (except trade and other payables)	<b>75,000</b>	112,500
	 <b>For the year ended 31</b>	
	<b>December</b>	
	<b>2022</b>	<b>2021</b>
Revenue	<b>12,952,500</b>	13,395,000
Profit for the year	<b>1,235,662</b>	883,445
Other comprehensive loss	<b>(252,274)</b>	(524,728)
Total comprehensive income	<b>983,388</b>	358,717
Group's share of profit	<b>313,513</b>	215,649
Group share of other comprehensive loss	<b>(61,353)</b>	(128,086)
Interest expense	<b>(492,375)</b>	(607,125)
Income tax reversal / (expense)	<b>240,375</b>	(266,513)



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**12. INVESTMENTS IN EQUITY ACCOUNTED ASSOCIATES AND JOINT VENTURES (continued)**

**12.1 Investments in associates (continued)**

**12.1.2 Investments in other associates**

Following are the other associates of the Group:

**National Metal Manufacturing and Casting Company**

National Metal Manufacturing and Casting Company ("Maadaniyah") is a Saudi Joint Stock Company. Its head office and principal place of business is in Jubail, Saudi Arabia. As at 31 December 2022, the Group owns 34.93% (2021: 34.93%) of the issued share capital. The main objectives of the company are manufacturing and marketing of drawn wire and related products, various sizes of axles and spare parts for trailers and dumping trucks, steel and non-steel casting, and trading in related products. Maadaniyah is listed on the Saudi stock exchange and its shares are publicly traded. The value of the Group's investment in Maadaniyah based on the closing price as at 31 December 2022 was SR 209.3 million (2021: SR 317.2 million). As of 30 September 2022, Maadaniyah reported total assets of SR 468 million, total liabilities of SR 141 million, revenue of SR 190 million and net loss of SR 25 million.

**Clariant Masterbatches (Saudi Arabia) Ltd. Company**

Clariant Masterbatches (Saudi Arabia) Ltd. Company ("Clariant") is a Saudi Limited Liability Company with its head office based in Riyadh, Saudi Arabia. A subsidiary of the Group, Rowad own 40% of the issued share capital of SR 50 million. Clariant is engaged in manufacturing and sale of pigments master batch.

**Evonik Tasnee Marketing Company ("ETM")**

Evonik Tasnee Marketing Company ("ETM") is a mixed limited liability company, registered in Saudi Arabia with its head office in Riyadh, Saudi Arabia. A subsidiary of the Group, NIPMC own 25% of the issued share capital of SR 26.67 million. The principal activities of ETM are in wholesale of livestock feed for pharmaceutical feed additives, wholesale of non-pharmaceutical feed and feed additives, wholesale of chemical fertilizers and retail of livestock feed.

The movement in investments in other associates was as follows:

	2022	2021
As at 1 January	172,264	145,737
Group's share of loss	(6,413)	(10,011)
Group share of other comprehensive loss	-	(1,644)
Additions	-	38,182
<b>As at 31 December</b>	<b>165,851</b>	<b>172,264</b>

**12.2 Investments in joint ventures**

	2022	2021
Investment in SEPC	4,857,512	5,133,482
Investment in SPC	3,351,274	3,638,492
Investment in SAMCO	412,174	565,802
	<b>8,620,960</b>	<b>9,337,776</b>

**Saudi Ethylene and Polyethylene Company ("SEPC")**

SEPC is a mixed limited liability company with its head office and principal place of business based in Jubail, Saudi Arabia. The authorized and issued capital of SEPC is SR 2,737.5 million. The Company is 75% owned by TSOC and 25% of share capital is owned by Basell Moven Orient Investments SAS. The main objectives of SEPC are producing ethylene, propylene and polyethylene. For Group effective shareholding percentage refer to note 1.2 of the consolidated financial statements.

**Saudi Polyolefins Company ("SPC")**

SPC is a mixed limited liability company with its head office and principal place of business based in Jubail, Saudi Arabia. The authorized and issued capital of SPC is SR 600 million. The Company is 75% owned by Tasnee and 25% of share capital is owned by Basell Holding Middle East GMBH. The main objectives of SPC are producing propylene and polypropylene.

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**12. INVESTMENTS IN EQUITY ACCOUNTED ASSOCIATES AND JOINT VENTURES (continued)**

**12.2 Investments in joint ventures (continued)**

**Saudi Acrylic Monomers Company ("SAMCO")**

SAMCO is a mixed limited liability company with its head office and principal place of business based in Jubail, Saudi Arabia. The authorized and issued capital of SAMCO is SR 1,084.5 million. The Company is 75% owned by Saudi Acrylic Acids and 25% of share capital is owned by Rohm & Haas Nederland B.V. The main objectives of SAMCO are producing Crude Acrylic Acid, Glacial Acrylic Acid, Butyl Acrylate and Ethylhexyl Acrylate. For Group effective shareholding percentage refer to note 1.2 of the consolidated financial statements.

The movement in investments in significant joint ventures was as follows:

	2022	2021
As at 1 January	9,337,776	8,450,194
Group's share of profit	839,631	1,884,633
Interest on loan to a joint venture	-	2,266
Adjustment during the year*	(806)	(88,626)
Dividend income	(1,555,641)	(910,691)
<b>As at 31 December</b>	<b>8,620,960</b>	<b>9,337,776</b>

\* Adjustment represents mainly transfer to related party receivables (refer note 39).

The summarized financial information of significant joint ventures was as follows:

	2022			2021		
	SEPC	SPC	SAMCO	SEPC	SPC	SAMCO
Current assets	2,210,562	1,643,157	916,851	2,430,877	2,136,329	927,737
Non-current assets	4,807,707	1,623,643	2,451,202	5,112,128	1,689,045	2,607,151
Current liabilities	832,813	606,884	2,687,273	993,307	786,315	521,541
Current financial liabilities (excluding trade and other payables and provisions)	-	-	-	-	-	164,276
Non-current liabilities	176,624	33,775	122,995	189,570	36,806	2,255,405
Non-current financial liabilities	-	-	-	-	-	2,255,405
<b>Net assets</b>	<b>6,008,832</b>	<b>2,626,141</b>	<b>557,785</b>	<b>6,360,128</b>	<b>3,002,253</b>	<b>757,942</b>
Group's share of net assets	4,506,624	1,969,606	418,339	4,770,096	2,251,690	568,456
Goodwill	215,605	1,359,538	-	215,605	1,359,538	-
Other adjustments*	135,283	22,130	(6,165)	147,781	27,264	(2,654)
<b>Carrying value</b>	<b>4,857,512</b>	<b>3,351,274</b>	<b>412,174</b>	<b>5,133,482</b>	<b>3,638,492</b>	<b>565,802</b>
Revenues	5,723,418	3,649,590	1,463,185	4,999,059	4,269,659	1,619,670
Profit / (loss) for the year	1,148,704	123,888	(200,157)	1,350,113	1,002,802	54,826
Group's share of profit / (loss)	898,186	94,267	(152,822)	1,058,660	783,054	42,919
Interest expense	10,375	3,791	70,147	17,560	5,219	69,457
Depreciation and amortisation	410,669	242,403	161,951	379,702	238,019	162,695
Zakat / income tax expense	87,271	30,372	14,040	109,621	99,266	14,999
Dividends	1,174,157	381,484	-	420,408	490,283	-

The current assets include cash and cash equivalents amounting to SR 248 million, SR 237 million, and SR 253 million for SPC, SEPC, and SAMCO respectively.

\* Other adjustments added to actualize JVs' retained earnings after absorption of zakat / tax by the shareholders.

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**12. INVESTMENTS IN EQUITY ACCOUNTED ASSOCIATES AND JOINT VENTURES (continued)**

**12.3 Following are the other joint ventures of the Group:**

**Saudi Acrylic Polymers Company**

Saudi Acrylic Polymers Company ("SAPCO") is a mixed limited liability company with its head office and principal place of business based in Jubail, Saudi Arabia. The authorized and issued capital of SAPCO is SR 416.4 million. The Company is 75% owned by Saudi Acrylic Acids and 25% of share capital is owned by Stockhausen Nederland B.V. The main objectives of SAPCO are producing Super Absorbent Polymer. For Group effective shareholding percentage refer to note 1.2 of the consolidated financial statements.

The Group has impaired the loans provided to SAPCO amounting to SR 229 million (2021: 220 million) due to continued losses and associated recovery risk.

**Advanced Metal Industries Cluster and Toho Titanium Metal Company Limited**

Advanced Metal Industries Cluster and Toho Titanium Metal Company Limited ("ATTM") is a mixed limited liability company with its head office based in Jeddah, Saudi Arabia. The authorized and issued capital of ATTM is SR 1,687.5 million. The company is 65% owned by AMIC and 35% owned by Toho Titanium Company Limited. The principal place of business of ATTM is in Yanbu, Saudi Arabia and the main objectives of ATTM are producing Titanium Sponge and its by-products. For Group effective shareholding percentage refer to note 1.2 of the consolidated financial statements.

The carrying value of the Group's investments in other joint ventures as at 31 December 2022 and 2021 is nil. The un-recognized share of loss of these joint ventures was SR 217 million for 2022 (2021: SR 311 million). Cumulatively, the un-recognized share of loss of these joint ventures are SR 1,008 million (2021: SR 791 million). The share of loss from such joint ventures is not required to be recognized in Group's profit / (loss), in accordance with applicable standards.

**13. INVESTMENTS IN FINANCIAL ASSETS DESIGNATED AS FVOCI**

Equity investments at FVOCI comprise the following individual investments:

	<b>2022</b>	<b>2021</b>
<b>Quoted Securities</b>		
Sahara Petrochemical Co.	<b>158,323</b>	195,864
Yanbu National Petrochemicals Company SJSC	<b>92,643</b>	152,995
Saudi Aramco	<b>62,642</b>	63,521
Al Masane Al Kobra Mining Company (AMAK) (refer note 13.1)	<b>288,237</b>	-
	<b>601,845</b>	412,380
<b>Unquoted Securities</b>		
Industrialization and Energy Services Company (TAQA)	<b>370,959</b>	277,685
Al Masane Al Kobra Mining Company (AMAK) (refer note 13.1)	-	140,108
Others	<b>122,844</b>	111,157
	<b>493,803</b>	528,950
	<b>1,095,648</b>	941,330

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**13. INVESTMENTS IN FINANCIAL ASSETS DESIGNATED AS FVOCI (continued)**

Movements in investments in FVOCI equity instruments:

	<b>2022</b>		<b>2021</b>	
	<b>Quoted equity shares</b>	<b>Unquoted equity shares</b>	<b>Quoted equity shares</b>	<b>Unquoted equity shares</b>
As at 1 January	<b>412,380</b>	<b>528,950</b>	285,168	520,255
Transfers (refer note 41)	<b>140,108</b>	<b>(140,108)</b>	-	-
Additions	<b>1,577</b>	-	-	-
Disposals	<b>(55,812)</b>	-	-	-
Fair value gains recognized in OCI	<b>103,592</b>	<b>104,961</b>	127,212	8,695
<b>As at 31 December</b>	<b>601,845</b>	<b>493,803</b>	<b>412,380</b>	<b>528,950</b>

During the year, the following gains were recognized in other comprehensive income:

	<b>2022</b>	<b>2021</b>
<b>Gains recognized in other comprehensive income</b>		
Quoted Securities	<b>103,592</b>	127,212
Unquoted Securities	<b>104,961</b>	8,695
	<b>208,553</b>	<b>135,907</b>

**13.1** During the year ended 31 December 2022, an investee company, AMAK, which was previously included as unlisted entity (Level 3) completed process of listing its shares on Saudi stock exchange, and accordingly moved from level 3 to level 1. Further, during the same period the Group has sold part of its investment in AMAK, and the related gain of SR 43 million realized from this disposal has been reclassified from other reserves to retained earnings.

For further details refer to note 23 and note 41.

**14. INVESTMENTS IN DEBT SECURITIES**

During the year, the Group invested SR 100 million (2021: SR nil) in Sukuk funds of a local KSA commercial bank having maturity of 5 years and earning commission at fixed normal commercial rates. Finance income of SR 2.1 million (2021: SR nil) was recognized in respect of this investment during the year.

**15. OTHER NON-CURRENT ASSETS**

	<b>2022</b>	<b>2021</b>
Home loan receivable (HLP) (refer note 15.1)	<b>155,953</b>	156,339
Receivable against Housing Ownership Program (HOP) (refer note 15.1)	<b>167,135</b>	195,726
Prepaid employee benefits	<b>35,374</b>	42,664
Derivative financial instruments (refer note 15.2)	<b>39,796</b>	-
Long term advance (refer note 39.4)	<b>85,468</b>	82,015
Loans to joint ventures – (refer note 15.3)	<b>406,824</b>	88,626
	<b>890,550</b>	<b>565,370</b>

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**15. OTHER NON-CURRENT ASSETS (continued)**

**15.1 Home loan receivable (HLP) & Housing Ownership Program (HOP)**

These are secured receivable and repayable over a period of 8 to 15 years and in monthly instalments deducted from monthly payroll. The current portion of HOP and HLP amounting to SR 58.7 million (2021: SR 70.5 million) is disclosed as part of employee's receivable in note 18 of these consolidated financial statements. The HLP receivables are interest free and are measured at amortised cost using the effective interest rate (EIR) method. Also refer note 42.1.

**15.2 Derivative financial instruments**

The Group has entered into an interest rate swap arrangement ("hedge instrument") with a local KSA commercial bank for a certain portion of its long-term borrowings to hedge against the changes in the SAIBOR ("hedge item") such as to economically convert a portion of its variable rate debt to fixed rate debt with a hedge ratio of 50%. As at the reporting date, the hedge effectiveness was evaluated to be 100%. This interest rate swap arrangement has a notional amount of SR 1,000 million with maturity in May 2026. The arrangement requires settlement of net interest receivable or payable quarterly. The fair value amounts of the interest rate swap arrangement outstanding as at 31 December 2022 was SR 39.79 million (31 December 2021: SR (0.3) million).

**15.3 Loans to joint ventures**

The Group has provided loans to certain joint ventures to support their operations. These loans are interest bearing at mutually agreed rates with a fixed maturity and are subordinated to the external borrowings of the joint ventures. The Group has mitigated its exposure by recording an impairment against certain loans provided to certain joint ventures amounting to SR 403 million (2021: SR 466 million) due to continued losses and associated recovery risk. Further, during the year, the Group amended the terms of the loan agreement with a joint venture and accordingly a modification gain of SR 29 million (2021: SR nil) has been recorded in consolidated statement of profit or loss in accordance with the requirements of the accounting standards.

The movement in loans to joint ventures was as follows:

	2022	2021
As at 1 January	554,687	-
Addition during the year	192,600	554,687
Interest during the year	33,598	-
Modification gain	29,000	-
Total loans	809,885	554,687
Less: impairment of loans to joint ventures	(403,061)	(466,061)
<b>As at 31 December</b>	<b>406,824</b>	<b>88,626</b>

Movement in the impairment of loans to joint ventures was as follows:

	2022	2021
As at 1 January	466,061	-
Net (reversal) / charge during the year	(63,000)	466,061
<b>As at 31 December</b>	<b>403,061</b>	<b>466,061</b>

The closing provision represents the lifetime ECL on loans categorised as non-performing in compliance with the Group's accounting policies.

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**16. INVENTORIES**

	2022	2021
Raw materials	308,460	383,264
Finished goods	302,146	189,721
Work in progress	61,039	40,435
Consumables and spares	109,801	107,021
	<b>781,446</b>	<b>720,441</b>
Less: provision for slow moving inventories	<b>(21,614)</b>	<b>(20,938)</b>
	<b>759,832</b>	<b>699,503</b>

Movement in the provision for slow moving inventory items was as below:

	2022	2021
As at 1 January	20,938	16,510
Charge for the year	676	6,921
Write-offs	-	(2,493)
<b>As at 31 December</b>	<b>21,614</b>	<b>20,938</b>

During 2022, a write down of inventory amounting to SR 0.7 million (2021: SR 6.9 million) was recognized as an expense in the consolidated statement of profit or loss to reduce certain inventory items to their net realizable value.

**17. ACCOUNTS RECEIVABLE**

	2022	2021
Trade receivables	1,137,080	1,636,140
Due from related parties - trade (note 39.2)	186,295	146,017
	<b>1,323,375</b>	<b>1,782,157</b>
Less: impairment of trade receivables	<b>(99,953)</b>	<b>(94,204)</b>
	<b>1,223,422</b>	<b>1,687,953</b>

The movement in the provision for impairment of receivables was as below:

	2022	2021
As at 1 January	94,204	83,995
Charge for the year	6,286	10,209
Write-offs	(537)	-
<b>As at 31 December</b>	<b>99,953</b>	<b>94,204</b>

The carrying value of the accounts receivable approximates their fair value. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

The Group sells a broad range of industrial and performance chemicals and plastic products to a diverse group of customers to various industries, operating throughout the world. The Group's credit risk management policies are disclosed in note 42.1.

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**18. PREPAYMENTS AND OTHER CURRENT ASSETS**

	<b>2022</b>	<b>2021</b>
Due from related parties - non-trade (note 39.2)	<b>143,721</b>	295,011
Employees' receivables (also refer note 15.1)	<b>99,923</b>	110,082
Prepaid expenses	<b>85,841</b>	34,604
VAT refund receivable	<b>86,377</b>	119,726
Advances to suppliers	<b>137,500</b>	67,967
Other receivables	<b>708</b>	445
	<b>554,070</b>	627,835

**19. SHORT TERM INVESTMENTS**

These represent Murabaha placed in local KSA commercial banks for different periods with original maturities of more than three months but less than one year based on the cash requirements of the Group and earn a commission at normal commercial rates.

**20. CASH AND CASH EQUIVALENTS**

	<b>2022</b>	<b>2021</b>
Short-term deposits and Murabaha	<b>2,200,484</b>	2,743,277
Bank balances	<b>635,295</b>	650,698
	<b>2,835,779</b>	3,393,975

Short-term deposits and Murabaha represent Murabaha placed in local KSA commercial banks for different periods (varying from one day to three months), based on the cash requirements of the Group and earn a commission at normal commercial rates.

Bank balances includes an amount of SR 181 million (2021: SR nil) placed in debt service reserve account of one of the Groups subsidiaries, which is restricted as of 31 December 2022, pending on-going restructuring negotiations with commercial lenders of the subsidiary (also refer note 25.2).

**21. SHARE CAPITAL**

Share capital amounted to SR 6,689,142 thousand as at 31 December 2022 (2021: SR 6,689,142 thousand) consisting of 668,914 thousand shares (2021: 668,914 thousand shares) of SR 10 each.

**22. STATUTORY RESERVE**

The Company is required to maintain the statutory reserve by allocating each year 10% from the net profit of the year until the statutory reserve reaches 30% of share capital.

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**23. OTHER RESERVES**

As at 31 December 2022, details of other reserves were as follows:

	Foreign currency translation reserve	Cash flow hedge reserve (note 15)	Actuarial (losses) / gains reserve (note 26)	Financial asset at fair value through OCI (note 13)	Other (note 23.1)	Total
As at 1 January	(103,549)	(12,104)	(16,190)	471,557	(926,317)	(586,603)
Revaluation of cash flow hedge	-	45,077	-	-	-	45,077
Re-measurement of defined benefit plan	-	-	40,021	-	-	40,021
Gain on investments in equity instruments designated as FVOCI	-	-	-	208,553	-	208,553
Share of other comprehensive income / (loss) of associates and joint ventures	(78,716)	10,875	6,488	-	-	(61,353)
Other comprehensive income / (loss)	(78,716)	55,952	46,509	208,553	-	232,298
NCI share of OCI	(16,530)	2,284	3,212	-	-	(11,034)
OCI attributable to equity holders of Parent	(62,186)	53,668	43,297	208,553	-	243,332
Transfer on disposal of investment at FVOCI	-	-	-	(43,282)	-	(43,282)
Acquisition of non- controlling interest (note 23.1)	-	-	-	-	3,210	3,210
<b>As at 31 December</b>	<b>(165,735)</b>	<b>41,564</b>	<b>27,107</b>	<b>636,828</b>	<b>(923,107)</b>	<b>(383,343)</b>

As at 31 December 2021, details of other reserves were as follows:

	Foreign currency translation reserve	Cash flow hedge reserve (note 28)	Actuarial gains / (losses) reserve (note 26)	Financial asset at fair value through OCI (note 13)	Other (note 23.1)	Total
As at 1 January	(4,208)	(8,659)	(59,735)	336,296	(926,317)	(662,623)
Revaluation of cash flow hedge	-	5,722	-	-	-	5,722
Re-measurement of defined benefit plan	-	-	39,039	-	-	39,039
Gain on investments in equity instruments designated as FVOCI	-	-	-	135,907	-	135,907
Share of other comprehensive income / (loss) of associates and joint ventures	(125,747)	(11,603)	7,620	-	-	(129,730)
Other comprehensive income	(125,747)	(5,881)	46,659	135,907	-	50,938
NCI share of OCI	(26,406)	(2,436)	3,114	646	-	(25,082)
OCI attributable to equity holders of Parent	(99,341)	(3,445)	43,545	135,261	-	76,020
<b>As at 31 December</b>	<b>(103,549)</b>	<b>(12,104)</b>	<b>(16,190)</b>	<b>471,557</b>	<b>(926,317)</b>	<b>(586,603)</b>

23.1 As at 31 December 2022, others represent reserve relating to the acquisition of non-controlling interests.



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**24. NON-CONTROLLING INTERESTS**

24.1 Accumulated non-controlling interests as at the consolidated statement of financial position date were as follows:

<b>Entity</b>	<b>2022</b>	<b>2021</b>
TSOC – note 24.3	<b>2,483,488</b>	2,554,853
Others	<b>296,991</b>	305,991
	<b>2,780,479</b>	<b>2,860,844</b>

24.2 Consolidated statement of profit and loss allocated to non-controlling interests during the year were as follows:

<b>Entity</b>	<b>2022</b>	<b>2021</b>
TSOC – note 24.3	<b>413,124</b>	549,892
Others	<b>6,244</b>	147,331
	<b>419,368</b>	<b>697,223</b>

24.3 Summarised financial information from TSOC's consolidated financial statements was as follows:

	<b>2022</b>	<b>2021</b>
<b>Non-controlling interests %</b>	<b>39.55%</b>	39.55%
Current assets	<b>1,526,016</b>	1,256,435
Non-current assets	<b>6,972,782</b>	7,487,725
Current liabilities	<b>1,817,818</b>	519,456
Non-current liabilities	<b>223,158</b>	1,566,407
Total equity	<b>6,457,822</b>	6,658,297
Equity Attributable to owners of the company	<b>6,279,365</b>	6,459,804
Non-controlling interests of the company	<b>178,457</b>	198,493
Non-controlling interests of the Group	<b>2,483,488</b>	2,554,853
Revenue	<b>985,768</b>	999,892
Profit for the year	<b>1,024,525</b>	1,524,252
Profit attributable to owners of the company	<b>1,044,560</b>	1,390,373
Profit attributable to non-controlling interests	<b>(20,035)</b>	133,879
Total comprehensive income for the year	<b>1,024,525</b>	1,524,252
Total comprehensive income attributable to owners of the company	<b>1,044,560</b>	1,390,373
Total comprehensive income attributable to the non-controlling interests of the Company	<b>(20,035)</b>	133,879
Total comprehensive income attributable to the non-controlling interests of the Group	<b>413,124</b>	549,892
Dividend paid to NCI	<b>484,489</b>	124,654
Cash generated from operating activities	<b>362,418</b>	599,287
Cash generated from investing activities	<b>1,168,521</b>	413,265
Cash used in financing activities	<b>(1,309,284)</b>	(508,799)

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**25. LONG-TERM BORROWINGS**

	<b>Note</b>	<b>2022</b>	<b>2021</b>
Saudi Industrial Development Fund	25.1	<b>1,015,511</b>	1,246,680
Commercial banks	25.2	<b>4,886,081</b>	5,619,430
		<b>5,901,592</b>	6,866,110
Less: Unamortised finance cost		<b>(59,107)</b>	(60,526)
		<b>5,842,485</b>	6,805,584
Less: Long-term borrowings – current portion		<b>(1,327,922)</b>	(940,241)
<b>Total non-current loans</b>		<b>4,514,563</b>	5,865,343

**25.1 Saudi Industrial Development Fund (“SIDF”)**

The Group has multiple long-term facilities from the Saudi Industrial Development Fund. The total outstanding balance of these loans as at 31 December 2022 amounted to SR 1,016 million (31 December 2021: SR 1,247 million). Up-front and annual administrative fees are charged by SIDF under the loan agreements. These facilities are secured by mortgages on all property, plant, and equipment of the subsidiaries (refer note 8) for which the loans were granted and promissory notes, and corporate guarantees from the shareholders. The maturities of the loans based on their respective repayment schedules spread up to 2030. The loan agreements contain certain covenants which require that pertinent companies maintain specified financial ratios, mainly current ratio and tangible net worth ratio. The covenants are monitored regularly by the management and actions are taken to ensure compliances which includes obtaining waivers from SIDF, where required. There was no non-compliance with covenants which requires the loans to be repayable on demand.

As at 31 December 2022, one of the subsidiaries was in discussion with SIDF to reschedule its loan and did not make the payment of instalments due during 2022. Subsequent to year end, SIDF Board has approved the restructuring to change the payment profile and extended the maturity dates of the loans from 2025 to 2033. The amended loan agreement will be signed upon meeting certain prerequisites. The outstanding balance of this loan amounting to SR 290 million is classified as current liabilities in these consolidated financial statements.

**25.2 Loans from commercial banks**

The Group has multiple Islamic long-term loan facilities from commercial banks. The outstanding balance of these loans as at 31 December 2022 amounted to SR 4,886 million (31 December 2021: SR 5,619 million). These loans are secured by promissory notes and carry a commission which commensurate with prevailing commercial rates which are mainly SAIBOR based plus agreed percentage. The maturities of the loans based on their respective repayment schedules spread up to 2029. The loan agreements contain certain covenants which among others, require that pertinent companies maintain specified financial ratios, mainly current ratio, gearing ratio and interest cover ratio. The covenants are monitored regularly by Management, and in case of breach, actions are taken to ensure compliance including waivers for non-compliance. As at 31 December 2022, the Group was in compliance of these covenants.

As at 31 December 2022, one of the subsidiaries has entered into negotiations with commercial lenders to restructure its syndicated loan facility and did not make the payment of instalments due and interest during 2022. As at 31 December 2022, discussions with commercial lenders are still in progress. The outstanding balance under this facility amounting to SR 603 million is classified as current liabilities in these consolidated financial statements.

**25.3 Repayment schedule**

The maturity profile of long-term borrowings facilities was as follows:	<b>2022</b>	<b>2021</b>
Within 1 year	<b>1,327,922</b>	940,241
1-2 years	<b>861,670</b>	749,778
2-5 years	<b>3,592,000</b>	3,369,561
Above 5 years	<b>120,000</b>	1,806,530
	<b>5,901,592</b>	6,866,110

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**26. EMPLOYEE BENEFITS OBLIGATIONS**

The Group's employees in Kingdom of Saudi Arabia and other GCC countries are entitled for end of service benefits in accordance with the provisions of the local labour law and the Group policy. 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. This amount applying an appropriate discount rate is used to determine the present value of the Group's obligation.

**26.1 Movements in defined benefit obligation**

Movements in the present value of defined benefit obligations was as follows:

	2022	2021
<b>Defined benefit obligation</b>		
As at 1 January	505,397	514,644
Amount of benefits recognized as an expense (refer note 26.2)	72,468	74,184
Benefits paid	(31,157)	(44,392)
Changes in assumptions	(55,725)	(29,925)
Changes in demographic	11,614	-
Changes on account of experience adjustments	4,090	(9,114)
	(40,021)	(39,039)
<b>As at 31 December</b>	<b>506,687</b>	<b>505,397</b>

**26.2 Amount of benefits recognized as an expense**

The amount recognized in consolidated statement of profit or loss in respect of these defined benefit plans are as follows:

	2022	2021
Service cost	54,371	58,154
Interest cost	18,097	16,030
Net annual benefits expense	72,468	74,184

**26.3 Significant assumptions**

The significant assumptions used in determining existing defined benefit obligations was as follows:

	2022	2021
Discount rate	5.25%	3.75%
Future salary increases	3.50%	3.00%

**26.4 Sensitivity analysis:**

The sensitivity analyses have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. It is based on a change in a significant assumption, keeping all other assumptions constant and may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another. The same method has been applied for the sensitivity analysis as when calculating the recognized pension liability.

	2022	2021
<b>Discount rate</b>		
Discount rate is 1% basis points higher, the DBO would decrease by	(40,362)	(52,469)
Discount rate is 1% basis points lower, the DBO would increase by	45,928	62,692
<b>Future salary increases</b>		
Future salary growth increase by 1%, the DBO would increase by	45,928	62,527
Future salary growth decrease by 1%, the DBO would decrease by	(40,362)	(53,292)

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**26. EMPLOYEE BENEFITS OBLIGATIONS (continued)**

**26.5 The maturity profile of the undiscounted obligation within next 10 years was as follows:**

	2022	2021
Less than 1 year	63,710	45,668
1 year to 5 years	206,277	135,720
5 years to 10 years	321,223	246,818
	<b>591,210</b>	<b>428,206</b>

**26.6** The weighted average duration of the plan was 11 years as at 31 December 2022 and 2021.

**27. LEASE LIABILITIES**

Movement in lease liabilities was as follows:

	2022	2021
<b>As at 1 January</b>	<b>125,461</b>	<b>142,485</b>
Repayments during the year	(20,702)	(19,442)
<u>Non-cash changes:</u>		
Additions during the year	63,068	1,065
Interest expenses	6,209	1,353
	<b>69,277</b>	<b>2,418</b>
<b>As at 31 December</b>	<b>174,036</b>	<b>125,461</b>
Less: current portion	(22,284)	(13,816)
Non-current portion	<b>151,752</b>	<b>111,645</b>

For contractual maturities of lease liabilities refer to note 42.2.

**28. PROVISIONS AND OTHER NON-CURRENT LIABILITIES**

	Note	2022	2021
Loans due to related parties	39.2	775,004	880,222
Loans from minority shareholders	39.2	332,879	325,921
Deferred settlement income	28.1	256,597	275,530
Derivative financial instruments	15.2	-	279
Provision against financial guarantees	30.1	-	373,000
Deferred obligation on sale of MGT	28.2	163,189	185,571
Deferred obligation to joint venture	28.2	113,704	126,522
		<b>1,641,373</b>	<b>2,167,045</b>

**28.1 Deferred settlement income**

During 2021, the Group has entered into an agreement with one of its minority shareholders to settle the Group's claim in relation to certain conversion projects, which were executed by the Group in prior years. As per the agreement, minority shareholder paid SR 285 million to the Group as full and final settlement to abandon any rights and waive all obligations associated with these projects. This amount is recorded as deferred settlement income and is being amortised over the remaining useful lives of the respective conversion projects (14 – 18 years). During the year, amortization of SR 18.9 million (2021: SR 9.4 million) has been recognized in the consolidated statement of profit or loss.

**28.2 Deferred obligation on sale of MGT**

On 29 December 2019, Cristal, a subsidiary, entered into "Assets Sale and Purchase Agreement" (ASPA) with Tronox Saudi Industries Company ("TSIC"), a wholly owned subsidiary of Tronox Limited, for the sale of Metal Grade TiCl<sub>4</sub> Plant ("MGT asset"), for a consideration receivable of USD 36.1 million (equivalent to SR 135.375 million) which is subject to interest at SAIBOR plus a premium. In the same agreement, the Cristal also assumed an obligation to pay the fixed charges of \$125 per metric ton (total SR 323.8 million) to TSIC for the quantity of TiCl<sub>4</sub> delivered to ATTM till ASPA is terminated or supply reaches threshold specified in the ASPA. The purpose of the charges is to secure a long-term supply of TiCl<sub>4</sub> from TSIC to ATTM at below market price. The receivable balance is offset against the obligation to TSIC of SR 323.8 million over the period from actual supply of TiCl<sub>4</sub> by Tronox. On 17 December 2020, upon completion of regulatory approvals, the transaction was closed, and the Group ceased to have control on MGT assets from that date and a loss on disposal of MGT assets of SR 189 million was recorded during the year 2020. The related net obligation as of 31 December 2022 was SR 163.2 million (2021: SR 185.6 million).

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**28. PROVISIONS AND OTHER NON-CURRENT LIABILITIES** (continued)

**28.3 Deferred obligation on sale of MGT**

Further as part of similar arrangement, the Group has signed a side letter with its joint venture ATTM, to rebase the price of TiCl4 which Tronox Limited will supply to ATTM. This price differential will then be adjusted annually in accordance with the terms of the supply agreement of TiCl4 delivered by TSIC to ATTM and reimbursed by the Group to ATTM to compensate for the increase in base unit price resulting from the sale of the MGT Assets to TSIC. This obligation is a financial liability based on management's best estimate of the future price differential and evaluated at every period close and the difference is charged to consolidated statement of profit or loss account. At 31 December 2022, the obligation to ATTM is amounted to SR 113.7 million (2021: SR 127 million).

**29. ACCOUNTS PAYABLE**

	2022	2021
Due to related parties - trade (refer note 39.2)	1,050,975	1,532,618
Trade payables	363,214	356,051
	<b>1,414,189</b>	<b>1,888,669</b>

**30. ACCRUALS, PROVISIONS AND OTHER CURRENT LIABILITIES**

	2022	2021
Accrued expenses	363,306	242,666
Provision against financial guarantees (refer note 30.1)	408,181	46,479
Accrued employee benefits (refer to note 30.2)	169,374	143,410
Dividends payable	107,638	107,955
Advance from customers	65,301	73,751
Loans due to related parties (refer note 39.2)	55,010	-
Other liabilities relating to research and development (refer note 30.3)	548,144	546,202
	<b>1,716,954</b>	<b>1,160,463</b>

**30.1** Financial guarantees represent the obligations of the Group for guarantees provided to a lender against the loans obtained by loss-making joint ventures.

Movement in financial guarantees was as follows:

	2022	2021
As at 1 January	419,479	419,479
ECL reversal during the year, net	(11,298)	-
<b>As at 31 December</b>	<b>408,181</b>	<b>419,479</b>
Less: current portion	(408,181)	(46,479)
Non-current portion	-	373,000

The closing provision comprises of SR 52 million (2021: SR nil) representing 12-month ECL and SR 356 million (2021: SR 419 million) representing lifetime ECL on guarantees categorised as performing and non-performing respectively in compliance with the Group's accounting policies.

**30.2** This includes the Group's obligation in respect of employees' defined contribution plan amounting to SR 31 million (2021: SR 22 million).

**30.3** This represents liability in relation to contributions received from certain JVs for research and development activities only (refer note 36.1).

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**31. ZAKAT AND INCOME TAX PAYABLE**

**31.1 Zakat and income tax**

Movement in the zakat and income tax provision was as follows:

	<b>2022</b>	<b>2021</b>
At the beginning of the year	<b>764,664</b>	526,570
Paid during the year	<b>(84,879)</b>	(90,841)
Provision during the year, net	<b>286,962</b>	328,935
At the end of the year	<b>966,747</b>	764,664

**31.2 Zakat**

Movement in zakat provision is as follows:

	<b>2022</b>	<b>2021</b>
At the beginning of the year	<b>764,538</b>	526,190
Paid during the year	<b>(84,753)</b>	(90,461)
Provision during the year, net	<b>286,962</b>	328,809
At the end of the year	<b>966,747</b>	764,538

**31.3 Income tax**

The foreign shareholders in the Group's Saudi based subsidiaries are subject to 20% of income tax. Movement in income tax provision is as follows:

	<b>2022</b>	<b>2021</b>
At the beginning of the year	<b>126</b>	380
Paid during the year	<b>(126)</b>	(380)
Provision during the year	<b>-</b>	126
At the end of the year	<b>-</b>	126

**31.4 Status of zakat and income tax returns and assessments**

**The Company**

During 2015, the Company received an approval from ZATCA in the Kingdom of Saudi Arabia to file consolidated zakat returns of the Company and its 100% owned Saudi subsidiaries since 2008. The Company has filed consolidated zakat returns and income tax returns with ZATCA up to the years ended 31 December 2021. The Company has finalized its Zakat and income tax status with ZATCA up to 2007 and received initial assessments for the years up to 2018 resulting in additional liability of SR 246 million (2021: SR 246 million), and have submitted appeal against these assessments which are still under review. The management believes that sufficient provisions are recorded, and no additional material liability is likely to arise from open assessments, once finalized.

**Subsidiaries**

Non-wholly owned subsidiaries in KSA file their Zakat and income tax returns individually. Some of these subsidiaries have received initial assessments for several years from the ZATCA, resulting in additional liability amounting to SR 378 million (2021: SR 323 million). The subsidiaries have submitted appeal against these assessments which are still under review. The management believes sufficient provisions are recorded by the Group wherever necessary and no material additional liability is likely to arise from open assessments, once finalized. Any additional zakat and income tax liabilities or adjustments are recorded when known and finalized.

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**32. REVENUE**

	<b>2022</b>	<b>2021</b>
Sale of goods	<b>3,332,997</b>	3,247,061
Rendering of services	<b>124,824</b>	110,952
Commission income	<b>142,760</b>	176,736
Other	<b>282,281</b>	138,336
	<b>3,882,862</b>	3,673,085

Revenue from contracts with customers is measured at a transaction price agreed under the contract and the payment is generally due within 90 days from the invoice date depending on specific terms of the contract.

Transaction prices are not adjusted for the time value of money as Tasnee does not have any contracts where the period between the transfer of product or rendering of services to the customer and payment by the customer exceeds one year.

For disaggregated revenue refer to note 40.

**33. COST OF REVENUE**

	<b>2022</b>	<b>2021</b>
Raw materials, consumables and spare parts	<b>2,165,837</b>	2,059,954
Salaries, wages and benefits	<b>266,111</b>	184,876
Depreciation and amortization	<b>183,738</b>	214,326
Utilities	<b>278,034</b>	200,061
Other overheads	<b>124,853</b>	26,864
	<b>3,018,573</b>	2,686,081

**34. SELLING AND DISTRIBUTION EXPENSES**

	<b>2022</b>	<b>2021</b>
Freight and transportation	<b>95,415</b>	73,535
Salaries, wages and benefits	<b>40,694</b>	38,227
Distributors' incentives	<b>16,355</b>	45,246
Depreciation and amortization	<b>3,010</b>	1,139
Other	<b>13,988</b>	15,375
	<b>169,462</b>	173,522

**35. GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>2022</b>	<b>2021</b>
Salaries, wages and benefits	<b>210,102</b>	231,468
Consulting and professional fees	<b>34,414</b>	73,851
Depreciation and amortization	<b>45,076</b>	56,692
Travel	<b>3,813</b>	1,780
Rent	<b>6,563</b>	11,381
Computer supplies and software expenses	<b>14,059</b>	11,773
Other	<b>9,652</b>	32,463
	<b>323,679</b>	419,408

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**36. OTHER INCOME, NET**

	<b>Note</b>	<b>2022</b>	<b>2021</b>
Research and development contribution, net	36.1	<b>100,091</b>	-
Dividend income from equity investments held at FVOCI		<b>39,019</b>	20,821
Gain on price differential obligation of MGT		<b>25,472</b>	-
Income on assets utilised by joint ventures		<b>5,602</b>	10,608
Other		<b>8,036</b>	5,770
		<b>178,220</b>	37,199

**36.1** This represents contribution received during the year from certain JVs amounting to SR 148 million net of expenses recorded during the year amounting to SR 48 million.

**37. FINANCE COSTS, NET**

	<b>Note</b>	<b>2022</b>	<b>2021</b>
<u>Finance costs</u>			
Finance charges		<b>232,852</b>	155,236
Amortization of deferred charges		<b>17,763</b>	20,533
Interest on related party loans		<b>21,845</b>	15,230
Interest on lease liabilities	10, 27	<b>6,209</b>	1,353
Other		<b>61</b>	112
		<b>278,730</b>	192,464
<u>Finance income</u>			
Income from murabaha and other		<b>(107,060)</b>	(22,698)
Gain on modification of loans	15, 25	<b>(45,343)</b>	-
		<b>(152,403)</b>	(22,698)
		<b>126,327</b>	169,766

**38. EARNINGS PER SHARE**

Basic and diluted earnings per share are calculated by dividing operating profit and profit attributable to equity holders of Parent by the weighted average number of ordinary shares issued, that is 668,914 thousand shares as at 31 December 2022 (2021: 668,914 thousand shares).

**39. RELATED PARTIES TRANSACTIONS AND BALANCES**

In the ordinary course of its activities, the Group conducts business with related parties, based on mutually agreed terms and conditions. Balances and transactions between the Company and its subsidiaries are eliminated. A summary of significant transactions and balances with the related parties is as follows:

**39.1 Trading transactions**

The following were the significant related party transactions reported in consolidated statement of profit or loss:

	<b>Sale of goods and services</b>		<b>Purchase of goods and services</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Associates	<b>226,426</b>	-	-	16,931
Joint ventures	<b>791,376</b>	1,189,093	<b>1,116,790</b>	1,103,560

Sale of goods include the provision of utilities and administrative services of SR 135 million (2021: SR 140 million) to its affiliates at cost plus basis and marketing services charge by National Industrialization Petrochemical Marketing Company from its affiliates of SR 170 million (2021: SR 184 million).

Purchases of goods include purchase of petrochemical products from affiliates at agreed prices.

Also refer notes 15, 30.1, 30.3, 36 & 37 in respect of other non-trade transactions with related parties including ECL reversal on loan to a joint venture, ECL on financial guarantees to joint ventures, research and development contribution received from joint ventures, income on assets utilised by joint ventures, finance costs and finance income from related parties.



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**39. RELATED PARTIES TRANSACTIONS AND BALANCES (continued)**

**39.2 Amounts due from / to related parties**

The following balances were outstanding as at 31 December 2022:

	Due from related parties			Due to related parties		
	Associates	Joint Ventures	Total	Associates	Joint Ventures	Total
<b>Current</b>						
Trade	60,468	125,827	186,295	3,697	1,047,278	1,050,975
Other non-trade	(757)	144,478	143,721	-	-	-
Loans	-	-	-	-	55,010	55,010
	59,711	270,305	330,016	3,697	1,102,288	1,105,985
<b>Non-current</b>						
Long-term advance	-	85,468	85,468	-	-	-
Loans	-	406,824	406,824	515,851	259,153	775,004
	-	492,292	492,292	515,851	259,153	775,004
Total	59,711	762,597	822,308	519,548	1,361,441	1,880,989

The following balances were outstanding as at 31 December 2021:

	Due from related parties			Due to related parties		
	Associates	Joint Ventures	Total	Associates	Joint Ventures	Total
<b>Current</b>						
Trade	178	145,839	146,017	31,799	1,500,819	1,532,618
Other non-trade	1,330	293,681	295,011	-	-	-
	1,508	439,520	441,028	31,799	1,500,819	1,532,618
<b>Non-current</b>						
Long-term advance	-	82,015	82,015	-	-	-
Loans	-	88,626	88,626	498,419	381,803	880,222
	-	170,641	170,641	498,419	381,803	880,222
Total	1,508	610,161	611,669	530,218	1,882,622	2,412,840

- (i) For significant balances, refer to the respective note to these consolidated financial statements including:
- Other non-trade receivables from joint ventures are mainly related to the provision of services to the Group's joint ventures.
  - Long term advance to JV represents ATTM long term advances of SR 85 million (2021: SR 82 million) which will be settled over a period of 3 years as explained in note 39.4.
  - JV loans are recoverable as per the term of the agreements and are presented as net of provision. For details refer note 15.3.
  - Loans payable to associates represents loan from Tronox under the Option agreement for slaggar project (refer to note 9.1).
  - Loans payable to JV mainly includes loan provided for HOP and HLP. Refer note 15 for additional details.
- (ii) For related parties obligations pertaining to the sale of MGT asset, refer note 28.3.
- (iii) Loans payable to minority shareholders are interest bearing at market rate. For related balances refer note 28.
- (iv) Also refer notes 12, 13, 15, 18, 24, 28 & 30 in respect of other balances with related parties including investments in equity accounted associates and joint ventures, investments in financial assets designated as FVOCI, employee receivables, deferred settlement income, deferred obligation on sale of MGT, deferred obligation to joint venture, non-controlling interests, financial guarantees to joint ventures and research and development contributions from joint ventures.

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**39. RELATED PARTIES TRANSACTIONS AND BALANCES (continued)**

**39.3 Compensation of key management personnel**

Key managerial personnel are those individuals having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, includes senior management and board of directors (executive or otherwise). The remuneration of key management personnel during the year was as follows:

	<b>2022</b>	<b>2021</b>
Short-term benefits (salaries and allowances)	<b>33,423</b>	24,721
Post-employment benefits	<b>6,578</b>	2,471

**39.4 Long-term advance to a joint venture in relation to forward sale agreement**

On 15 July 2020, a subsidiary AMIC entered into 'Forward sale agreement' with a joint venture ATTM, according to which it is agreed that ATTM shall sell to AMIC 3,000 tons of its product for an aggregate purchase price of USD 20.7 million (equivalent to SR 78 million) with a delivery date three years from the date of the agreement. Additionally, AMIC has 'Put Option' available at its discretion, requiring ATTM to repurchase the inventory at an exercise price of USD 23.286 million (equivalent to SR 87.3 million) within 30 days from the agreed delivery date. The full amount was paid by the Group during 2020 and considered as financing in accordance with applicable standards. The amount outstanding as of 31 December 2022 was SR 85 million (2021: SR 82 million).

**40. SEGMENT INFORMATION**

**40.1** For management purposes, the Group is organized into business units based on their products and services and has three reportable segments, Chemicals, Petrochemicals and Downstream & Others described as follows:

<b>Segment</b>	<b>Description of activities</b>
<b>Chemicals</b>	Includes the Group's investment in TiO <sub>2</sub> business, production of Titanium sponge and its by-products, project under progress for production of Titanium metals of various types and related substances including Titanium and Iron ore.
<b>Petrochemicals</b>	Includes basic chemicals and polymers. The Group sold several products including Ethylene, Propylene, Butanol, High density polyethylene (HDPE), Low density polyethylene (LDPE), Polypropylene (PP), Butyl Acrylic (BA), Acetic acid and Super absorbent polymers (SAP).
<b>Downstream &amp; Others</b>	Includes the production of liquid batteries for cars, production of lead and sodium sulphate, all kinds of plastic productions and the production of acrylic panels. Also includes the operations of the head office, and technical centres, innovations and investment activities.

The Board of Directors (BoD), which has been identified as the Chief Operating Decision Maker (CODM), monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Transactions between the operating segments are on terms approved by the management.

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**40. SEGMENT INFORMATION** (continued)

**40.2** The Group's total revenue, expenses items for the year then ended from continuing operations, by operating segments, was as follows:

	Chemicals	Petro-chemicals	Downstream & Others	Total
<b>2022</b>				
Sale of goods	260,144	1,975,508	1,097,345	3,332,997
Rendering of services	-	-	124,824	124,824
Others	-	219,504	205,537	425,041
<b>Total Segment revenue</b>	<b>260,144</b>	<b>2,195,012</b>	<b>1,427,706</b>	<b>3,882,862</b>
Segment expenses	486,670	1,717,960	1,504,180	3,708,810
Share of profit (loss) from associates and joint ventures, net	313,514	841,093	(7,876)	1,146,731
Depreciation and amortization	6,496	93,974	131,354	231,824
Segment EBITDA	123,963	1,336,939	269,925	1,730,827
<b>2021</b>				
Sale of goods	-	1,978,372	1,268,689	3,247,061
Rendering of services	-	-	110,952	110,952
Others	-	298,198	16,874	315,072
<b>Total Segment revenue</b>	<b>-</b>	<b>2,276,570</b>	<b>1,396,515</b>	<b>3,673,085</b>
Segment expenses	1,011,126	1,686,820	1,243,092	3,941,038
Share of profit (loss) from associates and joint ventures, net	908,444	1,884,633	(10,011)	2,783,066
Depreciation and amortization	6,386	103,530	162,241	272,157
Segment EBITDA	90,105	1,787,316	947,048	2,824,469

**40.3** The Group's total assets and liabilities as at 31 December 2022 and 2021 by operating segments was as follows:

	Chemicals	Petro-chemicals	Downstream & Others	Total
<b>2022</b>				
Segment assets	5,699,242	9,684,143	9,274,517	24,657,902
Segment liabilities	2,376,068	2,771,742	7,114,661	12,262,471
Investments in equity accounted associates and joint ventures	2,977,698	8,633,641	153,170	11,764,509
<b>2021</b>				
Segment assets	5,343,054	10,261,098	9,376,039	24,980,191
Segment liabilities	2,716,238	3,207,188	7,493,857	13,417,283
Investments in equity accounted associates and joint ventures	2,796,000	9,348,190	161,850	12,306,040

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**40. SEGMENT INFORMATION** (continued)

**40.4** The geographical distribution of revenue based on final customers' locations is as follows:

	Chemicals	Petro-chemicals	Downstream & Others	Total
<b>2022</b>				
KSA	260,144	1,079,120	767,753	2,107,017
Middle East and Asia	-	639,111	466,546	1,105,657
Europe	-	343,440	133,820	477,260
Africa	-	86,892	46,642	133,534
Others	-	46,449	12,945	59,394
	-	1,115,892	659,953	1,775,845
<b>Total</b>	<b>260,144</b>	<b>2,195,012</b>	<b>1,427,706</b>	<b>3,882,862</b>
<b>2021</b>				
KSA	-	1,189,171	763,411	1,952,582
Middle East and Asia	-	899,604	290,594	1,190,198
Europe	-	34,702	81,720	116,422
Africa	-	131,222	239,393	370,615
Others	-	21,871	21,397	43,268
	-	1,087,399	633,104	1,720,503
<b>Total</b>	<b>-</b>	<b>2,276,570</b>	<b>1,396,515</b>	<b>3,673,085</b>

**40.5** The Group's majority of the revenue was recognized at a point in time. In downstream segment, service revenue was recognized over the period of time. As at 31 December 2022, the unfulfilled performance obligations amounted to SR 18.9 million (2021: SR 6.9 million).

**41. FAIR VALUATION AND FINANCIAL INSTRUMENTS**

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 of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Group takes into account the characteristics of the assets or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

All financial assets and liabilities have been accounted at amortized cost except for the investments in equity instruments designated at FVOCI and derivative instruments which have been carried at fair value either through the consolidated statement of profit or loss or other comprehensive income depending on whether hedge accounting is followed or not.

Management assessed that other current financial assets and liabilities measured at amortized cost approximate their carrying amounts largely due to the short-term maturities of these instruments and/or the contracting rate approximates fair value.

**41.1 Fair valuation techniques**

For financial reporting purposes, the Group has used the fair value hierarchy categorized in level 1, 2 and 3 based on the degree to which the inputs to the fair value measurement are observable and significance of the inputs to the fair value measurement in its entirety, and describe as follows:

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

The valuation of each publicly traded investment is based upon the closing market price of that stock as at the valuation date, less a discount if the security is restricted.

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**41. FAIR VALUATION AND FINANCIAL INSTRUMENTS (continued)**

**41.1 Fair valuation techniques (continued)**

Fair values of investments in unquoted equity shares classified in Level 3 are determined based on the EBITDA Multiple and Value in Use model based on the information of the said company as at the date of consolidated statement of financial position.

Interest rate swap are classified as Level 2. The Group relies on the counterparty for the valuation of these derivatives. The valuation techniques applied by the counterparties include the use of forward pricing standard models using present value calculations and mid-market valuations.

Details of financial instruments carried at fair value was as below:

<b>Nature of financial instrument</b>	<b>Carrying value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>December 2022</b>				
Investments in quoted equity shares	<b>601,845</b>	<b>601,845</b>	-	-
Investments in unquoted equity shares	<b>493,803</b>	-	-	<b>493,803</b>
Interest rate swap	<b>39,796</b>	-	<b>39,796</b>	-
<b>December 2021</b>				
Investments in quoted equity shares	412,380	412,380	-	-
Investments in unquoted equity shares	528,950	-	-	528,950
Interest rate swap	(279)	-	(279)	-

Apart from the above financial instruments, other financial instruments have been carried at amortized cost. At the respective reporting dates, the fair value for these instruments approximates the amortized cost considered for financial reporting and disclosed in the respective schedules.

**41.2 Transfers between Levels**

Other than the transfer of AMAK as referred in note 13.1, there have been no transfers between the levels during the year ended 31 December 2022. There were also no changes made during the year ended 31 December 2022 to any of the valuation techniques applied as of 31 December 2022.

**42. FINANCIAL RISK MANAGEMENT**

Financial risk is inherent in the Group's activities are managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability. The Group's activities are exposed to a variety of financial risks which mainly include market risk, credit risk and liquidity risk. The Group seeks to minimize the effects of these financial risks by various methods, including derivative financial instruments where appropriate, to hedge risk exposures. The use of financial derivatives is governed by the Group's policies which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

**42.1 Credit risk**

Credit risk is the risk that one party will fail to discharge an obligation and cause the other party to incur a financial loss. The Group has established procedures to manage credit exposure including evaluation of customer credit worthiness, formal credit approvals, assigning credit limits, monitoring the outstanding receivable, maintaining receivable ageing details and ensuring the close follow up.

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**42. FINANCIAL RISK MANAGEMENT (continued)**

**42.1 Credit risk (continued)**

**Trade receivables**

a) Customer credit risk is managed by each business unit in accordance with the Group's established credit policy and procedures. The Group has a policy of only dealing with creditworthy counterparties. Credit rating information of customers are obtained from independent rating agencies where available, and if not available, the Group uses publicly available information and its own trading records to rate its major customers. The Credit limits are established for all customers based on internal rating criteria. Collateral is generally not required, but may be used under certain circumstances as well as letters of credit insurance, post-dated cheques, cash in advance and bank guarantees in certain markets, particularly in lesser developed markets.

Trade receivables are non-interest bearing and generally have a credit period at par with industry norms which range between 30 days to 90 days. Outstanding customer receivables are regularly monitored. A default on a financial asset is generally when the counterparty fails to make contractual payments within 90 days of when they fall due or it becomes probable a customer will enter into a bankruptcy or will not be able to pay the Group's due amounts.

An impairment analysis is performed at each reporting date on an individual basis for major clients, where applicable. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. Receivables from group companies and secured receivables are excluded for the purposes of this analysis since no credit risk is perceived on them.

The expected credit loss is calculated based on a loss rate methodology. Loss rates are calculated using a 'roll rate' method (provision matrix approach) based on the probability of a receivable progressing through successive stages of delinquency to write-off. Loss rates are based on the default probability calculated on average flow rates of past 12 quarters. The loss rates are adjusted based on factor considering the future economic outlook and the estimated loss giving default (LGD) as per the management judgment (considering the quality of collaterals such as letter of credit, guarantees and other securities, where applicable) applied consistently. Roll rates are calculated separately for exposures in different segments/homogenous populations based on the following common credit risk characteristics – based on the quality to collaterals. This assessment is performed at each subsidiary level and consistent with last year. There have been no significant changes in the quality of collaterals held against financial assets during the reporting period.

**b) Changes in assumptions including incorporation of forward-looking information**

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Group has used gross domestic product (GDP) growth rate and long-term inflation as their key macroeconomic factors giving equal weightages to each of these, separately for each country from where the receivables is due. The macro-economic factors have been updated based on the latest available information.

The average credit losses of trade receivables of wide range of customers with shared risk characteristics at the Group level is a reasonable estimate of the probability weighted amounts.

**c) Concentration risk**

The Group evaluates the concentration of risk with respect to trade receivables as low, considering the companies' operations relates to diversified segments. As at 31 December 2022, from geographical concentrations perspective, the Group's receivables are from customers in more than 20 countries, however, major concentration of net receivables was in Saudi Arabia, UAE, and Turkey as cumulatively the receivables from these countries represent more than 40% of the total trade receivables.

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**42. FINANCIAL RISK MANAGEMENT (continued)**

**42.1 Credit risk (continued)**

**Trade receivables (continued)**

d) On the basis explained above, the loss allowance for trade receivables as at 31 December 2022 and 31 December 2021 was determined as follows:

<b>2022</b>	<b>Neither past due not impaired</b>	<b>Less than 90 days</b>	<b>90 - 180 days</b>	<b>181- 270 days</b>	<b>271-364 days</b>	<b>365- 730 days</b>	<b>More than two years</b>	<b>Total</b>
Average expected loss rates	0.61%	1.91%	7.20%	21.53%	39.82%	43.49%	100%	7.79%
Gross carrying amount	1,020,204	155,370	34,746	5,894	6,421	28,951	71,789	1,323,375
Loss allowance	(6,275)	(2,970)	(2,502)	(1,269)	(2,557)	(12,591)	(71,789)	(99,953)
Net balance	1,013,929	152,400	32,244	4,625	3,864	16,360	-	1,223,422

<b>2021</b>	<b>Neither past due not impaired</b>	<b>Less than 90 days</b>	<b>90 – 180 days</b>	<b>181- 270 days</b>	<b>271-364 days</b>	<b>365- 730 days</b>	<b>More than two years</b>	<b>Total</b>
Average expected loss rates	1.03%	2.32%	8.07%	14.33%	14.44%	53.35%	100.00%	5.27%
Gross carrying amount	1,445,197	181,783	22,627	16,183	27,968	46,003	42,396	1,782,157
Loss allowance	(14,855)	(4,225)	(1,827)	(2,319)	(4,038)	(24,544)	(42,396)	(94,204)
Net balance	1,430,342	177,558	20,800	13,864	23,930	21,459	-	1,687,953

**Other financial assets**

This comprises mainly of deposits with banks, investments in unquoted equity shares, investments in Sukuks, receivables from equity accounted investees and joint ventures, employee home loan receivable, financial guarantee contracts and derivative assets. Credit risk arising from these financial assets is limited as the counterparties are equity accounted investees, banks and recognized financial institutions. Banks and recognized financial institutions have high credit ratings ranging from A- to BBB+ assigned by the international credit rating agencies. In case of employee home loan receivable, the loan is secured against the charge on the property purchased. Trade and non-trade receivables from related parties have low credit risk and the impact of applying ECL is immaterial. As at year end, the balances were unsecured and there was no default by any of the counterparty therefore these are considered as performing. Loans due from related parties are assessed individually for impairment on an annual basis. The Group applies the general approach for ECL on its other financial assets. Key inputs into the measurement of ECL are probability of default (PD), loss given default (LGD) and exposure at default (EAD). The Group also incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

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**42. FINANCIAL RISK MANAGEMENT (continued)**

**42.1 Credit risk (continued)**

The maximum exposure to credit risk at the end of the reporting year is the carrying amount of each class of financial assets mentioned below.

<b>Financial Assets</b>	<b>Note</b>	<b>2022</b>	<b>2021</b>
<b>At amortized cost</b>			
Investments in debt securities	14	102,140	-
Other non-current assets	15	648,245	326,980
Accounts receivable	17	1,223,422	1,687,953
Other current assets	18	244,352	405,538
Short term investments	19	935,500	-
Cash and cash equivalents	20	2,835,779	3,393,975
		<b>5,989,438</b>	<b>5,814,446</b>
<b>At FVOCI</b>			
Investments in financial assets designated as FVOCI	13	1,095,648	941,330
Derivative financial instruments	15	39,796	-
		<b>1,135,444</b>	<b>941,330</b>
		<b>7,124,882</b>	<b>6,755,776</b>

**42.2 Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments that are settled by delivering cash or another financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. The Group's objective is to; at all times maintain optimum levels of liquidity to meet its cash and collateral requirements. The Group closely monitors its liquidity position and deploys a robust cash management system. It maintains adequate sources of financing including syndicated and bilateral term loans, overdraft facilities, and working capital facilities, from both domestic and international banks.

The table below analyses non-derivative financial liabilities of the Group by relevant maturity groupings based on the remaining period from the reporting date to the contractual maturity date. The amounts disclosed under the ageing buckets are the contractual undiscounted cash flows and includes contractual future commission payments.

	<b>Payable on demand</b>	<b>Within 1 year</b>	<b>1 to 5 years</b>	<b>Greater than 5 years</b>	<b>Total</b>
<b>2022</b>					
Long-term borrowings	-	1,587,981	3,952,607	1,256,837	6,797,425
Accounts payable - third party	-	363,214	-	-	363,214
Lease liabilities	-	22,284	121,180	52,856	196,320
Payable to related parties- current and non-current	-	1,112,672	1,643,480	-	2,756,152
Other current liabilities	-	464,257	-	-	464,257
Financial guarantees (refer 30.1 & 43.2)	408,181	-	-	-	408,181
	<b>408,181</b>	<b>3,550,408</b>	<b>5,717,267</b>	<b>1,309,693</b>	<b>10,985,549</b>
<b>2021</b>					
Long-term borrowings	-	1,172,148	4,757,822	1,919,577	7,849,547
Accounts payable - third party	-	356,051	-	-	356,051
Lease liabilities	-	13,816	112,175	16,227	142,218
Payable to related parties- current and non-current	-	1,532,618	1,736,863	-	3,269,481
Other current liabilities	-	350,623	-	-	350,623
Financial guarantees (refer 30.1 & 43.2)	419,479	-	-	-	419,479
	<b>419,479</b>	<b>3,425,256</b>	<b>6,606,860</b>	<b>1,935,804</b>	<b>12,387,399</b>



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**42. FINANCIAL RISK MANAGEMENT** (continued)

**42.2 Liquidity risk** (continued)

**42.2.1 Net debt reconciliation**

The calculation of net debt analysed by the management was as follows:

	<b>Cash and cash equivalents</b>	<b>Short term investments</b>	<b>Long term borrowings</b>	<b>Lease Liabilities</b>	<b>Net Debt</b>
<b>At 31 December 2021</b>	<b>(3,393,975)</b>	<b>-</b>	<b>6,805,584</b>	<b>125,461</b>	<b>3,537,070</b>
Additions	-	(935,500)	-	-	<b>(935,500)</b>
Repayments	-	-	-	(20,702)	<b>(20,702)</b>
Net cash flows	558,196	-	(1,197,371)	-	<b>(639,175)</b>
	<b>558,196</b>	<b>(935,500)</b>	<b>(1,197,371)</b>	<b>(20,702)</b>	<b>(1,595,377)</b>
<i>Non-cash changes:</i>					
Addition during the year	-	-	-	63,068	<b>63,068</b>
Interest expenses	-	-	232,852	6,209	<b>239,061</b>
Gain on modification of loans	-	-	(16,343)	-	<b>(16,343)</b>
Deferred charges amortization	-	-	17,763	-	<b>17,763</b>
	-	-	<b>234,272</b>	<b>69,277</b>	<b>303,549</b>
<b>At 31 December 2022</b>	<b>(2,835,779)</b>	<b>(935,500)</b>	<b>5,842,485</b>	<b>174,036</b>	<b>2,245,242</b>

**42.3 Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk, commission rate risk, currency risk, and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include borrowings, investments, derivatives, trade and other receivables and accounts payable.

**42.4 Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is subject to the risk of fluctuations in foreign exchange rates through its normal course of business. The Group monitors the fluctuations in currency exchange rates and charge the effects on the consolidated financial statements accordingly. The Group covers the foreign currency risks by using derivative financial instruments, where appropriate and as per the Group's policies.

The Group mainly deals in Saudi Riyal and USD. The exposure to currency risk primarily arises from transactions denominated in USD, GBP and EUR. For transactions denominated in USD, there is minimal currency risk since the SR to USD exchange rate is pegged and hence not considered.

The Group has the following significant financial asset / (liability) exposures, denominated in foreign currencies:

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**42. FINANCIAL RISK MANAGEMENT (continued)**

**42.4 Currency risk (continued)**

	2022	2021
GBP	10,594	293
EUR	165,277	6,493

Potential impact of a 5% appreciation as well as depreciation of exchange rate of Saudi Riyal with foreign currencies has been summarized below:

Currency	Change in exchange rate	2022	2021
GBP	+5%	530	15
	-5%	(530)	(15)
EURO	+5%	8,264	325
	-5%	(8,264)	(325)

**42.5 Commission rate risk**

Commission rate risk is the risk that the value of financial instruments or their associated cash flows will fluctuate due to changes in market commission rates. The Group has no significant floating rate commission-bearing assets but has commission bearing liabilities as at 31 December 2022 and 2021.

The Group manages its borrowings made at floating rates by using floating-to-fixed interest rate caps where appropriate and as per the Group policies. Such interest rate caps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate caps the Group agrees with the counterparty to receive payments on the specified dates when market commission rate exceeds the agreed strike price.

The following table demonstrates the sensitivity to a reasonably possible change in commission rates on that portion of loans and borrowings affected, after the impact of hedge accounting. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings, as follows:

Currency	Change in exchange rate	Gain / (loss) through the consolidated statement of profit or loss	
		2022	2021
6 Months SAIBOR	+100 basis points	(33,050)	(49,950)
	-100 basis points	43,050	49,950

The Group does not account for any financial liabilities at fair value through profit or loss. Further, the Group does not have any material variable rate financial assets. Therefore, a change in special commission rate of fixed rate financial assets at the reporting date would not affect profit for the year.

**42.6 Capital management**

The primary objective of the Group's capital management is to ensure that it maintains a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Group objectives when managing capital are to safeguard the Group ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, or increase or decrease borrowings. The amount of capital (Total equity + total debt) that the Group managed as at 31 December 2022 was SR 18,411 million (2021: SR 18,494 million).

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net external debt divided by total equity (as shown in the consolidated statement of financial position, including non-controlling interests). The Group is not subject to any externally imposed capital requirements throughout 2022 and 2021.

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**43. COMMITMENTS AND CONTINGENCIES**

**43.1 Capital and purchase commitments:**

The Group's capital and purchase commitments as at the reporting date was as follows:

	<b>2022</b>	<b>2021</b>
Capital commitments for projects under progress and purchase of property, plant and equipment	<b>61,516</b>	61,447

**43.2 Contingencies:**

	<b>2022</b>	<b>2021</b>
Letters of guarantee	<b>294,394</b>	304,069
Letters of credit	<b>104,157</b>	2,564
	<b>398,551</b>	306,633

Additionally, the Group has issued corporate guarantees to external lenders against loans obtained by certain joint ventures, in proportion to its shareholding in those joint ventures. As at 31 December 2022 such guarantees amounted to SR 1,320 million (2021: SR 1,921 million) (refer note 30.1).

The Group bears the obligation for tax and zakat liabilities resulting from any final assessments determined by relevant tax authorities pertains to certain subsidiaries sold in prior years. The ultimate outcome of any such final assessments and their timeline are not presently known, however, the management based on its best estimates has provided for such potential obligations in the consolidated financial statements.

The Group is involved in legal litigation claims in the ordinary course of business, which are being defended; there are also some claims under the process of final settlement. The ultimate results of these claims cannot be determined with certainty as at the date of preparing the consolidated financial statements; the Group's management does not expect that these claims will have a material adverse effect on the Group's consolidated financial statements.

**44. NON-CASH TRANSACTIONS**

Following non-cash transactions were recorded during the year:

- (i) The transfer of SR 9.1 million (2021: 33.7 million) from Projects under progress to Property, plant and equipment and Intangible assets.
- (ii) Additions to right-of-use assets and lease liabilities of SR 63.1 million in 2022 (2021: SR 1.1 million).
- (iii) Transfer from investment to long-term loan receivable from a joint venture amounting to SR 0.8 million (2021: SR 88.6 million) based on expected settlement period.
- (iv) Short-term due from related parties (non-trade) amounting to SR nil (2021: SR 191 million) was converted to long term loan to joint ventures.
- (v) Gain of SR 40 million (2021: SR 39 million) was recognized in respect of re-measurement of defined benefit plans.
- (vi) Gain of SR 208.5 million (2021: SR 135.9 million) was recognized in respect of investments in equity instruments designated as FVOCI.

**NATIONAL INDUSTRIALIZATION COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
(All amounts in SR'000 unless otherwise stated)

**45. EVENTS AFTER THE REPORTING DATE**

No material events have occurred subsequent to the reporting date and before the issuance of these consolidated financial statements which require adjustment to, or disclosure, in these consolidated financial statements.

**46. CLIMATE CHANGE**

Global climate change is already having observable effects on the environment around the world, and Group's management recognizes the effects that it will have at both global and regional levels. Management has implemented a Policy and Values for Petrochemical Products guide, which drives pollution prevention and environmental management initiatives. This policy, along with management's strategy, are underpinned by the use of the Best Available Techniques analysis when new permits are issued. This helps management to systematically identify and monitor pollution and raise awareness amongst staff, and also includes a commitment to the prevention of any form of pollution. The impact of climate change on the consolidated financial statements is a high-profile issue. Investors and regulators are increasingly looking for evidence of how the entity has incorporated Environmental, Social and Governance ("ESG") matters and in particular climate-related risk factors when making estimates and judgements in the preparation of the consolidated financial statements. Climate-related risk could include both transition impacts, for example additional costs incurred by the Group as a result of transitioning to a low-carbon economy, or physical impacts, such as damage to assets. There was no material impact of ESG factors on the amounts and disclosures in the consolidated financial statements or the going concern of the Group. Management will keep monitoring changes in regulations and technologies and complying with disclosure requirements as new developments arise in the future.

**47. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS**

These consolidated financial statements were approved from the Board of Directors on **28 February 2023** (corresponding to 08 Sha'ban 1444 H).