NATIONAL INDUSTRIALIZATION COMPANY
(A Saudi Joint Stock Company)

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

NATIONAL INDUSTRIALIZATION COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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

Report on the audit of the consolidated financial statements

Our opinion

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

What we have audited

The Group's consolidated financial statements comprise:

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

Basis for opinion

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

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

Independence

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

Our audit approach

Overview

Key Audit Matters	• Acquisition of Saudi Acrylic Polymers Company ("SAPCO") and Evonik Tasnee Marketing ("ETM")
	• Valuation of property, plant and equipment, Projects under progress and investments in equity accounted associates and joint ventures

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

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

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

Our audit approach (Continued)

Key audit matters

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

Key audit matter	How our audit addressed the Key audit matter

Acquisition of Saudi Acrylic Polymers Company ("SAPCO") and Evonik Tasnee Marketing ("ETM")
 	
The Group acquired a 100% equity interest during the year in an existing joint venture and an associate which are considered as linked and accounted for as a single transaction. The net consideration received was Saudi Riyals 10 million for acquisition of identifiable net assumed liabilities with preliminary fair values of Saudi Riyals 502 million. The transaction resulted in recognition of a net provisional goodwill amounting to Saudi Riyals 492 million.
 	
The acquisition was accounted for in accordance with IFRS 3 'Business Combinations', that is endorsed in the Kingdom of Saudi Arabia. As required by IFRS 3, the Group has accounted for the acquisition based on provisional fair values of the acquired assets and assumed liabilities as at the acquisition date. Goodwill has been provisionally allocated to a group of CGUs within the Petrochemical operating segment, which is expected to benefit from the synergies of the acquisitions. Adjustment to the provisional values will be finalised within 12 months of the date of acquisition as allowed by the IFRS.
 	
IAS 36 'Impairment of assets', that is endorsed in the Kingdom of Saudi Arabia, requires goodwill and indefinite-lived intangible assets to be tested annually, irrespective of whether there is any indication of impairment.
 	
Management performed an assessment of recoverability of the goodwill. The recoverable amounts were determined based on value-in-use calculations derived using discounted cash flow models. The models were based on the most recent financial plans and included 5 years projection periods with terminal values assumed thereafter. The exercise performed resulted in the impairment of goodwill amounting to SR 226 million which is recognised in the consolidated statement of profit or loss.
 	
We considered this to be a key audit matter given the significant estimates involved in determining recoverable amounts and the uncertainty inherent in the underlying forecasts and assumptions.
 	
Refer to Note 5.11 to the consolidated financial statements for the accounting policy relating to the impairment of goodwill, Note 6 for the disclosure of significant accounting judgements, estimates and assumptions, Note 11 and Note 45 for the disclosures of matters related to business combinations and goodwill.
	We performed the following procedures:
	
	- Read the share purchase agreements and tested the appropriateness of the accounting of purchase consideration and resulting provisional goodwill.
	- Assessed how management had identified the acquired assets and assumed liabilities and how they had determined the provisional fair values.
	- Checked the appropriateness of management's provisional allocation of goodwill to the group of the relevant cash-generating units, based on the requirements of IAS 36 'Impairment of assets', that is endorsed in the Kingdom of Saudi Arabia.
	- Checked the consistency of certain unobservable inputs underlying the 5 years cash flows such as expected product prices, EBITDA margins and development costs with approved business plans.
	- Where applicable, evaluated the reasonableness of approved business plans by comparison to historical results.
	- With input from internal valuation experts, we performed the following procedures on management's valuation models, as deemed appropriate:
	  • Performed sensitivity analyses over assumptions used in the calculation of the value-in-use in order to determine the key assumptions to focus on and to assess the potential impact of a range of possible outcomes;
	  • Assessed the reasonableness of the methodology used to determine the value-in-use including the methodology used to determine the terminal values;
	  • Evaluated the reasonableness of the discount rates and terminal growth rates used by cross-checking the underlying assumptions against observable market data; and
	  • Checked the mathematical accuracy of the discounted cash flow models used in the calculation of the value-in-use.
	- Considered the appropriateness of the related accounting policies and disclosures in the consolidated financial statements.

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

Key audit matters (continued)

Key audit matter	How our audit addressed the Key audit matter
Valuation of property, plant and equipment, Projects under progress and investments in equity accounted associates and joint ventures At 31 December 2023, the Group had property, plant and equipment of Saudi Riyals 3,819 million, projects under progress of Saudi Riyals 398 million and investments in equity accounted associates and joint ventures of Saudi Riyals 11,262 million. Management performs an assessment at each reporting period to consider whether there are any events or circumstances (impairment triggers) that indicate that the carrying amounts of these assets, or cash generating unit (CGUs) may not be recoverable. If any such indication exists, management estimates the recoverable amounts of the relevant assets, or the CGUs to record the related impairment charge. The determination of the recoverable amounts, being the higher of value-in-use and fair value less costs of disposal, requires management to identify and then estimate the recoverable amounts of the assets or the CGUs to which the assets belong. Recoverable amounts, in case of value-in-use, are based on management's view of key inputs such as future business growth in the forecasted period as well as the external market conditions, terminal growth rates and the most appropriate discount rates. Specific assets, or the CGUs to which the assets belong, where management identified the impairment indicators and where we focused our audit procedures included the following: - In respect of one of the equity accounted associates - Tronox, the Group has determined that the recoverable amount was higher than the carrying value resulting in no impairment loss being recognized in the consolidated financial statements as at 31 December 2023. - In respect of property plant and equipment and projects under progress - Slagger plant, the Group has determined that the recoverable amount approximates carrying value resulting in no impairment loss being recognized in the consolidated financial statements as at 31 December 2023. We considered this to be a key audit matter given the judgement involved in identifying impairment triggers and the complexity inherent in estimating the recoverable amount of these assets. Refer to Note 5.11 to the consolidated financial statements for the accounting policy relating to the impairment of these assets, Note 6 for the disclosure of significant accounting judgements, estimates and assumptions, Note 8, Note 9 and Note 12.1.1 for the disclosures of matters related to impairment considerations of the respective assets, or the CGUs.	We performed the following procedures: - Assessed reasonableness of management's identification of impairment indicators, which includes evaluating the design and implementation of key controls over the impairment assessment processes comprising impairment indicators identification and the estimation of recoverable amounts of the assets, or the CGUs where impairment indicators have been identified. - For the value-in-use models we assessed the methodology used by management to estimate the value-in-use along with the appropriateness of the input data used in the discounted cash flow models. - Tested reasonableness of the key assumptions used in the discounted cash flow model such as EBITDA margins which have been estimated based on third parties' forecasts for the industry and consideration of historical results. - With input from internal valuation experts, we performed the following procedures on management's valuation models, as deemed appropriate: • Assessed the reasonableness of the methodology used in the calculation of the value-in-use; • Performed sensitivity analyses over assumptions used in the calculation of the value-in-use in order to determine the key assumptions to focus on and to assess the potential impact of a range of possible outcomes; • Evaluated the reasonableness of the discount rates and terminal growth rates used by cross-checking the underlying assumptions against observable market data; and • Checked the mathematical accuracy of the discounted cash flow models used in the calculation of the value-in-use. - Considered the appropriateness of the related accounting policies and disclosures in the consolidated financial statements.

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

Other information

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

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

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

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

Those charged with governance, i.e., the Audit Committee, is responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

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

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

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

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

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

PricewaterhouseCoopers

Waleed A. Alhidiri
License No. 559

05 March 2023

NATIONAL INDUSTRIALIZATION COMPANY
(A Saudi Joint Stock Company)
Consolidated Statement of Financial Position
As at 31 December 2023
(All amounts in SR'000 unless otherwise stated)

	Note	2023	2022
ASSETS			
Non-current assets			
Property, plant and equipment	8	**3,819,191**	2,638,653
Projects under progress	9	**397,849**	1,602,376
Right-of-use assets	10	**156,366**	159,378
Intangible assets	11	**383,754**	96,045
Investments in equity accounted associates and joint ventures	12	**11,261,692**	11,764,509
Investments in financial assets designated as FVOCI	13	**1,029,030**	1,095,648
Investments in debt securities	14	**125,992**	102,140
Other non-current assets	15	**932,643**	890,550
Total non-current assets		**18,106,517**	18,349,299
Current assets			
Inventories	16	**751,023**	759,832
Accounts receivable	17	**1,253,057**	1,223,422
Prepayments and other current assets	18	**755,400**	554,070
Short term investments	19	**680,000**	935,500
Cash and bank balances	20	**3,835,581**	2,835,779
Total current assets		**7,275,061**	6,308,603
Total assets		**25,381,578**	24,657,902
EQUITY AND LIABILITIES			
Equity			
Share capital	21	**6,689,142**	6,689,142
Statutory reserve	22	**1,574,243**	1,556,786
Other reserves	23	**(523,344)**	(383,343)
Retained earnings		**1,909,478**	1,752,367
Equity attributable to the equity holders of parent		**9,649,519**	9,614,952
Non-controlling interests	24	**2,538,599**	2,780,479
Total equity		**12,188,118**	12,395,431
Liabilities			
Non-current liabilities			
Long-term borrowings	25	**4,301,366**	4,514,563
Employee benefits obligations	26	**576,858**	506,687
Lease liabilities	27	**148,234**	151,752
Other non-current liabilities	28	**1,154,847**	1,641,373
Total non-current liabilities		**6,181,305**	6,814,375
Current liabilities			
Long-term borrowings - current portion	25	**2,165,866**	1,327,922
Lease liabilities - current portion	27	**23,221**	22,284
Accounts payable	29	**2,053,978**	1,414,189
Accruals, provisions and other current liabilities	30	**1,625,157**	1,716,954
Zakat and income tax payable	31	**1,143,933**	966,747
Total current liabilities		**7,012,155**	5,448,096
Total liabilities		**13,193,460**	12,262,471
Total equity and liabilities		**25,381,578**	24,657,902

Chief Financial Officer	Chief Executive Officer	Authorized Board Member

The accompanying notes from (1) to (48) form an integral part of these consolidated financial statements.

NATIONAL INDUSTRIALIZATION COMPANY
(A Saudi Joint Stock Company)
Consolidated Statement of Profit or Loss
For the year ended 31 December 2023
(All amounts in SR'000 unless otherwise stated)

	Note	2023	2022
Revenue	32	**3,566,959**	3,882,862
Cost of revenue	33	**(3,202,483)**	(3,018,573)
Gross profit		**364,476**	864,289
Selling and distribution expenses	34	**(184,490)**	(169,462)
General and administrative expenses	35	**(258,733)**	(323,679)
Impairment of non-financial assets	8, 9, 11 & 45	**(226,000)**	(256,077)
Reversal of impairment of financial assets, net	12, 15, 17 & 30	**56,853**	58,981
Share of net profit from associates and joint ventures, net	12	**661,781**	1,146,731
Operating profit		**413,887**	1,320,783
Other income, net	36	**185,009**	178,220
Finance costs	37	**(360,068)**	(278,730)
Finance income	37	**237,047**	152,403
Profit before zakat and income tax		**475,875**	1,372,676
Zakat and income tax	31	**(255,017)**	(286,962)
Profit for the year		**220,858**	1,085,714
Attributable to:			
Equity holders of parent		**174,568**	666,346
Non-controlling interests	24	**46,290**	419,368
		220,858	1,085,714
Basic and diluted earnings per share (SR)	38		
From operating profit		**0.62**	1.97
From profit attributable to equity holders of parent		**0.26**	1.00

Chief Financial Officer	Chief Executive Officer	Authorized Board Member

The accompanying notes from (1) to (48) form an integral part of these consolidated financial statements.

NATIONAL INDUSTRIALIZATION COMPANY
(A Saudi Joint Stock Company)
Consolidated Statement of Comprehensive Income
For the year ended 31 December 2023
(All amounts in SR'000 unless otherwise stated)

	Note	2023	2022
Profit for the year		**220,858**	1,085,714
Other comprehensive (loss) / income			
Items that may be reclassified to profit or loss in subsequent periods:			
Cash flow hedge reserve	23	**(6,889)**	45,077
Share of other comprehensive income from associates and joint ventures, net	23	**3,574**	10,875
Total items that may be reclassified to profit or loss in subsequent periods		**(3,315)**	55,952
Items that will not be reclassified to profit or loss in subsequent periods:			
Re-measurement of defined benefit plans	23, 26	**(31,812)**	40,021
(Loss) / gain from investments in financial assets designated as FVOCI	13, 23	**(66,618)**	208,553
Share of other comprehensive loss from associates and joint ventures, net	23	**(47,632)**	(72,228)
Total items that will not be reclassified to profit or loss in subsequent periods		**(146,062)**	176,346
Total other comprehensive (loss) / income for the year		**(149,377)**	232,298
Total comprehensive income for the year		**71,481**	1,318,012
Attributable to:			
Equity holders of Parent		**34,567**	909,678
Non-controlling interests		**36,914**	408,334
		71,481	1,318,012

Chief Financial Officer

Chief Executive Officer

Authorized Board Member

The accompanying notes from (1) to (48) form an integral part of these consolidated financial statements

NATIONAL INDUSTRIALIZATION COMPANY
(A Saudi Joint Stock Company)
Consolidated Statement of Changes in Equity
For the year ended 31 December 2023
(All amounts in SR'000 unless otherwise stated)

	Attributable to the equity holders of parent						
	Share capital (note 21)	**Statutory reserve (note 22)**	**Other reserves (note 23)**	**Retained earnings**	**Total shareholders' equity**	**Non-controlling interests (note 24)**	**Total equity**
As at 1 January 2022	6,689,142	1,490,151	(586,603)	1,109,374	8,702,064	2,860,844	11,562,908
Profit for the year	-	-	-	666,346	666,346	419,368	1,085,714
Other comprehensive income / (loss)	-	-	243,332	-	243,332	(11,034)	232,298
Total comprehensive income for the year	-	-	243,332	666,346	909,678	408,334	1,318,012
Acquisition of non- controlling interest (note 1.1)	-	-	3,210	-	3,210	(4,210)	(1,000)
Transfer on disposal of investment at FVOCI	-	-	(43,282)	43,282	-	-	-
Transfer to statutory reserve	-	66,635	-	(66,635)	-	-	-
Dividend paid by subsidiaries to non-controlling interests	-	-	-	-	-	(484,489)	(484,489)
As at 31 December 2022	**6,689,142**	**1,556,786**	**(383,343)**	**1,752,367**	**9,614,952**	**2,780,479**	**12,395,431**
Profit for the year	-	-	-	174,568	174,568	46,290	220,858
Other comprehensive loss	-	-	(140,001)	-	(140,001)	(9,376)	(149,377)
Total comprehensive (loss) / income for the year	-	-	(140,001)	174,568	34,567	36,914	71,481
Transfer to statutory reserve	-	17,457	-	(17,457)	-	-	-
Dividend paid by subsidiaries to non-controlling interests	-	-	-	-	-	(278,794)	(278,794)
As at 31 December 2023	**6,689,142**	**1,574,243**	**(523,344)**	**1,909,478**	**9,649,519**	**2,538,599**	**12,188,118**

Chief Financial Officer

Chief Executive Officer

Authorized Board Member

The accompanying notes from (1) to (48) form an integral part of these consolidated financial statements.

NATIONAL INDUSTRIALIZATION COMPANY
(A Saudi Joint Stock Company)
Consolidated Statement of Cash Flows
For the year ended 31 December 2023
(All amounts in SR'000 unless otherwise stated)

	Note	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before zakat and income tax		**475,875**	1,372,676
Adjustments *for:*			
Depreciation and amortization	8,11	**204,450**	212,476
Right-of-use assets deprecation	10	**21,271**	19,348
Amortization of deferred settlement income	28.1	**(18,936)**	(18,933)
Impairment of non-financial assets	8, 9	**-**	234,386
Impairment of goodwill	11	**226,000**	21,691
Price differential obligations to a joint venture	36	**-**	(25,472)
Share of net profit from equity accounted associates and joint ventures	12	**(661,781)**	(1,146,731)
Provision for slow moving inventories	16	**17,513**	676
Reversal of impairment of financial assets	12,15,17 & 30	**(56,853)**	(58,981)
Employee benefits expenses	26	**28,799**	27,010
Bonus shares in lieu of dividend	13	**-**	(1,577)
Interest income on Sukuk		**(5,839)**	-
Finance costs	37	**360,068**	278,730
Finance income	37	**(237,047)**	(152,403)
Changes in operating assets and liabilities:			
Other non-current assets	15	**40,806**	36,267
Inventories	16	**99,669**	(61,005)
Accounts receivables	17	**(93,033)**	458,245
Prepayments and other current assets	18	**(69,242)**	123,905
Other non-current liabilities	28	**(40,356)**	(117,924)
Accounts payables	29	**30,406**	(474,480)
Accruals, provisions and other current liabilities	30	**(56,469)**	192,143
Cash generated from operations		**265,301**	920,047
Employee benefits paid	26	**(37,870)**	(31,157)
Zakat and income tax paid	31	**(77,831)**	(84,879)
Net cash generated from operating activities		**149,600**	804,011
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	8	**(31,139)**	(20,220)
Proceeds from disposal of property, plant and equipment	8	**240**	3,339
Additions to projects under progress	9	**(28,940)**	(123,978)
Additions to intangible assets	11	**(15,862)**	(22,666)
Proceeds from disposal of investment in equity instruments designated as FVOCI	13	**-**	55,812
Investments in debt securities	14	**(25,000)**	(100,000)
Short term investments	19	**255,500**	(935,500)
Interest income received		**173,791**	51,065
Dividends received	12	**1,241,909**	1,626,103
Acquisition of non-controlling interests		**-**	(1,000)
Net cash acquired on acquisition	45 & 20	**381,837**	-
Repayment of advance by a joint venture	39.4	**30,000**	-
Additions to long term interests in joint ventures	12	**(206,861)**	-
Outflow relating to restricted cash *	20	**-**	(181,421)
Net cash generated from investing activities *	20.3	**1,775,475**	351,534
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long-term borrowings		**(345,843)**	(983,667)
Finance costs paid		**(298,245)**	(213,704)
Payment of principal portion of lease liabilities	27	**(25,621)**	(20,702)
Loan given to a joint venture	15	**-**	(192,600)
Dividend paid by subsidiaries to non-controlling interests	24	**(278,794)**	(484,489)
Net cash used in financing activities		**(948,503)**	(1,895,162)
Net change in cash and cash equivalents *		**976,572**	(739,617)
Cash and cash equivalents at beginning of the year - unrestricted		**2,654,358**	3,393,975
Cash and cash equivalents at end of the year – unrestricted *	20	**3,630,930**	2,654,358

Refer note 44 for non-cash transactions.
* Refer note 20 for comparative information.

Chief Financial Officer | Chief Executive Officer | Authorized Board Member

The accompanying notes from (1) to (48) form an integral part of these consolidated financial statements.

(All amounts in SR'000 unless otherwise stated)

1. STATUS AND NATURE OF ACTIVITIES

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

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

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

1.1 Subsidiaries

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

		Effective Shareholding (%)	
Company Name	**Legal Form**	**2023**	**2022**
Rowad National Plastic Company ("Rowad") and its subsidiaries (1)	Limited liability	**100.00**	100.00
National Lead Smelting Company Ltd. ("Rassas") and its subsidiaries (2)	Limited liability	**100.00**	100.00
National Marketing and Industrial Services Company ("Khadamat II") (3)	Limited liability	**100.00**	100.00
Taldeen Plastic Solution Company Ltd. ("Taldeen") (4)	Limited liability	**100.00**	100.00
Al Khadra Environment Company for Industrials Waste Management ("Khadra") (5)	Limited liability	**100.00**	100.00
National Industrialization Petrochemical Marketing Company and its subsidiary (6)	Limited liability	**100.00**	100.00
Rowad United Marketing Company ("RUMC") (7)	Limited liability	**100.00**	100.00
National Petrochemical Industrialization Company (8)	Limited liability	**100.00**	100.00
National Worldwide Industrial Advancement Company Ltd. (8)	Limited liability	**100.00**	100.00
NIPRAS National Technical Company Ltd. (8)	Limited liability	**100.00**	100.00
National Gulf Company for Petrochemical Technology (8)	Limited liability	**100.00**	100.00
National Industrialization Company for Industrial Investments (8)	Limited liability	**100.00**	100.00
National Operation and Industrial Services Company ("Khadamat") - under liquidation (9)	Limited liability	**100.00**	100.00
Advanced Metal Industries Cluster Company Ltd. ("AMIC") (10)	Limited liability	**89.50**	89.50
The National Titanium Dioxide Company Ltd. ("Cristal") and its subsidiaries (11)	Limited liability	**79.00**	79.00
National Inspection and Technical Testing Company Ltd. ("Fahss") (12)	Limited liability	**74.90**	74.90
TUV - Middle East WLL ("TUV") (13)	Limited liability	**74.90**	74.90
Tasnee and Sahara Olefins Company and its subsidiaries (14)	Closed joint stock	**60.45**	60.45

1. STATUS AND NATURE OF ACTIVITIES (continued)

1.1 Subsidiaries (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

During the year ended 31 December 2023, NIPMC acquired the remaining 75% equity interest in its associate, Evonik Tasnee Marketing Company ("ETM") (subsequently changed to Tasnee Marketing International Company ("TMIC"), a limited liability company, resulting in TMIC becoming a 100% owned subsidiary of NIPMC. TMIC is primarily engaged in marketing of polymer products and is registered in Riyadh, Saudi Arabia. Also refer note 45.

7. Rowad United Marketing Company ("RUMC")

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

8. Other Subsidiaries

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

1. STATUS AND NATURE OF ACTIVITIES (continued)

1.1 Subsidiaries (continued)

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

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

During the year ended 31 December 2022, the Group acquired 3.33% shares from a minority shareholder for a price of SR 1 million and now owns 100% ownership in Khadamat. The transaction was accounted for as an equity transaction and resulting gain was recognized in other reserves under equity.

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

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

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

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

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

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

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

13. TUV – Middle East WLL ("TUV")

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

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

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

During the year ended 31 December 2023, SAAC acquired the remaining 25% equity interest in its joint venture, Saudi Acrylic Polymers Company ("SAPCO"), a limited liability company, resulting in SAPCO becoming a 100% owned subsidiary of SAAC. SAPCO is engaged in producing Super Absorbent Polymer and has its head office and principal place of business in Jubail, Saudi Arabia. Also refer note 45.

1. STATUS AND NATURE OF ACTIVITIES (continued)

1.2 Associates and Joint Arrangements

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

Company Name	Relationship	Legal Form	*Effective shareholding (%)* 2023	2022
Saudi Polyolefins Company ("SPC")	Joint Venture	Limited liability	**75.00**	75.00
Advanced Metal Industries Cluster and Toho Titanium Metal Company Limited ("ATTM")	Joint Venture	Limited liability	**58.18**	58.18
Saudi Ethylene and Polyethylene Company ("SEPC")	Joint Venture	Limited liability	**45.34**	45.34
Clariant Masterbatches (Saudi Arabia) Ltd.	Associate	Limited liability	**40.00**	40.00
Saudi Acrylic Monomers Company ("SAMCO")	Joint Venture	Limited liability	**39.22**	39.22
Saudi Acrylic Polymers Company ("SAPCO") – (note 45)	Joint Venture	Limited liability	**-**	39.22
National Metal Manufacturing and Casting Company ("Maadaniyah")	Associate	Saudi joint stock company	**34.93**	34.93
Tasnee Marketing International Company ("TMIC") (formerly known Evonik Tasnee Marketing Company ("ETM") (note 45)	Associate	Limited liability	**-**	25.00
Tronox Holdings plc ("Tronox") (note 12.3)	Associate	Listed in NYSE	**18.94**	19.21
Saudi Butanol Company ("SABUCO")	Joint Operations	Limited liability	**17.43**	17.43

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

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

2. BASIS OF PREPARATION

(i) Statement of Compliance

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

(ii) Basis of measurement

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

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

(iii) Functional and presentation currency

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

3. BASIS OF CONSOLIDATION

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

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

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

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

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

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

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

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

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

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

4. CHANGES IN ACCOUNTING POLICIES

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022 except for the adoption of following amendments to existing standards that had no significant financial impact on these consolidated financial statements of the Group:

- Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8 - The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

- Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction. These amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

- Amendment to IAS 12 – This amendment relates to the International Tax Reform - Pillar Two Model Rules. This amendment applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development ("OECD"), including tax law that implements qualified domestic minimum top-up taxes described in those rules.

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

5. MATERIAL ACCOUNTING POLICIES

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

5.1. Business combinations and goodwill

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

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

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

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

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

5. MATERIAL ACCOUNTING POLICIES (continued)

5.1. Business combinations and goodwill (continued)

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

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

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

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

5.2. Investments in associates, joint arrangements and equity accounting

(i) Associates

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

(ii) Joint arrangements

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

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

Joint ventures:

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Interests in joint ventures are accounted for using the equity method, after initially being recognized at cost in the consolidated statement of financial position.

5. MATERIAL ACCOUNTING POLICIES (continued)

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

(ii) Joint arrangements (continued)

Joint operations:

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

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

(iii) Equity method

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

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

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

When necessary, adjustments are made to bring the accounting policies of the associate or joint venture in line with those of the Group. After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the loss separately in the consolidated statement of profit or loss.

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

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

5. MATERIAL ACCOUNTING POLICIES (continued)

5.3. Revenue recognition

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

Revenue is recognized when obligations under the terms of a contract with our customer are satisfied. This occurs at the time when performance obligations are fulfilled and control transfers to the customer, which generally happens when products are delivered to the customer. Also, depending on the shipping terms this control could transfer at the shipping port or later at the customer's destination point. The Group recognizes a trade receivable at the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. A contract liability is recognized if a payment is received from a customer before the Group transfers the related goods or services. Contract liabilities are recognized as revenue when the Group transfers control of the related goods or services to the customer.

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

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

5.4. Cost of revenue, selling, distribution and general and administrative expenses

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

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

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

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

5.5. Foreign currency translation

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

(i) Transactions and balances

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

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

5. MATERIAL ACCOUNTING POLICIES (continued)

5.5. Foreign currency translation (continued)

(ii) Group companies

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

5.6. Zakat, income and deferred taxes

(i) Zakat

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

(ii) Current income tax

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

(iii) Deferred taxes

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Un-recognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5. MATERIAL ACCOUNTING POLICIES (continued)

5.7. Property, plant and equipment and projects under progress

(a) Property, plant and equipment

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

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

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

Asset class	**Useful lives (in years)**
Buildings	20 – 33
Leasehold improvements	Shorter of the lease term or useful life
Plant, machinery and equipment	3 – 30
Tools and capital spares	2 – 20
Furniture, fixtures and equipment	3 – 10
Motor vehicles	4 – 5
Computers	3 – 5
Catalyst	2 – 5

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

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

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

(b) Projects under progress

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

5. MATERIAL ACCOUNTING POLICIES (continued)

5.8. Borrowing costs

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

5.9. Leases

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

Right-of-use assets

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

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

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

Lease liabilities

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

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

Short-term leases and leases of low-value assets

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

5. MATERIAL ACCOUNTING POLICIES (continued)

5.10. Intangible assets

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

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

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

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

(i) Goodwill

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

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

(ii) Technological and software licenses

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

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

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

5. MATERIAL ACCOUNTING POLICIES (continued)

5.11. Impairment of non-financial assets

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

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

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

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

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

Impairment recognized previously on goodwill is not reversed.

5.12. Inventories

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

5.13. Cash and cash equivalents

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

5.14. Employee benefits obligations

(i) Short-term obligations

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

5. MATERIAL ACCOUNTING POLICIES (continued)

5.14. Employee benefits obligations (continued)

(ii) Post-employment obligations

Defined contribution plan

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

Defined benefit plans

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

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

The present value of the defined benefit obligation for the Group has been determined by discounting the estimated future cash outflows by reference to Saudi Government bond yields.

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

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

Certain companies within the Group have established employees HOP where eligible employees after paying a series of payments over a particular number of years can purchase houses constructed by these companies. Costs which are not directly related to residential units are absorbed by the Group. Ownership of these houses is transferred to the employees at the completion of full payment. Under the program, the amounts paid by the employees towards the houses are repayable back to the employees after certain adjustments in case of discontinued employment and the house is returned to the Group. HOP is recognized as a non-current Home loan receivable together with a prepayment asset at time the residential units are allocated and handed over to the employees. The prepayment asset is amortized over the repayment period of the facility due from employees. The Home loan receivable is settled over the repayment period through deductions from the employees' salary. The house is derecognized at the point it is allocated to an employee and the employee takes up residence.

The Group also provides interest free home loan to its eligible employees for purposes related to purchase or building of a house or apartment. The loan is repaid in monthly instalment by deduction of employee's pay. HLP is recognized as a non-current financial asset at fair value and measured at amortized cost using the effective interest rate (EIR) method. The difference between the fair value and the actual amount of cash given to the employee is recognized as a 'prepaid employee benefit' and is amortized as an expense equally over the period of service. The same amount is also amortized as finance income against the receivable from employees.

5. MATERIAL ACCOUNTING POLICIES (continued)

5.15. Provisions and contingent liabilities

(i) Provisions

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

(ii) Contingent liabilities

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

5.16. Accounts receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method less impairment. For impairment of financial assets, (refer to note 5.20 (iv)).

5.17. Accounts payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial period, which are unpaid. The amounts are unsecured. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

5.18. Financial guarantees

Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value adjusted for transaction costs that are directly attributable to the issuance of guarantee, and subsequently at the higher of the amount determined in accordance with the expected credit loss model under IFRS 9 Financial Instruments, and the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the principles of IFRS 15 Revenue from Contracts with Customers. The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations. Where guarantees in relation to loans or other payables of associates or joint ventures are provided for no compensation, the fair values are accounted for as contributions and recognized as part of the cost of the investment.

5.19. Offsetting financial instruments

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

5. MATERIAL ACCOUNTING POLICIES (continued)

5.20. Financial instruments

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

Financial assets

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

i. Classification

The financial assets are classified in the following measurement categories:

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

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

ii. Measurement

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

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

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

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. Employees' loans and shareholders' loans to joint venture entities are carried at amortized cost.

Equity instruments

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

5. MATERIAL ACCOUNTING POLICIES (continued)

5.20. Financial instruments (continued)

ii. Measurement (continued)

Equity instruments (continued)

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

iii. De-recognition of financial assets

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

iv. Impairment of financial assets

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

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

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

(a) Performing (Stage 1): these represent the financial assets where customers have a low risk of default and a strong capacity to meet contractual cash flows. Less than 30 days past due balances do not result in significant increase in credit risk and are considered as performing.

(b) Underperforming (Stage 2): these represent the financial assets where there is a significant increase in credit risk and that is presumed if the customer is more than 30 days but less than 90 days past due in making a contractual payment.

(c) Non-performing (Stage 3): these represent defaulted financial assets. A default on a financial asset is considered when the customer fails to make a contractual payment within 90 days after they fall due.

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

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

5. MATERIAL ACCOUNTING POLICIES (continued)

5.20. Financial instruments (continued)

v. Income recognition

Murabaha income

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

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

Dividend income

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

Financial liabilities

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

i. Classification

The financial liabilities are classified in the following measurement categories:

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

ii. Measurement

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

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

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

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

iii. Derecognition of financial liabilities

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

5. MATERIAL ACCOUNTING POLICIES (continued)

5.21. Derivative financial instruments and hedge accounting

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

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

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

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

(i) Derivatives that are not designated as hedges

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

(ii) Derivatives that are designated as cash flow hedges

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

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

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

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

5.22. Current versus non-current classification

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

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

All other assets are classified as non-current.

5. MATERIAL ACCOUNTING POLICIES (continued)

5.22. Current versus non-current classification (continued)

A liability is current when it is:

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

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

5.23. Statutory reserve

In accordance with the Company's By-laws, the Company transfers 10% of the annual net income to the statutory reserve until it reaches 30% of the share capital.

6. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

(i) Impairment testing of goodwill

The Group's management tests, on an annual basis, whether goodwill arising on consolidation has suffered any impairment. This requires an estimation of the recoverable amounts of the CGUs or group of CGUs to which goodwill has been allocated. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used in computation of terminal value. The key assumptions used in determining the recoverable amounts are set out in note 11. Also refer note 45.

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

For the purposes of determining whether impairment of assets has occurred, and the extent of any impairment or its reversal, a recoverable amount is calculated. Recoverable amount is the higher of fair value less costs of disposal ("FVLCD") or value-in-use ("VIU"). In assessing VIU, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

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

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

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

The key assumptions management uses in estimating future cash flows for its VIU calculations are growth in earnings before interest, tax, depreciation and amortization (EBITDA), timing and quantum of future capital expenditure, long term growth rate, selection of discount rates to reflect the risks involved. There is an inherent uncertainty over forecasted information and assumptions. Changes in these assumptions and forecasts could impact the recoverable amounts of assets and any calculated impairment and reversals thereof. Also refer notes 9 and 12.

(iii) Provision for zakat

The calculation of the Group's zakat charge necessarily involves a degree of estimation and judgment in respect of certain items whose treatment cannot be finally determined until resolution has been reached with the relevant authority or, as appropriate, through a formal legal process. The final resolution of some of these items may give rise to material profits / (losses) and/or cash flows.

(iv) Estimation of useful life and residual value

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

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

(v) Recoverability of loans given to equity accounted investments

Loans given to equity accounted investments which are in management judgment not expected to be recovered or settled in foreseeable future are considered for impairment as per the requirements of IFRS-9 general approach. The recoverability is assessed by the management based on estimated future cash flows which are subject to uncertainty. Refer note 42.1.

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

(i) Identification of CGUs

The classification of assets into CGUs requires significant judgement and interpretations with respect to the integration between assets, generation of independent cash flows by the assets, the existence of active markets and external users. Also refer note 45.

(ii) Determination of control, joint control and significant influence

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

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

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

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

(ii) Determination of control, joint control and significant influence (continued)

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

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

Principles of IFRS 15 are applied by identifying each specified (i.e., distinct) good or service promised to the customer in the contract and evaluating whether the entity under consideration obtains control of the specified good or service before it is transferred to the customer. This assessment requires significant judgment as a certain portion of the Group's revenue is derived from marketing agreements, whereby in some cases, the Group purchases products from its joint ventures and associates, and sells these to end customers.

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

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

Amendment to IFRS 16 – Leases on sale and leaseback

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

Amendment to IAS 1 – Non-current liabilities with covenants

These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.

Amendment to IAS 7 and IFRS 7 – Supplier finance

These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.

Amendments to IAS 21 – Lack of Exchangeability

An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.

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

(All amounts in SR'000 unless otherwise stated)

8. PROPERTY, PLANT AND EQUIPMENT

	Land, buildings and leasehold improvements	Plant, machinery and equipment	Tools and capital spares	Furniture, fixtures and equipment	Motor vehicles	Computers	Catalyst	Total
Cost								
As at 1 January 2022	1,257,124	3,151,233	36,543	28,771	17,500	17,471	44,792	4,553,434
Additions	1,530	11,955	3,468	694	1,104	79	1,390	20,220
Disposals	(413)	(3,226)	(46)	(4,312)	(2,303)	(243)	(1,503)	(12,046)
Transfers – note 9, 11	15	(602)	-	-	-	-	-	(587)
As at 31 December 2022	1,258,256	3,159,360	39,965	25,153	16,301	17,307	44,679	4,561,021
Additions	**1,428**	**22,781**	**2,991**	**677**	**857**	**315**	**2,090**	**31,139**
Acquisitions through business combinations (note 45)	**186,749**	**-**	**-**	**-**	**-**	**-**	**-**	**186,749**
Disposals	**(223)**	**(1,042)**	**(3)**	**(2,744)**	**(668)**	**(1,134)**	**(593)**	**(6,407)**
Transfers – note 9 ,11	**122**	**1,156,003**	**88**	**-**	**-**	**-**	**-**	**1,156,213**
As at 31 December 2023	**1,446,332**	**4,337,102**	**43,041**	**23,086**	**16,490**	**16,488**	**46,176**	**5,928,715**
Accumulated depreciation/impairment								
As at 1 January 2022	418,958	1,191,850	26,111	25,001	15,848	15,096	35,084	1,727,948
Charge for the year	41,584	140,699	4,439	1,558	810	651	1,407	191,148
Disposals	(51)	(1,516)	(38)	(4,138)	(2,256)	(209)	(499)	(8,707)
Impairment	-	11,979	-	-	-	-	-	11,979
As at 31 December 2022	460,491	1,343,012	30,512	22,421	14,402	15,538	35,992	1,922,368
Charge for the year	**40,419**	**145,247**	**3,677**	**1,118**	**839**	**616**	**1,407**	**193,323**
Disposals	**(223)**	**(1,022)**	**(1)**	**(2,526)**	**(668)**	**(1,134)**	**(593)**	**(6,167)**
As at 31 December 2023	**500,687**	**1,487,237**	**34,188**	**21,013**	**14,573**	**15,020**	**36,806**	**2,109,524**
Net carrying value								
As at 31 December 2023	**945,645**	**2,849,865**	**8,853**	**2,073**	**1,917**	**1,468**	**9,370**	**3,819,191**
As at 31 December 2022	797,765	1,816,348	9,453	2,732	1,899	1,769	8,687	2,638,653

8.1 Land, buildings and leasehold improvements includes freehold land amounting to SR 110 million (2022: SR 110 million).

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

8.3 As at 31 December 2023 property, plant and equipment with a net carrying value of SR 3,242 million (2022: SR 2,232 million) have been pledged as collateral for borrowings. Also refer to note 25.1.

8.4 During the year, the Group carried out a review of recoverable amount of certain of its assets by comparing the carrying value with value in use which resulted in no impairment in 2023 (2022: SR 11.9 million). Key assumptions used in estimating future cash flows for its value in use calculations are forecasted prices, expected production volumes, future operating and development costs and the discount rate used for the discounted cash flows. Also refer note 9.

(All amounts in SR'000 unless otherwise stated)

9. PROJECTS UNDER PROGRESS

	2023	2022
As at 1 January	**1,602,376**	1,709,944
Additions	**28,940**	48,257
Capitalization of directly attributable expenses (note 35)	**4,219**	45,845
Capitalization of borrowing cost (note 37)	**45,695**	29,876
Acquisitions through business combinations (note 45)	**11,252**	-
Settlement of supplier balance	**(121,824)**	-
Transfer to property, plant and equipment / intangible assets (note 8 &11)	**(1,172,809)**	(9,139)
Impairment loss	**-**	(222,407)
As at 31 December	**397,849**	1,602,376

Projects under progress mainly represent costs of establishing a project (Slagger) relating to Titanium metals of various types and other related substances including Titanium ore, Iron ore and manufacturing of Titanium dioxide through high pressure oxidation at Jazan by a subsidiary and certain costs of expansion of facilities of production lines, safety and environment improvement costs.

The Slagger plant consists of two furnaces using technology from Metso Corporation. Furnace 1 has been ramping-up its operations since December 2021 and has been producing on-specification marketable high-quality chloride slag and pig iron. During 2023, an amount of SR 1,151 million (2022: SR nil) pertaining to Furnace 1 along with the associated common facilities and machinery was transferred to the property plant and equipment as management believes that this is now capable of being operated in the manner intended by the management.

In March 2023, a settlement agreement was signed between AMIC, a subsidiary of the Group and Metso Corporation in respect of the engineering, procurement and construction contract (the "EPC Contract") entered into between the parties in 2012, as subsequently amended and supplemented, in respect of the Slagger project. As part of this settlement, the Group and Metso Corporation have also entered into a Collaborative Refurbishment and Optimisation Works Contract (the "CROW Contract"), which governs the works to be carried out in respect of the Slagger as well as the funding arrangements for such works.

The CROW Contract entails value engineering phase for both furnaces prior to the commencement of detailed refurbishment and optimization works to ensure sustainable operating performance at higher operating rates. During the year, the Group has completed the value engineering phase and has commenced the process of implementing design changes and other enhancements required for sustainable higher operating performance of both furnaces determined during this phase.

The Group has performed an impairment assessment of the Slagger CGU, due to delays in achieving the operational milestones, and compared the carrying value with recoverable amount determined using VIU calculations based on discounted cash flow model, which resulted in no impairment in 2023 (2022: SR 222 million). Key assumptions used in the analysis include a discount rate of 13%, terminal growth rate of 2% and achieving certain capacity utilization levels, which have been estimated based on third parties' forecasts for the industry and consideration of historical results, the expected timing and costs to achieve the operational milestones based on the approved business plan. The recoverable amount determined this year is largely the same as the previous year. Management believes that any reasonable change in the discount rate, growth rate or in any of the other assumptions used for cash flow projections, individually, could change the possible outcome of the impairment analysis.

9.1 Option agreement for slagger asset in AMIC

On 10 May 2018, AMIC, a subsidiary of the Group, signed an option agreement with Tronox Holdings Plc ("Tronox") with the following key terms:

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

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

(All amounts in SR'000 unless otherwise stated)

9. PROJECTS UNDER PROGRESS (continued)

9.1 Option agreement for slagger asset in AMIC (continued)

Pursuant to the Option Agreement, Tronox has lent AMIC principal amount of SR 469 million ("Tronox loan") for capital expenditures intended to facilitate the start-up of the Slagger, which carries a charge at SAIBOR plus agreed margin. Additionally, the Group has a Technical Services Agreement (TSA) with Tronox. Under the TSA, Tronox provides technical advice and project management support services. As compensation for these services, Tronox receives a management fee under the TSA.

On 10 May 2023, AMIC and Tronox amended the Option Agreement (the "Amendment"). In the Amendment both parties acknowledged that the Option had expired on 10 May 2023, without being exercised but agreed to continue negotiating until 30 September 2023, as to whether, and under what circumstances, Tronox may acquire the Slagger. The amendment also entails that although both parties' options were extinguished, the 'Option Agreement' did not terminate and instead its period is extended till 30 September 2023, which was further extended until 1 November 2023. Subsequent to the year end on 21 February 2024, this negotiation period has been further extended until the earlier of the repayment of Tronox loan or 31 December 2024, subject to certain early termination rights. During this period, the parties' rights and obligations under the Option Agreement, other than the ability of either party to exercise their respective options, continue unless mutually agreed to be amended.

AMIC and Tronox also amended the TSA (the "Restated Technical Services Agreement" or "RTSA"). Under the RTSA, effective 1 October 2023, Tronox no longer receives a management fee and the scope of limited services is based on cost reimbursement plus a nominal margin. Under the TSA, Tronox was entitled to receive a "Success Fee" if the Sustainable Operations Date is reached, upon the consummation of the transactions required to be effected to complete the Option (as defined under the "Option Agreement"). In accordance with the TSA, AMIC adequately accrued the Success Fee until the expiration of Option (10 May 2023). During the year, AMIC has reversed the accruals pertaining to Success Fee as the conditions precedent to exercise the Option by either parties were not met (refer note 35).

In addition, it was mutually agreed by both parties that, the outstanding Tronox loan (principal and interest) may be settled from time to time either in cash or kind (settled by chloride slag produced by ASIC and delivered to Tronox as repayment in-kind of the Tronox loan valued at market prices less a nominal discount). Final repayment date of the Tronox loan is 10 January 2025 for settlement either in cash or in kind through chloride slag or combination thereof, as mutually agreed. For the year ended 31 December 2023, in-kind repayments of the Tronox loan totalled SR 191 million (31 December 2022: SR nil).

For the year ended 31 December 2023, Tronox purchased feedstock material produced by the Slagger amounting to SR 467 million (2022: SR 224 million). Such sales and related costs are recorded under "Revenue" and "Cost of revenue" respectively in the consolidated statement of profit or loss.

10. RIGHT-OF-USE ASSETS

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

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

	Land and buildings	**Motor vehicles**	**Total**
As at 1 January 2022	114,777	1,306	116,083
Additions	57,653	5,415	63,068
Depreciation expense	(17,300)	(2,048)	(19,348)
Disposals	(283)	(142)	(425)
As at 31 December 2022	**154,847**	**4,531**	**159,378**
Additions	**4,751**	**13,508**	**18,259**
Depreciation expense	**(17,869)**	**(3,402)**	**(21,271)**
As at 31 December 2023	**141,729**	**14,637**	**156,366**

(All amounts in SR'000 unless otherwise stated)

10. RIGHT-OF-USE ASSETS (continued)

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

	2023	2022
Depreciation expense of right-of-use assets	**21,271**	19,348
Interest expense on lease liabilities (note 27)	**4,781**	6,209
Rent expense - short-term leases	**792**	889
Total amounts recognized in consolidated statement of profit or loss	**26,844**	26,446

The Group had total cash outflows for leases of SR 26 million in 2023 (2022: SR 21 million).

11. INTANGIBLE ASSETS

	Goodwill	Technological and software licenses	Total
Cost			
As at 1 January 2022	21,691	210,237	231,928
Additions	-	22,666	22,666
Disposal	-	(50)	(50)
Impairment	(21,691)	-	(21,691)
Transfer from project under progress (note 9)	-	9,726	9,726
As at 31 December 2022	**-**	**242,579**	**242,579**
Additions	**-**	**15,862**	**15,862**
Acquisitions through business combinations (note 45)	**491,847**	**531**	**492,378**
Disposal	**-**	**(23)**	**(23)**
Impairment (note 45)	**(226,000)**	**-**	**(226,000)**
Transfer from project under progress (note 9)	**-**	**16,596**	**16,596**
As at 31 December 2023	**265,847**	**275,545**	**541,392**
Amortization			
As at 1 January 2022	-	125,256	125,256
Charge for the year	-	21,328	21,328
Disposal	-	(50)	(50)
As at 31 December 2022	**-**	**146,534**	**146,534**
Charge for the year	**-**	**11,127**	**11,127**
Disposal	**-**	**(23)**	**(23)**
As at 31 December 2023	**-**	**157,638**	**157,638**
Net carrying value			
As at 31 December 2023	**265,847**	**117,907**	**383,754**
As at 31 December 2022	-	96,045	96,045

The Group tests annually whether goodwill has suffered any impairment by comparing the carrying value with the recoverable amount, which led to a recognition of impairment loss amounting to SR 226 million (2022: SR 21.7 million). The Group performed an annual impairment test for the provisional goodwill recognized as part of the acquisition of SAPCO and ETM, which is provisionally allocated to the Acrylic business unit as a group of CGUs within the Petrochemical operating segment (refer note 45). The recoverable amount of the Acrylic business unit was determined based on VIU calculations which require use of certain assumptions. The calculations used cash flow projections for a period of 5 years based on financial plans approved by management. Cash flows were discounted and aggregated with a terminal value. Terminal value was calculated using Gordon Growth Model for the final year of the forecast period. Management's estimate for the cash flows is based on past performance, where applicable, as well as management's expectation of the future. This includes management's forecast for prices and margins for the Acrylic business unit. The growth rate of 2% used in the terminal value calculation represents long-term inflation forecast and GDP. Discount rate of 11.25% was applied to the cash flows. Management believes a reasonable range of increase or decrease in any of the assumptions within the projected cash flows could change the outcome of the impairment analysis for the goodwill. The purchase price allocation remains provisional and the above assessment may change once the final purchase price allocation is complete.

(All amounts in SR'000 unless otherwise stated)

12. INVESTMENTS IN EQUITY ACCOUNTED ASSOCIATES AND JOINT VENTURES

	2023	2022
Investments in associates (note 12.1)	**2,764,113**	3,143,549
Investments in joint ventures (note 12.2)	**8,497,579**	8,620,960
	11,261,692	11,764,509

12.1 Investments in associates

	2023	2022
Investment in Tronox Holdings plc (note 12.1.1)	**2,618,410**	2,977,698
Investments in other associates (note 12.1.2)	**145,703**	165,851
	2,764,113	3,143,549

The movement in investments in associates was as follows:

	2023	2022
As at 1 January	**3,143,549**	2,968,264
Share of (loss) / profit	**(249,924)**	307,100
Deemed disposal on business acquisition (note 45)	**(14,991)**	-
Share of other comprehensive loss	**(44,058)**	(61,353)
Dividend income	**(70,463)**	(70,462)
As at 31 December	**2,764,113**	3,143,549

12.1.1 Tronox Holdings plc

Tronox Holdings plc ("Tronox") a public limited company incorporated under the laws of England and Wales is one of the world's leading producers of high-quality titanium products, including titanium dioxide pigment, specialty-grade titanium dioxide products and high-purity titanium chemicals and zircon. Tronox also mines titanium-bearing mineral sands and operate upgrading facilities that produce high-grade titanium feedstock materials, pig iron and other minerals. The Group owns 23.97% (2022: 24.32%) shareholding in Tronox. For Group effective shareholding percentage refer to note 1.2 of the consolidated financial statements.

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

	2023	2022
As at 1 January	**2,977,698**	2,796,000
Share of (loss) / profit	**(244,767)**	313,513
Share of other comprehensive loss	**(44,058)**	(61,353)
Dividend income	**(70,463)**	(70,462)
As at 31 December	**2,618,410**	2,977,698

(All amounts in SR'000 unless otherwise stated)

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

12.1 Investments in associates (continued)

12.1.1 Tronox Holdings plc (continued)

Tronox is listed on the New York Stock Exchange and its shares are publicly traded. The value of the Group's investment in Tronox based on the closing price as at 31 December 2023 was SR 1,995 million (2022: SR 1,932 million). In compliance with the requirements of applicable accounting standards, due to fluctuation in share prices the Group has performed an impairment assessment of its investment in Tronox by comparing the carrying value with value in use using discounted cash flow model, which resulted in no impairment. Key assumptions used in the analysis include a discount rate of 10%, terminal growth rate of 2.5% and EBITDA margins, which have been estimated based on third parties' forecasts for the industry and consideration of historical results. Management believes that a 1% change in the discount rate, growth rate and EBITDA margins, or a reasonable range of increase or decrease in any of the other assumptions used for cash flow projections, individually, would not change the outcome of the impairment analysis for the Group's investment in Tronox.

The share of losses from an associate Tronox Holdings plc. during the year ended 31 December 2023 is driven by a non-cash tax charge due to change in accounting estimates in respect of the deferred tax assets related to Tronox operations in Australia resulting in a negative impact of SR 147 million in the Group's share of profit.

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

The summarised financial information of Tronox is as follows:

	As at 31 December	
	2023	**2022**
Current assets	**8,826,375**	7,928,625
Non-current assets	**20,231,093**	21,314,413
Current liabilities	**2,819,250**	3,098,625
Non-current liabilities	**15,148,771**	13,733,338
Non-controlling interest	**165,750**	167,251
Equity attributable to the shareholders	**10,923,697**	12,243,824
Group's share of equity and carrying value	**2,618,410**	2,977,698
Cash and cash equivalents	**1,023,750**	615,000
Financial liabilities – Non-current	**10,994,250**	9,676,875
Financial liabilities – Current (except trade and other payables)	**1,113,000**	75,000

	For the year ended 31 December	
	2023	**2022**
Revenue	**10,687,500**	12,952,500
(Loss) / profit for the year	**(937,701)**	1,235,662
Other comprehensive loss	**(183,805)**	(252,274)
Total comprehensive (loss) / income	**(1,121,506)**	983,388
Group's share of (loss) / profit	**(244,767)**	313,513
Group share of other comprehensive loss	**(44,058)**	(61,353)
Interest expense	**(613,500)**	(492,375)
Income tax (expense) / reversal	**(910,125)**	240,375

(All amounts in SR'000 unless otherwise stated)

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

12.1 Investments in associates (continued)

12.1.2 Investments in other associates

Following are the other associates of the Group:

National Metal Manufacturing and Casting Company

National Metal Manufacturing and Casting Company ("Maadaniyah") is a Saudi Joint Stock Company. Its head office and principal place of business is in Jubail, Saudi Arabia. As at 31 December 2023, the Group owns 34.93% (2022: 34.93%) of the issued share capital. The main objectives of the company are manufacturing and marketing of drawn wire and related products, various sizes of axles and spare parts for trailers and dumping trucks, steel and non-steel casting, and trading in related products. Maadaniyah is listed on the Saudi stock exchange and its shares are publicly traded. The value of the Group's investment in Maadaniyah based on the closing price as at 31 December 2023 was SR 245.6 million (2022: SR 209.3 million). Based on latest publicly available unaudited financial statements as of 30 September 2023, Maadaniyaah reported total assets of SR 403 million, total liabilities of SR 106 million, revenue of SR 177 million and net loss of SR 18 million.

Clariant Masterbatches (Saudi Arabia) Ltd. Company

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

The movement in investments in other associates was as follows:

	2023	**2022**
As at 1 January	**165,851**	172,264
Group's share of loss	**(5,157)**	(6,413)
Deemed disposal on business acquisition (note 45)	**(14,991)**	-
As at 31 December	**145,703**	165,851

12.2 Investments in joint ventures

	2023	**2022**
Investment in SEPC	**4,804,526**	4,857,512
Investment in SPC	**3,326,137**	3,351,274
Investment in SAMCO	**366,916**	412,174
	8,497,579	8,620,960

Saudi Ethylene and Polyethylene Company ("SEPC")

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

Saudi Polyolefins Company ("SPC")

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

(All amounts in SR'000 unless otherwise stated)

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

12.2 Investments in joint ventures (continued)

Saudi Acrylic Monomers Company ("SAMCO")

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

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

	2023	**2022**
As at 1 January	**8,620,960**	9,337,776
Group's share of profit	**911,705**	839,631
Additions to long term interest (note 12.2.1)	**136,360**	-
Adjustment during the year	**-**	(806)
Dividend income	**(1,171,446)**	(1,555,641)
As at 31 December	**8,497,579**	8,620,960

12.2.1 This represents funding provided to a joint venture in respect of construction of a new thermal cracking furnace. Also refer note 45.

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

	2023			**2022**		
	SEPC	**SPC**	**SAMCO**	**SEPC**	**SPC**	**SAMCO**
Current assets	**2,347,518**	**1,750,721**	**954,499**	2,210,562	1,643,157	916,851
Non-current assets	**4,553,408**	**1,426,610**	**2,327,590**	4,807,707	1,623,643	2,451,202
Current liabilities	**834,558**	**555,421**	**2,651,466**	832,813	606,884	2,687,273
Current financial liabilities (excluding trade and other payables and provisions)	**136,360**	-	**2,388,382**	-	-	2,333,556
Non-current liabilities	**305,526**	**29,021**	**132,684**	176,624	33,775	122,995
Non-current financial liabilities	**-**	-	**132,684**	-	-	122,995
Net assets	**5,760,842**	**2,592,889**	**497,939**	6,008,832	2,626,141	557,785
Group's share of net assets	**4,320,632**	**1,944,667**	**373,454**	4,506,624	1,969,606	418,339
Goodwill	**215,605**	**1,359,538**	**-**	215,605	1,359,538	-
Other adjustments*	**268,289**	**21,932**	**(6,538)**	135,283	22,130	(6,165)
Carrying value	**4,804,526**	**3,326,137**	**366,916**	4,857,512	3,351,274	412,174
Revenues	**5,117,602**	**3,293,326**	**1,422,211**	5,723,418	3,649,590	1,463,185
Profit / (loss) for the year	**952,010**	**266,748**	**(59,846)**	1,148,704	123,888	(200,157)
Group's share of profit / (loss)	**751,447**	**205,290**	**(45,032)**	898,186	94,267	(152,822)
Interest expense	**27,055**	**14,346**	**65,451**	10,375	3,791	70,147
Depreciation and amortization	**425,471**	**232,159**	**157,243**	410,669	242,403	161,951
Zakat / income tax expense	**76,801**	**34,485**	**-**	87,271	30,372	14,040
Dividends	**940,792**	**230,654**	**-**	1,174,157	381,484	-

The current assets include cash and cash equivalents amounting to SR 374 million, SR 434 million, and SR 290 million for SPC, SEPC, and SAMCO respectively.

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

(All amounts in SR'000 unless otherwise stated)

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

12.3 Following are the other joint ventures of the Group:

Saudi Acrylic Polymers Company

Saudi Acrylic Polymers Company ("SAPCO") is a limited liability company with its head office and principal place of business based in Jubail, Saudi Arabia. The authorized and issued capital of SAPCO is SR 416.4 million. The main objectives of SAPCO are producing Super Absorbent Polymer.

The Company was 75% owned by Saudi Acrylic Acid and 25% of share capital was owned by Stockhausen Nederland B.V. During the year ended 31 December 2023, SAAC has acquired the remaining 25% equity interest in SAPCO from Stockhausen Nederland B.V, increasing its interest in SAPCO from 75% to 100% and thereby obtained control over SAPCO. Also refer note 45.

The Group impaired the loans provided to SAPCO amounting to SR 318 million (2022: SR 229 million) till the date of acquisition, due to continued losses and associated recovery risk.

Advanced Metal Industries Cluster and Toho Titanium Metal Company Limited

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

The carrying value of the Group's investments in other joint ventures as at 31 December 2023 and 2022 is nil. The un-recognized share of loss of these joint ventures was SR 49 million for 2023 (2022: SR 217 million). Cumulatively, the un-recognized share of loss of these joint ventures are SR 261 million (2022: SR 1,008 million). The share of loss from such joint ventures is not required to be recognized in Group's profit / (loss), in accordance with applicable standards.

13. INVESTMENTS IN FINANCIAL ASSETS DESIGNATED AS FVOCI

Equity investments at FVOCI comprise the following individual investments:

	2023	**2022**
Quoted Securities		
Sahara Petrochemical Co.	**158,790**	158,323
Yanbu National Petrochemicals Company SJSC	**84,737**	92,643
Saudi Aramco	**70,837**	62,642
The Power and Water Utility Company for Jubail and Yanbu	**6,480**	4,690
Al Masane Al Kobra Mining Company (AMAK) (refer note 13.1)	**315,971**	288,237
	636,815	606,535
Unquoted Securities		
Industrialization and Energy Services Company (TAQA)	**326,708**	370,959
Others	**65,507**	118,154
	392,215	489,113
	1,029,030	1,095,648

(All amounts in SR'000 unless otherwise stated)

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

Movements in investments in FVOCI equity instruments:

	2023		2022	
	Quoted equity shares	**Unquoted equity shares**	**Quoted equity shares**	**Unquoted equity shares**
As at 1 January	**606,535**	**489,113**	417,070	524,260
Transfers (refer note 41)	**-**	**-**	140,108	(140,108)
Additions	**-**	**-**	1,577	-
Disposals	-	**-**	(55,812)	-
Fair value gain / (loss) recognized in OCI	**30,280**	**(96,898)**	103,592	104,961
As at 31 December	**636,815**	**392,215**	606,535	489,113

During the year, the following gain / (loss) was recognized in other comprehensive income:

	2023	2022
(Losses) / gains recognized in other comprehensive income		
Quoted Securities	**30,280**	103,592
Unquoted Securities	**(96,898)**	104,961
	(66,618)	208,553

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

For further details refer to note 23 and note 41.

14. INVESTMENTS IN DEBT SECURITIES

During the year, the Group invested SR 125 million (2022: SR 100 million) in Sukuk funds of a local KSA commercial bank having maturity of 5 years and earning commission at fixed normal commercial rates. Finance income of SR 1 million (2022: SR 2.1 million) was recognized in respect of this investment during the year.

15. OTHER NON-CURRENT ASSETS

	2023	2022
Home loan receivable (HLP) (refer note 15.1)	**139,921**	155,953
Receivable against Housing Ownership Program (HOP) (refer note15.1)	**139,084**	167,135
Prepaid employee benefits	**38,651**	35,374
Derivative financial instruments (refer note 15.2)	**32,907**	39,796
Long term advance (refer note 39.4)	**-**	85,468
Loans to joint ventures – (refer note 15.3)	**582,080**	406,824
	932,643	890,550

(All amounts in SR'000 unless otherwise stated)

15. OTHER NON-CURRENT ASSETS (continued)

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

These are secured receivable and repayable over a period of 8 to 15 years and in monthly instalments deducted from monthly payroll. The current portion of HOP and HLP amounting to SR 49.6 million (2022: SR 58.7 million) is disclosed as part of employee's receivable in note 18 of these consolidated financial statements. The HLP receivables are interest free and are measured at amortized cost using the effective interest rate (EIR) method. Also refer note 42.1.

15.2 Derivative financial instruments

The Group has entered into an interest rate swap arrangement ("hedge instrument") with a local KSA commercial bank for a certain portion of its long-term borrowings to hedge against the changes in the SAIBOR ("hedge item") such as to economically convert a portion of its variable rate debt to fixed rate debt with a hedge ratio of 50%. As at the reporting date, the hedge was evaluated as effective. This interest rate swap arrangement has a notional amount of SR 1,000 million with maturity in May 2026. The arrangement requires settlement of net interest receivable or payable quarterly. The fair value amounts of the interest rate swap arrangement outstanding as at 31 December 2022 was SR 32.29 million (31 December 2022: SR 39.79 million).

15.3 Loans to joint ventures

The Group has provided loans to certain joint ventures to support their operations. These loans are interest bearing at mutually agreed rates with a fixed maturity and are subordinated to the external borrowings of the joint ventures. The Group has mitigated its exposure by recording an accumulated impairment against certain loans provided to a joint venture amounting to SR 257 million (2022: SR 403 million) due to continued losses and associated recovery risk. During the year ended 31 December 2023, the Group has reversed the impairment amounting to SR 146 million (2022: SR 63 million) owing to improved performance and profitability in accordance with the business plan. Further, during 2022, the Group amended the terms of the loan agreement with a joint venture and accordingly a modification gain of SR 29 million was recorded in consolidated statement of profit or loss in accordance with the requirements of the accounting standards.

The movement in loans to joint ventures was as follows:

	2023	**2022**
As at 1 January	**809,885**	554,687
Addition during the year	**-**	192,600
Interest during the year	**29,301**	33,598
Modification gain	**-**	29,000
Total loans	**839,186**	809,885
Less: impairment of loans to joint ventures	**(257,106)**	(403,061)
As at 31 December	**582,080**	406,824

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

	2023	**2022**
As at 1 January	**403,061**	466,061
Net reversal during the year	**(145,955)**	(63,000)
As at 31 December	**257,106**	403,061

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

(All amounts in SR'000 unless otherwise stated)

16. INVENTORIES

	2023	2022
Raw materials	**310,212**	308,460
Finished goods	**224,687**	302,146
Work in progress	**70,215**	61,039
Consumables and spares	**185,036**	109,801
	790,150	781,446
Less: provision for slow moving inventories	**(39,127)**	(21,614)
	751,023	759,832

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

	2023	2022
As at 1 January	**21,614**	20,938
Charge for the year	**17,513**	676
As at 31 December	**39,127**	21,614

During 2023, a write down of inventory amounting to SR 17.5 million (2022: SR 0.7 million) was recognized as an expense in the consolidated statement of profit or loss to reduce certain inventory items to their net realizable value.

17. ACCOUNTS RECEIVABLE

	2023	2022
Trade receivables	**1,211,544**	1,137,080
Due from related parties - trade (note 39.2)	**136,418**	186,295
	1,347,962	1,323,375
Less: impairment of trade receivables	**(94,905)**	(99,953)
	1,253,057	1,223,422

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

	2023	2022
As at 1 January	**99,953**	94,204
(Reversal) / charge for the year	**(14)**	6,286
Acquisitions through business combinations (note 45)	**3,135**	-
Write-offs	**(8,169)**	(537)
As at 31 December	**94,905**	99,953

The carrying value of the accounts receivable approximates their fair value.

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

(All amounts in SR'000 unless otherwise stated)

18. PREPAYMENTS AND OTHER CURRENT ASSETS

	2023	2022
Due from related parties - non-trade (note 39.2)	**303,106**	143,721
Employees' receivables (note 15.1)	**100,545**	99,923
Prepaid expenses	**109,802**	85,841
VAT refund receivable	**135,148**	86,377
Advances to suppliers	**49,072**	137,500
Advance to joint venture (note 39.2)	**57,323**	-
Other receivables	**404**	708
	755,400	554,070

19. SHORT TERM INVESTMENTS

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

20. CASH AND BANK BALANCES

	2023	2022
Short-term deposits and Murabaha (note 20.1)	**3,340,538**	2,200,484
Bank balances – unrestricted	**290,392**	453,874
Cash and cash equivalents	**3,630,930**	2,654,358
Bank balances – restricted (note 20.2)	**204,651**	181,421
	3,835,581	2,835,779

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

20.2 This represents balances in debt service reserve accounts of two of the Group's subsidiaries, which are restricted, pending on-going restructuring negotiations with commercial lenders of the subsidiaries. Utilization of these funds is subject to the prior consent of commercial lenders until the on-going debt restructuring negotiations conclude (also refer notes 25.2 and 20.3).

20.3 In the prior year, the Group reported certain bank balances that became subject to withdrawal restrictions during 2022 as "cash and cash equivalents". The comparative information has been restated to reflect the fact that these bank balances (SR 181 million) do not represent cash and cash equivalents as utilization of these funds is subject to the prior consent of commercial lenders until the on-going debt restructuring negotiations conclude. Consequently, the prior year comparatives in the consolidated statement of cash flows reflect investing cash outflow and a lower closing balance of cash and cash equivalents by the same amount.

21. SHARE CAPITAL

Share capital amounted to SR 6,689,142 thousand as at 31 December 2023 (2022: SR 6,689,142 thousand) consisting of 668,914 thousand shares (2022: 668,914 thousand shares) of SR 10 each.

22. STATUTORY RESERVE

In accordance with the Company's By-laws, the Company is required to maintain the statutory reserve by allocating each year 10% from the net profit of the year until the statutory reserve reaches 30% of share capital.

(All amounts in SR'000 unless otherwise stated)

23. OTHER RESERVES

As at 31 December 2023, details of other reserves were as follows:

	Foreign currency translation reserve	Cash flow hedge reserve (note 15)	Actuarial (losses) / gains reserve (note 26)	Financial asset at fair value through OCI (note 13)	Other (note 23.1)	Total
As at 1 January	**(165,735)**	**41,564**	**27,107**	**636,828**	**(923,107)**	**(383,343)**
Revaluation of cash flow hedge	**-**	**(6,889)**	**-**	**-**	**-**	**(6,889)**
Re-measurement of defined benefit plan	**-**	**-**	**(31,812)**	**-**	**-**	**(31,812)**
Loss on investments in equity instruments designated as FVOCI	**-**	**-**	**-**	**(66,618)**	**-**	**(66,618)**
Share of other comprehensive loss / (income) of associates and joint ventures	**(41,873)**	**3,574**	**(5,759)**	**-**	**-**	**(44,058)**
Other comprehensive loss	**(41,873)**	**(3,315)**	**(37,571)**	**(66,618)**	**-**	**(149,377)**
NCI share of OCI	**(8,793)**	**950**	**(1,909)**	**376**	**-**	**(9,376)**
OCI attributable to equity holders of Parent	**(33,080)**	**(4,265)**	**(35,662)**	**(66,994)**	**-**	**(140,001)**
As at 31 December	**(198,815)**	**37,299**	**(8,555)**	**569,834**	**(923,107)**	**(523,344)**

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

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

23.1 Others represent reserve relating to the acquisition of non-controlling interests.

(All amounts in SR'000 unless otherwise stated)

24. NON-CONTROLLING INTERESTS

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

Entity	2023	2022
TSOC – note 24.3	**2,413,399**	2,485,433
Others	**125,200**	295,046
	2,538,599	2,780,479

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

Entity	2023	2022
TSOC – note 24.3	**206,760**	413,124
Others	**(160,470)**	6,244
	46,290	419,368

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

	2023	2022
Non-controlling interests %	**39.55%**	39.55%
Current assets	**2,108,395**	1,526,016
Non-current assets	**7,262,355**	6,972,782
Current liabilities	**3,018,914**	1,812,902
Non-current liabilities	**210,210**	223,158
Total equity	**6,141,626**	6,462,738
Equity Attributable to owners of the company	**6,077,429**	6,284,281
Non-controlling interests of the company	**64,197**	178,457
Non-controlling interests of the Group	**2,403,623**	2,485,433
Other adjustments	**9,776**	-
Carrying value of non-controlling interests of the Group	**2,413,399**	2,485,433
Revenue	**889,751**	985,768
Profit for the year	**408,521**	1,024,525
Profit attributable to owners of the company	**522,781**	1,044,560
Loss attributable to non-controlling interests	**(114,260)**	(20,035)
Total comprehensive income for the year	**408,521**	1,024,525
Total comprehensive income attributable to owners of the company	**522,781**	1,044,560
Total comprehensive loss attributable to the non-controlling interests of the Company	**(114,260)**	(20,035)
Total comprehensive income attributable to the non-controlling interests of the Group	**206,760**	413,124
Dividend paid to NCI	**278,794**	484,489
Cash generated from operating activities	**77,397**	348,425
Cash generated from investing activities	**1,550,413**	545,511
Cash used in financing activities	**(787,370)**	(1,309,702)

(All amounts in SR'000 unless otherwise stated)

25. LONG-TERM BORROWINGS

	Note	2023	2022
Saudi Industrial Development Fund	25.1	**1,334,669**	1,015,511
Commercial banks	25.2	**5,097,332**	4,845,508
		6,432,001	5,861,019
Add: Accrued finance cost		**90,840**	40,573
Less: Unamortized finance cost		**(55,609)**	(59,107)
		6,467,232	5,842,485
Less: Long-term borrowings – current portion		**(2,165,866)**	(1,327,922)
Total non-current loans		**4,301,366**	4,514,563

25.1 Saudi Industrial Development Fund ("SIDF")

The Group has multiple long-term facilities from the Saudi Industrial Development Fund. The total outstanding balance of these loans as at 31 December 2023 amounted to SR 1,335 million (31 December 2022: SR 1,016 million). Up-front and annual administrative fees are charged by SIDF under the loan agreements. These facilities are secured by mortgages on related property, plant, and equipment of the subsidiaries (refer note 8) for which the loans were granted and promissory notes, and corporate guarantees from the shareholders. The maturities of the loans based on their respective repayment schedules spread up to 2030. The loan agreements contain certain covenants which require that pertinent companies maintain specified financial ratios, mainly current ratio and tangible net worth ratio. The covenants are monitored regularly by the management and actions are taken to ensure compliances which includes obtaining waivers from SIDF, where required. There was no non-compliance with covenants which requires the loans to be repayable on demand.

During the year, management has concluded the discussions with SIDF and SIDF Board has approved the restructuring to change the payment profile and extended the maturity dates of the loans from 2025 to 2033. The amended loan agreements will be signed upon meeting certain prerequisites. The outstanding balance of these loans amounting to SR 751 million (31 December 2022: SR 290 million) is classified as current liabilities in these consolidated financial statements.

25.2 Loans from commercial banks

The Group has multiple Islamic long-term loan facilities from commercial banks. The outstanding balance of these loans as at 31 December 2023 amounted to SR 5,097 million (31 December 2022: SR 4,845 million). These loans are secured by promissory notes and carry a commission which commensurate with prevailing commercial rates which are mainly SAIBOR based plus agreed percentage. The maturities of the loans based on their respective repayment schedules spread up to 2029. The loan agreements contain certain covenants which among others, require that pertinent companies maintain specified financial ratios, mainly current ratio, gearing ratio and interest cover ratio. The covenants are monitored regularly by Management, and in case of breach, actions are taken to ensure compliance including waivers for non-compliance. As at 31 December 2023, the Group was in compliance of these covenants.

As at 31 December 2023, certain subsidiaries were in discussion with commercial lenders to restructure their syndicated loan facility and did not make the payment of instalments due and interest in 2022 and 2023. During the year ended 31 December 2023, term sheet has been signed agreeing the terms of the restructuring including extended payment profiles and revised pricing mechanism. The amended loan agreements will be signed upon meeting certain prerequisites. The outstanding balance under this facility amounting to SR 1,045 million (31 December 2022: SR 603 million) is classified as current liabilities in these consolidated financial statements.

25.3 Repayment schedule

The maturity profile of long-term borrowings facilities was as follows:	2023	2022
Within 1 year	**2,096,224**	1,287,349
1-2 years	**331,517**	861,670
2-5 years	**2,958,295**	3,592,000
Above 5 years	**1,045,965**	120,000
	6,432,001	5,861,019

(All amounts in SR'000 unless otherwise stated)

26. EMPLOYEE BENEFITS OBLIGATIONS

The Group's employees in Kingdom of Saudi Arabia and other GCC countries are entitled for end of service benefits in accordance with the provisions of the local labour law and the Group policy. End of service benefit is based on employees' compensation and accumulated period of service and is payable upon termination, resignation or retirement. The Defined Benefit Obligation ("DBO") in respect of employees' end of service benefits is calculated by estimating the future benefit payment that employees have earned in return for their service. This amount applying an appropriate discount rate is used to determine the present value of the Group's obligation.

26.1 Movements in defined benefit obligation

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

	2023	2022
Defined benefit obligation		
As at 1 January	**506,687**	505,397
Amount of benefits recognized as an expense (note 26.2)	**76,229**	72,468
Benefits paid	**(37,870)**	(31,157)
Changes in assumptions	**23,155**	(55,725)
Changes in demographic	**-**	11,614
Changes on account of experience adjustments	**8,657**	4,090
	31,812	(40,021)
As at 31 December	**576,858**	506,687

26.2 Amount of benefits recognized as an expense

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

	2023	2022
Service cost	**51,272**	54,371
Interest cost	**24,957**	18,097
Net annual benefits expense (note 26.2.1)	**76,229**	72,468

26.2.1 Net annual benefit expenses amounting to SR 47.43 million (2022: SR 45.46 million) have been recharged to the Group's joint ventures.

26.3 Significant assumptions

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

	2023	2022
Discount rate	**5.25%**	5.25%
Future salary increases	**4.00%**	3.50%

26.4 Sensitivity analysis:

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

	2023	2022
Discount rate		
Discount rate is 1% basis points higher, the DBO would decrease by	**(47,235)**	(40,362)
Discount rate is 1% basis points lower, the DBO would increase by	**51,474**	45,928
Future salary increases		
Future salary growth increase by 1%, the DBO would increase by	**51,474**	45,928
Future salary growth decrease by 1%, the DBO would decrease by	**(47,235)**	(40,362)

(All amounts in SR'000 unless otherwise stated)

26. EMPLOYEE BENEFITS OBLIGATIONS (continued)

26.5 The maturity profile of the undiscounted obligation was as follows:

	2023	**2022**
Less than 1 year	**70,374**	63,710
1 year to 5 years	**229,670**	206,277
5 years and above	**1,853,643**	1,629,399
	2,153,687	1,899,386

26.6 The weighted average duration of the plan was 10 years as at 31 December 2023 and 2022.

27. LEASE LIABILITIES

Movement in lease liabilities was as follows:

	2023	**2022**
As at 1 January	**174,036**	125,461
Repayments during the year	**(25,621)**	(20,702)
Non-cash changes:		
Additions during the year	**18,259**	63,068
Interest expenses	**4,781**	6,209
	23,040	69,277
As at 31 December	**171,455**	174,036
Less: current portion	**(23,221)**	(22,284)
Non-current portion	**148,234**	151,752

For contractual maturities of lease liabilities refer to note 42.2.

28. OTHER NON-CURRENT LIABILITIES

	Note	**2023**	**2022**
Loans due to related parties	39.2	**261,960**	775,004
Loans from minority shareholders	39.2	**342,896**	332,879
Deferred settlement income	28.1	**237,661**	256,597
Deferred obligation on sale of MGT	28.2	**194,619**	163,189
Deferred obligation to joint venture	28.2	**117,711**	113,704
		1,154,847	1,641,373

28.1 Deferred settlement income

During 2021, the Group has entered into an agreement with one of its minority shareholders to settle the Group's claim in relation to certain conversion projects, which were executed by the Group in prior years. As per the agreement, minority shareholder paid SR 285 million to the Group as full and final settlement to abandon any rights and waive all obligations associated with these projects. This amount is recorded as deferred settlement income and is being amortized over the remaining useful lives of the respective conversion projects (14 – 18 years). During the year, amortization of SR 18.9 million (2022: SR 18.9 million) has been recognized in the consolidated statement of profit or loss.

28.2 Deferred obligation on sale of MGT

On 29 December 2019, Cristal, a subsidiary, entered into "Assets Sale and Purchase Agreement" (ASPA) with Tronox Saudi Industries Company ("TSIC"), a wholly owned subsidiary of Tronox Limited, for the sale of Metal Grade $TiCl_4$ Plant ("MGT asset"), for a consideration receivable of USD 36.1 million (equivalent to SR 135.375 million) which is subject to interest at SAIBOR plus a premium. In the same agreement, the Cristal also assumed an obligation to pay the fixed charges of $125 per metric ton (total SR 323.8 million) to TSIC for the quantity of $TiCl_4$ delivered to ATTM till ASPA is terminated or supply reaches threshold specified in the ASPA. The purpose of the charges is to secure a long-term supply of $TiCl_4$ from TSIC to ATTM at below market price. The receivable balance is offset against the obligation to TSIC of SR 323.8 million over the period from actual supply of $TiCl_4$ by Tronox. On 17 December 2020, upon completion of regulatory approvals, the transaction was closed, and the Group ceased to have control on MGT assets from that date and a loss on disposal of MGT assets of SR 189 million was recorded during the year 2020. The related net obligation as of 31 December 2023 was SR 195 million (2022: SR 163.2 million).

(All amounts in SR'000 unless otherwise stated)

28. OTHER NON-CURRENT LIABILITIES (continued)

28.3 Deferred obligation to joint venture

As part of the arrangement referred to in note 28.2, the Group has signed a side letter with its joint venture ATTM, to rebase the price of $TiCl_4$ which Tronox Limited will supply to ATTM. This price differential will then be adjusted annually in accordance with the terms of the supply agreement of $TiCl_4$ delivered by TSIC to ATTM and reimbursed by the Group to ATTM to compensate for the increase in base unit price resulting from the sale of the MGT Assets to TSIC. This obligation is a financial liability based on management's best estimate of the future price differential and evaluated at every period close and the difference is charged to consolidated statement of profit or loss account (also refer note 37.2). At 31 December 2023, the obligation to ATTM is amounted to SR 117.7 million (2022: SR 113.7 million).

29. ACCOUNTS PAYABLE

	2023	2022
Due to related parties - trade (refer note 39.2)	**1,737,563**	1,050,975
Trade payables	**316,415**	363,214
	2,053,978	1,414,189

30. ACCRUALS, PROVISIONS AND OTHER CURRENT LIABILITIES

	2023	2022
Accrued expenses	**330,282**	363,306
Financial guarantees (note 30.1)	**51,931**	408,181
Accrued employee benefits (note 30.2)	**196,447**	169,374
Dividends payable	**97,795**	107,638
Contract liabilities (note 30.3)	**58,919**	65,301
Loans due to related parties (note 39.2)	**347,457**	55,010
Other liabilities relating to research and development (note 30.4)	**542,326**	548,144
	1,625,157	1,716,954

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

Movement in financial guarantees was as follows:

	2023	2022
As at 1 January	**408,181**	419,479
ECL reversal during the year, net	**-**	(11,298)
Reversal on business acquisition (note 45)	**(356,250)**	-
As at 31 December	**51,931**	408,181

The closing provision comprises of SR 52 million (2022: SR 52 million) representing 12-month ECL and SR nil (2022: SR 356 million) representing lifetime ECL on guarantees categorized as performing and non-performing respectively in compliance with the Group's accounting policies.

30.2 This includes the Group's obligation in respect of employees' defined contribution plan amounting to SR 49 million (2022: SR 31 million).

30.3 Contract liabilities are short term in nature and are expected to turn into recognized revenue shortly after the end of reporting period.

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

(All amounts in SR'000 unless otherwise stated)

31. ZAKAT AND INCOME TAX PAYABLE

31.1 Zakat and income tax

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

	2023	2022
At the beginning of the year	**966,747**	764,664
Paid during the year	**(77,831)**	(84,879)
Provision during the year, net	**255,017**	286,962
At the end of the year	**1,143,933**	966,747

31.2 Zakat

Movement in zakat provision is as follows:

	2023	2022
At the beginning of the year	**966,747**	764,538
Paid during the year	**(77,831)**	(84,753)
Provision during the year, net	**255,017**	286,962
At the end of the year	**1,143,933**	966,747

31.3 Income tax

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

	2023	2022
At the beginning of the year	**-**	126
Paid during the year	**-**	(126)
Provision during the year	**-**	-
At the end of the year	**-**	-

31.4 Status of zakat and income tax returns and assessments

The Company

During 2015, the Company received an approval from ZATCA in the Kingdom of Saudi Arabia to file consolidated zakat returns of the Company and its 100% owned Saudi subsidiaries since 2008.The Company has filed consolidated zakat returns and income tax returns with ZATCA up to the years ended 31 December 2022. The Company has finalized its Zakat and income tax status with ZATCA up to 2007 and received initial assessments for the years 2015 up to 2018 resulting in additional liability of SR 201 million (31 December 2022: SR 246 million), and have submitted appeal against these assessments which are still under review. The management believes that sufficient provisions are recorded, and no additional material liability is likely to arise from open assessments, once finalized.

Subsidiaries

Non-wholly owned subsidiaries in KSA file their Zakat and income tax returns individually. Some of these subsidiaries have received initial assessments for several years from the ZATCA, resulting in additional liability amounting to SR 430 million (31 December 2022: SR 378 million). The subsidiaries have submitted appeal against these assessments which are still under review. The management believes sufficient provisions are recorded by the Group wherever necessary and no material additional liability is likely to arise from open assessments, once finalized.

(All amounts in SR'000 unless otherwise stated)

32. REVENUE

	2023	2022
Sale of goods and associated delivery	**2,982,260**	3,332,997
Rendering of services	**131,563**	124,824
Commission income	**170,524**	142,760
Other	**282,612**	282,281
	3,566,959	3,882,862

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

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

For disaggregated revenue refer to note 40.

33. COST OF REVENUE

	2023	2022
Raw materials, consumables and spare parts	**2,246,095**	2,165,837
Salaries, wages and benefits	**272,216**	266,111
Depreciation and amortization	**187,840**	183,738
Utilities	**282,379**	278,034
Other overheads	**213,953**	124,853
	3,202,483	3,018,573

34. SELLING AND DISTRIBUTION EXPENSES

	2023	2022
Freight and transportation	**83,119**	95,415
Salaries, wages and benefits	**39,049**	40,694
Distributors' incentives	**39,833**	16,355
Depreciation and amortization	**2,227**	3,010
Other	**20,262**	13,988
	184,490	169,462

35. GENERAL AND ADMINISTRATIVE EXPENSES

	2023	2022
Salaries, wages and benefits	**191,365**	210,102
Consulting and professional fees	**18,691**	34,414
Depreciation and amortization	**35,654**	45,076
Travel	**5,213**	3,813
Rent	**2,078**	6,563
Computer supplies and software expenses	**21,885**	14,059
Reversal of professional fee accruals (note 9)	**(23,906)**	-
Other	**7,753**	9,652
	258,733	323,679

(All amounts in SR'000 unless otherwise stated)

36. OTHER INCOME, NET

	2023	2022
Research and development contribution, net (note 36.1)	**97,340**	100,091
Dividend income from equity investments held at FVOCI	**32,898**	39,019
Gain on price differential obligation of MGT	**-**	25,472
Reversal of indemnification liability (note 36.2)	**30,000**	-
Settlement claim with supplier	**15,812**	-
Other	**8,959**	13,638
	185,009	178,220

36.1 This represents research and development contribution from certain JVs amounting to SR 137 million (2022: SR 148 million), net of expenses recorded during the year.

36.2 This represents obligations associated to a business disposed of in previous years. These indemnification obligations, pertaining to periods preceding its disposal, are now concluded as no longer payable.

37. FINANCE COSTS AND INCOME

	2023	2022
Finance costs		
Interest on long-term borrowings	**295,605**	250,615
Interest on related party loans (note 39.2)	**13,206**	21,845
Interest on lease liabilities (notes 10 & 27)	**4,781**	6,209
Remeasurement of financial obligation (note 37.2)	**46,476**	-
Other	**-**	61
	360,068	278,730
Finance income		
Income from Murabaha and other	**(237,047)**	(107,060)
Gain on modification of loans (notes 15 & 25)	**-**	(45,343)
	(237,047)	(152,403)
Net finance costs	**123,021**	126,327

37.1 Finance costs do not include the capitalized borrowing costs as referred in note 9.

37.2 This represents impact of revision in the estimated future cashflows in respect of financial liability to a joint venture discounted at the original effective interest rate. Also refer note 28.3.

38. EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing operating profit and profit attributable to equity holders of Parent by the weighted average number of ordinary shares issued, that is 668,914 thousand shares as at 31 December 2023 (2022: 668,914 thousand shares).

39. RELATED PARTIES TRANSACTIONS AND BALANCES

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

39.1 Trading transactions

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

	Sale of goods and services		Purchase of goods and services	
	2023	2022	2023	2022
Associates	**467,389**	226,426	**-**	-
Joint ventures	**647,690**	791,376	**1,095,538**	1,116,790

(All amounts in SR'000 unless otherwise stated)

39. RELATED PARTIES TRANSACTIONS AND BALANCES (continued)

39.1 Trading transactions (continued)

Sale of goods include the provision of utilities and administrative services of SR 138 million (2022: SR 135 million) to its associates / joint ventures at cost plus basis and marketing services charge by National Industrialization Petrochemical Marketing Company from its affiliates of SR 167 million (2022: SR 170 million).

Purchases of goods include purchase of petrochemical products from associates / joint ventures at agreed prices.

Also refer notes 15, 30.1,30.4, 36 & 37 in respect of other non-trade transactions with related parties including ECL reversal on loan to a joint venture, ECL on financial guarantees to joint ventures, research and development contribution received from joint ventures, finance costs and finance income from related parties.

39.2 Amounts due from / to related parties

The following balances were outstanding as at 31 December 2023:

	Due from related parties			Due to related parties		
	Associates	**Joint Ventures**	**Total**	**Associates**	**Joint Ventures**	**Total**
Current						
Trade	**2,579**	**133,839**	**136,418**	**1,526**	**1,736,037**	**1,737,563**
Other non-trade	**754**	**302,352**	**303,106**	**-**	**-**	**-**
Loans	**-**	**57,323**	**57,323**	**306,228**	**41,229**	**347,457**
	3,333	**493,514**	**496,847**	**307,754**	**1,777,266**	**2,085,020**
Non-current						
Loans	**-**	**582,080**	**582,080**	**38,485**	**223,475**	**261,960**
Total	**3,333**	**1,075,594**	**1,078,927**	**346,239**	**2,000,741**	**2,346,980**

The following balances were outstanding as at 31 December 2022:

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

(i) For significant balances, refer to the respective note to these consolidated financial statements including:

- Other non-trade receivables from joint ventures are mainly related to the provision of services to the Group's joint ventures.
- JV loans are recoverable as per the term of the agreements and are presented as net of provision. For details refer note 15.3.
- Trade payable to joint ventures include VAT refunds as Tasnee is filing Group VAT return including the joint ventures.
- Loans payable to associates represents loan from Tronox under the Option agreement for slagger project (refer to note 9.1).
- Loans payable to JV mainly includes loan provided for HOP and HLP. Refer note 15 for additional details.

(All amounts in SR'000 unless otherwise stated)

39. RELATED PARTIES TRANSACTIONS AND BALANCES (continued)

39.2 Amounts due from / to related parties (continued)

(ii) For related parties obligations pertaining to the sale of MGT asset, refer note 28.3.
(iii) Loans payable to minority shareholders are interest bearing at market rate. For related balances refer note 28.
(iv) Also refer notes 12, 13, 15, 18, 24, 28 in respect of other balances with related parties including investments in equity accounted associates and joint ventures, investments in financial assets designated as FVOCI, employee receivables, deferred settlement income, deferred obligation on sale of MGT, deferred obligation to joint venture, non-controlling interests, financial guarantees to join ventures.
(v) Refer note 30 for research and development contributions from joint ventures. Contribution received during the year ended 31 December 2023 amounts to SR 137 million (31 December 2022: SR 148 million).

39.3 Compensation of key management personnel

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

	2023	**2022**
Short-term benefits (salaries and allowances)	**30,261**	33,423
Post-employment benefits	**5,044**	6,578

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

On 15 July 2020, a subsidiary AMIC entered into 'Forward sale agreement' with a joint venture ATTM. The full amount was paid by the Group during 2020 and considered as financing in accordance with the applicable standards. The amount outstanding as of 31 December 2023 was SR 57 million (2022: SR 85 million) which has been classified as a current financial asset.

40. SEGMENT INFORMATION

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

Segment	**Description of activities**
Chemicals	Includes the Group's investment in TiO2 business, production of Titanium sponge and its by-products, project under progress for production of Titanium metals of various types and related substances including Titanium and Iron ore.
Petrochemicals	Includes basic chemicals and polymers. The Group sold several products including Ethylene, Propylene, Butanol, High density polyethylene (HDPE), Low density polyethylene (LDPE), Polypropylene (PP), Butyl Acrylic (BA), Acetic acid and Super absorbent polymers (SAP).
Downstream & Others	Includes the production of liquid batteries for cars, production of lead and sodium sulphate, all kinds of plastic productions and the production of acrylic panels. Also includes the operations of the head office, and technical centres, innovations and investment activities.

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

(All amounts in SR'000 unless otherwise stated)

40. SEGMENT INFORMATION (continued)

40.2 The Group's total revenue and expenses from operations for the year then ended, by operating segments, were as follows:

	Chemicals	**Petro-chemicals**	**Downstream & Others**	**Total**
2023				
Sale of goods	**538,283**	**1,592,650**	**1,021,851**	**3,152,784**
Rendering of services	**-**	**-**	**131,563**	**131,563**
Others	**-**	**176,621**	**105,991**	**282,612**
Total Segment revenue	**538,283**	**1,769,271**	**1,259,405**	**3,566,959**
Segment expenses	**582,686**	**1,970,622**	**1,261,545**	**3,814,853**
Share of (loss) / profit from associates and joint ventures, net	**(244,768)**	**913,929**	**(7,380)**	**661,781**
Depreciation and amortization	**12,034**	**90,013**	**123,674**	**225,721**
Segment EBITDA	**(245,700)**	**989,041**	**307,276**	**1,050,617**
2022				
Sale of goods	260,144	1,975,508	1,097,345	3,332,997
Rendering of services	-	-	124,824	124,824
Others	-	219,504	205,537	425,041
Total Segment revenue	260,144	2,195,012	1,427,706	3,882,862
Segment expenses	486,670	1,717,960	1,504,180	3,708,810
Share of profit / (loss) from associates and joint ventures, net	313,514	841,093	(7,876)	1,146,731
Depreciation and amortization	6,496	93,974	131,354	231,824
Segment EBITDA	346,371	1,336,939	303,594	1,986,904

The Group calculates EBITDA by adding other income (net), depreciation, amortization and impairment of non-financial assets to the operating profit.

40.3 The Group's total assets and liabilities as at 31 December 2023 and 2022 by operating segments was as follows:

	Chemicals	**Petro-chemicals**	**Downstream & Others**	**Total**
2023				
Segment assets	**5,276,317**	**14,142,104**	**5,963,157**	**25,381,578**
Segment liabilities	**2,142,807**	**4,322,781**	**6,727,872**	**13,193,460**
Investments in equity accounted associates and joint ventures	**2,618,410**	**8,497,579**	**145,703**	**11,261,692**
2022				
Segment assets	5,699,242	13,035,416	5,923,244	24,657,902
Segment liabilities	2,376,068	2,771,742	7,114,661	12,262,471
Investments in equity accounted associates and joint ventures	2,977,698	8,633,641	153,170	11,764,509

(All amounts in SR'000 unless otherwise stated)

40. SEGMENT INFORMATION (continued)

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

	Chemicals	Petro-chemicals	Downstream & Others	Total
2023				
KSA	**495,985**	**1,020,586**	**775,285**	**2,291,856**
Middle East and Asia	**-**	**257,749**	**275,869**	**533,618**
Europe	**42,298**	**353,905**	**34,974**	**431,177**
Africa	**-**	**85,783**	**149,952**	**235,735**
Others	**-**	**51,248**	**23,325**	**74,573**
	42,298	**748,685**	**484,120**	**1,275,103**
Total	**538,283**	**1,769,271**	**1,259,405**	**3,566,959**
2022				
KSA	260,144	1,079,120	767,753	2,107,017
Middle East and Asia	-	639,111	466,546	1,105,657
Europe	-	343,440	133,820	477,260
Africa	-	86,892	46,642	133,534
Others	-	46,449	12,945	59,394
	-	1,115,892	659,953	1,775,845
Total	260,144	2,195,012	1,427,706	3,882,862

40.5 The Group's majority of the revenue was recognized at a point in time. In downstream segment, service revenue was recognized over the period of time. As at 31 December 2023, the unfulfilled performance obligations amounted to SR 82.3 million (2022: SR 18.9 million).

41. FAIR VALUATION AND FINANCIAL INSTRUMENTS

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

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

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

41.1 Fair valuation techniques

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

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

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

(All amounts in SR'000 unless otherwise stated)

41. FAIR VALUATION AND FINANCIAL INSTRUMENTS (continued)

41.1 Fair valuation techniques (continued)

Fair values of investments in unquoted equity shares classified in Level 3 are determined based on the EBITDA Multiple and Value in Use model based on the information of the said company as at the date of consolidated statement of financial position. Valuation of investment in TAQA has been carried out using the Comparable Companies Method ('CCM') under the Market Approach using an EBITDA multiple of 5.75. A 10% change in this assumption would reflect in a change in the valuation by approximately SR 9 million.

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

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

Nature of financial instrument	Carrying value	Level 1	Level 2	Level 3
December 2023				
Investments in quoted equity shares	**636,815**	**636,815**	**-**	**-**
Investments in unquoted equity shares	**392,215**	**-**	**-**	**392,215**
Interest rate swap	**32,907**	**-**	**32,907**	**-**
December 2022				
Investments in quoted equity shares	606,535	606,535	-	-
Investments in unquoted equity shares	489,113	-	-	489,113
Interest rate swap	39,796	-	39,796	-

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

41.2 Transfers between Levels

There have been no transfers between the levels during the year ended 31 December 2023 (31 December 2022: investment in AMAK was moved from level 3 to level 1 as explained in note 13.1). There were also no changes made during the year ended 31 December 2023 to any of the valuation techniques applied as of 31 December 2023.

42. FINANCIAL RISK MANAGEMENT

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

42.1 Credit risk

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

42. FINANCIAL RISK MANAGEMENT (continued)

42.1 Credit risk (continued)

Trade receivables

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

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

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

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

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

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

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

c) Concentration risk

The Group evaluates the concentration of risk with respect to trade receivables as low, considering the companies' operations relates to diversified segments. As at 31 December 2023, from geographical concentrations perspective, the Group's receivables are from customers in more than 20 countries, however, major concentration of net receivables was in Saudi Arabia, UAE, and Turkey as cumulatively the receivables from these countries represent more than 40% of the total trade receivables.

(All amounts in SR'000 unless otherwise stated)

42. FINANCIAL RISK MANAGEMENT (continued)

42.1 Credit risk (continued)

Trade receivables (continued)

d) On the basis explained above, the loss allowance for trade receivables as at 31 December 2023 and 31 December 2022 was determined as follows:

2023	**Not yet due**	**Less than 90 days**	**90 - 180 days**	**181- 270 days**	**271-364 days**	**365- 730 days**	**More than two years**	**Total**
Average expected loss rates	**0.61%**	**1.52%**	**7.61%**	**10.49%**	**25.20%**	**68.36%**	**100%**	**7.04%**
Gross carrying amount	**1,127,332**	**98,994**	**12,551**	**8,406**	**6,470**	**35,110**	**59,099**	**1,347,962**
Loss allowance	**(6,834)**	**(1,503)**	**(955)**	**(882)**	**(1,631)**	**(24,001)**	**(59,099)**	**(94,905)**
Net balance	**1,120,498**	**97,491**	**11,596**	**7,524**	**4,839**	**11,109**	**-**	**1,253,057**

2022	**Not yet due**	**Less than 90 days**	**90 – 180 days**	**181- 270 days**	**271-364 days**	**365- 730 days**	**More than two years**	**Total**
Average expected loss rates	0.61%	1.91%	7.20%	21.53%	39.82%	43.49%	100%	7.79%
Gross carrying amount	1,020,204	155,370	34,746	5,894	6,421	28,951	71,789	1,323,375
Loss allowance	(6,275)	(2,970)	(2,502)	(1,269)	(2,557)	(12,591)	(71,789)	(99,953)
Net balance	1,013,929	152,400	32,244	4,625	3,864	16,360	-	1,223,422

Other financial assets

This comprises mainly of deposits with banks, investments in unquoted equity shares, investments in Sukuks, receivables from equity accounted investees and joint ventures, employee home loan receivable, financial guarantee contracts and derivative assets. Credit risk arising from these financial assets is limited as the counterparties are equity accounted investees, banks and recognized financial institutions. Banks and recognized financial institutions have high credit ratings ranging from A- to BBB+ assigned by the international credit rating agencies. In case of employee home loan receivable, the loan is secured against the charge on the property purchased and the impact of applying ECL is immaterial. Trade and non-trade current receivables from related parties have low credit risk and the impact of applying ECL is immaterial. As at year end, the balances were unsecured and there was no default by any of the counter party therefore these are considered as performing.

Loans due from related parties are assessed individually for impairment on an annual basis. The Group applies the general approach for ECL on its other financial assets. Key inputs into the measurement of ECL are probability of default (PD), loss given default (LGD) and exposure at default (EAD). The Group also incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Also refer note 15.3.

(All amounts in SR'000 unless otherwise stated)

42. FINANCIAL RISK MANAGEMENT (continued)

42.1 Credit risk (continued)

Other financial assets (continued)

The maximum exposure to credit risk at the end of the reporting year is the carrying amount of each class of financial assets mentioned below together with the gross amounts underwritten in financial guarantee contracts disclosed in note 43.2.

Financial Assets	Note	2023	2022
At amortized cost			
Investments in debt securities	14	**125,992**	102,140
Other non-current assets	15	**711,491**	648,245
Accounts receivable	17	**1,253,057**	1,223,422
Other current assets	18	**461,378**	244,352
Short term investments	19	**680,000**	935,500
Cash and bank balances	20	**3,835,581**	2,835,779
		7,067,499	5,989,438
At FVOCI			
Derivative financial instruments	15	**32,907**	39,796

42.2 Liquidity risk

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

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

	Payable on demand	Within 1 year	1 to 5 years	Greater than 5 years	Total
2023					
Long-term borrowings	**1,795,832**	**618,132**	**3,708,861**	**1,049,443**	**7,172,268**
Accounts payable - third party	**-**	**316,415**	**-**	**-**	**316,415**
Lease liabilities	**-**	**23,221**	**97,206**	**76,705**	**197,132**
Payable to related parties- current and non-current	**-**	**2,085,020**	**1,078,897**	**-**	**3,163,917**
Other current liabilities	**-**	**428,077**	**-**	**-**	**428,077**
Financial guarantees (refer note 30.1)	**959,025**	**-**	**-**	**-**	**959,025**
	2,754,857	**3,470,865**	**4,884,964**	**1,126,148**	**12,236,834**
2022					
Long-term borrowings	839,007	748,974	3,952,607	1,256,837	6,797,425
Accounts payable - third party	-	363,214	-	-	363,214
Lease liabilities	-	22,284	121,180	52,856	196,320
Payable to related parties- current and non-current	-	1,112,672	1,643,480	-	2,756,152
Other current liabilities	-	464,257	-	-	464,257
Financial guarantees (refer note 30.1)	1,320,900	-	-	-	1,320,900
	2,159,907	2,711,401	5,717,267	1,309,693	11,898,268

(All amounts in SR'000 unless otherwise stated)

42. FINANCIAL RISK MANAGEMENT (continued)

42.2 Liquidity risk (continued)

42.2.1 Net debt reconciliation

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

	Cash and bank balances	Short term investments	Long term borrowings	Lease Liabilities	Net Debt
At 31 December 2022	**(2,835,779)**	**(935,500)**	**5,842,485**	**174,036**	**2,245,242**
Repayments	**-**	**-**	**(644,088)**	**(25,621)**	**(669,709)**
Net cash flows	**(999,802)**	**255,500**	**-**	**-**	**(744,302)**
	(999,802)	**255,500**	**(644,088)**	**(25,621)**	**(1,414,011)**
Other transactions:					
Addition during the year	**-**	**-**	**-**	**18,259**	**18,259**
Acquisitions through business combinations (note 45)	**-**	**-**	**944,641**	**-**	**944,641**
Interest expenses	**-**	**-**	**324,194**	**4,781**	**328,975**
	-	**-**	**1,268,835**	**23,040**	**1,291,875**
At 31 December 2023	**(3,835,581)**	**(680,000)**	**6,467,232**	**171,455**	**2,123,106**

	Cash and bank balances	Short term investments	Long term borrowings	Lease Liabilities	Net Debt
At 31 December 2021	(3,393,975)	-	6,805,584	125,461	3,537,070
Additions	-	(935,500)	-	-	(935,500)
Repayments	-	-	-	(20,702)	(20,702)
Net cash flows	558,196	-	(1,197,371)	-	(639,175)
	558,196	(935,500)	(1,197,371)	(20,702)	(1,595,377)
Other transactions:					
Addition during the year	-	-	-	63,068	63,068
Interest expenses	-	-	250,615	6,209	256,824
Gain on modification of loans	-	-	(16,343)	-	(16,343)
	-	-	234,272	69,277	303,549
At 31 December 2022	(2,835,779)	(935,500)	5,842,485	174,036	2,245,242

42.3 Market risk

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

	Note	2023	2022
At FVOCI			
Investments in financial assets designated as FVOCI	13	**1,029,030**	1,095,648

(All amounts in SR'000 unless otherwise stated)

42. FINANCIAL RISK MANAGEMENT (continued)

42.4 Currency risk

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

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

42.5 Commission rate risk

Commission rate risk is the risk that the value of financial instruments or their associated cash flows will fluctuate due to changes in market commission rates. The Group has no significant floating rate commission-bearing assets but has commission bearing liabilities as at 31 December 2023 and 2022.

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

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

		Gain / (loss) through the consolidated statement of profit or loss	
Currency	**Change in exchange rate**	**2023**	**2022**
6 Months SAIBOR	+100 basis points	**(50,973)**	(33,050)
	-100 basis points	**50,973**	33,050

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

42.6 Capital management

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

The Group objectives when managing capital are to safeguard the Group ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, or increase or decrease borrowings. The amount of capital (Total equity + net debt) that the Group managed as at 31 December 2023 was SR 14,311 million (2022: SR 14,641 million).

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity (as shown in the consolidated statement of financial position, including non-controlling interests). The Group is not subject to any externally imposed capital requirements throughout 2023 and 2022.

(All amounts in SR'000 unless otherwise stated)

43. COMMITMENTS AND CONTINGENCIES

43.1 Capital and purchase commitments:

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

	2023	2022
Capital commitments for projects under progress and purchase of property, plant and equipment	**78,276**	61,516

43.2 Letters of Guarantees:

	2023	2022
Letters of guarantees issued by banks on behalf of the Group	**37,002**	294,394

43.3 Letters of Credit:

	2023	2022
Letters of credit issued by banks in favour of the Group	**103,922**	104,157

43.4 Contingent liabilities:

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

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

44. NON-CASH TRANSACTIONS

Following non-cash transactions were recorded during the year:

(i) The transfer of SR 1,172.8 million (2022: 9.1 million) from Projects under progress to Property, plant and equipment and Intangible assets.

(ii) Additions to right-of-use assets and lease liabilities of SR 18.2 million in 2023 (2022: SR 63.1 million).

(iii) Transfer from investment to long-term loan receivable from a joint venture amounting to SR nil (2022: SR 0.8 million) based on expected settlement period.

(iv) Loss of SR 31.8 million (2022: gain of SR 40 million) was recognized in respect of re-measurement of defined benefit plans.

(v) Loss of SR 66.6 million (2022: gain of SR 208.5 million) was recognized in respect of investments in equity instruments designated as FVOCI.

(vi) Accounts payable in respect of the Slagger project amounting to SR 121.8 million (2022: SR nil) were adjusted against projects under progress (refer note 9).

(vii) Finance cost and other directly attributable expenses amounting to SR 49.9 million (2022: SR 75.7) were capitalized as part of projects under progress (refer note 9).

(All amounts in SR'000 unless otherwise stated)

44. NON-CASH TRANSACTIONS (continued)

Following non-cash transactions were recorded during the year (continued):

(viii) Receivable under forward sale agreement amounting to SR 85.5 million (2022: SR nil) was transferred from other non-current assets to prepayments and other current assets based on the settlement period.

(ix) Tronox loan amounting to SR 306.2 million (2022: SR nil) was transferred from provisions and other non-current liabilities to accruals, provisions and other current liabilities based on the settlement period. Furthermore, Tronox loan amounting to SR 191.4 million (2022: SR nil) was settled against the chloride slag sales to Tronox.

(x) Financial guarantee amounting to SR 356.2 million (2022: SR nil) was adjusted upon acquisition of SAPCO. Also refer note 45.

45. Acquisition of Saudi Acrylic Polymers Company ("SAPCO") & Evonik Tasnee Marketing ("ETM")

During the year, the Group acquired SAPCO and ETM with an objective to increase the integration of the Group's Acrylic business as an integrated unit. The acquisition was executed as a combined deal resulting in acquisition of both entities as 100% owned subsidiaries of the Group. These two transactions were undertaken with the same counterparty (Evonik) on the same date.

The transaction resulted in recognition of a provisional goodwill amounting to SR 492 million. Given the two business combinations were with the same counterparty on the same date, the net goodwill position of the two transactions have provisionally been considered together. This goodwill is provisional and management expects to complete the fair valuation and allocation of the goodwill within 12 months from the date of acquisition as allowed by IFRS. Management believes that the acquisition will result in synergies, representing value chain capture through integration, enhanced marketing and sales opportunities, future customer relationships and intangibles such as acquired technology licenses. In addition, TSOC (as part of the Acrylic business unit) will benefit from the new SEPC thermal cracker furnace.

Goodwill has been provisionally allocated to a group of CGUs (Acrylic business unit including part of TSOC) within the Petrochemical operating segment, which is expected to benefit from the synergies of the acquisitions.

Net provisional impact of acquisition of SAPCO and ETM (Evonik exit) is as follows:

	Note	
Goodwill arising on SAPCO acquisition	45.1	**516,565**
Bargain purchase gain on ETM acquisition	45.2	**(24,718)**
Net Goodwill on Evonik exit (considered together as described above)		**491,847**
Impairment of goodwill during the year	11	**(226,000)**
Goodwill (provisional)		**265,847**

45.1 Acquisition of Saudi Acrylic Polymers Company ("SAPCO")

On 5 December 2023, a subsidiary of the Group, Saudi Acrylic Acid Company ("SAAC") has completed the acquisition of 25% of the shares of SAPCO, increasing its interest in SAPCO from 75% to 100%, and thereby obtained control over SAPCO, having previously been a joint venture. The acquisition has been accounted for using the acquisition method under IFRS 3 – Business Combinations with SAAC being the acquirer and SAPCO being the acquiree. As required by IFRS 3, SAAC is currently in the process of allocating the purchase consideration to the identifiable assets, liabilities and contingent liabilities acquired. The Group has, however, accounted for the acquisition based on provisional fair values of the acquired assets and assumed liabilities as at the acquisition date. Adjustment to the provisional values will be finalized within 12 months of the date of acquisition as allowed by the IFRS.

(All amounts in SR'000 unless otherwise stated)

45. Acquisition of Saudi Acrylic Polymers Company ("SAPCO") & Evonik Tasnee Marketing ("ETM") (continued)

45.1 Acquisition of Saudi Acrylic Polymers Company ("SAPCO") (continued)

The provisional fair values of the identifiable assets acquired, and liabilities assumed of SAPCO as of acquisition date (i.e., 5 December 2023) were as follows:

	Note	
Assets		
Property, plant, and equipment		197,979
Intangible assets		531
Inventories		108,373
Account receivables	45.1.2	80,525
Other current assets		8,808
Cash and bank balances		297,336
		693,552
Liabilities		
Borrowing		944,641
Less: Financial guarantee already recorded	45.1.3	(356,250)
Trade payables		664,793
Provision and other liabilities		1,933
		1,255,117
Total identifiable net liabilities at fair value assumed		**(561,565)**
Purchase consideration received	45.1.1	**45,000**
Goodwill arising on acquisition (provisional)		**516,565**

45.1.1 SAAC has received a fee in the form of cash from outgoing shareholder for exiting SAPCO and selling its shareholding to SAAC.

45.1.2 The acquisition date fair value and gross amount of the trade receivables amounts to SR 80.5 million. It is expected that the full contractual amounts can be collected.

45.1.3 This represents settlement of financial guarantee provided by SAAC to Saudi Industrial Development Fund (SIDF) against the loan provided to SAPCO, before acquisition, in its capacity as shareholder.

45.1.4 Analysis of cash flows on acquisition:

Net cash and bank balances acquired with the subsidiary	297,336
Less: Restricted bank deposits (see note 20)	(23,230)
Cash received	45,000
Net cash flow on acquisition	**319,106**

45.1.5 Impact on Group Results

From the date of acquisition, SAPCO has contributed SR 26 million of revenue and a loss of SR (23) million to the profit before zakat and income tax of the Group. If the acquisition had taken place at the beginning of the year, revenue would have been SR 3,873 million and the profit before zakat and income tax for the period would have been SR 228 million.

Acquisition-related costs are included in general and administrative expenses in Group's consolidated statement of profit or loss for the year ended 31 December 2023 and are part of operating cash flows in the consolidated statement of cash flows.

(All amounts in SR'000 unless otherwise stated)

45. Acquisition of Saudi Acrylic Polymers Company ("SAPCO") & Evonik Tasnee Marketing ("ETM") (continued)

45.2 Acquisition of Evonik Tasnee Marketing ("ETM")

On 5 December 2023, a subsidiary of the Group, National Industrialization Petrochemical Marketing Company ("NIPMC") has completed the acquisition of 75% of the shares of ETM, increasing its interest in ETM from 25% to 100%, and thereby obtained control over ETM, having previously been an associate. NIPMC has also approved to change the name of ETM to Tasnee Marketing International Company ("TMIC") and completed the legal formalities at the same time. The acquisition has been accounted for using the acquisition method under IFRS 3 – Business Combinations with NIPMC being the acquirer and ETM being the acquiree. As required by IFRS 3, NIPMC is currently in the process of allocating the purchase consideration to the identifiable assets, liabilities and contingent liabilities acquired. The Group has, however, accounted for the acquisition based on provisional fair values of the acquired assets and assumed liabilities as at the acquisition date. Adjustment to the provisional values will be finalized within 12 months of the date of acquisition as allowed by the IFRS.

The provisional fair values of the identifiable assets acquired, and liabilities assumed (excluding intercompany payable) of ETM as of acquisition date (i.e., 5 December 2023) were as follows:

	Note	
Assets		
Property, plant, and equipment		23
Trade receivables	45.2.2	49,831
Prepayments and other current assets		2,083
Cash and bank balances		82,731
		134,668
Liabilities		
Trade payables		66,414
Provision and other liabilities		8,545
		74,959
Total identifiable net assets at fair value		**59,709**
Purchase consideration	45.2.1	**34,991**
Bargain purchase gain (netted against SAPCO goodwill as described above)		**24,718**

45.2.1 Purchase consideration:

Cash paid	**20,000**
Fair value of existing interest in ETM	**14,991**
Total	**34,991**

45.2.2 The acquisition date fair value and gross amount of the trade receivables amounts to SR 49.8 million. It is expected that the full contractual amounts can be collected.

45.2.3 Analysis of cash flows on acquisition:

Net cash and bank balances acquired with the subsidiary	82,731
Cash paid	(20,000)
Net cash flow on acquisition	**62,731**

45.2.4 Impact on Group Results

From the date of acquisition, ETM has contributed SR 24 million of revenue and a loss of SR (0.6) million to the profit before zakat and income tax of the Group. If the acquisition had taken place at the beginning of the year, revenue would have been SR 3,860 million and the profit before zakat and income tax for the period would have been SR 238 million.

Acquisition-related costs are included in general and administrative expenses in Group's consolidated statement of profit or loss for the year ended 31 December 2023 and are part of operating cash flows in the consolidated statement of cash flows.

46. EVENTS AFTER THE REPORTING DATE

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

47. CLIMATE CHANGE

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

48. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved from the Board of Directors on **04 March 2024.**