BASIC CHEMICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)

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

BASIC CHEMICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)

Consolidated financial statements for the year ended 31 December 2023 and independent auditor's report

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الريــاض – حي العليا - طريق العروبة
مبنى رقم ٣١٩٣ ، الطابق الأول
ص. ب ٨٣٣٥ ، الرياض - ١٢٣٣٣
هــاتف: ٩٣٦١ ٤١٦ ١١ ٩٦٦+
فاكس: ٩٣٤٩ ٤١٦ ١١ ٩٦٦+
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INDEPENDENT AUDITOR'S REPORT

To the shareholders of
Basic Chemical Industries Company
(A Saudi Joint Stock Company)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Basic Chemical Industries Company (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") 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").

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 are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) that are endorsed in the Kingdom of Saudi Arabia (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the requirements of this Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for 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**
Impairment assessment of non-current assets	
As at 31 December 2023, the Group has non-current assets of Saudi Riyals 859.69 million, net of impairment losses of Saudi Riyals 13.17 million, including impairment loss of Saudi Riyals 3.11 million charged to consolidated statement of profit or loss for the year ended 31 December 2023. At each reporting date, the Group reviews whether there are any events or changes in circumstances (impairment indicators) which indicate that the carrying amount of non-current assets may not be recoverable. If any impairment indicator is identified, management of the Group performs a detailed impairment assessment by calculating the recoverable amounts of non-current assets of the related Cash-Generating Units (the "CGUs") and compare them against their carrying amounts.	Our audit procedures included the following: • Assessed the reasonableness of management's identification of the Group's CGUs. • Evaluated management's assessment of the identification of impairment indicators, including the conclusions reached. • Evaluated the design and implementation of key controls over the impairment assessment process including identification of impairment indicators and estimation of recoverable amounts.

Independent auditor's report to the shareholders of Basic Chemical Industries Company (continued)

Key Audit Matter (Continued)	How our audit addressed the key audit matter
Impairment assessment of non-current assets (continued)	
In determining the recoverable amounts, management estimated the value-in-use of the non-current assets related to certain CGUs of the Group i.e., (where impairment indicators had been identified), based on the business plans as approved by the Company's Board of Directors which reflect management's view of the external market conditions and certain key internal variables including estimation of appropriate growth and discount rates. We considered this as a key audit matter as the assessments of recoverable amounts of the non-current assets require significant estimations and judgments including product pricing, future economic and market conditions, growth and discount rates. Refer to Note 3.6 to the accompanying consolidated financial statements for the accounting policy relating to the impairment of non-current assets, Note 4 to the accompanying consolidated financial statements for the disclosure of critical estimates and judgments and Note 13 to the accompanying consolidated financial statements for the property, plant and equipment.	• Evaluated the reasonableness of management's assumptions used in the value-in-use workings to determine the recoverable amounts of non-current assets related to the Group's CGUs. This included: i. Assessing the appropriateness of the methodology and accuracy of the input data used by management to estimate the value-in-use based on discounted cash flow models; ii. Testing the reasonableness of discount and growth rates used in such discounted cash flow models. Our internal valuation experts were engaged to assist us to assess the reasonableness of the discount and growth rates used; and iii. Performing sensitivity analysis over key assumptions in the calculation of the values-in-use in order to assess the potential impact of a range of possible outcomes. Assessed the adequacy and appropriateness of the related disclosures in the accompanying consolidated financial statements.

Other Information

The Board of Directors of the Company (the "Directors") are responsible for the other information. The other information comprises information included in the Group's annual report, other than the consolidated financial statements and our auditors' report thereon, which is expected to be made available to us after the date of this auditors' 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 when it becomes available 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 Group's annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Independent auditor's report to the shareholders of Basic Chemical Industries Company (continued)

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements (continued)

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 have no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

Independent auditor's report to shareholders of Basic Chemical Industries Company (continued)

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

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.

RSM Allied Accountants Professional Services

Mohammed Bin Farhan Bin Nader
License No. 435
Khobar, Saudi Arabia
14 Ramadan 1445H (Corresponding to 24 March 2024)

BASIC CHEMICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)

Consolidated Statement of profit or loss and other comprehensive income
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended 31 December 2023	2022
Sales	6	**741,107,788**	674,665,582
Cost of sales	7	**(573,150,222)**	(501,752,026)
Gross profit		**167,957,566**	172,913,556
Selling and marketing expenses	8	**(28,980,055)**	(28,188,305)
Distribution expenses	9	**(48,172,721)**	(34,803,485)
General and administrative expenses	10	**(26,549,825)**	(20,307,743)
Other operating income		**9,335,462**	5,379,315
Operating profit		**73,590,427**	94,993,338
Gain / (loss) on disposal of property, plant and equipment		**13,326,698**	(13,561,027)
Gain on fair value measurements of derivative financial instrument	30.1	**5,976,964**	8,355,473
Finance costs	11	**(37,362,951)**	(9,754,310)
Profit before zakat and income tax		**55,531,138**	80,033,474
Zakat expense	28	**(3,586,132)**	(3,942,472)
Income tax expense	28	**(7,960,221)**	(5,695,615)
Profit for the year		**43,984,785**	70,395,387
Other comprehensive income for the year			
Item that will not be reclassified to profit or loss			
Remeasurement of employee benefit obligations	24.3	**563,301**	2,791,577
		563,301	2,791,577
Total comprehensive income for the year		**44,548,086**	73,186,964
Profit for the year is attributable to:			
Shareholders of the Company		**5,518,143**	40,432,242
Non-controlling interests		**38,466,642**	29,963,145
		43,984,785	70,395,387
Total comprehensive income for the year is attributable to:			
Shareholders of the Company		**6,403,850**	43,318,082
Non-controlling interests		**38,144,236**	29,868,882
		44,548,086	73,186,964
Earnings per share			
Basic and diluted earnings per share	32	**0.20**	1.47

The consolidated financial statements including notes and other explanatory information were authorized for issued by the Board of Directors on 24 March 2024 and were signed on their behalf by:

Uthman Alhomaidan Designated Member	Alaa Al-Shaikh Chief Executive Officer	Fares Nehme Lahoud Chief Financial Officer

The accompanying notes are an integral part of these consolidated financial statements.

BASIC CHEMICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)

Consolidated statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at 31 December 2023	2022
Assets			
Non-current assets			
Property, plant and equipment	13	**823,038,460**	852,490,092
Right-of-use assets	14	**14,359,220**	15,712,170
Long-term investments	15	**21,122,500**	21,122,500
Deferred tax asset - net	16	**1,164,828**	-
Total non-current assets		**859,685,008**	889,324,762
Current assets			
Inventories	17	**104,926,446**	130,048,867
Trade and other receivables	18	**197,251,444**	177,608,130
Cash and cash equivalents	19	**89,523,793**	61,960,384
Total current assets		**391,701,683**	369,617,381
Total assets		**1,251,386,691**	1,258,942,143
Equity and liabilities			
Equity			
Share capital	20	**275,000,000**	275,000,000
Statutory reserve	21	**74,054,021**	73,502,207
Retained earnings		**243,294,340**	264,961,024
Equity attributable to shareholders of the Company		**592,348,361**	613,463,231
Non-controlling interests	12	**81,812,709**	77,518,473
Total equity		**674,161,070**	690,981,704
Non-current liabilities			
Long-term borrowings	22	**274,302,512**	321,900,000
Deferred grant	23	**71,342,285**	-
Lease liabilities	14	**13,286,267**	13,362,487
Employee benefit obligations	24	**22,709,754**	24,019,278
Decommissioning liability	25	**6,303,299**	6,060,864
Derivative financial instruments	26	**8,167,564**	14,144,528
Total non-current liabilities		**396,111,681**	379,487,157
Current liabilities			
Trade and other payables	27	**129,674,168**	135,978,882
Lease liabilities - current portion	14	**673,294**	1,677,624
Long-term borrowings - current portion	22	**27,200,000**	39,300,000
Deferred grant - current portion	23	**10,255,203**	-
Zakat and income tax payable	28	**13,311,275**	11,516,776
Total current liabilities		**181,113,940**	188,473,282
Total liabilities		**577,225,621**	567,960,439
Total equity and liabilities		**1,251,386,691**	1,258,942,143

The consolidated financial statements including notes and other explanatory information were authorized for issued by the Board of Directors on 24 March 2024 and were signed on their behalf by:

Uthman Alhomaidan Designated Member	Alaa Al-Shaikh Chief Executive Officer	Fares Nehme Lahoud Chief Financial Officer

The accompanying notes are an integral part of these consolidated financial statements.

BASIC CHEMICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)

Consolidated statement of changes in equity
(All amounts in Saudi Riyals unless otherwise stated)

	Attributable to shareholders of the Company					
	Share Capital	**Statutory reserve**	**Retained earnings**	**Subtotal**	**Non-controlling Interests**	**Total**
At 1 January 2022	275,000,000	69,458,983	225,686,166	570,145,149	58,249,591	628,394,740
Profit for the year	-	-	40,432,242	40,432,242	29,963,145	70,395,387
Other comprehensive income / (loss) for the year	-	-	2,885,840	2,885,840	(94,263)	2,791,577
Total comprehensive income for the year	-	-	43,318,082	43,318,082	29,868,882	73,186,964
Transfer to a statutory reserve	-	4,043,224	(4,043,224)	-	-	-
Dividends	-	-	-	-	(10,600,000)	(10,600,000)
At 31 December 2022	275,000,000	73,502,207	264,961,024	613,463,231	77,518,473	690,981,704
Profit for the year	-	-	**5,518,143**	**5,518,143**	**38,466,642**	**43,984,785**
Other comprehensive income for the year	-	-	**885,707**	**885,707**	**(322,406)**	**563,301**
Total comprehensive income for the year	-	-	**6,403,850**	**6,403,850**	**38,144,236**	**44,548,086**
Transfer to a statutory reserve	-	**551,814**	**(551,814)**	-	-	-
Dividends	-	-	**(27,518,720)**	**(27,518,720)**	**(33,850,000)**	**(61,368,720)**
At 31 December 2023	**275,000,000**	**74,054,021**	**243,294,340**	**592,348,361**	**81,812,709**	**674,161,070**

The consolidated financial statements including notes and other explanatory information were authorized for issued by the Board of Directors on 24 March 2024 and were signed on their behalf by:

Uthman Alhomaidan Designated Member	Alaa Al-Shaikh Chief Executive Officer	Fares Nehme Lahoud Chief Financial Officer

The accompanying notes are an integral part of these consolidated financial statements.

BASIC CHEMICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)

Consolidated statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended 31 December 2023	2022
Cash flows from operating activities			
Profit before zakat and income tax		**55,531,138**	80,033,474
Adjustments for:			
Depreciation on property, plant and equipment	13	**38,795,803**	22,060,613
Impairment on plant and equipment	13	**3,107,253**	-
Depreciation on right of use asset	14	**1,203,430**	1,376,857
Gain on disposal of property, plant and equipment		**(13,326,698)**	-
Write off of capital work in progress		-	13,561,027
Provision for inventory obsolescence	17	**4,730,204**	2,877,274
Reversal of allowance for expected credit losses	18	**(351,636)**	(277,354)
Finance cost	11	**37,362,951**	9,754,310
Finance income on long term investment		**(735,000)**	(481,250)
Gain on fair value measurements of derivative financial instrument	30.1	**(5,976,964)**	(8,355,473)
Provision for employee benefit obligations	24.3	**4,159,327**	3,835,325
Changes in operating assets and liabilities:			
Decrease / (increase) in inventories		**21,656,085**	(44,002,088)
Increase in trade and other receivables		**(11,250,947)**	(30,515,402)
(Decrease) / increase in trade and other payables		**(6,304,714)**	34,323,632
Cash generated from operations		**128,600,232**	84,190,945
Zakat and income tax paid		**(12,270,431)**	(6,103,915)
Employee benefit obligations paid	24.2	**(4,905,550)**	(12,356,947)
Net cash inflow from operating activities		**111,424,251**	65,730,083
Cash flows from investing activities			
Purchase of property, plant and equipment	13	**(19,513,594)**	(121,958,077)
Proceeds from disposal of property and equipment		**12,431,250**	603,327
Finance income on long term investment		**735,000**	393,750
Long-term investments		-	(21,000,000)
Net cash outflow from investing activities		**(6,347,344)**	(141,961,000)
Cash flows from financing activities			
Payments of lease liabilities	14	**(1,502,230)**	(3,623,875)
Proceeds from borrowings	22, 23	**309,020,000**	102,300,000
Repayment of borrowings	22	**(287,120,000)**	-
Finance costs paid		**(36,542,548)**	(21,249,561)
Dividends paid		**(61,368,720)**	(10,600,000)
Net cash (outflow) / inflow from financing activities		**(77,513,498)**	66,826,564
Net change in cash and cash equivalents		**27,563,409**	(9,404,353)
Cash at bank at beginning of year		**61,960,384**	71,364,737
Cash at bank at end of year	19	**89,523,793**	61,960,384

The consolidated financial statements including notes and other explanatory information were authorized for issued by the Board of Directors on 24 March 2024 and were signed on their behalf by:

Uthman Alhomaidan Designated Member	Alaa Al-Shaikh Chief Executive Officer	Fares Nehme Lahoud Chief Financial Officer

The accompanying notes are an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

Basic Chemical Industries Company (the "Company" or "BCI") and its subsidiaries (collectively the "Group") consist of the Company and its subsidiaries as listed in Note 12. The Group is principally engaged in the manufacturing of various chemicals as well as purchase, formulation, processing, export, import, marketing, distribution and acting as an agent for the sale of chemicals.

The Company is a joint stock company registered in the Kingdom of Saudi Arabia under Commercial Registration ("CR") number 2050002795 issued in Dammam on 28 Dhul Al Hijjah 1392H (corresponding to 2 February 1973). The registered address of the Company is P.O. Box 1053, First Industrial Area, Dammam 31431, Kingdom of Saudi Arabia.

The accompanying consolidated financial statements include the accounts of the Company, its branches and its various subsidiaries, operating under individual CRs. Also, see Note 12.

During the year ended 31 December 2023, the Group has:

- disposed of a plant located in Dammam, Kingdom of Saudi Arabia. The sale comprised of the plant and associated spares for total consideration of Saudi Riyals 19.13 million, resulting in a gain on Saudi Riyals 13.86 million;

- impaired a plant located in Dammam, Kingdom of Saudi Arabia. The Group considered this plant as a Cash Generating Unit ("CGU") and the management calculated value-in-use of the plant based on the approved business plan and determined that the recoverable amount of CGU was lower than its carrying amount. Accordingly, the Group recorded an impairment loss of Saudi Riyals 3.11 million during the year ended 31 December 2023. Also see Note 13; and

- obtained an interest free loan from Saudi Industrial Development Fund ("SIDF") amounting to Saudi Riyals 300.80 million for refinancing an existing commercial loan. The Group has recognized Government grant on this transaction amounting to Saudi Riyals 81.60 million. Also see Note 23.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated financial statements of the Group have been prepared in compliance with International Financial Reporting Standards ("IFRS"), that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants.

2.2 Historical cost convention

These consolidated financial statements are prepared under the historical cost convention except where IFRS requires other measurement basis as disclosed in the relevant accounting policies.

2.3 Foreign currencies

2.3.1 Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates ("the functional currency"). The consolidated financial statements are presented in Saudi Arabian Riyals ("Saudi Riyals"), which is also the Group's functional currency.

2 BASIS OF PREPARATION (continued)

2.3 Foreign currencies (continued)

2.3.2 Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the period-end exchange rates of monetary assets and liabilities denominated in foreign currencies other than Saudi Riyals are recognized in the consolidated statement of profit or loss. Foreign exchange gains and losses, if any, attributable to investment in foreign operations are deferred in the equity.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate applicable at the date of the initial transactions.

2.3.3 Foreign operations

On consolidation, the monetary assets and liabilities of foreign operations are translated into Saudi Riyals using the exchange rates prevailing at the reporting date and its statement of profit or loss and other comprehensive income is translated using the exchange rates prevailing at the dates of the transactions.

In case of non-monetary items of foreign operations, items that are measured at historical cost in foreign currency are translated using the exchange rates prevailing at the dates of initial transactions, whereas items that are measured at fair value in foreign currency are translated using the exchange rates prevailing at the dates when fair value was measured.

The exchange differences arising on translation for consolidation are recognized as other comprehensive income and on disposal of a foreign subsidiary, the component of other comprehensive income relating to that particular foreign subsidiary is reclassified to profit or loss.

2.4 Basis of consolidation

a) Subsidiaries

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

- power over the investee (i.e., existing rights giving the ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

The Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

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

2 BASIS OF PREPARATION (continued)

2.4 Basis of consolidation (continued)

(a) Subsidiaries (continued)

The acquisition method of accounting is used to account for business combinations by the Group. Profit or loss and each component of other comprehensive income are attributed to the shareholders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies 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. Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statements of profit or loss and other comprehensive income, changes in equity and financial position respectively.

If the ownership interest in a non-consolidated subsidiary is reduced but control is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to the consolidated statement of profit or loss where appropriate. The Group’s share of post-acquisition profit or loss is recognized in the consolidated statement of profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. Dividends received or receivable from non-consolidated subsidiaries (if any) are recognized as a reduction in the carrying amount of the investment.

Profits and losses resulting from upstream and downstream transactions between the Group and its subsidiaries are recognized in the consolidated financial statements only to the extent of unrelated investor’s interest in the non-consolidated subsidiaries. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group recognizes non-controlling interests in an acquired entity either at fair value or at the non-controlling interest’s proportionate share of the acquired entity’s net identifiable assets. This decision is made on an acquisition-by-acquisition basis. The Group has elected to recognize the non-controlling interests at their proportionate share of the acquired net identifiable assets.

b) Associates

Associates are all entities over which the Group has significant influence but not 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 or joint control over those policies. This is generally the case where the Group holds between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method of accounting. Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter 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 movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognized as a reduction in the carrying amount of the investment.

Where the Group’s share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of associate. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group’s interest in these entities. unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2 BASIS OF PREPARATION (continued)

2.5 New and amended standards

2.5.1 Standards adopted by the Group

The Group has applied the following amendments to the standards for the first time for its reporting period commencing on or after 1 January 2023:

- Amendments to IAS 1 'Presentation of Financial statements' and IFRS Practice Statement 2 'Making Materiality Judgements' - the amendments require disclosure of material accounting policies rather than significant accounting policies. 'Material accounting policy information' is defined as information that, when considered together with other information included in the financial statements, can reasonably be expected to influence decisions of primary users of the financial statements. To support these amendments, IFRS Practice Statement 2 is also amended to provide guidance on the application of the 'four-step materiality process'.

- Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - the amendments replace the definition of change in accounting estimates with definition of accounting estimates. Under the new definition, accounting estimates are 'monetary amounts in the financial statements that are subject to measurement uncertainty'. It is further clarified that change in accounting estimate that results from new information or new developments is not the correction of an error.

- Amendments to IAS 12 'Income Taxes' - the amendments require recognition of deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

The adoption of above amendments did not have a material impact on the accompanying consolidated financial statements.

2.5.2 Standards issued but not yet effective

Certain new accounting standards, amendments and interpretations have been published that are mandatory for reporting periods beginning on or after 1 January 2024 and have not been adopted early by the Group. The Group is in the process of assessing the impacts of new standards and interpretations on its consolidated financial statements.

The material accounting policies applied for the preparation of consolidated financial statements of the Group are set out below. Such accounting policies have been consistently applied to all the years presented.

3 MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Revenue recognition

Revenue from the sale of goods is recognized when control of the goods is transferred to the customer, being when the products are delivered to the customer, the customer has full discretion over the use or sale of such goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue comprises the fair value of the consideration received or receivable for goods delivered in the ordinary course of the Group's activities. Revenue is shown net of returns, rebates and discounts, if any.

3.2 Finance income and cost

Financial income is measured using the effective interest rate, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset or a shorter period, where appropriate, to the net carrying amount of the financial asset.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Finance income and cost (continued)

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. Other borrowing costs are expensed in the period in which they are incurred.

3.3 Zakat and income tax

In accordance with the regulations of the Authority of Zakat, Tax and Customs (the "ZATCA"), the Company is subject to zakat however, its subsidiaries with non-controlling interests, are subject to zakat attributable to the Company and to income tax attributable to the foreign shareholder in the subsidiary. Zakat and income tax for foreign operations of the Group is made according to the zakat and tax laws and regulations of foreign jurisdictions.

Zakat is calculated based on combined zakat declaration for the Company and its wholly owned subsidiaries however, separate zakat and tax declaration is made for partially owned subsidiaries. Zakat is calculated based on approximate zakat base and adjusted profit and is charged to consolidated statement of profit or loss. Income tax on the share of the adjusted profit related to non-controlling interests in the subsidiaries, is charged to consolidated statement of profit or loss. Additional amounts, if any, are accounted for when determined to be required for payment.

Income tax based on the applicable income tax rate is adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the Group has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The Group deducts withholding taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

3.4 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, except lands and capital work-in-progress which are carried at cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to consolidated statement of profit or loss during the reporting period in which they are incurred.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.4 Property, plant and equipment (continued)

Major spare parts and stand-by equipment qualify for recognition as property, plant and equipment when the Group expects to use them during more than one year.

Depreciation is calculated on property, plant and equipment so as to allocate its cost, less estimated residual value, on a straight-line basis over the estimated useful lives of the assets. The depreciation expense is recognized in consolidated statement of profit or loss in the expense category consistent with the function of the property, plant and equipment.

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each annual reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in consolidated statement of profit or loss.

Assets in the course of construction or development are capitalized in the capital work-in-progress account. The asset under construction or development is transferred to the appropriate category in property, plant and equipment, once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of capital work-in-progress comprises its purchase price, construction / development costs and any other directly attributable costs to the construction or acquisition of an item of capital work-in-progress intended by management. Capital work-in-progress is not depreciated. Transfers are made to relevant operating assets category as and when such items are available for use.

3.5 Leases

At the inception of the contract the Group assesses whether a contract is or contains a lease. The Group recognizes a Right of Use ("RoU") asset and a corresponding lease liability with respect to all lease agreements in which it is a lessee, except for short-term leases (defined as leases with a lease term of twelve months or less) and leases of low value assets. For such leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the pattern in which economic benefits from the leased asset are consumed.

Lease liabilities

The lease liability is initially measured at the net present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the RoU asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the individual lessee, which does not have recent third-party financing; and
- adjusts specific to the lease, for example term, country, currency and security.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.5 Leases (continued)

Lease liabilities include the net present value of the following lease payments:

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

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease liability is presented as a separate line in the consolidated statement of financial position.

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

The Group remeasures the lease liability (and makes a corresponding adjustment to the related RoU asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due; and
- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

Right-of-use (RoU) assets

The RoU assets comprise the initial measurement of the corresponding lease liability. They are subsequently measured at cost less accumulated depreciation and impairment losses, if any.

RoU assets are depreciated over the shorter period of the lease term or the economic useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the RoU asset reflects that the Group expects to exercise a purchase option, the related RoU asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The Group applies IAS 36 ‘Impairment of Assets’ to determine whether a RoU asset is impaired, and accounts for any identified impairment loss.

The RoU assets are presented as a separate line in the consolidated statement of financial position.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the RoU asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in the consolidated statement of profit or loss.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.6 Impairment on non-financial assets

The Group assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset 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 pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded entities or other available fair value indicators.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. 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. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

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

3.7 Financial instruments

3.7.1 Financial assets

(i) Classification

The Group classifies its financial assets as measured at amortized cost as such assets are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest.

(ii) Recognition and derecognition

At initial recognition, the Group measures financial assets at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition of financial asset. Transactions cost of financial assets carried at fair value through profit or loss are expensed in profit or loss.

The Group derecognizes a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

(iii) Measurement

Subsequent measurement of financial assets depends on the Group’s business model for managing the assets and the cash flow characteristics of the assets. Assets that are held for collection of contractual cash flows where those cash flows represent solely payment of principal and interest are measure at amortized cost. A gain or loss on a financial instrument that is subsequently measured at amortized cost and is not part of the hedging relationship is recognized in consolidated statement of profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is calculated using the effective interest rate method.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.7 Financial instruments (continued)

3.7.2 Financial liabilities

All financial liabilities are recognized at the time when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are recognized initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where 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 respective carrying amounts is recognized in the consolidated statement of profit or loss.

3.7.3 Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in the consolidated statement of profit or loss. The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in interest rates. At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

3.7.4 Offsetting

Financial assets and liabilities are offset and net amounts are reported in the consolidated financial statements, when the Group has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the assets and liabilities simultaneously.

3.8 Impairment of financial assets

The Group assesses on a forward-looking basis the Expected Credit Losses ("ECL") associated with its financial assets carried at amortized cost.

For trade receivable, the Group applies the simplified approach as permitted by IFRS 9, which requires expected lifetime losses to be recognized from the initial recognition of the related financial asset. The amount of the loss is charged to the consolidated statement of profit or loss. The loss rates are based on probability of default assigned by reputed credit rating agencies to the relevant credit rating of the customers. The loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

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

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.9 Inventories

Raw materials and consumable spare parts and finished goods are stated at the lower of cost and net realizable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts.

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

3.10 Trade receivables

Trade receivables are amounts due from customers for products delivered in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method, less provision for impairment. Subsequent recoveries of amount previously written-off are credited to the consolidated statement of profit or loss and other comprehensive income against “General and administrative expenses”.

3.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, cash at banks and other short-term highly liquid investments, if any, with original maturities of three months or less from the purchase date that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3.12 Share capital

Ordinary shares are classified as equity.

3.13 Employee benefit obligations

The Group operates employees’ benefit scheme of defined benefit plan driven by the labor laws and workman laws of the Kingdom of Saudi Arabia, for the Company and its Saudi Arabian subsidiaries, and in United Arab Emirates for its foreign subsidiary. These are based on employee’s most recent salary and number of service years. The post-employment benefits plan is not funded. Valuations of the obligations under the plan are based on the projected unit credit method. The costs relating to such plan primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to employees’ benefits are recognized immediately in the consolidated statement of profit or loss while unwinding of the liability at discount rates used are recorded in profit or loss. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in the other comprehensive income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized directly in other comprehensive income and transferred to retained earnings in the consolidated statement of changes in equity in the period in which they occur. Changes in the present value of the defined benefit obligations resulting from plan amendments or curtailments are recognized immediately in the consolidated statement of profit or loss as past service costs. End of service payments are based on employees’ final salaries and allowances and their cumulative years of service, as stated in the labor law of Kingdom of Saudi Arabia and United Arab Emirates.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.14 Borrowings

Borrowings are initially recognized at fair value (being proceeds received), net of eligible transaction costs incurred, if any. Subsequent to initial recognition, borrowings are measured at amortized cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in the consolidated statement of profit or loss over the period of the borrowings using the effective interest rate method.

Borrowings are derecognized from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of profit or loss as other income or finance cost.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

3.15 Government grants and assistance

Government grants and assistance are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grant relates to an asset, it is recognized as deferred income and released to income over the period of repayment of grant. Where the Group receives non-monetary grants, the asset and the grant are recorded at nominal amounts and released to the statement of profit or loss over the expected pattern of consumption of the benefit which is the tenure of the loan. Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate or interest free, the effect of this favorable interest is recognized as government grant.

3.16 Trade payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method.

3.17 Provisions

a) General

Provisions are recognized when; the Group has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognized for future operating losses. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, 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. Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as financial costs.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.17 Provisions (continued)

b) Decommissioning liability

Decommissioning costs are provided for at the present value of expected costs to settle the obligation using discounted cash flows and are recognized as part of the cost of the relevant asset. The cash flows are discounted at a rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed in the consolidated statement of profit or loss as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied, are added to or deducted from the cost of the asset.

3.18 Dividends

Dividends distribution to shareholders of the Company are recorded in the consolidated financial statements in the period in which they are approved by the Company's shareholders.

3.19 Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted priced 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).

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Group recognizes transfers between the levels of the fair value hierarchy at the end of the reporting year during which the change has occurred.

3.20 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Chief Executive Officer of the Company, who is the Chief Operating Decision Maker, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available. Segment results that are reported to the Chief Executive Officer, include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Sales, if any, between segments are usually carried out at arm's length and are eliminated on consolidation. The revenue from external parties is measured in the same way as in the consolidated statement of profit or loss. Segment assets and liabilities are measured in the same way as in the consolidated financial statements. These assets and liabilities are allocated based on the operations and the geographical location of the segment.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.21 Earnings per share

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year are discussed below:

Expected credit loss (“ECL”) model measurement

Measurement of ECL is an estimate that involves determination methodology, models and data inputs. Details of ECL measurement methodology are disclosed in Note 18 and 30. The components that have a major impact on credit loss allowance include definition of default, significant increase in credit risk, probability of default (“PD”), exposure at default (“EAD”), and loss given default (“LGD”), as well as models of macro-economic scenarios. The Group regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

Impairment assessment of property, plant and equipment

The Group’s management, in accordance with the Group’s accounting policy, tests assets or Cash Generating Units (CGU) for impairment whenever impairment indicators exist. Among others, the events or changes in circumstances which could indicate that an asset or CGU may be impaired mainly include the following:

- A significant decrease in the market prices of Group’s products;
- A significant change in the extent or manner in which an asset is being used or in its physical condition including a significant decrease in current and projected sales volumes; and
- Evidence is available from internal reporting that indicates that the economic performance of the asset is, or will be, worse than expected.

The Group’s management determines the recoverable amounts of CGUs based on value-in-use calculations. These calculations require the use of estimates in relation to the future cash flows and use of an appropriate discount rate applicable to the circumstances of the Group.

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

5 SEGMENT INFORMATION

The Group's operations are principally organized into the following business segments based on its products:

- **Chemicals**: this part of the business manufactures and sells industrial chemicals such as hydrochloric acid, ferric chloride, sulfuric acid, caustic soda, chlorine, sodium hypochlorite etc. used in multiple industries. Various chemicals products are produced using the same assets and liabilities. Thus, segment results, that are reported to the Chief Executive Officer who is the Chief Operating Decision Maker, include items directly attributable to a segment represented in operational results only.

- **Polymers**: this part of the business manufactures and sells rigid, and semi-rigid polyurethane systems for the manufacture of different density foams. Being the lightest insulation material with the lowest thermal conductivity and polyurethane foam.

- **Adhesives and other materials**: this part of the business manufactures and sells hot and cold melt adhesives used in multiple industries.

(All amounts in Saudi Riyals unless otherwise stated)

5 SEGMENT INFORMATION (continued)

Selected financial information as of 31 December 2023 and 2022 and for the years then ended, summarized by operating segments, is as follow.

	Chemicals products							
2023	**Basic Chemicals**	**Industrial Chemicals**	**Toll Manufacturing**	**Water Treatment**	**Total**	**Polymers**	**Adhesives**	**Total**
Sales	143,154,875	79,331,571	44,293,206	25,021,361	291,801,013	170,142,138	279,164,637	741,107,788
Cost of sales	(112,782,814)	(69,078,092)	(47,424,146)	(25,375,065)	(254,660,117)	(125,502,344)	(192,987,761)	(573,150,222)
Gross profit / (loss)	**30,372,061**	**10,253,479**	**(3,130,940)**	**(353,704)**	**37,140,896**	**44,639,794**	**86,176,876**	**167,957,566**
Selling and marketing expenses	(4,065,478)	(4,432,777)	(226,340)	(1,420,230)	(10,144,825)	(3,367,282)	(15,467,948)	(28,980,055)
Distribution expenses	(20,635,249)	(2,047,077)	(2,719,471)	(2,471,847)	(27,873,644)	-	(20,299,077)	(48,172,721)
General and administrative expenses	(13,272,704)	(3,314,344)	(3,528,663)	(2,094,794)	(22,210,505)	(2,398,038)	(1,941,282)	(26,549,825)
Other operating income	4,866,397	984,590	1,031,658	527,815	7,410,460	600,615	1,324,387	9,335,462
Operating (loss) / profit	**(2,734,973)**	**1,443,871**	**(8,573,756)**	**(5,812,760)**	**(15,677,618)**	**39,475,089**	**49,792,956**	**73,590,427**
Gain / (loss) on disposal of fixed assets					13,355,320	(1,115)	(27,507)	13,326,698
Gain on fair value of derivative financial instrument					5,976,964	-	-	5,976,964
Finance costs					(37,362,951)	-	-	(37,362,951)
(Loss) / profit before zakat and income tax					**(33,708,285)**	**39,473,974**	**49,765,449**	**55,531,138**
Zakat expense					(1,268,122)	(884,050)	(1,433,960)	(3,586,132)
Income tax expense					-	(3,200,921)	(4,759,300)	(7,960,221)
(Loss) / profit for the year					**(34,976,407)**	**35,389,003**	**43,572,189**	**43,984,785**
Depreciation expense					(37,673,579)	(608,425)	(1,717,229)	(39,999,233)
Total assets					1,152,240,755	42,805,781	56,340,155	1,251,386,691
Total liabilities					(489,623,210)	(32,636,782)	(54,965,629)	(577,225,621)
Property, plant and equipment					811,953,725	1,383,179	9,701,556	823,038,460
Additions to property, plant and equipment					16,179,586	147,030	3,186,978	19,513,594

(All amounts in Saudi Riyals unless otherwise stated)

5 SEGMENT INFORMATION (continued)

	Chemicals products							
2022	**Basic Chemicals**	**Industrial Chemicals**	**Toll Manufacturing**	**Water Treatment**	**Total**	**Polymers**	**Adhesives**	**Total**
Sales	129,853,116	65,524,501	42,992,525	16,302,175	254,672,317	154,056,540	265,936,725	674,665,582
Cost of sales	(70,994,631)	(52,858,341)	(42,418,638)	(16,925,582)	(183,197,192)	(121,709,691)	(196,845,143)	(501,752,026)
Gross profit / (loss)	58,858,485	12,666,160	573,887	(623,407)	71,475,125	32,346,849	69,091,582	172,913,556
Selling and marketing expenses	(2,755,281)	(5,293,676)	(134,608)	(837,841)	(9,021,406)	(5,512,044)	(13,654,855)	(28,188,305)
Distribution expenses	(13,254,998)	(1,142,624)	(2,388,055)	(1,139,455)	(17,925,132)	-	(16,878,353)	(34,803,485)
General and administrative expenses	(12,599,427)	(3,662,057)	(3,995,194)	(1,955,543)	(22,212,221)	2,120,990	(216,512)	(20,307,743)
Other income	2,465,707	620,264	859,686	315,794	4,261,451	464,893	652,971	5,379,315
Operating profit / (loss)	32,714,486	3,188,067	(5,084,284)	(4,240,452)	26,577,817	29,420,688	38,994,833	94,993,338
(Loss) / gain on disposal / write-off of fixed assets					(13,571,026)	-	9,999	(13,561,027)
Gain on fair value of derivative financial instrument					8,355,473	-	-	8,355,473
Finance costs					(9,754,310)	-	-	(9,754,310)
Profit before zakat and income tax					11,607,954	29,420,688	39,004,832	80,033,474
Zakat expense					(1,832,102)	(845,580)	(1,264,790)	(3,942,472)
Income tax expense					-	(2,753,649)	(2,941,966)	(5,695,615)
Profit for the year					9,775,852	25,821,459	34,798,076	70,395,387
Depreciation expense					(20,498,426)	(717,245)	(1,907,244)	(23,122,915)
Total assets					1,017,515,918	86,307,564	155,118,661	1,258,942,143
Total liabilities					(502,964,274)	(19,197,958)	(45,798,207)	(567,960,439)
Property, plant and equipment					842,831,705	1,533,880	8,124,507	852,490,092
Additions to property, plant and equipment					132,801,239	7,699	1,588,799	134,397,737

- Chemicals: Sales of approximately 23% are derived from three external customers (2022: 21% of sales are derived from three same external customers).
- Polymers: Sales of approximately 11% are derived from three external customers (2022: 26% of sales are derived from three same external customers).
- Adhesives and other materials: Sales of approximately 19% are derived from one external customer (2022: 21% of sales are derived from one same external customers)

(All amounts in Saudi Riyals unless otherwise stated)

6 SALES

	2023	2022
Revenue recognized at point-in-time		
Local sales	**584,133,957**	558,176,040
Export sales	**156,973,831**	116,489,542
	741,107,788	674,665,582

7 COST OF SALES

	Note	2023	2022
Cost of materials		**418,154,702**	395,039,649
Salaries and benefits		**45,361,914**	42,608,664
Depreciation	**13, 14**	**38,423,022**	21,581,721
Power		**30,424,331**	21,190,314
Repair and maintenance		**13,363,835**	6,779,123
Provision for inventory obsolescence	**17**	**4,730,204**	2,877,274
Other		**22,692,214**	11,675,281
		573,150,222	501,752,026

8 SELLING AND MARKETING EXPENSES

	Note	2023	2022
Salaries and benefits		**11,849,984**	10,236,359
Royalty	**29**	**10,827,403**	9,739,985
Transportation		**979,650**	1,670,505
Depreciation	**13**	**398,258**	410,711
Insurance		**364,101**	363,307
Travelling		**183,334**	306,291
Repair and maintenance		**95,789**	122,392
Other		**4,281,536**	5,338,755
		28,980,055	28,188,305

9 DISTRIBUTION EXPENSES

	Note	2023	2022
Transportation		**28,455,546**	18,123,477
Salaries and benefits		**9,664,117**	9,222,263
Repair and maintenance		**1,310,485**	1,345,613
Depreciation	**13**	**845,488**	682,995
Travelling		**419,649**	194,199
Insurance		**238,784**	219,972
Others		**7,238,652**	5,014,966
		48,172,721	34,803,485

(All amounts in Saudi Riyals unless otherwise stated)

10 GENERAL AND ADMINISTRATIVE EXPENSES

	Note	**2023**	2022
Salaries and benefits		**19,411,415**	18,911,215
Impairment on property, plant and equipment	**13**	**3,107,253**	-
Board of directors' fees		**2,100,000**	2,100,000
Professional fees		**873,253**	1,510,612
Insurance		**342,188**	344,176
Depreciation	**13**	**332,465**	447,488
Reversal of provision for expected credit losses	**18**	**(351,636)**	(277,354)
Other, net		**734,887**	(2,728,394)
		26,549,825	20,307,743

11 FINANCE COSTS

	Note	**2023**	2022
Finance costs relating to:			
Long term loans	**22**	**29,578,985**	6,141,611
Financial derivative	**26**	**6,963,563**	3,334,675
Lease liabilities	**14**	**577,968**	278,024
Decommissioning liability	**25**	**242,435**	-
		37,362,951	9,754,310

12 INTERESTS IN OTHER ENTITIES

12.1 Investment in subsidiaries

	Effective shareholding	
	2023	2022
Chemical Marketing and Distribution Company Limited (“CMDC”)	**100%**	100%
Huntsman APC (“HAPC”)	**49%**	49%
National Adhesives Company Limited (“NAL”)	**47%**	47%
OKAZ Chemical Materials Marketing and Distribution Company (“OKAZ”)	**100%**	100%

The Company have equity interests in above subsidiaries. The above subsidiaries, except OKAZ, are incorporated and operating in Kingdom of Saudi Arabia and engaged in manufacturing and selling of various chemicals products. OKAZ is incorporated in United Arab Emirates and is engaged in sale of industrial chemicals and solvents.

The management of the Company has concluded that the Group controls HAPC and NAL, even though it holds less than half of the voting rights of these subsidiaries. This is because an agreement was signed between the shareholders of these subsidiaries by virtue of which:

- the Company has a right to appoint Chief Executive Officer for subsidiaries; and
- representatives of the Company on Board of Directors of subsidiaries have power to direct all key business activities as a result of voting arrangements.

Further, this agreement cannot be amended without the consent of Company’s representatives on the Board of Directors of subsidiaries. Accordingly, the Company has the right to exercise control through its power over these subsidiaries, its exposure and right to the variable returns and its ability to affect the amount of returns generated from these subsidiaries.

(All amounts in Saudi Riyals unless otherwise stated)

12 INTERESTS IN OTHER ENTITIES (continued)

12.1 Investment in subsidiaries (continued)

Summarized financial information for the subsidiaries that have material non-controlling interests i.e. NAL (53%) and HAPC (51%) are as follows:

(i) Summarized financial position

	HAPC		NAL	
	2023	2022	**2023**	2022
Current assets	**87,975,793**	69,322,951	**155,972,021**	140,836,882
Current liabilities	**(30,877,185)**	(17,860,351)	**(48,955,442)**	(40,927,040)
Net current assets	**57,098,608**	51,462,600	**107,016,579**	99,909,842
Non-current assets	**17,025,194**	16,984,614	**16,421,224**	14,281,781
Non-current liabilities	**(1,759,598)**	(1,337,607)	**(6,010,186)**	(4,871,167)
Net non-current assets	**15,265,596**	15,647,007	**10,411,038**	9,410,614
Net assets	**72,364,204**	67,109,607	**117,427,617**	109,320,456
Accumulated NCI	**32,194,920**	30,720,607	**49,617,789**	46,797,866

(ii) Summarized statement of profit or loss and other comprehensive income

	HAPC		NAL	
	2023	2022	**2023**	2022
Sales	**170,142,138**	154,056,541	**279,164,637**	265,936,725
Profit for the year	**35,200,247**	25,796,645	**43,595,067**	34,787,331
Other comprehensive income / (loss)	**54,350**	(18,198)	**(487,906)**	(160,343)
Total comprehensive income	**35,254,597**	25,778,447	**43,107,161**	34,626,988
Allocated to NCI	**16,774,313**	12,228,966	**21,369,923**	17,639,918

(iii) Summarized statement of cash flows

	HAPC		NAL	
	2023	2022	**2023**	2022
Cash flows from operating activities	**35,319,505**	11,932,954	**49,444,149**	29,308,524
Cash flows from investing activities	**377,970**	(14,613,949)	**(3,186,976)**	(7,578,799)
Cash flows from financing activities	**(30,360,350)**	(360,350)	**(35,156,024)**	(20,156,024)
Net change cash and cash equivalents	**5,337,125**	(3,041,345)	**11,101,149**	1,573,701

12.2 Investment in associate

During 2013, CMDC acquired 50% equity interest in Mars Chemical Marketing and Distribution Company Limited ("Mars-CMDC"), a limited liability company incorporated in Qatar under CR number 56892 issued on 12 Ramadan 1433 H (corresponding to 31 July 2012). Mars-CMDC is engaged in marketing and distribution of various chemicals, solvents, additives, catalysts, plastics, polymers and resins. During 2017, the Group recorded an impairment write-down on such investment equal to its carrying value amounting to Saudi Riyals 0.4 million. The Group has no obligation to provide any financial support to the associate beyond its investment amount. Accordingly, management has not recognized any share of loss during 2023 and 2022. The unrecognized share of loss from investment in Mars-CMDC, as of 31 December 2023 was Saudi Riyals 0.4 million. As at 31 December 2023, Mars-CMDC was not operational and had a dormant status.

(All amounts in Saudi Riyals unless otherwise stated)

13 PROPERTY, PLANT AND EQUIPMENT

	1 January	Additions	Impairment	Disposals	Transfers	31 December
2023						
Cost						
Land	**2,824,561**	**-**	**-**	**-**	**-**	**2,824,561**
Buildings and leasehold improvements	**432,733,627**	**3,560,407**	**-**	**(8,336,426)**	**-**	**427,957,608**
Plant and machinery	**895,198,658**	**13,344,636**	**-**	**(350,972,765)**	**5,220,920**	**562,791,449**
Furniture, fixtures and office equipment	**23,206,076**	**459,318**	**-**	**(14,611,572)**	**56,360**	**9,110,182**
Vehicles	**32,807,312**	**168,505**	**-**	**(3,123,079)**	**(5,100,480)**	**24,752,258**
Capital work-in-progress	**1,796,849**	**1,980,728**	**-**	**(237,745)**	**(176,800)**	**3,363,032**
	1,388,567,083	**19,513,594**	**-**	**(377,281,587)**	**-**	**1,030,799,090**
Accumulated depreciation and impairment						
Buildings and leasehold improvements	**(71,910,212)**	**(11,984,603)**	**-**	**7,989,423**	**-**	**(75,905,392)**
Plant and machinery	**(415,305,306)**	**(25,238,038)**	**(3,107,253)**	**344,757,049**	**(5,100,480)**	**(103,994,028)**
Furniture, fixtures and office equipment	**(19,955,072)**	**(716,214)**	**-**	**14,592,568**	**-**	**(6,078,718)**
Vehicles	**(28,906,401)**	**(856,948)**	**-**	**2,880,377**	**5,100,480**	**(21,782,492)**
	(536,076,991)	**(38,795,803)**	**(3,107,253)**	**370,219,417**	**-**	**(207,760,630)**
Net book value	**852,490,092**					**823,038,460**

(All amounts in Saudi Riyals unless otherwise stated)

13 PROPERTY, PLANT AND EQUIPMENT (continued)

	1 January	Additions	Disposals	Transfers	31 December
2022					
Cost					
Land	2,824,561	-	-	-	2,824,561
Buildings and leasehold improvements	101,779,529	9,829,464	-	321,124,634	432,733,627
Plant and machinery	444,888,461	2,365,795	(497,795)	448,442,197	895,198,658
Furniture, fixtures and office equipment	28,187,258	1,394,400	(187,462)	(6,188,120)	23,206,076
Vehicles	33,508,892	340,622	(816,711)	(225,491)	32,807,312
Capital work-in-progress	669,682,592	120,467,456	(13,671,295)	(774,681,904)	1,796,849
	1,280,871,293	134,397,737	(15,173,263)	(11,528,684)	1,388,567,083
Accumulated depreciation and impairment					
Buildings and leasehold improvements	(74,653,164)	(5,776,914)	-	8,519,866	(71,910,212)
Plant and machinery	(396,678,026)	(14,822,207)	42,749	(3,847,822)	(415,305,306)
Furniture, fixtures and office equipment	(26,497,682)	(403,676)	149,460	6,796,826	(19,955,072)
Vehicles	(28,725,099)	(1,057,816)	816,700	59,814	(28,906,401)
	(526,553,971)	(22,060,613)	1,008,909	11,528,684	(536,076,991)
Net book value	754,317,322				852,490,092

(a) Depreciation is charged to consolidated statement of profit or loss over the following estimated economic useful lives:

	Number of years
Buildings and leasehold improvements	25 - 40
Plant and machinery	10 - 25
Furniture, fixtures and office equipment	3 - 10
Vehicles	4 - 5

(All amounts in Saudi Riyals unless otherwise stated)

13 PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Depreciation is charged to consolidated statement of profit or loss as follows:

	Note	2023	2022
Cost of sales	**7**	**37,219,592**	20,204,864
Selling and marketing expenses	**8**	**398,258**	410,711
Distribution expenses	**9**	**845,488**	682,995
General and administrative expenses	**10**	**332,465**	447,488
Capital work-in-progress	**19**	**-**	314,555
		38,795,803	22,060,613

(c) Gross carrying amount of fully depreciated assets
The gross carrying amount of fully depreciated assets as at 31 December 2023 was Saudi Riyals 65.73 million (2022: Saudi Riyals 60.99 million).

(d) Plant constructed on leased land

- Building and plant facilities of CMDC are constructed on land leased under a renewable lease arrangement with the Royal Commission for Jubail and Yanbu for 25 Hijri years beginning from 17 Shaban 1422 H (corresponding to 3 November 2001); and
- Manufacturing facility of CMDC in Jubail is constructed on a land leased under a renewable lease agreement with Royal Commission for Jubail and Yanbu. The lease term is 30 Hijri years beginning from 21 Jumada Al Thani 1441H (corresponding to 16 February 2020) and carries an extension option for additional 10 Hijri years.

(e) Property, plant and equipment mortgaged as security

As at 31 December 2023, property, plant and equipment having carrying value of Saudi Riyals 757.74 million were mortgaged as security for long-term borrowing, also see note 22.

(f) Impairment loss

As explained in Note 1, management of the Group has considered volatile market situation as impairment indicator for a plant. Accordingly, management performed the recoverability assessment of the plant, considered as a separate CGU. As at 31 December 2023, the recoverable amount of the plant was lower than its carrying amount. The carrying amount, recoverable amount and resultant impairment loss were as follows:

	2023
Carrying amount of plant	**6,323,276**
Less: recoverable amount (value-in-use)	**3,216,023**
Impairment loss	**3,107,253**

The estimates and assumptions used the Group's management for the value-in-use calculations was as follows:
- Projected cash flows using approved business plan;
- Discount rate used was 8% based on implied market risk for Kingdom of Saudi Arabia;
- Growth rate of 2% was considered to project certain cash flows;
- Management has performed sensitivity analysis around the key estimates and assumptions and believes that:

    (a) A 1% change in discount rate will change the impairment loss by Saudi Riyals 0.13 million; and
    (b) A 1% change in growth rate will change the impairment loss by Saudi Riyals 0.32 million.

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

(All amounts in Saudi Riyals unless otherwise stated)

14 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

a) Amounts recognized in the consolidated statement of financial positions

Right-of-use assets	**1 January**	**Depreciation**	**Termination**	**31 December**
2023				
Warehouse	**619,543**	**(328,098)**	**(149,520)**	**141,925**
Office space	**387,212**	**(292,083)**	**-**	**95,129**
Accommodation	**46,706**	**(13,428)**	**-**	**33,278**
Lands	**14,658,709**	**(569,821)**	**-**	**14,088,888**
	15,712,170	**(1,203,430)**	**(149,520)**	**14,359,220**
2022				
Warehouse	1,026,162	(406,619)	-	619,543
Office space	689,023	(301,811)	-	387,212
Accommodation	76,268	(29,562)	-	46,706
Lands	15,297,574	(638,865)	-	14,658,709
	17,089,027	(1,376,857)	-	15,712,170

Lease liabilities	**Note**	**2023**	2022
As at 1 January		**15,040,111**	18,385,962
Finance cost	**11**	**577,968**	278,024
Deletion		**(156,288)**	-
Repayments		**(1,502,230)**	(3,623,875)
As at 31 December		**13,959,561**	15,040,111

	2023	2022
Non-current portion	**13,286,267**	13,362,487
Current portion	**673,294**	1,677,624
As at 31 December	**13,959,561**	15,040,111

b) Amounts recognized in consolidated statement of profit or loss and other comprehensive income

The consolidated statement of profit or loss shows the following amounts relating to leases in addition to depreciation on right-of-use assets and finance costs on lease liabilities which have been separately disclosed:

	2023	2022
Expenses relating to short-term leases	**1,146,633**	671,788

c) Details regarding the leasing activities of the Group

Rental contracts are typically made for fixed periods but may have extension options as explained in the summary of the accounting policies. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants. The incremental borrowing rate used by the Group for additions to lease liabilities and right-of-use assets was 3.67%

(All amounts in Saudi Riyals unless otherwise stated)

15 LONG-TERM INVESTMENT

Long-term investments represent investments made during 2022 in Sukuk issued by a Saudi commercial bank. These investments earn finance income at fixed coupon rate of 3.5% per annum. The initial maturity of this Sukuk falls due in 2027. Long-term investments are subsequently measured at amortized cost and therefore includes accrued finance income of Saudi Riyals 0.12 million (2022: 0.12 million).

16 DEFERRED TAX ASSET – NET

16.1 Deferred tax asset as at 31 December 2023 comprises of temporary differences attributable to:

Employee benefit obligations	**816,559**
Allowance for expected credit losses	**219,881**
Provision for inventory obsolescence	**148,522**
Lease liabilities	**(7,564)**
Property, plant and equipment	**(12,570)**
Deferred tax asset - net	**1,164,828**

16.2 Movement in deferred tax asset for the year ended 31 December 2023 is as follows:

As at 1 January	**-**
Tax income recognized in profit or loss (Note 28)	**1,164,828**
As at 31 December	**1,164,828**

17 INVENTORIES

	2023	2022
Raw materials	**52,756,652**	58,892,088
Finished products	**51,751,641**	67,025,240
Consumables spare parts and supplies not held for sale	**18,122,059**	20,158,742
Goods-in-transit	**-**	4,054,117
	122,630,352	150,130,187
Less: provision for inventory obsolescence	**(17,703,906)**	(20,081,320)
	104,926,446	130,048,867

Movement in provision for inventory obsolescence is as follows:

	Note	**2023**	2022
As at 1 January		**20,081,320**	17,204,046
Charge for the year	**7**	**4,730,204**	2,877,274
Write-offs		**(7,107,618)**	-
As at 31 December		**17,703,906**	20,081,320

(All amounts in Saudi Riyals unless otherwise stated)

18 TRADE AND OTHER RECEIVABLES

	Note	2023	2022
Trade receivables from third parties		**173,533,927**	148,880,003
Receivables from related parties	**29.3**	**4,677,749**	6,385,188
		178,211,676	155,265,191
Less: allowance for expected credit losses		**(10,374,045)**	(11,574,723)
Net trade receivables		**167,837,631**	143,690,468
Prepaid expenses		**9,283,598**	5,586,548
Advances to suppliers		**8,338,749**	14,718,515
Advance income tax		**6,215,202**	4,861,453
Due from employees		**1,480,018**	1,816,654
Value Added Tax (“VAT”) refundable		**-**	6,619,218
Other		**4,096,246**	315,274
		197,251,444	177,608,130

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables.

The expected loss rates are based on the payment profiles of sales over a period of 5 years before 31 December 2023 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the inflation rate to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Management considers trade receivables as default when they are past due over 1 year and are accordingly completely provided for (refer to Note 30.1 (c)). Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

Age analysis of gross carrying amount of trade receivables is as follows:

	2023	2022
Not due	**134,529,679**	105,452,325
0-90 days past due	**32,276,075**	26,786,341
91-180 days past due	**2,351,074**	11,693,903
181-270 days past due	**1,708,359**	5,067,197
271-365 days past due	**1,122,028**	204,845
Over 365 days past due	**6,224,461**	6,060,580
	178,211,676	155,265,191

Movement in the ECL allowance for trade receivables is as follows:

	Note	2023	2022
As at 1 January		**11,574,723**	12,387,735
Net impact ECL allowance recognized in profit or loss	**10**	**(351,636)**	(277,354)
Receivables written-off during the year as uncollectible		**(849,042)**	(535,658)
As at 31 December		**10,374,045**	11,574,723

(All amounts in Saudi Riyals unless otherwise stated)

18 TRADE AND OTHER RECEIVABLES (continued)

Trade receivables are written-off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to conclude a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 365 days past due. Where receivables have been written off, the Group continues to execute enforcement activities to attempt to recover the receivable due. Where recoveries are made, these are recognized in the consolidated statement of profit or loss.

The other classes within trade and other receivables do not contain impaired assets. The maximum exposure to credit risk at reporting date is the carrying amount of each receivable. The Group does not hold any collateral as security.

19 CASH AND CASH EQUIVALENTS

	2023	2022
Cash at banks	**89,368,063**	61,740,561
Cas in hand	**155,730**	219,823
	89,523,793	61,960,384

	Note	**2023**	2022
Supplemental non-cash investing and financing activities:			
Financial costs capitalized on the project	**13(b)**	**-**	6,531,453
Depreciation capitalized on the project	**22**	**-**	314,555

20 SHARE CAPITAL

The share capital of the Company as of 31 December 2023 and 2022 comprised of 27,500,000 shares stated at Saudi Riyals 10 per share.

21 STATUTORY RESERVE

In accordance with the Company's By-Laws, the Company is required to transfer 10% of the profit for the year to a statutory reserve until such reserve equals 30% of its share capital. This reserve is not available for distribution to the shareholders of the Company.

22 LONG-TERM BORROWINGS

	Note	**2023**	2022
Principal outstanding	**22.1**	**407,180,000**	361,200,000
Less: unamortized deferred grant	**23**	**(81,597,488)**	-
Less: unamortized portion of transaction cost		**(24,080,000)**	-
		301,502,512	361,200,000

Breakup of long-term borrowings is as follows:

	2023	2022
Loan from SIDF	**300,800,000**	-
Less: unamortized deferred grant	**(81,597,488)**	-
Less: unamortized portion of transaction cost	**(24,080,000)**	-
	195,122,512	-
Loan from a commercial bank	**106,380,000**	361,200,000
	301,502,512	361,200,000

22 LONG-TERM BORROWINGS (continued)

Borrowings are presented as follows:

	2023	2022
Non-current portion	**274,302,512**	321,900,000
Current portion	**27,200,000**	39,300,000
	301,502,512	361,200,000

Movements in borrowings are as follows:

	2023	2022
1 January	**361,200,000**	259,493,635
Proceeds from borrowings	**227,422,512**	102,300,000
Repayment of borrowings	**(287,120,000)**	-
Finance cost capitalized	**-**	6,531,453
Finance cost expense	**29,578,985**	6,141,611
Repayment of finance costs	**(29,578,985)**	(13,266,699)
31 December	**301,502,512**	361,200,000

During the year ended 31 December 2023, the Group obtained an interest free loan facility from Saudi Industrial Development Fund amounting to Saudi Riyals 376 million out of which Saudi Riyal 300.8 million has been received. Such facility is primarily given by SIDF to refinance an existing commercial loan. The loan is repayable in unequal semi-annual installments commencing from 2025 and the loan agreement includes certain financial and special covenants. The loan is secured against corporate guarantee by the Company covering complete amount of the loan and a mortgage over property, plant and equipment relating to Jubail project, also see Note 13.

The loan has an up-front fee of Saudi Riyals 30.1 million, out of which Saudi Riyals 24.08 million was deducted from loan proceeds received during the year. The interest free loan was discounted at the market rate and difference of the present value of loan and the proceeds received was recognized as government grant, see Note 23.

Current portion of long-term borrowings as at 31 December 2023, represent the amount drawn by the Group from facility from local bank in prior year. The loan is denominated in Saudi Riyals and bears financial charges based on fixed rates. There are no financial covenants applicable to the Company under such agreement with the bank.

22.1 Maturity profile

The maturity profile of the principal element of borrowings is as follows:

	2023	2022
Years ending 31 December:		
2023	**-**	39,300,000
2024	**27,200,000**	45,600,000
2025	**12,000,000**	49,600,000
2026	**28,000,000**	53,200,000
2027	**32,000,000**	56,800,000
2028	**32,000,000**	60,400,000
Afterwards	**275,980,000**	56,300,000
	407,180,000	361,200,000

(All amounts in Saudi Riyals unless otherwise stated)

23 DEFERRED GRANT

Deferred grant is presented as follows:

	2023	2022
Non-current portion	**71,342,285**	-
Current portion	**10,255,203**	-
	81,597,488	-

As stated in Note 22, the Group obtained an interest fee loan from Saudi Industrial Development Fund. The amount of deferred grant is recognized in income using effective interest rate method. As the loan was disbursed to the Group on 21 December 2023, therefore no income is recognized in the year ended 31 December 2023. Also see Note 1.

24 EMPLOYEE BENEFIT OBLIGATIONS

24.1 General description of the plan

The Group operates a benefit plan in line with the Labour Law requirements in the Kingdom of Saudi Arabia, for the Company and its local subsidiaries, and United Arab Emirates for its foreign subsidiary. The employees' benefits payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the Labour Laws relevant countries. Employee benefit plans are unfunded plans and the benefit payment obligation are met when they fall due upon termination of or resignation from employment. The latest valuation of employee benefit obligations under the projected unit credit method was carried out by an independent actuary as of 31 December 2023.

24.2 Movement in net liability recognized in the consolidated statement of financial position

	2023	2022
As at 1 January	**24,019,278**	35,332,477
Current service cost	**2,967,156**	2,986,240
Interest cost	**1,192,171**	849,085
Benefits paid	**(4,905,550)**	(12,356,947)
<u>Charged to other comprehensive income</u>		
Remeasurements of employee benefit obligations	**(563,301)**	(2,791,577)
As at 31 December	**22,709,754**	24,019,278

24.3 Amounts recognized in the consolidated statement of profit or loss and other comprehensive income

	2023	2022
Current service cost	**2,967,156**	2,986,240
Interest cost	**1,192,171**	849,085
Total amount recognized in profit or loss	**4,159,327**	3,835,325
Gain from change in demographic assumptions	**(748,737)**	(232,931)
(Gain) / loss from change in financial assumptions	**(7,227)**	188,652
Experience losses / (gains)	**192,663**	(2,747,298)
Total amount recognized in other comprehensive income	**(563,301)**	(2,791,577)

(All amounts in Saudi Riyals unless otherwise stated)

24 EMPLOYEE BENEFIT OBLIGATIONS (continued)

24.4 Key actuarial assumptions

	2023	2022
Discount rate	**4.70%**	4.70%
Salary growth rate	**4.70%**	4.70%
Retirement age	**60 years**	60 years

24.5 Sensitivity analysis for actuarial assumptions

	Change in assumption		**Impact on employee benefit obligations**	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	0.5%	**(726,296)**	**770,329**
Salary growth rate	0.5%	0.5%	**803,864**	**(764,721)**

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

24.6 Expected maturity analysis

The weighted average duration of the employee benefit obligations is 6.58 years (2022: 9.41 years). The expected maturity analysis of undiscounted post-employment benefits is as follows:

	Less than a year	**1 - 2 year**	**2 – 5 year**	**Over 5 year**	**Total**
31 December 2023	**2,055,921**	**4,244,501**	**8,815,461**	**18,842,400**	**33,958,283**
31 December 2022	1,533,511	3,888,047	5,608,209	20,829,727	31,859,494

25 DECOMMISSIONING LIABILITY

	Note	**2023**	2022
1 January		**6,060,864**	6,060,864
Finance cost expense	**11**	**242,435**	-
31 December		**6,303,299**	6,060,864

The Group has obligations to dismantle and remove items of property, plant and equipment and restore the location of Jubail project upon the end of lease contract. The decommissioning liabilities have been measured at the present value of expected costs to settle the obligation using discounted cash flows.

(All amounts in Saudi Riyals unless otherwise stated)

26 DERIVATIVE FINANCIAL INSTRUMENTS

During the year 2018, the Group entered into an agreement with a local commercial bank for derivative financial instruments to manage the exposure of volatility in interest rates with notional amount of Saudi Riyals 262 million, with no upfront premium. As at 31 December 2023, these derivative financial instrument agreements had negative fair values of Saudi Riyals 8.17 million (2022: Saudi Riyals 14.1 million).

27 TRADE AND OTHER PAYABLES

	Note	2023	2022
Trade payables		**43,686,858**	44,367,205
Retentions payable		**30,371,248**	32,774,008
Accrued expenses		**23,574,669**	37,807,550
Due to related parties	**29.4**	**18,451,768**	8,556,583
Value Added Tax ("VAT") payable		**3,920,708**	6,221,999
Advances from customers		**3,915,224**	5,835,058
Others		**5,753,693**	416,479
		129,674,168	135,978,882

28 ZAKAT AND INCOME TAX MATTERS

28.1 Components of approximate zakat base

The Group is subject to zakat and income tax in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"). Zakat is calculated based on combined zakat declaration for the Company and its wholly owned subsidiaries of 100% and separate zakat and tax declarations for partially owned subsidiaries. The significant components of the zakat base of each company under applicable zakat regulations principally comprise shareholders' equity, provisions at beginning of the year and adjusted net profit, less deduction for the net book value of property, plant and equipment and certain other items. In accordance with the regulations of the ZATCA, zakat is payable at 2.578% on all components of zakat base except for adjusted net profit for the year which is subject to zakat at the rate of 2.5%.

28.2 Provision for zakat and income taxes

	Zakat	Income tax	Total
As at 1 January 2023	**4,595,138**	**6,921,638**	**11,516,776**
Provisions for current year	**3,586,132**	**9,125,049**	**12,711,181**
Adjustments	**(985,668)**	**(2,355,372)**	**(3,341,040)**
Payments	**(3,702,857)**	**(3,872,785)**	**(7,575,642)**
As at 31 December 2023	**3,492,745**	**9,818,530**	**13,311,275**
As at 1 January 2022	**5,561,817**	**2,527,416**	8,089,233
Provisions for current year	**3,942,472**	**5,695,615**	9,638,087
Adjustments	**(1,367,696)**	**1,261,067**	(106,629)
Payments	**(3,541,455)**	**(2,562,460)**	(6,103,915)
As at 31 December 2022	**4,595,138**	**6,921,638**	11,516,776

28.3 Tax expense charged for the year

	2023	2022
Current tax expense	**9,125,049**	5,695,615
Deferred tax income	**(1,164,828)**	-
	7,960,221	5,695,615

(All amounts in Saudi Riyals unless otherwise stated)

28 ZAKAT AND INCOME TAX MATTERS (continued)

28.4 Numerical reconciliation of income tax expense to prima facie tax payable

	2023	2022
Profit before zakat and income taxes	**55,531,138**	80,033,474
Tax at Kingdom of Saudi Arabia tax rate of 20%	**11,106,228**	16,006,695
Less: Tax effect of amount subject to zakat	**(1,820,855)**	(3,125,526)
Less: Others	**(1,325,152)**	(7,185,554)
Income tax expense	**7,960,221**	5,695,615

28.5 Status of final assessments

(a) Basic Chemicals Industries (BCI)

ZATCA has finalized the zakat assessments for BCI for the years through 2010 which have been agreed by BCI.

For the years 2011 to 2015, the ZATCA had issued assessments for BCI for an additional zakat liability of Saudi Riyals 12.9 million. BCI has filed an appeal with the ZATCA requesting them to issue revised assessments based on their contentions in such appeals and correction of material errors. During 2019, ZATCA issued revised additional assessments for the years 2011 and 2015, partially accepting BCI's contentions and accordingly, reduced the additional zakat liability from Saudi Riyals 12.9 million to Saudi Riyals 3.2 million. Upon the request of BCI, the case was transferred to General Secretariat of Tax Committees ("GSTC") in respect of the matters not accepted by the ZATCA. BCI's management believes that no additional zakat liability will arise upon finalization of the appeal.

For the years 2016 to 2020, the ZATCA issued assessments for BCI with an additional zakat liability of Saudi Riyals 0.7 million. BCI has accepted such additional assessment and settled the amount.

(b) National Adhesives Company Limited (NAL)

For the years 2015 to 2018, the ZATCA issued assessments with an additional zakat liability of Saudi Riyals 11.1 million. NAL filed appeals with the ZATCA and Tax Appellate Committees wherein the Appellate Committee decided certain matters in the favour of the Company. The Company is still waiting for the issuance of an amended assessment by ZATCA in this regard. For years 2019-2022 no assessments have been received.

(c) Chemical Marketing and Distribution Company Limited (CMDC)

For the years 2016 to 2017, the ZATCA issued assessments with an additional zakat liability of Saudi Riyals 2.1 million. CMDC has filed an appeal with the ZATCA requesting them to issue revised assessment based on their contentions in such appeals and correction of material errors. CMDC's management believes that no additional zakat liability will arise upon finalization of the appeal. For the year 2018, the ZATCA issued assessments for CMDC with an additional zakat liability of Saudi Riyals 0.025 million. CMDC has accepted such additional assessment and settled the amount. For the years 2019 to 2020, no assessments have been received.

(d) Huntsman APC (HAPC)

For the years 2015 to 2020, the ZATCA issued assessments with an additional zakat and tax liabilities and accepted and settled. For the year 2021, no zakat and tax assessments have been received.

ZATCA has issued zakat and income tax assessments related to the remaining entities for certain years before the year these entities become branches which have been agreed by these companies. Zakat and income tax assessments for certain years are currently under review by ZATCA. The subsidiaries have received the respective zakat and income tax certificates for the years through 2021.

(All amounts in Saudi Riyals unless otherwise stated)

29 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties comprise the significant shareholders, directors and key management personnel. Related parties also include business entities in which certain directors or senior management have an interest ("other related parties").

29.1 Related parties' transactions

The prices and terms of the transactions were approved by the Board of Directors of the Company. Significant transactions during the year with related parties are as follows:

Nature of related parties	Nature of transaction	2023	2022
Associated companies	Sales of goods to related parties	**21,095,022**	23,421,839
Associated companies	Purchases from other related parties	**45,038,097**	74,670,310
Associated companies	Royalty charged by a related party	**10,827,403**	9,739,985

29.2 Key management personnel compensation

	2023	2022
Salaries and other short-term employee benefits	**5,776,349**	7,983,362
Employee benefit obligations	**241,467**	1,182,569
	6,017,816	9,165,931

29.3 Amounts due from related parties

	2023	2022
Henkel Adhesives Limited and its affiliates	**4,677,749**	6,385,188

29.4 Amounts due to related parties

	2023	2022
Huntsman and its affiliates	**13,002,912**	-
Henkel Adhesives Limited and its affiliates	**5,448,856**	8,556,583
	18,451,768	8,556,583

30 FINANCIAL RISK MANAGEMENT

30.1 Financial risk factors

The Group's activities expose it to a variety of financial risks including the effects of changes in market risk (including foreign currency risk, fair value and cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the difficulty of the predictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the management under policies approved by the Board of Directors of the Company.

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

(All amounts in Saudi Riyals unless otherwise stated)

30 FINANCIAL RISK MANAGEMENT (continued)

30.1 Financial risk factors (continued)

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is responsible for developing and monitoring the Group's risk management policies.

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

Where all relevant criteria are met, hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item. This will effectively result in recognizing interest expense at a fixed interest rate for the hedged floating rate loans at the fixed foreign currency rate for the hedged purchases, when applicable.

(a) Derivatives

The Group has the following derivative financial instruments in the following line items in the consolidated statement of financial position:

	2023	2022
Non-current liabilities		
Derivative financial instruments - interest rate swap	**8,167,564**	14,144,528

Following are the details of the interest swap arrangement:

Effective date	**Maturity date**	**Notional amount**	**Weighted average hedge rate for the year**
31 December 2021	31 December 2026	262,000,000	3.50%

(i) Classification of derivatives

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as 'held for trading' for accounting purposes and are accounted for at fair value through profit or loss. They are currently presented as non-current liabilities.

The Group's accounting policy for its derivative financial instruments is set out in Note 3.7.3. Further information about the derivatives used by the Group is provided in Note 30.1(b)(ii) below.

(ii) Fair value measurement

For information about the methods and assumptions used in determining the fair value of derivates, see Note 4.

(iii) Amounts recognized in consolidated statement of profit or loss

	2023	2022
Fair value gain on derivative financial instrument - interest rate swap	**5,976,964**	8,355,473

30 FINANCIAL RISK MANAGEMENT (continued)

30.1 Financial risk factors (continued)

(b) Market risk

(i) Foreign 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's transactions are principally in Saudi Riyals ("SR"), United States Dollars ("USD"), United Arab Emirates Dirhams ("AED") and Euros ("EUR"). Since SR is pegged to USD and AED, management of the Group believes that the currency risk for the financial instruments related to USD and AED is not significant.

The Group's exposure to foreign currency risk in respect of EUR at the end of the reporting period, expressed in Saudi Riyals, was as follows:

	2023	2022
Trade and other receivables	**9,544,210**	9,379,836
Trade and other payables	**5,146,005**	3,186,737

At 31 December 2023, if the EUR to Saudi Riyals exchange rate increased/decreased by 1%, profit for the year would have been higher/ lower by Saudi Riyals 0.44 million (2022: 0.62 million).

(ii) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As disclosed in Note 22, as at 31 December 2023, the Group has interest bearing bank borrowings of Saudi Riyals 106.38 (2022: Saudi Riyals 361.20 million).

The Group's management monitors the fluctuations in interest rates on regular basis however, as at 31 December 2023, the Group is not exposed to any fair value or cashflow interest rate risk considering its long-term borrowings carry financial charges at fixed rates.

The swap contracts require settlement of net interest receivable or payable at last business day of every quarter ending 31 March, 30 June, 30 September and 31 December. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

(iii) Price risk

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

(c) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from cash and cash equivalents as well as credit exposures to customers, including outstanding amounts from related parties and committed transactions.

With respect to exposures with banks, management considers the credit risk exposure to be minimal as the Group deals with reputed local banks only. Management does not expect any losses from non-performance by these counterparties.

(All amounts in Saudi Riyals unless otherwise stated)

30 FINANCIAL RISK MANAGEMENT (continued)

30.1 Financial risk factors (continued)

(c) Credit risk (continued)

The Group has established credit policies and procedures that are considered appropriate and commensurate with the nature and size of receivables. Details of how credit risk relating to trade receivables is managed is disclosed in Note 18.

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The loss allowance provision is determined as follows; the expected credit losses below also incorporate forward looking information:

31 December 2023	**Expected loss rate**	**Gross carrying amount**	**Loss allowance Provision**
Not due	**0.23%**	**134,529,679**	**302,799**
0-90 days past due	**0.24%**	**32,276,075**	**76,999**
91-180 days past due	**5.57%**	**2,351,074**	**130,982**
181-270 days past due	**4.51%**	**1,708,359**	**76,985**
271-365 days past due	**100.00%**	**1,122,028**	**1,122,028**
Over 365 days	**100.00%**	**6,224,461**	**6,224,461**
Specific default allowance	**100.00%**	**-**	**2,439,791**
		178,211,676	**10,374,045**

31 December 2022	Expected loss rate	Gross carrying amount	Loss allowance provision
Not due	0.34%	105,452,325	355,944
0-90 days past due	0.34%	26,786,341	91,202
91-180 days past due	1.09%	11,693,903	127,051
181-270 days past due	3.03%	5,067,197	153,611
271-365 days past due	100.00%	204,845	204,845
Over 365 days	100.00%	6,060,580	6,060,580
Specific default allowance	100.00%	-	4,581,490
		155,265,191	11,574,723

At 31 December 2023, 11.7% of trade receivables were due from one customer (2022: 19.8% from one customer). Management believes that this concentration of credit risk is mitigated as the customer has an established track record of regular and timely payments. Credit risk on related parties is considered minimal as management monitors and reconciles amounts due from related parties on a regular basis and recoverability is not considered to be doubtful.

Major classification of trade receivable as at 31 December was as follows:

	2023		2022	
	Amount	**%**	Amount	%
Corporates	**165,208,073**	**95**	139,913,610	94
Government related entities	**8,325,854**	**5**	8,966,393	6
	173,533,927	**100**	148,880,003	100

(All amounts in Saudi Riyals unless otherwise stated)

30 FINANCIAL RISK MANAGEMENT (continued)

30.1 Financial risk factors (continued)

(d) Liquidity risk

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

The Group considers the maturity of both its financial investments and financial assets (e.g. trade receivables, other financial assets) and projected cash flows from operations including access to borrowing facilities. This excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disaster.

The cash flows, funding requirements and liquidity of Group companies are monitored on a centralized basis, under the control of Group Treasury. The objective of this centralized system is to optimize the efficiency and effectiveness of the management of the Group's capital resources.

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

	Less than one year	**1 to 3 years**	**3 to 5 years**	**More than 5 years**	**Total**
2023					
Interest bearing					
Long-term borrowings	**27,200,000**	**72,000,000**	**68,800,000**	**239,180,000**	**407,180,000**
Lease liabilities	**899,950**	**2,699,850**	**2,699,850**	**17,999,000**	**24,298,650**
Non-interest bearing					
Trade and other payables	**92,509,874**	**-**	**-**	**-**	**92,509,874**
	120,609,824				**523,988,524**

	Less than one year	1 to 3 years	3 to 5 years	More than 5 years	Total
2022					
Interest bearing					
Long-term borrowings	39,300,000	148,400,000	173,500,000	-	361,200,000
Lease liabilities	1,280,093	2,699,850	2,699,850	18,898,950	25,578,743
Non-interest bearing					
Trade and other payables	85,697,796	-	-	-	85,697,796
	126,277,889				472,476,539

(All amounts in Saudi Riyals unless otherwise stated)

30 FINANCIAL RISK MANAGEMENT (continued)

30.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's 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. Borrowings comprise long-term borrowings from a commercial bank and SIDF. Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio which is analyzed as follows:

	2023	2022
Total equity	**674,161,070**	690,981,704
Long-term borrowings	**301,502,512**	361,200,000
Total	**975,663,582**	1,052,181,704
Gearing ratio	**30.90%**	34.33%

The management and Board of Directors do not consider lease liabilities for the purpose of calculating gearing ratio.

30.3 Net debt reconciliation

The net debt of the Group is as follows:

	2023	2022
Cash and cash equivalents	**89,523,793**	61,960,384
Lease liabilities	**(13,959,561)**	(15,040,111)
Long-term borrowings	**(301,502,512)**	(361,200,000)
Net debt	**(225,938,280)**	(314,279,727)

The Group's net debt reconciliation is as follows:

	1 January	Cashflows	Others	31 December
2022				
Cash and cash equivalents	**61,960,384**	**27,563,409**	**-**	**89,523,793**
Lease liabilities	**(15,040,111)**	**1,502,230**	**(421,680)**	**(13,959,561)**
Long-term borrowings	**(361,200,000)**	**59,697,488**	**-**	**(301,502,512)**
	(314,279,727)	**88,763,127**	**(421,680)**	**(225,938,280)**
2022				
Cash and cash equivalents	71,364,737	(9,404,353)	-	61,960,384
Lease liabilities	(18,385,962)	3,623,875	(278,024)	(15,040,111)
Long-term borrowings	(259,493,635)	(102,300,000)	593,635	(361,200,000)
	(206,514,860)	(108,080,478)	315,611	(314,279,727)

30.4 Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk. The Group has an established control framework with respect to the measurement of fair values. Management has overall responsibility for overseeing all significant fair value measurements. Management regularly reviews significant unobservable inputs and valuation adjustments.

As at 31 December 2023 and 2022, the face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate to their fair values. The fair values of the non-current financial assets and liabilities are considered to approximate to their carrying amounts as these carry interest rates which are based on market interest rates.

(All amounts in Saudi Riyals unless otherwise stated)

31 FINANCIAL INSTRUMENTS

The accounting policies for financial instruments have been applied to the line items below:

	2023	2022
Assets as per consolidated statement of financial position		
Long-term investment	**21,122,500**	21,122,500
Trade and other receivables	**167,837,631**	143,690,468
Cash and cash equivalents	**89,523,793**	61,960,384
Total	**278,483,924**	226,773,352
Liabilities as per consolidated statement of financial position		
Long-term borrowings	**301,502,512**	361,200,000
Lease liabilities	**13,959,561**	15,040,111
Decommissioning liability	**6,303,299**	6,060,864
Derivative financial instruments	**8,167,564**	14,144,528
Trade and other payables	**92,509,874**	85,697,796
Total	**422,442,810**	482,143,299

At 31 December 2023, for the purpose of the financial instruments' disclosure, non-financial assets and non-financial liabilities amounting to Saudi Riyals 29.41 million and Saudi Riyals 37.16 million, respectively (2022: Saudi Riyals 33.92 million and Saudi Riyals 50.28 million, respectively) have been excluded from trade and other receivables and trade and other payables, respectively.

32 BASIC AND DILUTED EARNINGS PER SHARE

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

	2023	2022
Profit attributable to the shareholders of BCI	**5,518,143**	40,432,242
Ordinary shares for basic and diluted earnings per share	**27,500,000**	27,500,000
Basic and diluted earnings per share	**0.20**	1.47

33 CONTINGENCIES AND COMMITMENTS

The Group was contingently liable at 31 December 2023 for bank guarantees issued in the normal course of business amounting to Saudi Riyals 12.82 million (2022: Saudi Riyals 10.6 million). Also see Note 28 for income tax and zakat contingencies.

(All amounts in Saudi Riyals unless otherwise stated)

34 RECLASSIFICATION AND REARRANGEMENTS

Corresponding figures have been rearranged and reclassified, wherever considered necessary, to conform with current year's presentation. Major reclassifications have been made primarily relating to presentation of distribution expenses separately, see below:

Reclassified from	Reclassified to	2022
Selling and marketing expenses	Distribution expenses	22,649,303
General and administrative expenses	Distribution expenses	12,154,180
Selling and marketing expenses	Cost of sales	3,231,558

35 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the management of the Group on 14 Ramadan 1445H (corresponding to 24 March 2024).