Innovation 360°

Planned Prosperity From Every Angle

سبكيم
Sipchem
EXCELLENCE everywhere

Annual Report 2023

بسم الله الرحمن الرحيم

IN THE NAME OF ALLAH

THE MOST COMPASSIONATE, THE MOST MERCIFUL

Contents

Since the announcement of our wise government, under the leadership of the Custodian of the Two Holy Mosques, King Salman bin Abdulaziz Al Saud and His Royal Highness Prince Mohammed bin Salman bin Abdulaziz Al Saud, Crown Prince and Prime Minister, the Transition Program 2020 and the vision of the Kingdom of Saudi Arabia 2030, Sipchem has been working in a fast pace to keep abreast of the Kingdom's economic development and its direction of promoting sustainable economic resources in the interest of the nation, which will result in diversification of its investments and the excellence of its products supported by the researches conducted through its scientific research center.

VISION رؤيـــة 2030
المملكة العربية السعودية
KINGDOM OF SAUDI ARABIA

Custodian of the Two Holy Mosques
King Salman bin Abdulaziz Al Saud

His Royal Highness Prince
Mohammed bin Salman
bin Abdulaziz Al Saud
Crown Prince
Prime Minister

Innovation 360°

Progress is not linear; it's circular

Due to ever-changing circumstances, maintaining success requires ongoing effort. With new competitors entering our market, evolving customer needs, and emerging technologies enabling new solutions, we have outlined our path to prosperity through five strategic pillars: Growth, Profitability, Sustainability, Digital & Innovation, and People.

These pillars collectively provide a 360° vision, ensuring we are working towards the right goals based on what we have identified as the most crucial factors for our future. These strategic pillars have been translated into actionable initiatives that we are implementing to drive positive and effective progress.

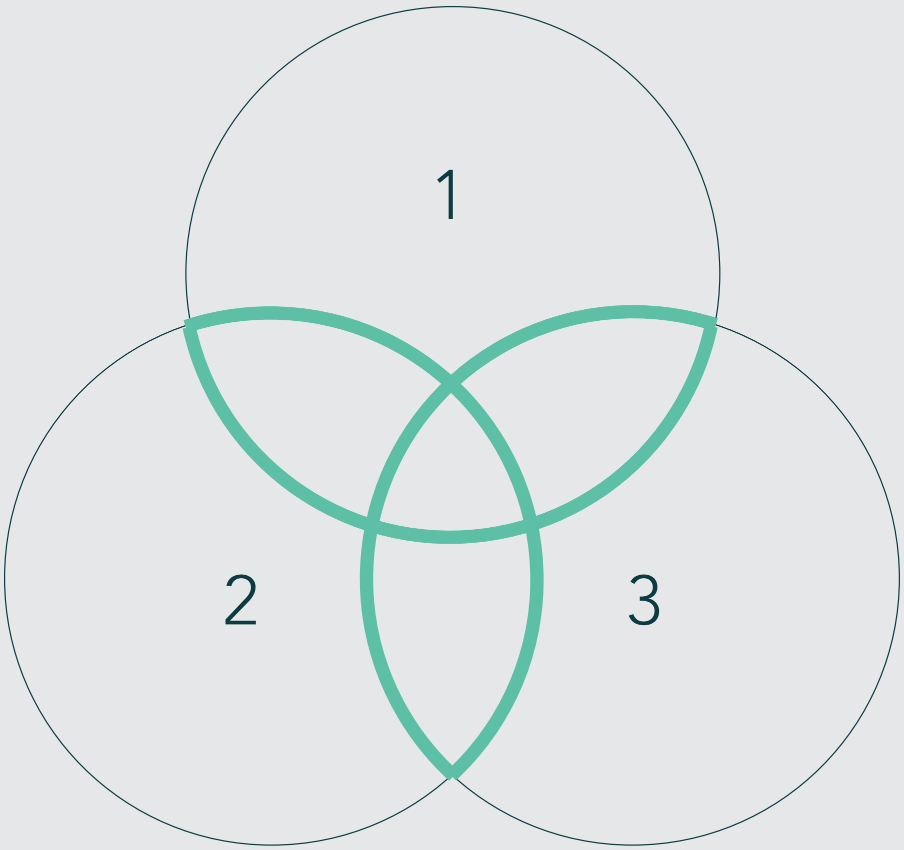
Plan to Achieve Innovation 360°

The process:

1. Analyzing Problems
(strategic planning and understanding)

2. Building Solutions
(that overcome challenges with creativity)

3. Implementing Initiatives
(putting plans into practice)



Chairman's Message

Eng. Khalid bin Abdullah AlZamil

Chairman of the Board

Dear Shareholders of Sahara International Petrochemical Company "Sipchem",

May the Peace, Mercy and Blessings of Allah be bestowed upon you.

On behalf of myself and my colleagues on the Board of Directors of Sahara International Petrochemical Company (Sipchem), we are pleased to present our annual report. This document offers insights into Sipchem's significant achievements and the challenges faced over the past year.

The report provides an overview of the company's performance and the efforts made throughout the year, marked by numerous successes. These achievements are, first and foremost, attributed to the full support of the Custodian of the Two Holy Mosques, King Salman bin Abdulaziz, and Crown Prince His Royal Highness Prince Mohammed bin Salman. We also acknowledge the wisdom and insight from government, the dedication of Sipchem employees, and their strong commitment. I am proud of our unique environment that promotes productivity and excellence, enabling the company to meet its objectives and steadily work towards its ambitious strategic goals.

Sipchem has successfully met its objectives by enhancing operational efficiency and implementing initiatives that have helped mitigate the impact of global geopolitical and economic fluctuations. These efforts aim to support the promising and ambitious development goals of our beloved country in line with Saudi Vision 2030.

Our strength, after Allah Almighty, comes from Sipchem strategic pillars. The strategy clearly supports plans for adaptation, operational expansions, and investments. Growth and development of new business models that contribute to sustainable transformation feature prominently in our planning priorities.

Sipchem remains committed to achieving excellence by investing in young talent, focusing on digital transformation, and integration of sustainability into its operations.

In conclusion, Sipchem has firmly embedded values that benefit the business and its shareholders, while also enhancing the company's presence in strategic application sectors and markets. This journey, spanning nearly a quarter of a century, has been marked by achievements and successes.

For all our accomplishments I would like to express my gratitude and appreciation to my fellow board members, the executive management, all employees of the company, and all our valued customers and stakeholders who have supported Sipchem on its journey.

Peace and blessings of Allah be upon you.

Eng. Khalid bin Abdullah AlZamil
Chairman of the Board

CEO's Message

Following two exceptional years for Sipchem in 2021 and 2022, the global petrochemical landscape faced significant challenges in 2023. Despite the cyclical nature of our industry, I am immensely proud of the resilience shown by our teams and Sipchem's unwavering perseverance during these challenging times. Our strategic foresight and resilience were evident in our five-year Total Shareholder Return, which exceeded industry benchmarks.

We remain committed to charting a course guided by optimism and anchored by our five strategic pillars: people, growth, profitability, sustainability, innovation and digital transformation. Our growth trajectory advanced significantly with the establishment of our corporate venture capital arm, "Innovent" and the confirmation of feedstock allocation for our Blue Ammonia project, demonstrating our commitment to expanding and enhancing our portfolio for the future.

Sipchem digitalization journey continues to gain momentum as we migrate to SAP/4HANA, positioning ourselves as pioneers in adopting the new enhanced ERP infrastructure. This technological upgrade will strengthen our business, enabling the seamless implementation of existing and future digital initiatives identified and prioritized for 2024-2026. Supported by our growing Innovation and Digital Transformation team, we are ready to lead in digital innovation.

In the realm of sustainability, I am pleased with our progress and growing momentum as we execute our sustainability strategy and prioritize asset decarbonization. The adopting of global best practices include enhancing transparency of our product carbon footprint and underscore our commitment to meeting the evolving demands of the sector while leading sustainability efforts.

Our investments in human capital demonstrate dedication to nurture talent and fostering a dynamic workforce. Transitioning to a skills-based organizational model allows us to leverage our staff's competencies, create mobility opportunities and optimize skill deployment across the organization.

As we prepare for continued industry headwinds in 2024, our holistic approach to business enables us to innovate and adapt with agility through 'Innovation 360'. I extend my deepest appreciation to all members of the Sipchem family who contribute to our journey. Together, we will continue to push boundaries and pave the way for a brighter tomorrow.

Eng. Abdullah bin Saif Al-Saadoon
Chief Executive Officer

"We view 2023 as pivotal launchpad for our future – the year when we took a 360° overview of our operations. We invested in making improvements that were essential, streamlining our manufacturing processes, embracing digital transformation, and advancing people development. Through these efforts Sipchem has fortified its position as a leading player in the petrochemical industry."

Eng. Abdullah bin Saif Al-Saadoon

Chief Executive Officer

A Continuous Cycle of Growth

Sipchem is one of the largest companies in the petrochemical sector in the Kingdom of Saudi Arabia. Sipchem has taken a holistic approach to providing sustainable quality petrochemical and polymer products as one of the world's leading and most ambitious petrochemical producers.

Sipchem's growth and success are global. With an established presence in more than 100 countries around the world, it is supported by over 1,500 employees from over 27 nations, creating a truly international workforce.

In 2023, Sipchem achieved significant progress across all five strategic pillars, resulting in a comprehensive 360° improvement throughout the company, This fostered a mindset that uplifted every aspect of our operations ensuring our continuous success.


Sipchem

Board of Directors

Eng. Khalid bin Abdullah AlZamil
Chairman of the Board

Mr. Fahad S. AlRajhi
Vice Chairman

Dr. Abdulrahman A. AlZamil
Board Member

Eng. Reyadh S. Ahmed
Board Member

Eng. Saeed O. AlEsayi
Board Member

Sipchem's Board of Directors provides supervision for the implementation of the organization's strategic objectives and plans.

Mr. Saeed A. Basamh
Board Member

Eng. Abdullah K. AlBuainain
Board Member

Mr. Ziad A. AlTurki
Board Member

Eng. Mosaed S. AlOhali
Board Member

Mr. Ahmed A. AlDakhil
Board Member

Mr. Feras M. AlAbad
Board Member

360°
Our all-encompassing philosophy for prosperity

Vision

To be a recognized leader in growth, excellence and partnerships in the chemicals industry.

Mission

To continuously create value through sustainable, innovative and quality products relying on our growing capabilities and motivated employees.

Values

Courage
Taking initiative to face fear, risk, and adversity; daring to think, ideate, and communicate assertively, confronting what's wrong and defending what's right.

Passion
Having positive energy and being enthusiastic at work; the urge that drives people towards excellence, job-loyalty, productivity, and achievement.

Agility
The ability to swiftly and efficiently adapt in response to change in the environment in order to achieve optimal results, while prioritizing our desired results and conserving time and resources.

Collaboration
Enabling teams to achieve common goals by eliminating barriers for productivity through mutual respect, effective communication, and accountability.

Operational Highlights

Achieved a total production of 4,040 KMT. Sipchem's plant showed excellent reliability, on-stream continuous run days exceeded

500
days

24
Affiliates

Sipchem
MEETS
Saudi Energy Efficiency Center energy intensity target. Saving for 2023 was 2,548,182 MMBTU

Blue Ammonia Project is under **DEVELOPMENT**


GET HOME SAFE
uvex
2
uvex

Financial Highlights

Throughout 2023, Sipchem continued to explore growth opportunities across multiple sectors.

Preparations for implementing the growth strategy were meticulously initiated during the past two years.

The company prudently balanced its actions, reducing debt levels, maintaining dividends for shareholders, and allocating a portion of profits to maintain reserves, ensuring its financial stability.

2023 Key Highlights

1,175	7,618	15,569	1.62
Net Profit	**Gross Revenue**	**Shareholders' Equity**	**Earnings per Share**
Million Saudi Riyal	Million Saudi Riyal	Million Saudi Riyal	Saudi Riyal per Share


Sipchem

360° Innovation in Action

Our Circle of Likeminded Entrepreneurs

In alignment with Sipchem's growth strategy, a new capital investment arm, Sipchem "Innovent" was set up.

Its main role involves investing in start-ups and early-stage companies, accompanying them through their growth and development.

"Innovent" investment focuses on entrepreneurs dedicated to advancing sustainability, digital technologies and new business models that transform the chemical industry. "Innovent" aims to be at the forefront of these changes.

"Innovent" aims to drive digital transformation and provide sustainability in line with the Kingdom Vison of 2030. The company seeks to meet the evolving demands of global customers by securing access to technologies that support core businesses and promote a circular economy.

"Innovent" aims to forge strategic alliances with local and international research and development partners and clients to deliver transformative solutions and business models.

In addition to venture capital investments, Sipchem will offer the start-ups its experience in expediting commercialization, entering multiple global markets, and providing technology support and know-how.

360° Protective Procedures from Risk


SECURITY

Risk Management

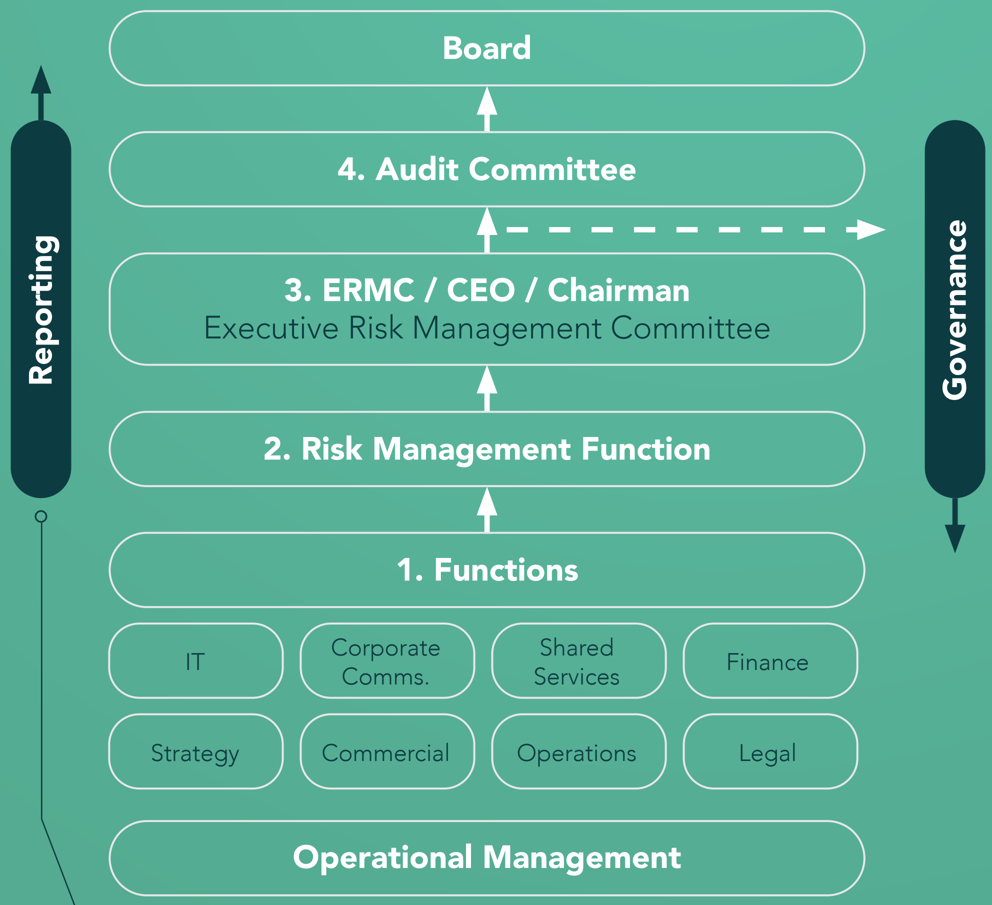
Risk management (RM) is embedded at every level of the organization, with the ultimate objective of maximizing shareholder value through taking calculated risks.

Integrating enterprise risk management practices across the organization has improved decision-making across all dimensions: governance, strategy, objective-setting, and day-to-day operations.

Sipchem's financial and operational results are subject to a variety of internal and external risks inherent to the petrochemical business. To ensure anticipatory and adequate risk oversight, the Board of Directors (BoD) are involved in policy setting and risk assessment. Through the activities of its committees, the BoD enhances the quality of the oversight process by adding value to the management's assessment of Sipchem risks.

Accordingly, the Executive Risk Management Committee encourages and fosters a risk management culture across the organization and monitors implementation of Sipchem Risk Management policies.

Based on the leading practices and regulations of CMA, Sipchem's governance structure of the risk management system is as follow:



Executive Risk Management Committee Role

- Monitor implementation of Sipchem Risk Management Policy.
- Give governance of RM culture.
- Provides oversight on the RM Framework to ensure appropriate compliance with international standards.
- Review and endorse key strategic risk.
- Align & prioritize key risk actions.

Sipchem Risk Management Governance with Clear Reporting Lines – Ensure Active Monitoring of Risk Management practices at all key levels across the organization.

Layers of Risk Reporting

1. Functions Report Risk & Treatment Strategies
2. Executive Risk Management Committee (ERMC) validation
3. Report Key Risks to Audit Committee (AC)
4. Report final Key Risk to the Board

360°
Broadening Our Circle

Expanding Our Sphere of Activities

Since its inception in 1999, Sipchem's consistent growth and success have led to a market presence in over 100 countries, with more than 15 products and 1,500+ employees from 27 nationalities.

As part of its ongoing efforts to enhance profitability through international expansion, the company is increasing and diversifying its production capacity, streamlining production in the existing factories and constructing a new Blue Ammonia plant.

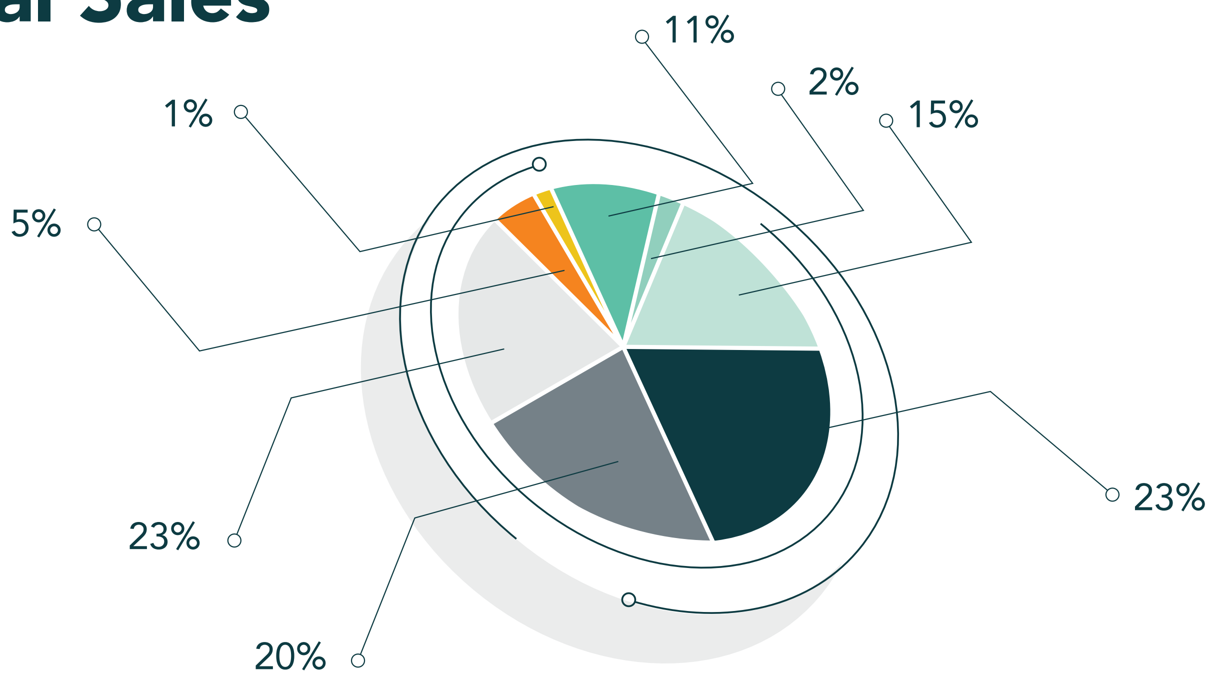
Once these projects are completed, the company will lower unitary manufacturing costs and increase productivity to solidify its competitive edge in the market.

In addition to its manufacturing base in Saudi Arabia, Sipchem maintains international offices across two continents: Sipchem Europe in Switzerland and Sipchem Asia in Singapore.

Market Presence
Spanning

100+	15+	1,500+	27	500+
Countries	Products	Employees	Nationalities	Partners

Global Sales
2023



● MENA ● Americas ● Europe ● GCC ● Saudi Arabia ● Asia ● Inter-Company Sales ● Indian Subcontinent

360°
Inviting the Local Community Into Our Circle


سبكيم
Sipchem

A 360° Commitment to Supporting Our Local Community

Sipchem believes that its social responsibility is a commitment to the community.

It consequently promotes cooperation and solidarity and contributes to creating beneficial changes for individuals and their local communities to achieve sustainability, environmental preservation, and economic development.

Our activities, which encompass charitable, educational, cultural, health, environment, and safety, encouraging entrepreneurs and voluntary work, all contribute to demonstrating 360° Innovation in practice at a local level.

14,300 training hours provided during Sipchem Summer Program

In our commitment to fostering a culture of innovation and social responsibility, we launched the "Sipchem Summer Program." This initiative, conducted during the summer break, targeted children aged 5-15 in Al Khobar and Jubail, delivering a range of educational and engaging activities.

Our Summer Program contributed to developing children's innovative and technical skills to assist them when exploring future prospects.

2023 CSR initiatives
Our key achievements

100	830	76%	3,000
Community Initiatives	Thousand Beneficiaries	KSA Cities and Governorates Covered	Volunteering Hours

A 360° Commitment to **Supporting Our Local Community** cont.

Spreading Kindness:
Initiative to prepare Ramadan Food Baskets, Sipchem employees and their families took part in the Annual “Spreading Kindness” initiative held in partnership with the Saudi Food Bank “Eta’am” Our volunteers prepared and distributed 1,500 food baskets, benefiting over 9,000 individuals.

Feeding the Masses:
Sipchem was a major sponsor in the Hajj without Waste campaign, in partnership with the Saudi Food Bank “Eta’am” and the Ministry of Hajj and Umrah.

The campaign collected surplus food during the Hajj season then repackaged and distributed over 500,000 meals to beneficiary families.

Benaa Association:
The “Safe Housing” project, provides housing units to widowed families and orphans.

The “Basma Platform”, an online digital platform provides dental services to orphans.

KANAF Charity Association:
Provides 1000 medical insurances annually to orphans and widows across the Eastern Province through Sipchem employees’ donation fund.

Edekhar Association in the Eastern Province:
Promotes financial awareness among Sipchem employees and the community through a range of awareness and educational initiatives and campaigns.

Shabab Mujtamie:
Supports and empowers young leaders by designing and delivering quality and innovative programs for the community.

Contributing 360°

We are proud to support local charities and contribute to the well-being of our local community. We also sponsor community focussed initiatives that encourage the local youth to embrace a wholesome and healthy lifestyle.

Industrial Hackathon 2023
Sipchem sponsored the Second Edition of the Industrial Hackathon 2023 to support national manufacturers and enhance the values of innovation.

Youth Forum
Sipchem participated as a main sponsor of GPCA Youth Forum, the first youth forum for the Gulf Petrochemicals and Chemicals Association (GPCA).

The forum facilitates knowledge sharing and increases awareness of the petrochemical industry. The forum also supports career advancement for both leaders and young professionals.

"We are proud to support local charities and contribute to the well-being of our local community."

Who wants to be a millionaire?

Sipchem sponsored the Millionaire Exhibition for Financial Awareness, with 1000 Children participating. The event's goal was to raise children's awareness of the value of money and promote saving behavior.

Rheumatism Association

Sipchem's health and social responsibility programs included sponsoring 12 knee replacement surgeries for needy and low-income patients of the Society for Rheumatology.

Efaa Rehabilitation

Sipchem sponsored a program that provides prosthetic solutions to individuals who have lost limbs as well as supporting their rehabilitation.

This program targets amputees, people with disabilities, and individuals with congenital deformities, to improve their quality of life.

سبكيم
Sipchem
EXCELLENCE everywhere
Driving excellence through innovation and sustainability

360°
Making our Mark

Making Our Mark in The World at Large

Throughout 2023, we have boosted our presence by participating in events around the world and made impactful appearances at international and local conferences.

During 2023 we experienced success at the following events:

We honored:

- Employees of Continuous Service
- Key Contributors to the Integration Synergy Success





We participated in:

- Inauguration Ceremony of the Chemical Research and Innovation Association
- International Conference on Business and Technology 2023
- 17th Annual GPCA Forum
- 7th CCPS Global Summit on Process Safety
- Platinum Sponsor at the 3rd Energy & Sustainability Forum MENA 2023
- Arab-China Business Conference
- PIF Investment Forum
- 38th KFUPM Career Day

We celebrated:

- The 93rd Saudi National Day
- Saudi Founding Day

We hosted:

- H.E Minister of Communications and Information Technology visited our Technology & Innovation Center MANAR
- H.E Minister of Industry and Mineral Resources visited Sipchem Technology and Innovation Center MANAR
- Delegates from The Saudi Standards, Metrology and Quality Organization (SASO)
- Investors and Financial Analysts on Investors Day
- Leaders of Tomorrow

We were honored:

- Zakat, Tax and Customs Authority honored Sipchem
- Accredited as one of the Top 100 companies in the Middle East

360° Skill Set Development

Training for Work That Works

Our future success relies on the capabilities of our teams. As a result, we are committed to talent development, aiming to foster a workforce that drives innovation within our industry.

In 2023, we completed two comprehensive talent assessment campaigns involving 493 employees. The results of these assessments were instrumental in identifying emerging leaders and enhancing employee professional development strategies.

This talent assessment also enhanced succession planning, as we conducted a talent review with all levels of leadership — a 360° overview — to identify our rising stars and leaders who will inspire our innovative management team of the future.

Digital transformation enhances human resources
One key digital transformation is managing, training, and inducting employees who recently graduated from university, this process is now fully automated.

We also established a dedicated online platform as an educational academy for procurement management.

Training
Highlights

8,800

Over **8,800 training courses** implemented

35,795

In 2023, the company achieved more than **35,795 training hours**.

1,800

Attended courses in management, leadership, work skills, security, safety, and computer programming.

"We regard our Human Capital as one of the most critical components of our success."

Our training is supported
The Human Resources team developed and improved the annual employee performance evaluation program by launching multiple stages into the assessment process. Including models for measuring the performance of:

- Executive employees
- Middle management employees
- Professional and experienced employees
- Technical assistant employees
- Administrative assistant employees

Attracting the finest graduates
The Human Resources team, in collaboration with several departments at Sipchem, trained 129 graduates from various universities and colleges in the Kingdom during 2023. These trainees have completed their cooperative training programs.

Our 360° Forward Looking Approach

Empowered by
our four values

Courage
Passion
Agility
Collaboration

Courage

"This year we've made some brave decisions based upon our vision for the future. Decisions that take the company into new product areas opening new markets, giving us fresh opportunities."


سبكيم
Sipchem

Passion

“Our teams are passionate, ambitious and eager to innovate in the workplace. An attitude we foster with continuous training and personal development programs.”

Agility

“2023 marked a transformative year for our organization, with digital technology enhancing operations across all departments.”


IAC

Collaboration

“Sipchem is one extended family.
One that embraces diversity and promotes cooperation to achieve mutual goals.”

Corporate Governance

1. Board of Directors Formation and Membership Qualities

"Sipchem" company is characterized by having a Board of Directors (BoD) with a high level of expertise and competence in the field of petrochemicals. Sipchem's BoD consists of 11 members who were elected by the Ordinary General Assembly on 30 November 2022 AD for three years till 09/12/2025 AD. The following table below illustrates the BoD members:

S/N	Name	Membership Status	Commission
1	Eng. Khaled bin Abdullah AlZamil	Chairman of the Board	Non-Executive
2	Mr. Fahad S. AlRajhi	Vice Chairman	Non-Executive
3	Dr. Abdulrahman A. AlZamil	Board Member	Non-Executive
4	Eng. Reyadh S. Ahmed	Board Member	Non-Executive
5	Eng. Saeed O. AlEsayi	Board Member	Non-Executive
6	Mr. Saied A. Basamh	Board Member	Independent
7	Eng. Abdullah K. AlBuainain	Board Member	Independent
8	Mr. Ziad A. AlTurki	Board Member	Independent
9	Eng. Mosaed S. AlOhali	Board Member	Independent
10	Mr. Ahmed A. AlDakhil	Board Member	Independent
11	Mr. Feras M. AlAbad	Board Member	Independent

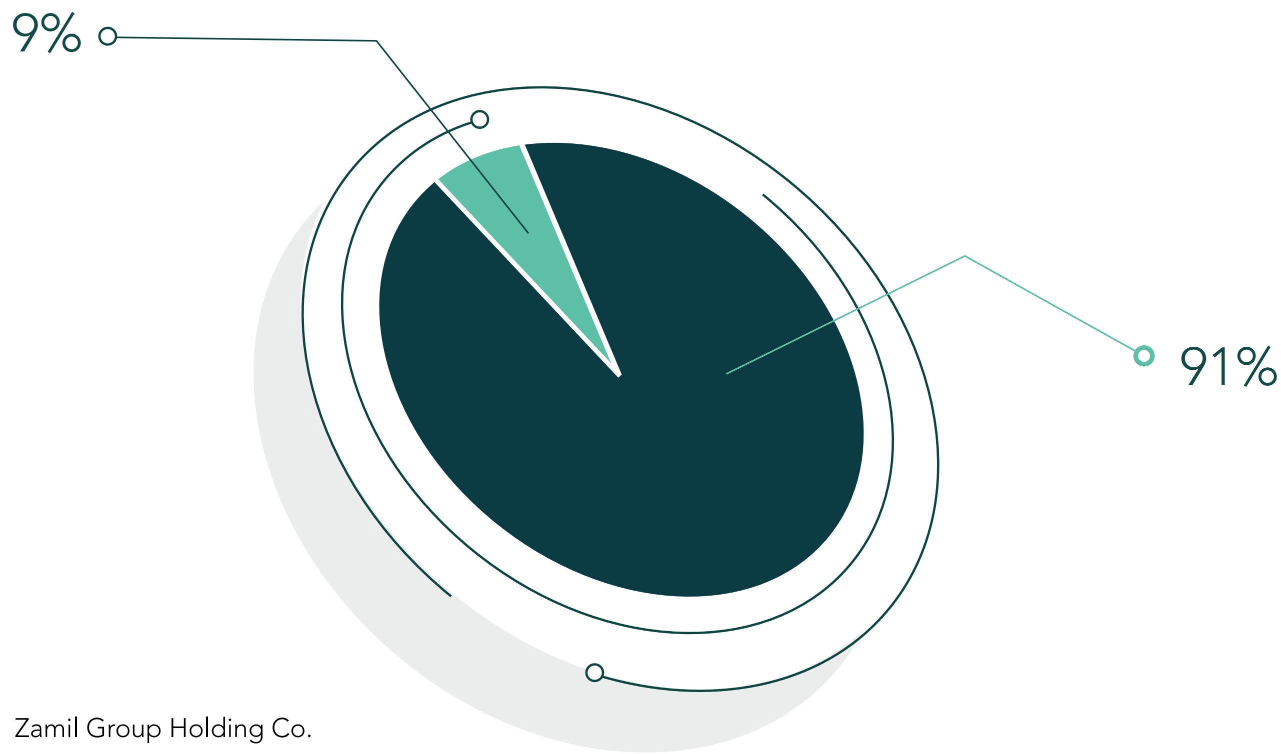
2. Company Activity

"Sipchem" Sahara Petrochemicals Company, is a Saudi joint stock company listed on the Saudi stock market. It actively invests in the petrochemical and chemical industries to produce materials used in the manufacturing of various products that are part of everyday life. Sipchem is committed to the highest quality standards in production, environmental preservation, and safety of its employees, and communities.

Sipchem has chosen the city of Jubail Industrial City in the eastern region of Saudi Arabia to establish its multi-product industrial complex on an area of 1,766,959 sqm. This decision was made due to the city's availability of necessary infrastructure elements, as well as the presence of fuel and raw materials. Additionally, the ease of export operations through King Fahd Industrial Port and the commercial port in Jubail City were also contributing factors.

In 2023, Sipchem's existing manufacturing facilities produced 4,040 (2022: 4,159) million metric tons. Net income amounted to SAR 1,175 million in 2023 compared with SAR 3,595.2 million in 2022 with a decrease of 67%. The reason of decreasing profits of the Company during this year compared to the previous year is attributed to the decrease in the selling prices for company's products, as well as decrease in sales volumes due to the periodic turnaround maintenance activities, in spite of the decline in the prices of raw materials and decrease in zakat & income tax expenses. In addition, the share of profits from investment in a joint venture and associates has decreased.

Sahara International Petrochemicals Company (Sipchem)



- Zamil Group Holding Co.
- Other Shareholders

Year of Establishment	1999
Company Type	Shareholders
Headquarters	City of Khobor - Saudi Arabia
Capital	7,333,333,320 SAR
Company Activity	Petrochemical and chemical industries with basic and intermediate types
Number of shares	733,333,332 share

3. A Description of Sipchem's Plans and Strategies

Sipchem is keen to prosper in the future under dynamic market conditions. The company continued to explore investment opportunities and achieve growth strategies across multiple sectors through investments in new projects and acquisition operations. The company continues to seek new investment opportunities and achieve growth across various sectors, whether through new projects or acquisition operations. Preparations for implementing the growth strategy began to emerge over the past two years, as the company balanced its actions between reducing debt levels, maintaining dividends for shareholders, and allocating a portion of profits to maintain reserves. Moreover, the previous preparations for the growth strategy over the past two years demonstrate the balance maintained by the company between reducing debts, preserving dividend distributions, and allocating reserves. This paves the way for Sipchem to achieve sustainable growth. Additionally, the company endeavors to enhance its position in the sector through various other initiatives.

Blue Ammonia project is one of the key landmarks for growth. Currently, completing the study and related agreements a global factory is under development with an annual production capacity of 1.2 million tons, contributing to the Kingdom's goal of becoming a significant provider of clean energy worldwide. This initiative aligns with Sipchem's strategic objectives to reduce carbon emissions by 15% by 2030 and achieve carbon neutrality by 2050. The uses of blue ammonia are promising in the context of the global transition towards clean energy. Blue ammonia can be used as an alternative to fossil fuels in electricity generation, as well as in energy storage processes. In addition, marine fuel for ships in the shipping sector is one of the most promising sectors for the use of blue ammonia. In addition to use, it is a carrier of hydrogen before it is cracked and used as fuel. The project development is proceeding as planned towards achieving its milestones in an efficient manner.

3. A Description of Sipchem’s Plans and Strategies (cont.)

Among the notable achievements is the establishment of Sipchem “Innovent” an investment entity that operates as a capital investment arm of Sipchem. Its role revolves around investing in start-ups and early-stage companies and assisting them in growth and development. Sipchem “Innovent” aims to foster innovation by supporting start-ups in the fields of sustainability and manufacturing and guiding them towards a sustainable future. It seeks to accelerate the energy and digital transformation in line with the Kingdom’s Vision 2030, with the goal of achieving carbon neutrality and effectively meeting the needs of customers in global markets. This is achieved by providing access to technologies that enhance core operations and support the transition to a circular economy.

Additionally, the company continues its efforts to enhance profitability and open up new international markets. In this regard, the company is expanding some of its current factories. Upon the implementation of these projects, the company will be able to reduce manufacturing costs and increase productivity to meet the growing global demand.

4. Summary in Form of a Table Regarding Sipchem' s Assets, Liabilities, and Results of its Operations during the Last Five Fiscal Years

The key financial indicators for the year 2023 compared to the previous year are as follows:

- Revenues decreased to SAR 7,618 million during the year 2023 compared to SAR 10,254 million for the previous year with a decrease of 25.7%.
- Gross profit decreased to SAR 2,168 million during the year 2023 compared to SAR 4,840 million for the previous year, with a decrease of 55%.
- Net operational profit decreased to SAR 1,419 million in 2023, compared to SAR 4,047 million in the previous year, with a decrease of 65%.
- Net profit decreased to SAR 1,175 million during the year 2023 compared to SAR 3,595 million for the previous year, with an decrease of 67%.
- Earnings per share reached SAR 1.62 during the year 2023 compared to SAR 4.96 for the previous year.

Assets, Liabilities, and Operating Results for the Last Five Financial Years

Consolidated Statement of Financial Position (Million Riyal)	2023	2022	2021	2020	2019
Non-current assets	17.701	18.052	18.548	18.792	19.863
Current assets	4.322	5.423	5.917	4.973	4.128
Total assets	22.024	23.475	24.465	23.765	23.991
Total Equity	16.422	16.737	15.722	13.836	14.338
Non-current liabilities	3.048	4.018	5.816	6.464	7.722
Current liabilities	2.554	2.721	2.927	3.465	1.931
Total liabilities and equity	22.024	23.475	24.465	23.765	23.991

A Description of the Impact of each Activity on the size of Sipchem Business and its Contribution to the Results:

Sectorial Analysis: The Company operates in the following sectors:

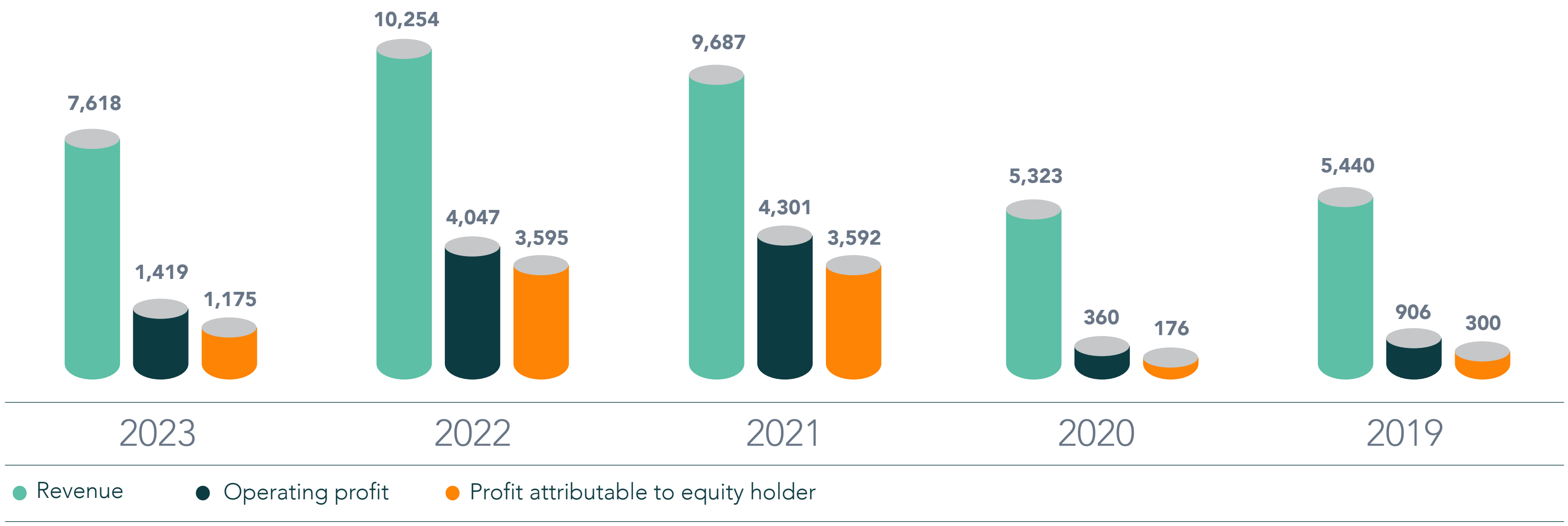
- Basic chemicals: They include Methanol, Butane products and Carbon Monoxide.
- Intermediate chemicals: They include Acetic Acid, Vinyl Acetate Monomer, Ethyl Acetate, Butyl Acetate, and utilities.
- Polymers: These include Low-density polyethylene, PBT, polypropylene, Vinyl Acetate Monomer and electrical connecting wire products.
- Trade: It includes trading revenues of Sipchem Marketing Company and its foreign subsidiaries.
- Companies and others: This include Sipchem, and Tool Manufacturing Plant. This segment also includes Sahara's enabling functions and support activities.

Million Riyals	Basic chemicals	Intermediate chemicals	Polymers	Marketing	Companies and others	Inter segment transaction elimination	Total
			For the year ended 31 Dec. 2023				
Revenues	2,198	2,678	2,741	5,222	38	(5,259)	7,618
Gross profit/(loss)	882	198	642	199	(17)	46	2,168
Operating profit/(loss)	754	84	477	110	(85)	80	1,419
Share of profit from equity accounted investees	-	-	-	-	52	-	52
Profit/loss before zakat and tax	716	69	368	110	122	(21)	1,364
Total assets	3,365	4,878	6,304	1,379	26,126	(19,998)	22,054
Total liabilities	1,116	1,293	2,504	882	3,463	(3,656)	5,601
Capital expenses	266	111	136	4	209	-	730
Depreciation and amortization	201	312	317	8	45	-	883
Finance cost	52	29	126	2	98	(96)	211
Finance income	7	17	19	-	46	-	89
			For the year ended 31 Dec. 2022				
Revenues	3,184	4,639	3,361	8,048	28	(9,007)	10,254
Gross profit/(loss)	1,859	1,640	928	331	(25)	107	4,840
Operating profit/(loss)	1,657	1,309	763	260	(97)	155	4,047
Share of profit from equity accounted investees	-	-	-	-	365	-	365
Profit/loss before zakat and tax	1,626	1,253	694	260	365	99	4,184
Total assets	3,356	5,476	6,881	1,688	27,097	(21,022)	23,475
Total liabilities	1,107	1,546	2,677	1,135	3,799	(3,527)	6,738
Capital expenses	80	68	235	2	247	-	632
Depreciation and amortization	204	319	304	8	59	-	894
Finance cost	41	71	66	3	104	(40)	245
Finance income	4	8	8	-	31	-	51

Consolidated Statement of Profit or Loss (Million Riyal)

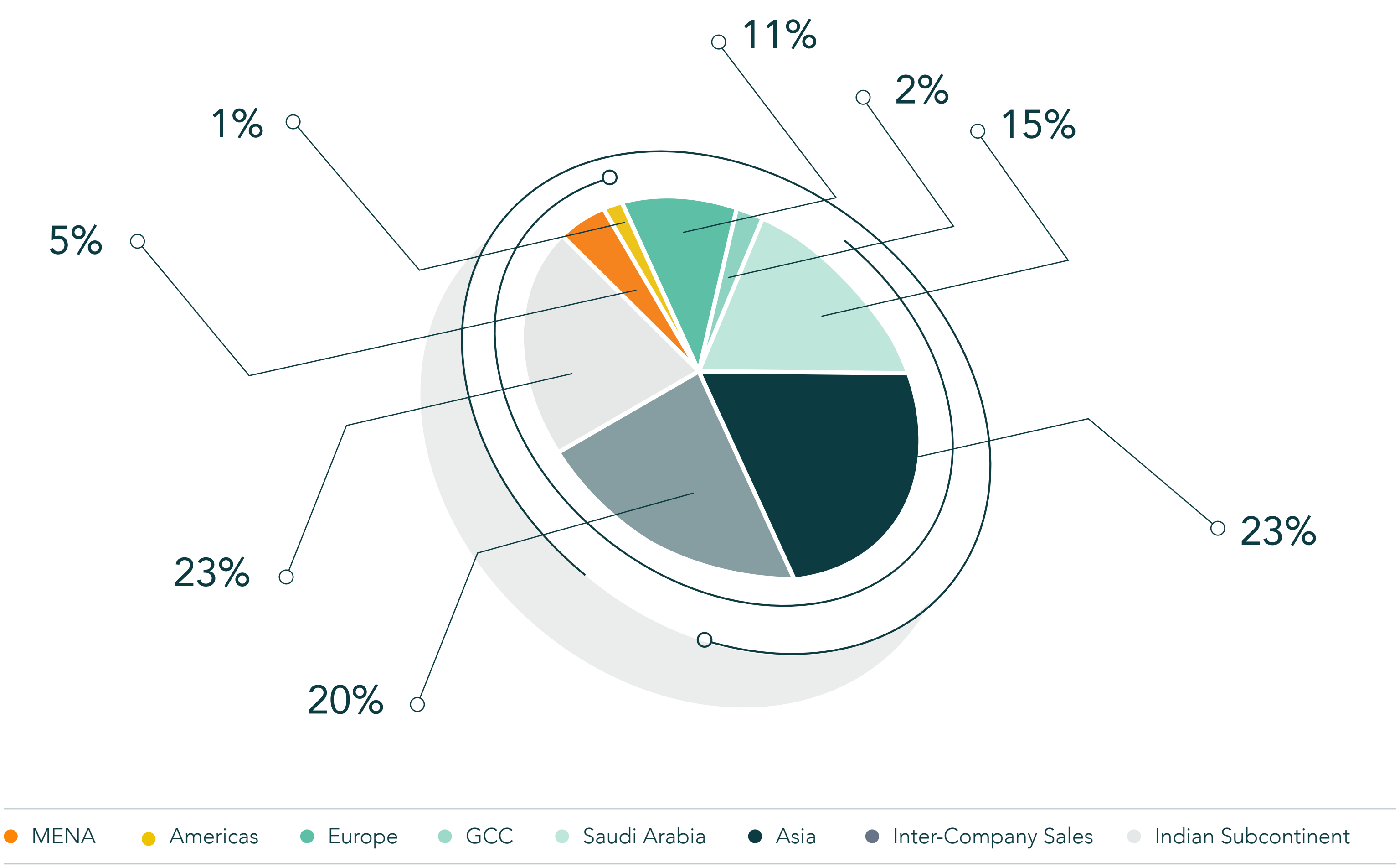
	2023	2022	2021	2020	2019
Revenues	7,618	10,254	9,687	5,323	5,440
Cost of sales	(5,450)	(5,415)	(4,344)	(4,150)	(3,805)
Gross profit	2,168	4,839	5,342	1,173	1,635
Selling and distribution costs	(234)	(296)	(230)	(395)	(315)
General and administrative expenses	(515)	(496)	(651)	(419)	(414)
Impairment of non-financial assets	-	-	(160)	-	-
Operating profit	1,419	4,047	4,301	360	906
Share of profit from equity accounted investees	51	365	480	(34)	(27)
Finance revenues	89	51	30	26	60
Finance costs	(211)	(245)	(315)	(293)	(370)
Other (Expenses)/ income, net	15	(34)	(38)	126	(179)
Profit before zakat and income tax	1,364	4,184	4,457	185	390
Zakat and income tax expense	(8)	(231)	(449)	(128)	(145)
Profit for the year	1,356	3,953	4,008	57	245
Profit yields to:					
Equity	1,175	3,595	3,592	176	300
Non- controlling interests	181	358	417	(119)	(55)
Earnings per share from net profit yields to shareholders	1.62	4.96	4.94	0.24	0.52

Evolution of Sales, Operating Profit and Net Profit for the Last Five Years (Million Riyals)



5. Geographical Analysis of Sales of Sipchem and its Subsidiaries

Sipchem's products are marketed and sold in all local markets, Middle East markets and international markets. The following chart shows the geographical distribution of Sipchem's sales during 2023:

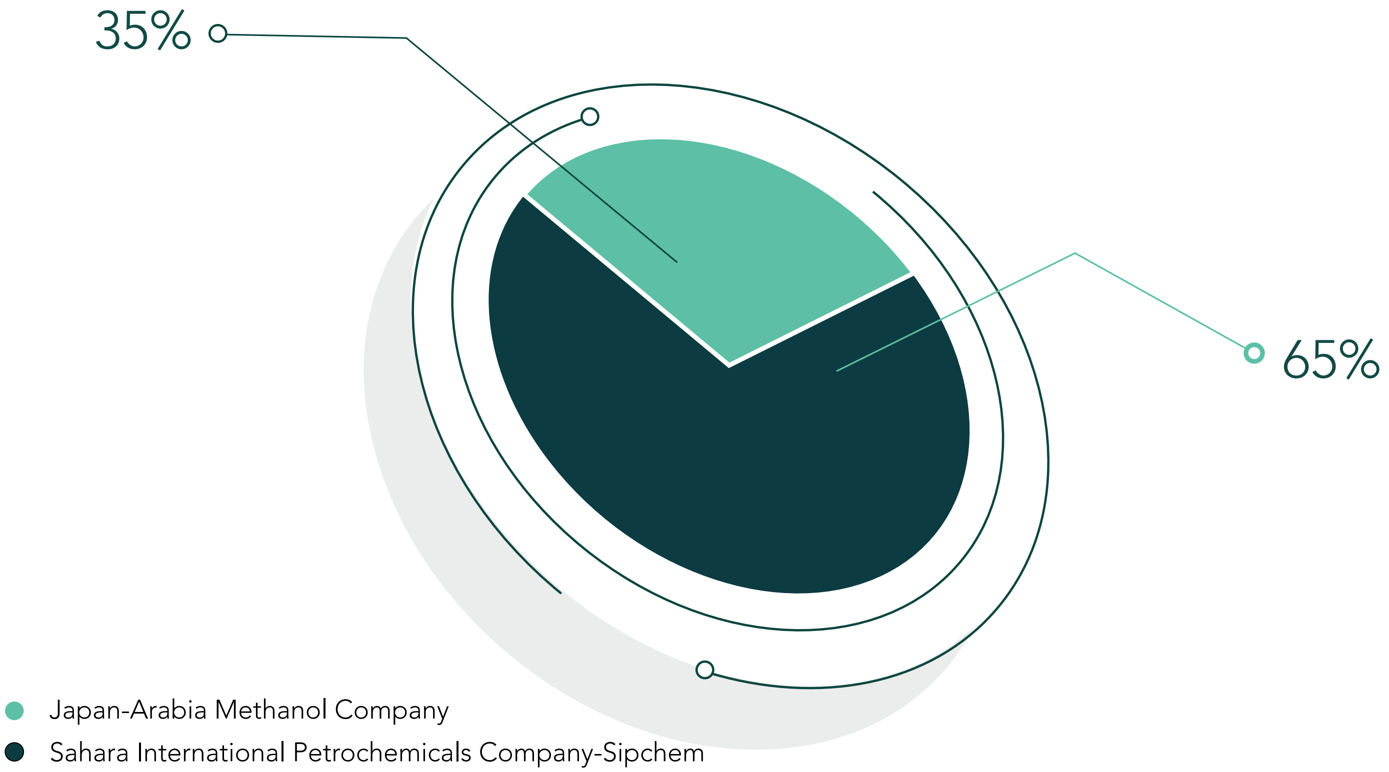


6. A Description of the Subsidiaries' Activities and their Impact on the size of Sipchem's Business and its Contribution to the Results for 2023

Million Riyals		
Activity	Revenues	Percentage
International Methanol Company	1,169	15.3%
International Diol Company	492	6.5%
International Acetyl Company Limited	293	3.8%
International Vinyl Acetate Company	1,095	14.4%
International Gases Company	56	0.7%
Sipchem Marketing Company	1,379	18.1%
International Polymers Company	1,292	17.0%
Sipchem Chemicals Company	380	5.0%
Saudi Specialized Products Company	-	0.0%
Sipchem Advanced Technologies Company	38	0.5%
Sahara International Petrochemical Company	-	0.0%
Sahara Marketing Company	-	0.0%
Sipchem Innovent	-	0%
Total	7618	100%

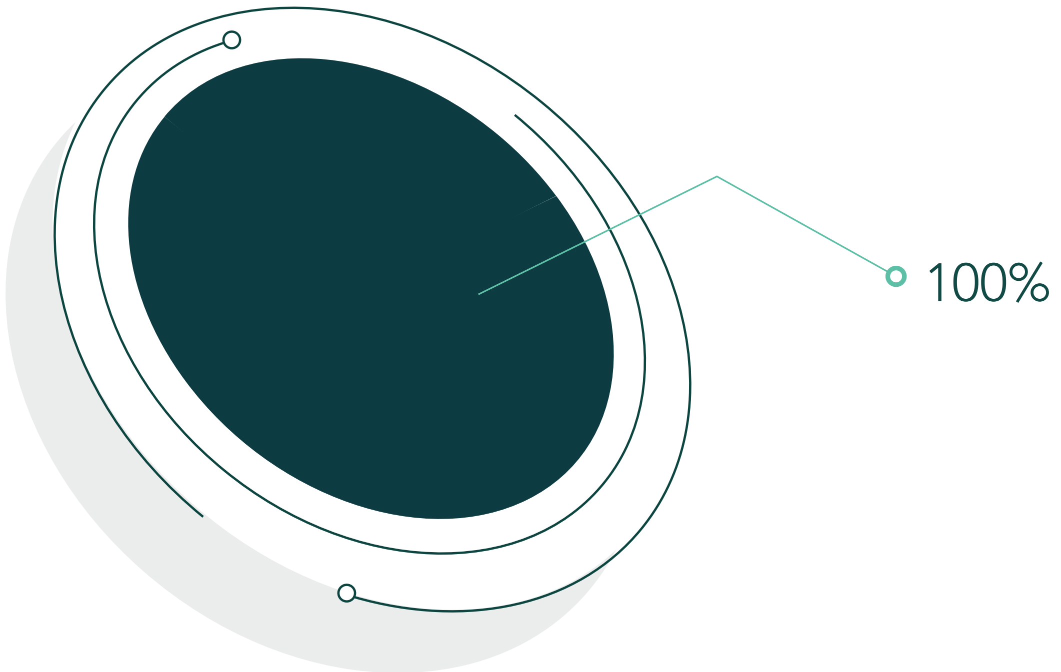
Description of Activities of Sipchem's Subsidiaries

International Methanol Company (IMC)



Year of Establishment	2002
Company Type	Limited Liability Company
Headquarters	Jubail Industrial City – Saudi Arabia
Capital	360.97 Million SAR
Company Activity	Production of Methanol (Methyl Alcohol)
Production Capacity	Annual 970 thousand mtpa

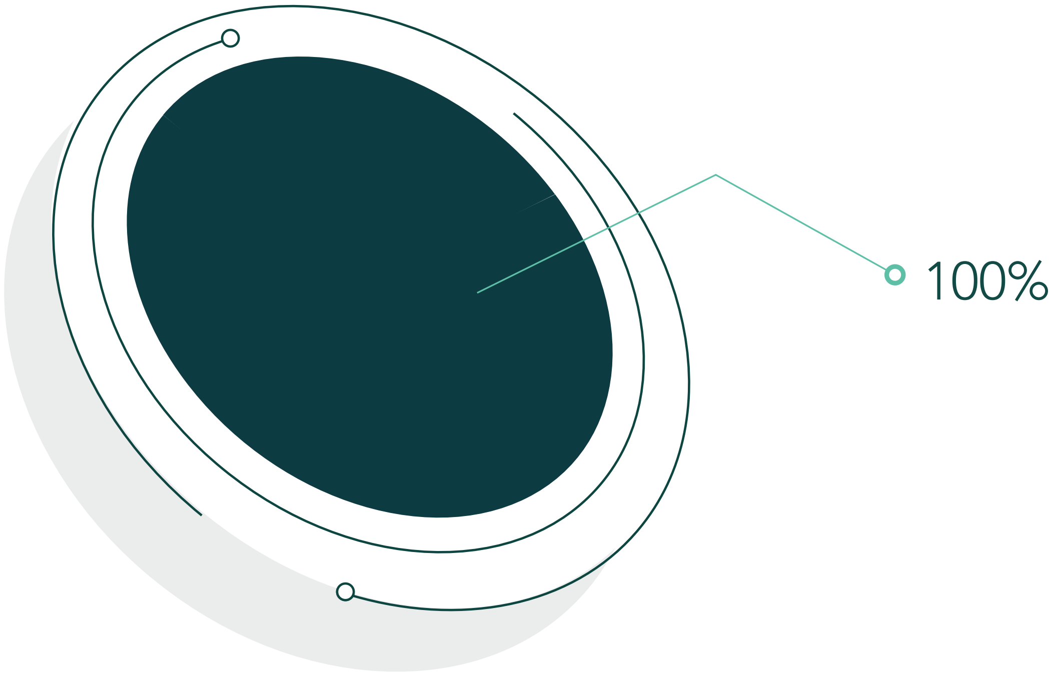
International Diol Company (IDC)



● Sahara International Petrochemicals Company-Sipchem

Year of Establishment	2002
Company Type	Limited Liability Company
Headquarters	Jubail Industrial City – Saudi Arabia
Capital	431.25 Million SAR
Company Activity	Productions of Butanediol and its Derivatives from Maleic Anhydride, Tetrahydrofuran, and Gamma-Butyrolactone
Production Capacity	Annual 40 thousand metric tons annually of Maleic Anhydride
	Annual 5 thousand metric tons annually of Gamma-Butyrolactone
	Annual 7.650 thousand metric tons annually of Tetrahydrofuran
	Annual 50 thousand metric tons annually of Butanediol

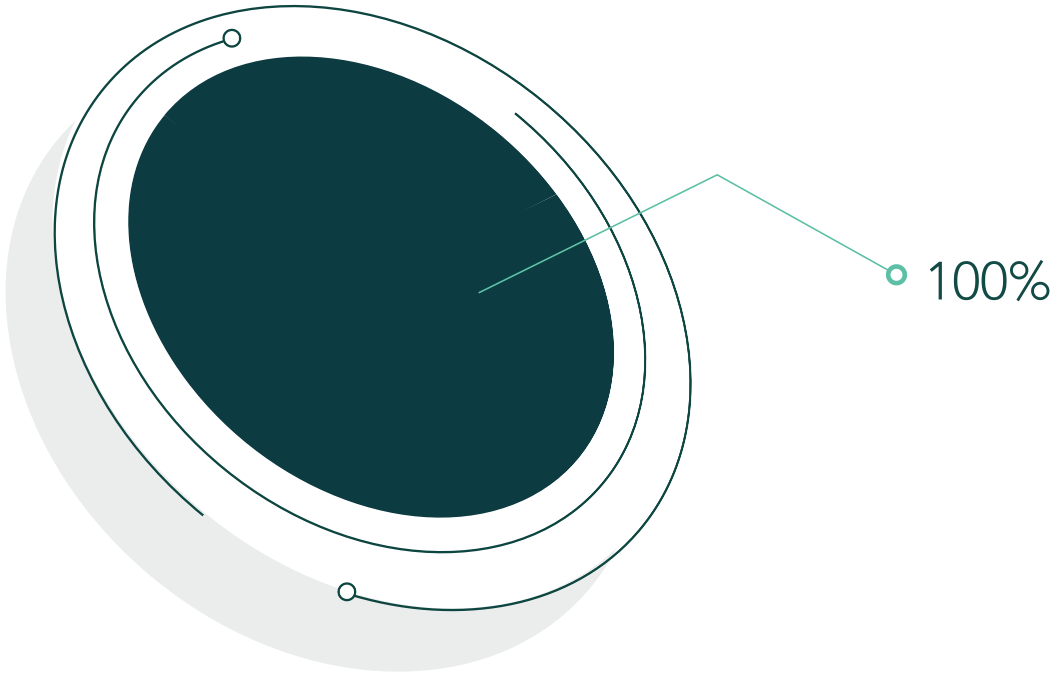
International Vinyl Acetate Company Ltd. (IVC)



● Sahara International Petrochemicals Company-Sipchem

Year of Establishment	2006
Company Type	Limited Liability Company
Headquarters	Jubail Industrial City – Saudi Arabia
Capital	676 Million SAR
Company Activity	Production of Vinyl Acetate Monomer
Production Capacity	Annual 330 thousand mtpa

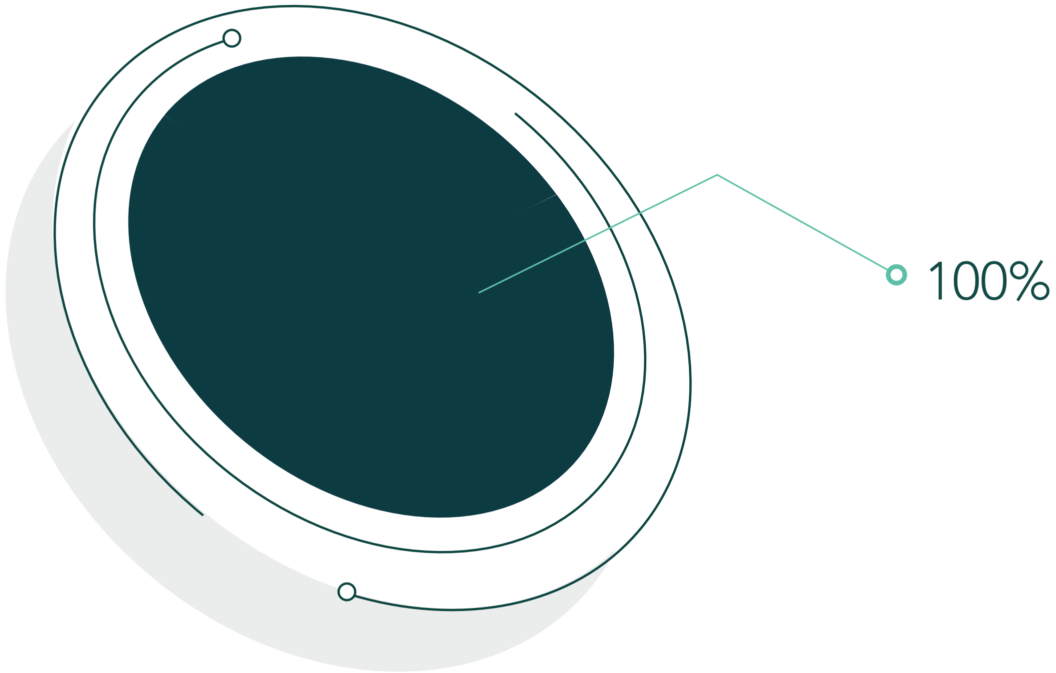
International Acetyl Company Limited (IAC)



● Sahara International Petrochemicals Company-Sipchem

Year of Establishment	2006
Company Type	Limited Liability Company
Headquarters	Jubail Industrial City – Saudi Arabia
Capital	1,003 Million SAR
Company Activity	Productions of Acetic Acid - Acetic Acid Anhydride
Production Capacity	Annual 460 thousand mtpa of Acetic Acid
	Annual 50 thousand mtpa of Anhydride Acetic Acid

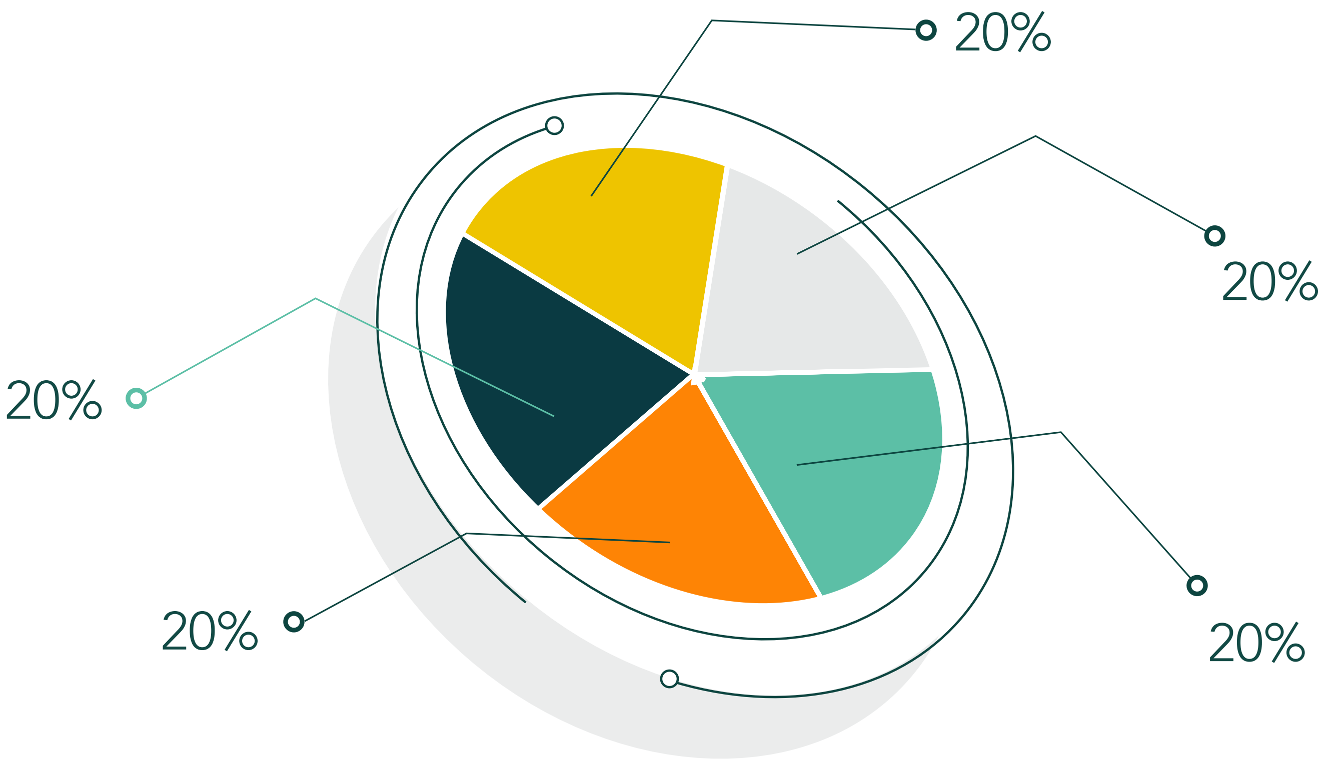
International Gases Company (IGC)



● Sahara International Petrochemicals Company-Sipchem

Year of Establishment	2006
Company Type	Limited Liability Company
Headquarters	Jubail Industrial City – Saudi Arabia
Capital	425.4 Million SAR
Company Activity	Productions of Carbon Monoxide and Hydrogen
Production Capacity	Annual 345 thousand mtpa of Carbon Monoxide
	Annual 65 thousand mtpa of Hydrogen

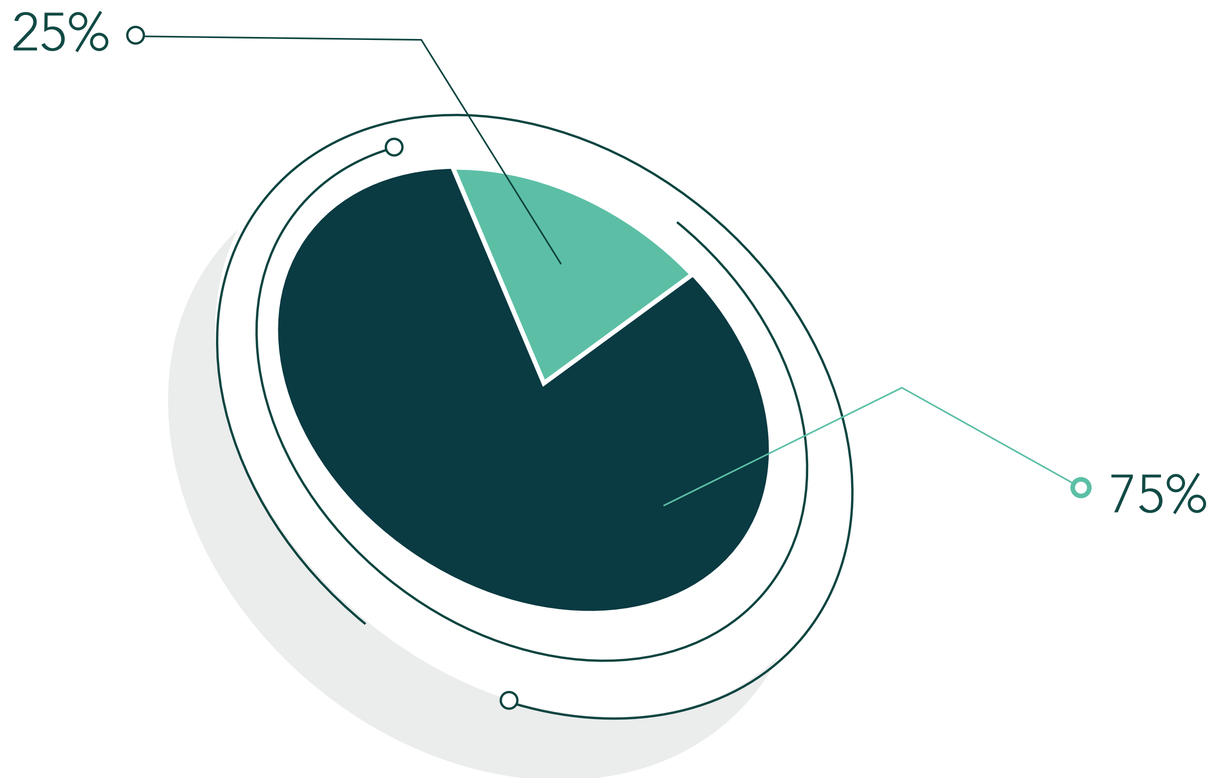
International Utilities Company (IUC)



- International Gases Company
- International Diol Company
- International Methanol Company
- International Vinyl Acetate Company Ltd.
- International Acetyl Company Ltd.

Year of Establishment	2009
Company Type	Limited Liability Company
Headquarters	Jubail Industrial City – Saudi Arabia
Capital	1 Million SAR
Company Activity	Management, Operation and Maintenance of utilities and Facilities for Sipchem's subsidiaries
Production Capacity	Not applicable

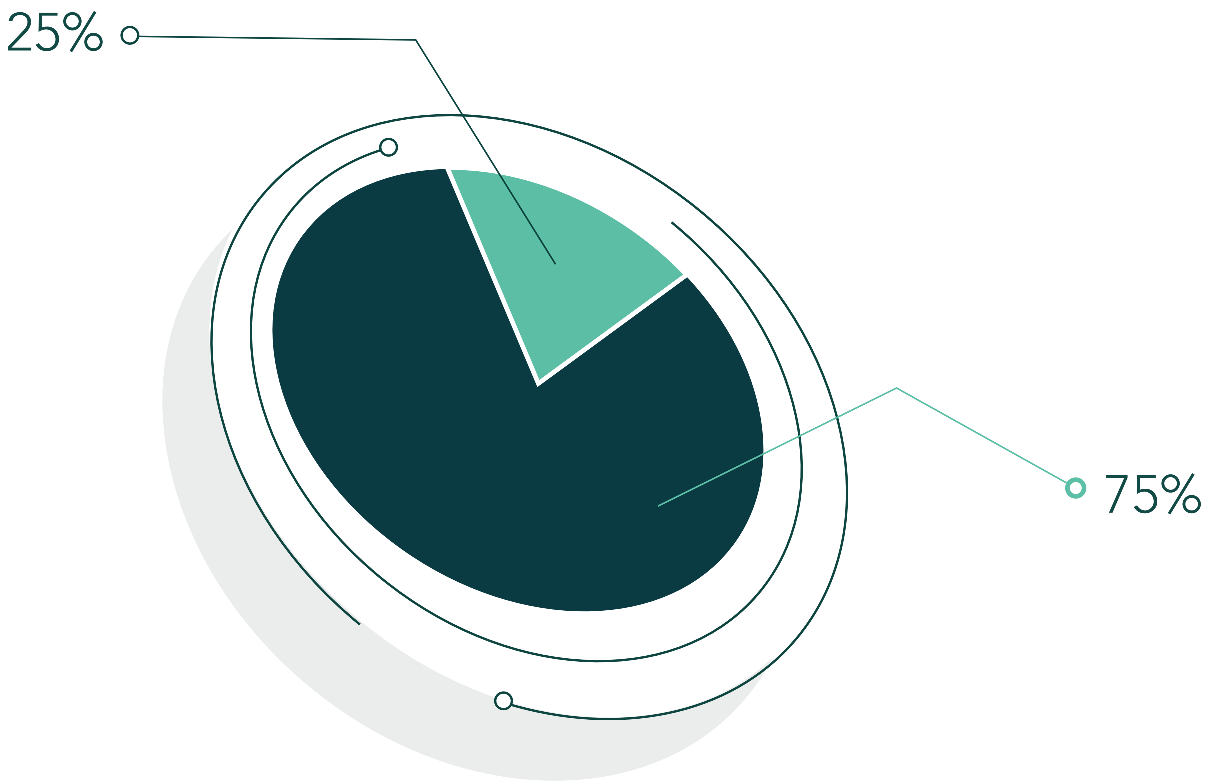
International Polymers Company (IPC)



- Hanwha Chemical Overseas Holding Company - Korea
- Sahara International Petrochemicals Company - Sipchem

Year of Establishment	2009
Company Type	Limited Liability Company
Headquarters	Jubail Industrial City – Saudi Arabia
Capital	703.2 Million SAR
Company Activity	Production of Polyvinyl Acetate, Polyvinyl Alcohol, Polyethylene Wax, Low-Density Polyethylene and Ethylene and Vinyl Acetate Copolymers.
Production Capacity	Annual 200,000 mtpa of Ethylene and Vinyl Acetate Copolymers Annual 125,000 mtpa of Polyvinyl Acetate Annual 4,000 mtpa of Low-Density Polyethylene Annual 4,000 mtpa of Polyvinyl Alcohol Annual 200 mtpa Polyethylene Wax

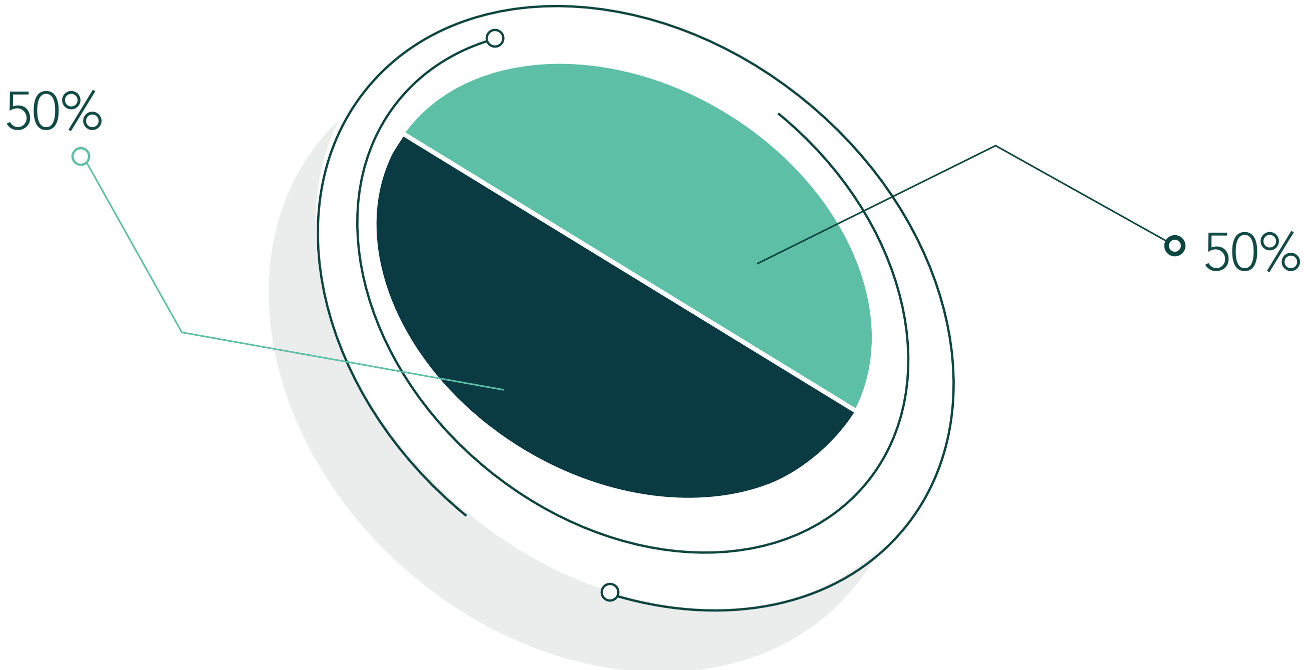
Al WAHA Petrochemical Company (AL WAHA)



- Basell Arabie Investissements S.A.S
- Sahara Petrochemical Company - Sahara

Year of Establishment	2006
Company Type	Limited Liability Company
Headquarters	Jubail Industrial City – Saudi Arabia
Capital	1.660 Million SAR
Company Activity	Productions of Propylene and Polypropylene
Production Capacity	Annual 450 thousand mtpa of Propylene Annual 450 thousand mtpa of Polypropylene

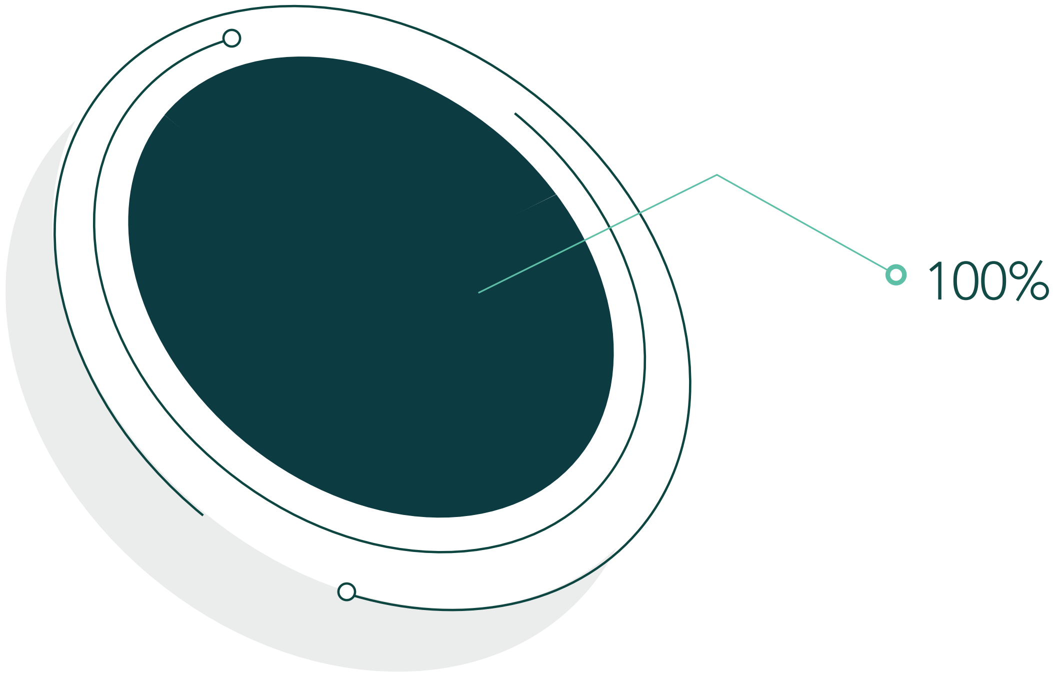
Sahara and Ma'aden Petrochemicals Company (SAMAPCO)



- Saudi Arabian Mining Company –Ma'aden
- Sahara Petrochemical (Sahara)

Year of Establishment	2011
Company Type	Limited Liability Company
Headquarters	Jubail Industrial City – Saudi Arabia
Capital	900 Million SAR
Company Activity	Production of Caustic Soda, Chlorine, and Ethylene Dichloride
Production Capacity	Annual 300,000 metric tons of Ethylene Dichloride
	Annual 250,000 metric tons of Caustic Soda
	Annual 220,000 metric tons of Liquid Chlorine
	Annual 25,000 metric tons of Hydrochloric Acid

Sipchem Chemicals Company (SCC)

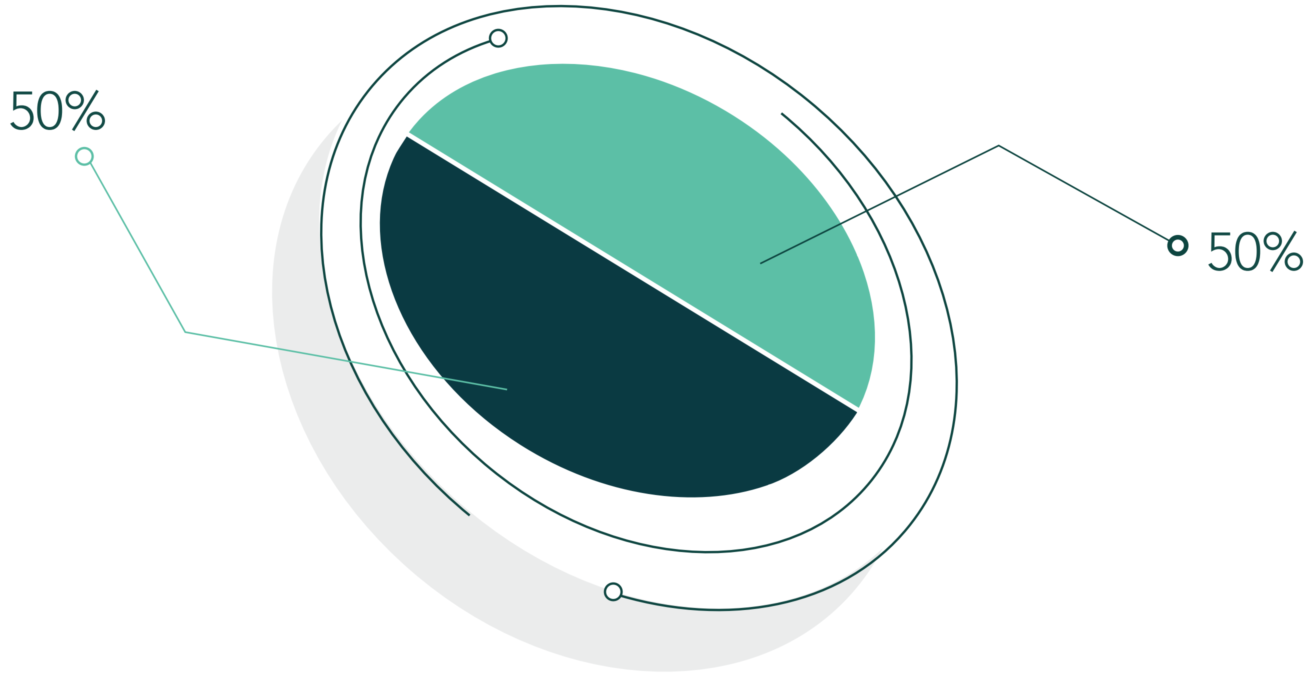


● Sahara International Petrochemicals Company-Sipchem

Year of Establishment	2011
Company Type	Limited Liability Company
Headquarters	Jubail Industrial City – Saudi Arabia
Capital	266 Million SAR
Company Activity	Productions of Ethyl Acetate, Butyl Acetate, Polybutylene Terephthalate, and Hydrofuran
Production Capacity	Annual 100,000 metric tons of Ethyl Acetate
	Annual 50,000 metric tons of Butyl Acetate
	Annual 68,000 metric tons of Butyl Acetate
	Annual 63,000 metric tons of Hydrofuran
	Annual 3500 metric tons of Terephthalate

The production process in Sipchem petrochemicals company's polybutylene terephthalate plant (one of Sipchem companies) was halted on January 1st, 2021

Gulf Advanced Cable Insulation Company (GACI)

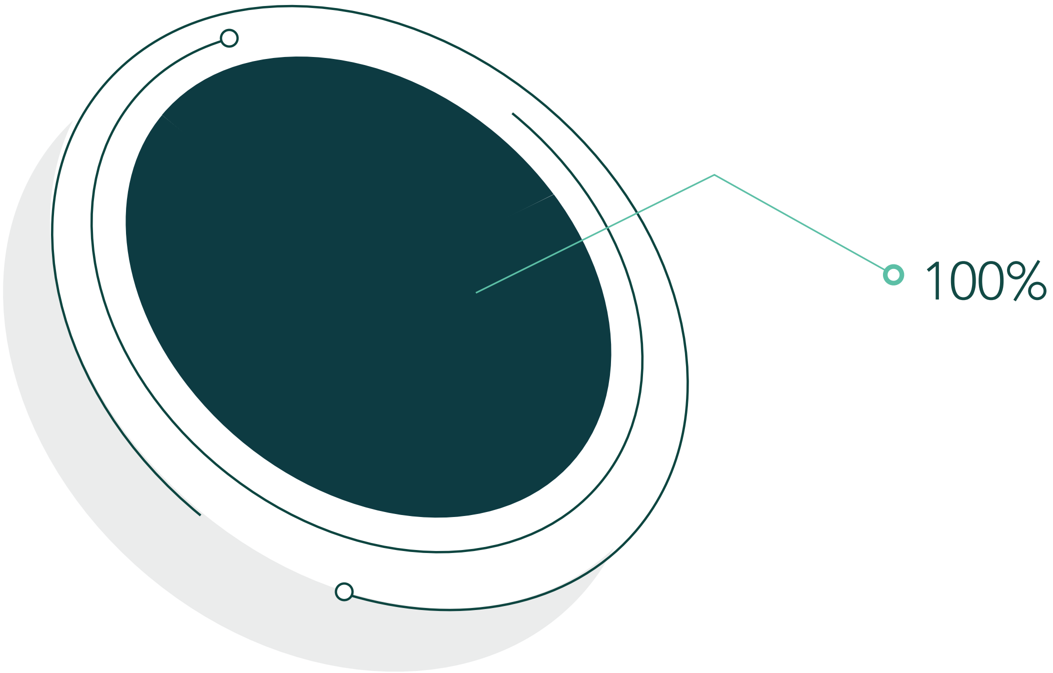


- Hanwha Chemical - South Korea
- Sahara International Petrochemicals Company-Sipchem

Year of Establishment	2012
Company Type	Limited Liability Company
Headquarters	Jubail Industrial City – Saudi Arabia
Capital	57.240 Million SAR
Company Activity	Production of Cable Insulation Polymers products
Production Capacity	Annual 25,000 metric tons

The production process in Gulf Advanced Cable Insulation Plant (one of Sipchem companies) was halted on July 1st, 2021.

Saudi Specialized Products Company (SSPC)



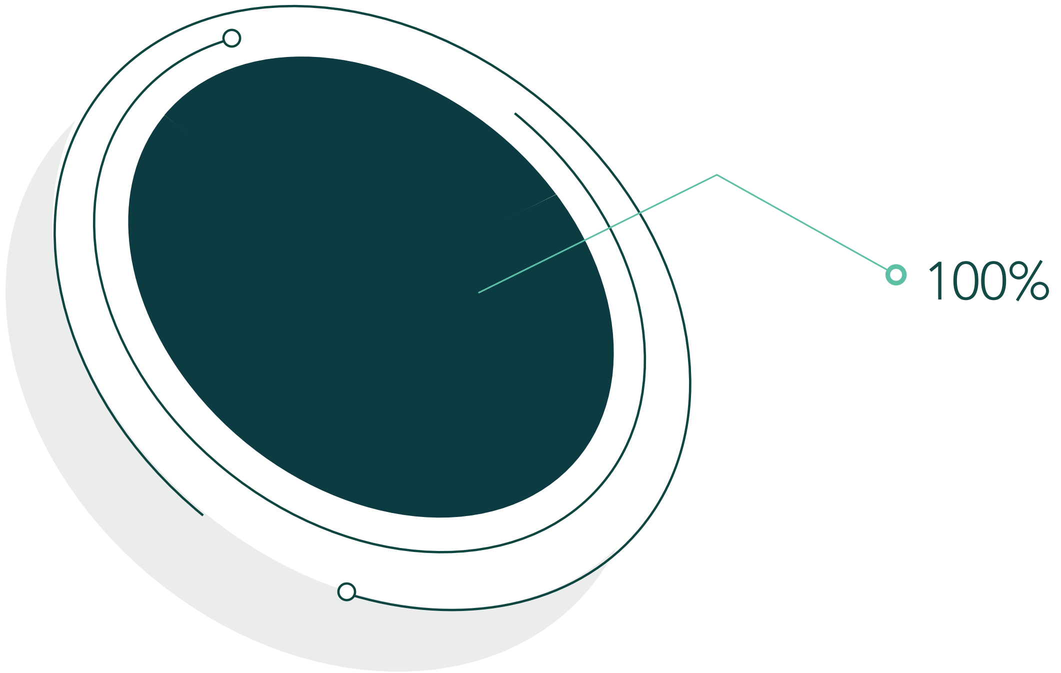
- Sahara International Petrochemicals Company-Sipchem

Year of Establishment	2013
Company Type	Limited Liability Company
Headquarters	City of Hail - KSA
Capital	56.320 Million SAR
Company Activity	Production of Ethylene Vinyl Acetate Films
Production Capacity	Annual 4,000 metric tons

The production process in Saudi Specialized Products company's ethylene vinyl acetate films plant (one of Sipchem companies) was halted on January 1st, 2021, in alignment with Sipchem's strategy after integration to improve profitability and performance efficiency.

The Company announced on August 29th, 2022 a fire broke out at the company's plantin Hail City without any human casualties or losses.

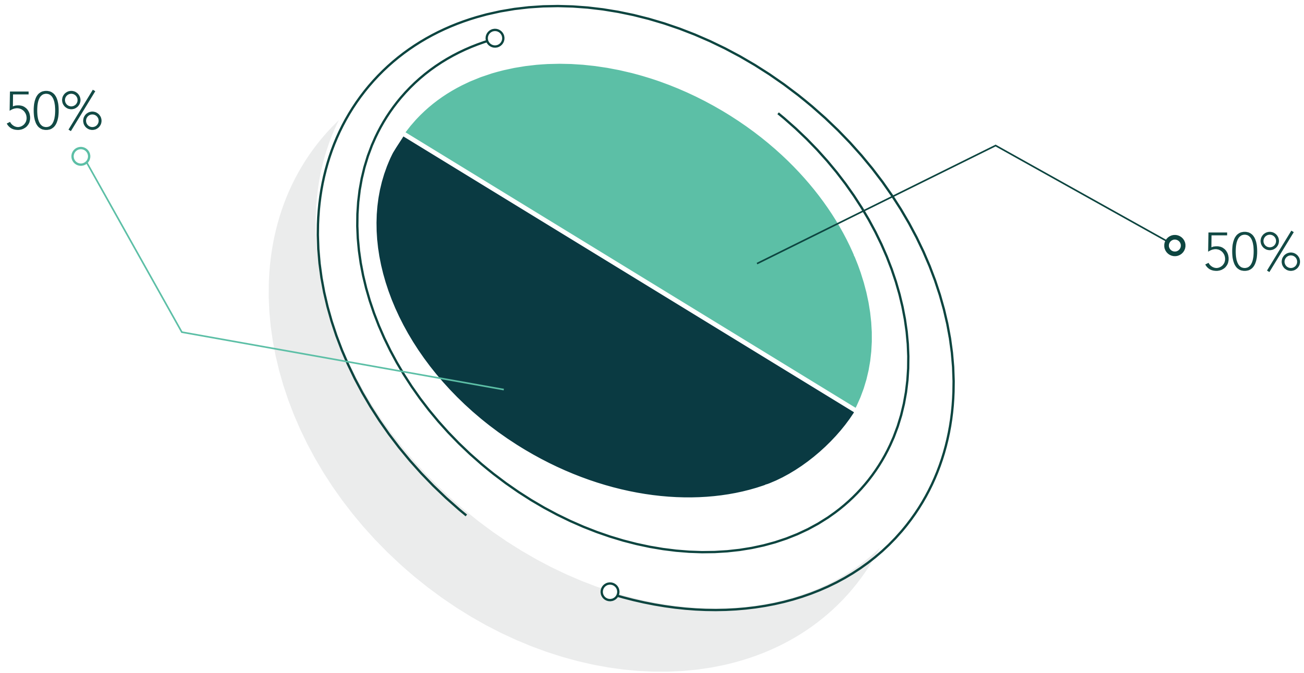
Saudi Advanced Technology Company (WAHAJ)



● Sahara International Petrochemicals Company-Sipchem

Year of Establishment	2018
Company Type	Limited Liability Company
Headquarters	Riyadh - KSA
Capital	105.950 Million SAR
Company Activity	Metal Forming by Forging, Pressing, Casting, and Extrusion. Manufacturing Structures of Vehicles with Engines, Manufacturing parts, Components, and Engines of Motor Vehicles.
Production Capacity	Not applicable

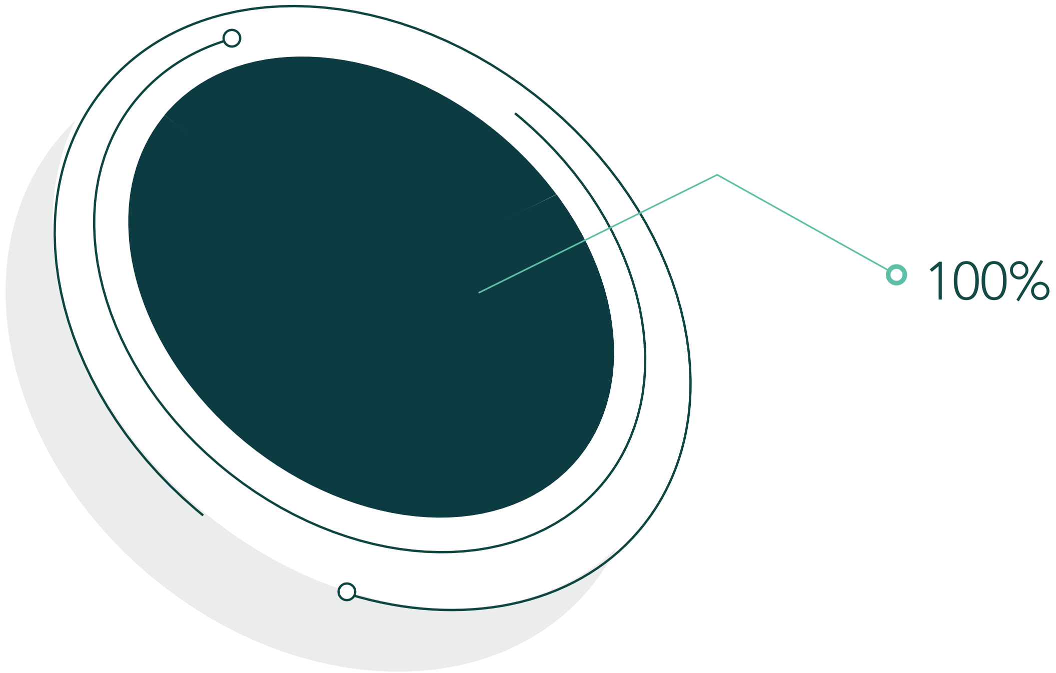
Linde Sipchem Industrial Gases Company



- Linde Holding co. (Netherland)
- Sahara International Petrochemical Company - Sipchem

Year of Establishment	2022
Company Type	Limited Liability Company
Headquarters	Jubail Industrial City – Saudi Arabia
Capital	5 Million SAR
Company Activity	Production of Raw Gases and Industrial Gases
Production Capacity	Not applicable

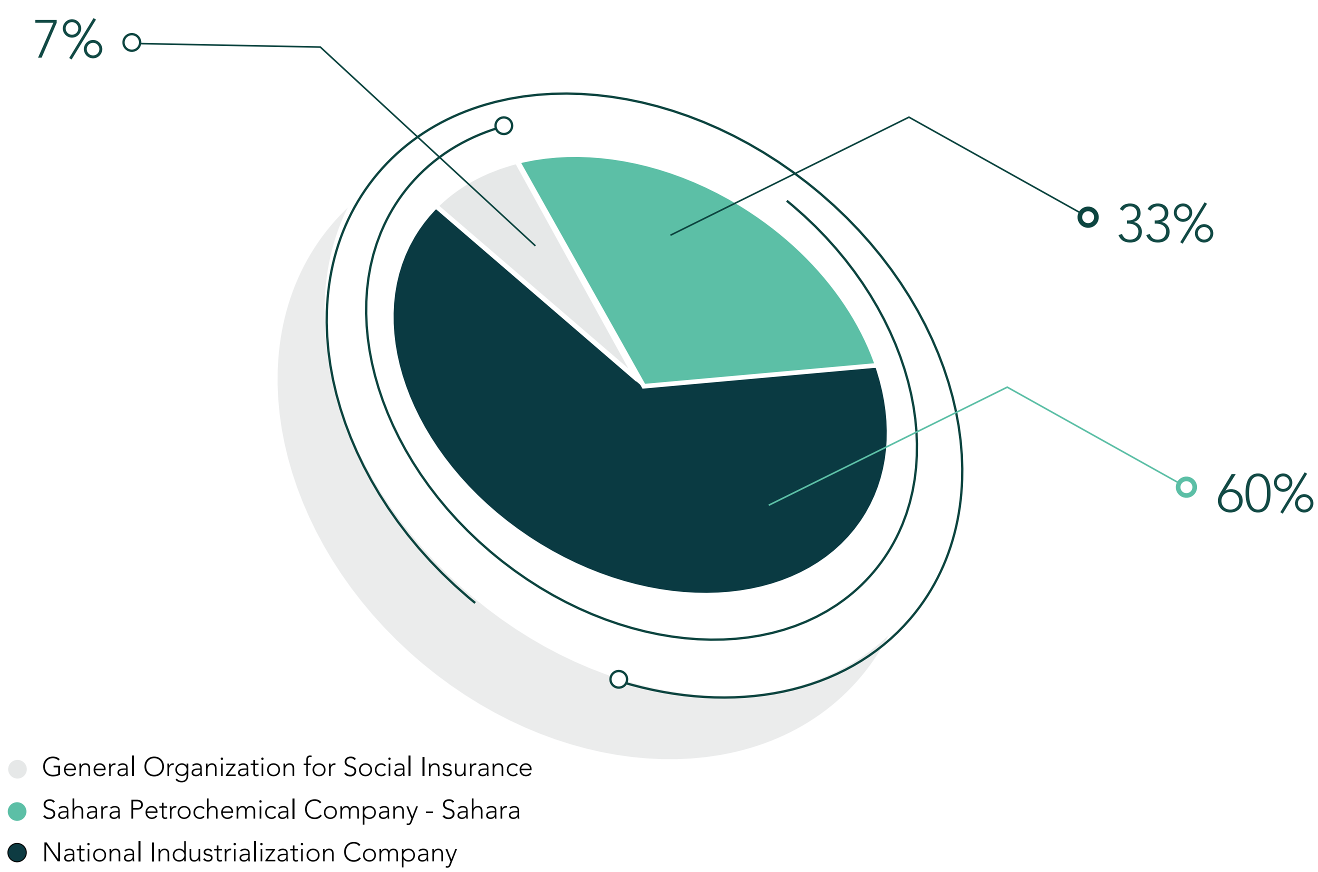
Sahara Petrochemicals Company



● Sahara International Petrochemicals Company-Sipchem

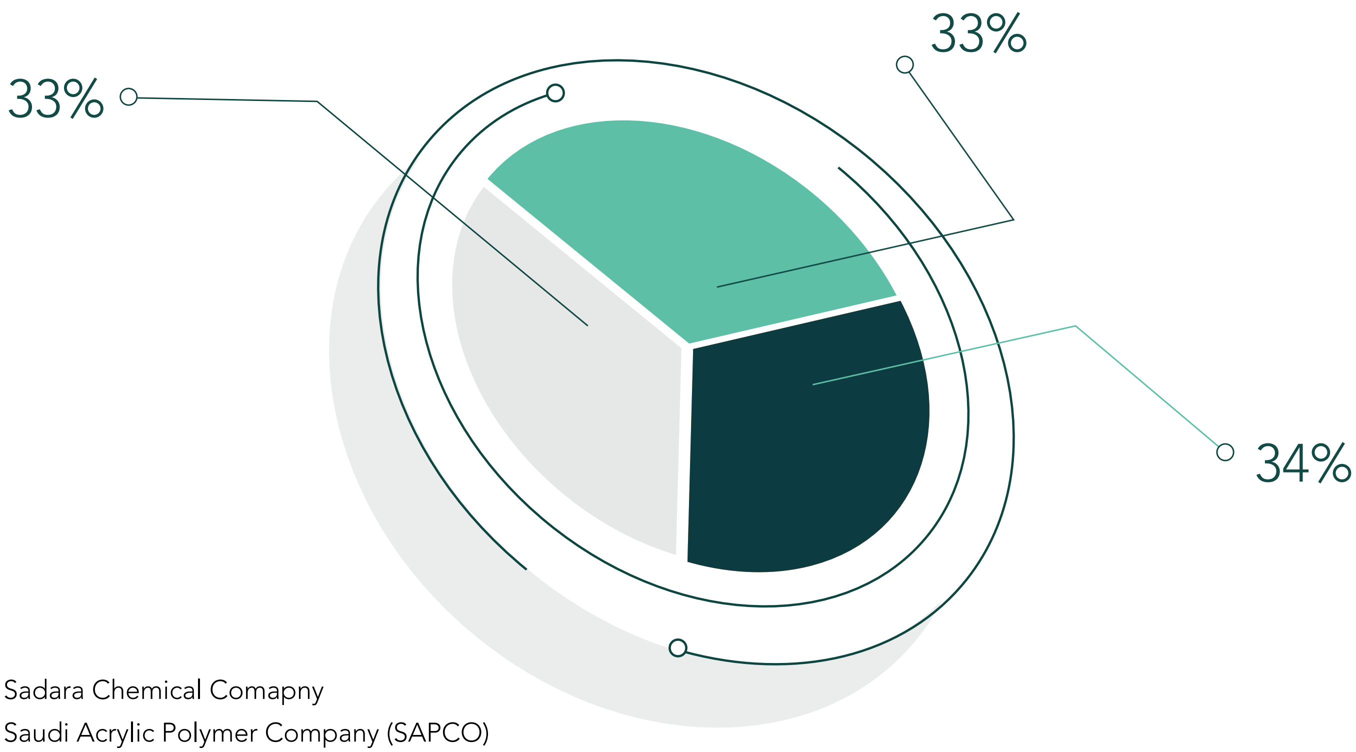
Year of Establishment	2004
Company Type	Closed Joint Stock
Headquarters	City of Khobar - Saudi Arabia
Capital	2,387,950,000 SAR
Company Activity	Works as a holding company. Its main core focused on the Petrochemicals sector
Production Capacity	Not applicable

Tasnee & Sahara Olefins Company (TSOC)



Year of Establishment	2006
Company Type	Closed Joint Stock
Headquarters	Jubail Industrial City – Saudi Arabia
Capital	2,830,000 SAR
Company Activity	Establishment, Management, Operation, Ownership and Investment in Industrial projects, Particularly Petrochemical and Chemical Industries; in addition to Marketing their products and Performing all related activities
Production Capacity	Not applicable

Saudi Butanol Company (SABUCO)

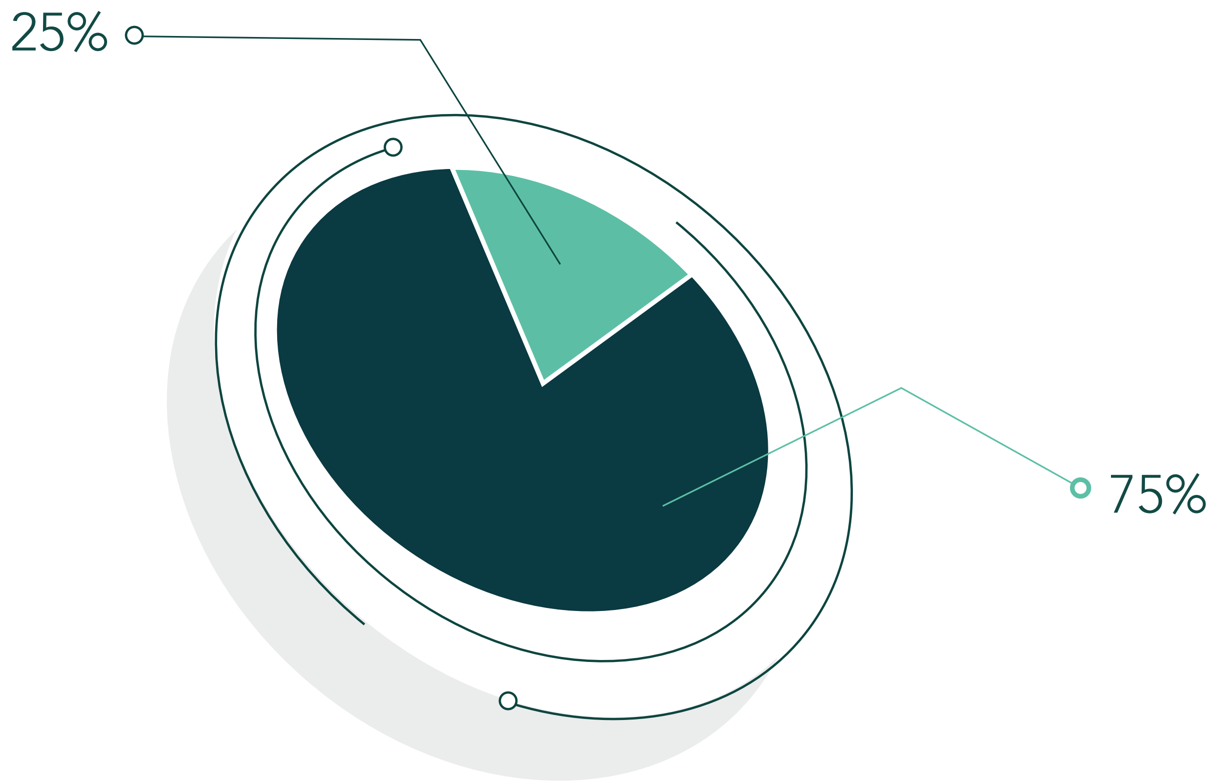


- Sadara Chemical Comapny
- Saudi Acrylic Polymer Company (SAPCO)
- Saudi Kayan Petrochemical Company

Year of Establishment	2013
Company Type	Limited Liability Company
Headquarters	Jubail Industrial City – Saudi Arabia
Capital	486 Million SAR
Company Activity	Productions of N-butanol and Isobutanol
Production Capacity	Annual 330,000 metric tons of N-butanol Annual 10,400 metric tons of Isobutanol

Based on the Sahara Petrochemicals Company’s 43.16% share of Saudi Acrylic Acid Company, Sahara has an indirect shareholding of 14.38% in Saudi Butanol Company.

Saudi Acrylic Polymer Company (SAPCO)

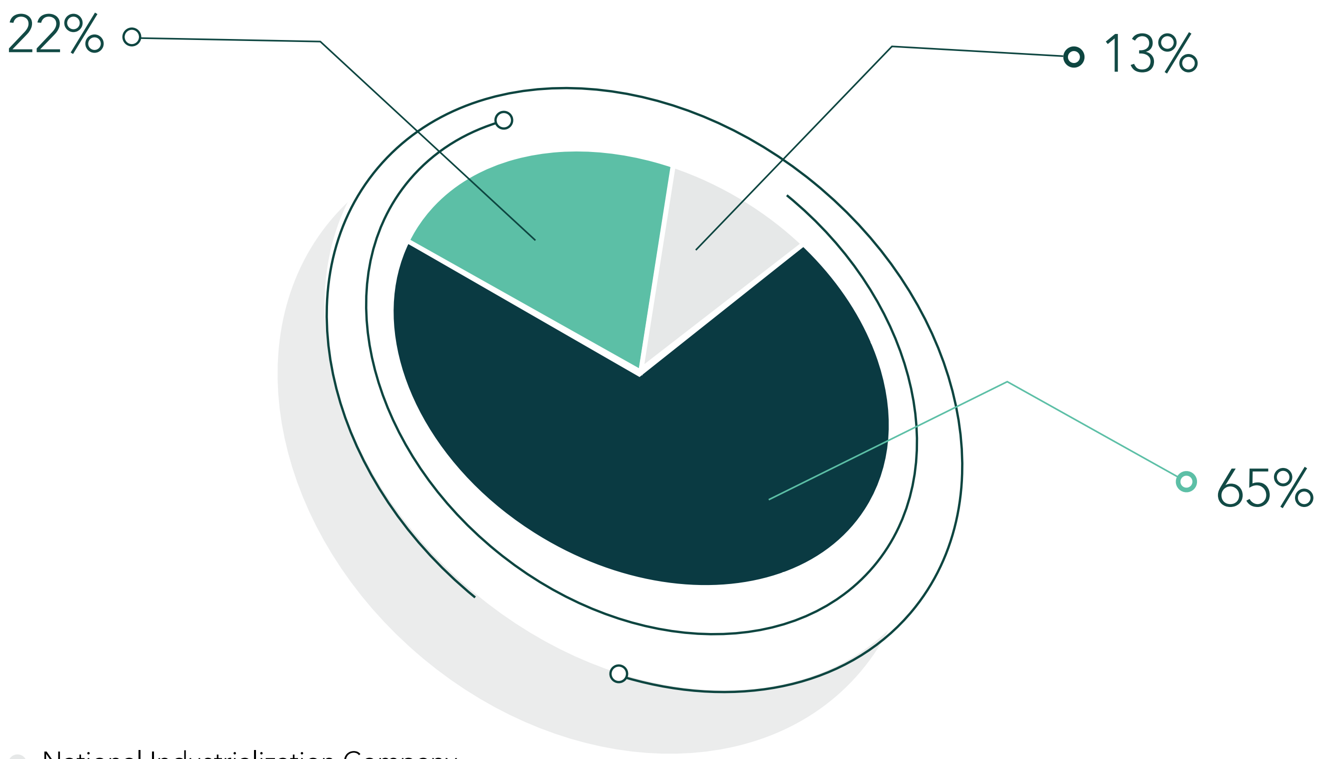


- Evonik German Company
- Saudi Acrylic Acid Company (SAAC)

Year of Establishment	2012
Company Type	Limited Liability Company
Headquarters	Jubail Industrial City – Saudi Arabia
Capital	416.4 Million SAR
Company Activity	Productions of Own, Manage, and Operate the Super Absorbent Polymer Plant within the Integrated Acrylics Complex
Production Capacity	Annual 80,000 metric tons of Super Absorbent Polymer

Based on the Sahara Petrochemicals Company's 43.16% share of Saudi Acrylic Acid Company, Sahara has an indirect shareholding of 32.37% in Saudi Acrylic Polymers Company.

Saudi Acrylic Acid Company (SAAC)

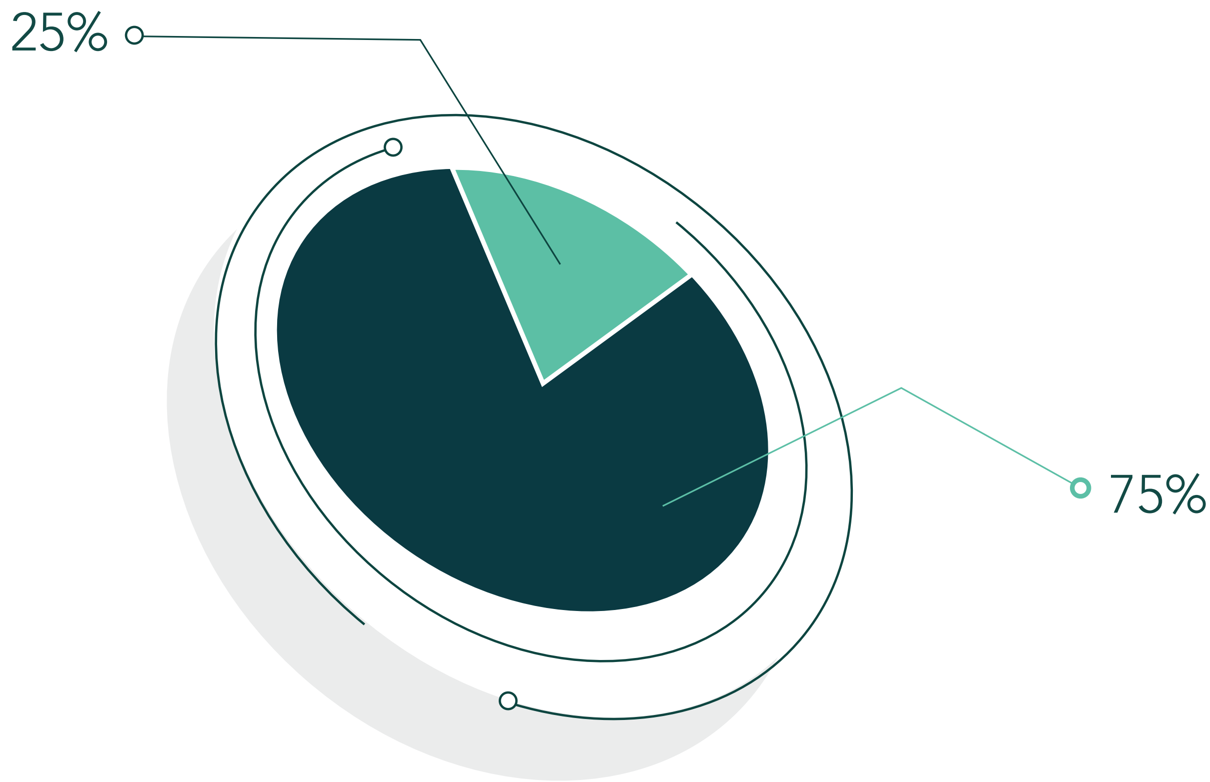


- National Industrialization Company
- Sahara Petrochemicals Company
- Tasnee & Sahara Olefins Company (TSOC)

Year of Establishment	2009
Company Type	Limited Liability Company
Headquarters	Jubail Industrial City – Saudi Arabia
Capital	1,777 Million SAR
Company Activity	Establishment, Management, Operation and Ownership of Acrylic Acid and its Derivatives production projects, and Petrochemical and Chemical industrial projects
Production Capacity	Not applicable

Based on Sahara Petrochemical Company's ownership percentage in TSOC which is 34%, Sahara holds indirectly additional ownership of 22% in Saudi Acrylic Acid Company (SAAC), thus is reflected in Sahara's total equity to be 44%.

Saudi Acrylic Monomer Co. Ltd. (SAMCO)

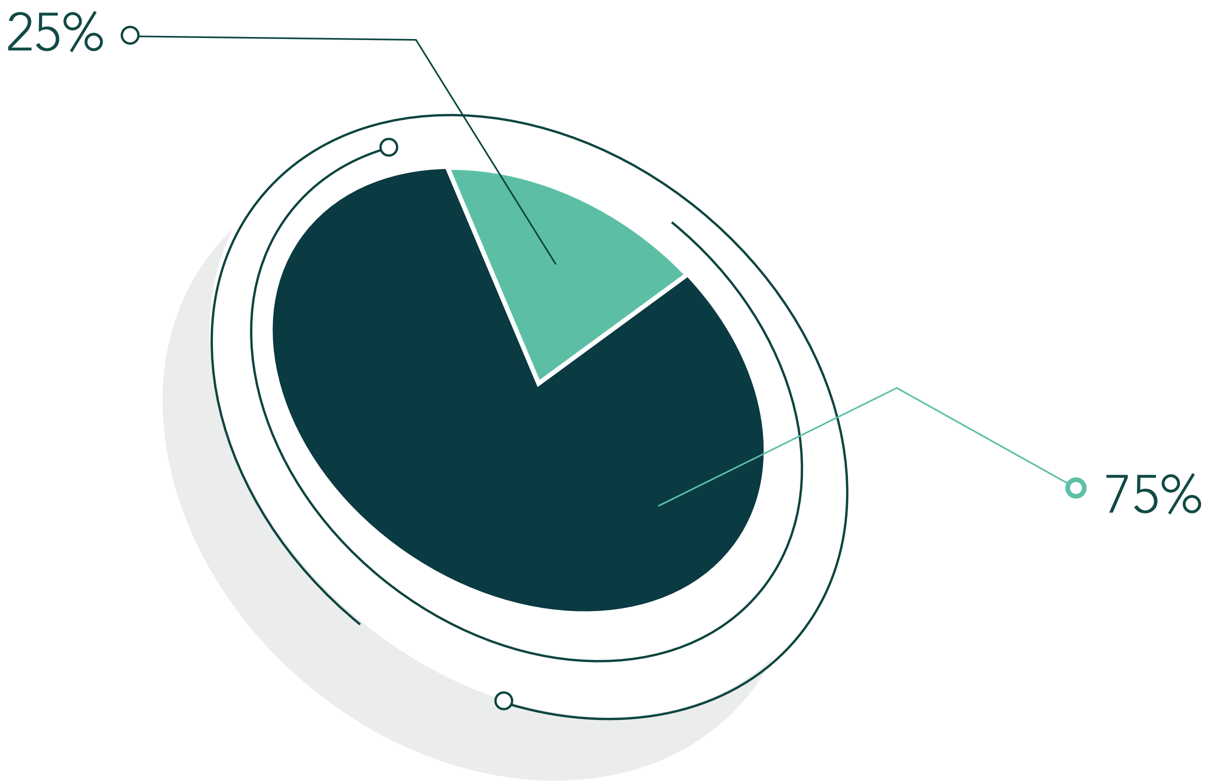


- Rohm and Haas Nederland B.V
- Saudi Acrylic Acid Company (SAAC)

Year of Establishment	2009
Company Type	Limited Liability Company
Headquarters	Jubail Industrial City – Saudi Arabia
Capital	1,084,5 Million SAR
Company Activity	Productions of Acrylic Acid, Butyl Acrylic, Diethylhexyl Acrylic, Glacial Acrylic Acid
Production Capacity	Annual 180 thousand mtpa of Butyl Acrylic
	Annual 70 thousand mtpa of Glacial Acrylic Acid

Based on Sahara Petrochemical Company's ownership in Saudi Acrylic Acid Company (SAAC), which is 44 %, Sahara holds an indirect additional ownership of 32%, in Saudi Acrylic Monomer Co. Ltd. (SAMCO).

Saudi Ethylene & Polyethylene Co. (SEPC)

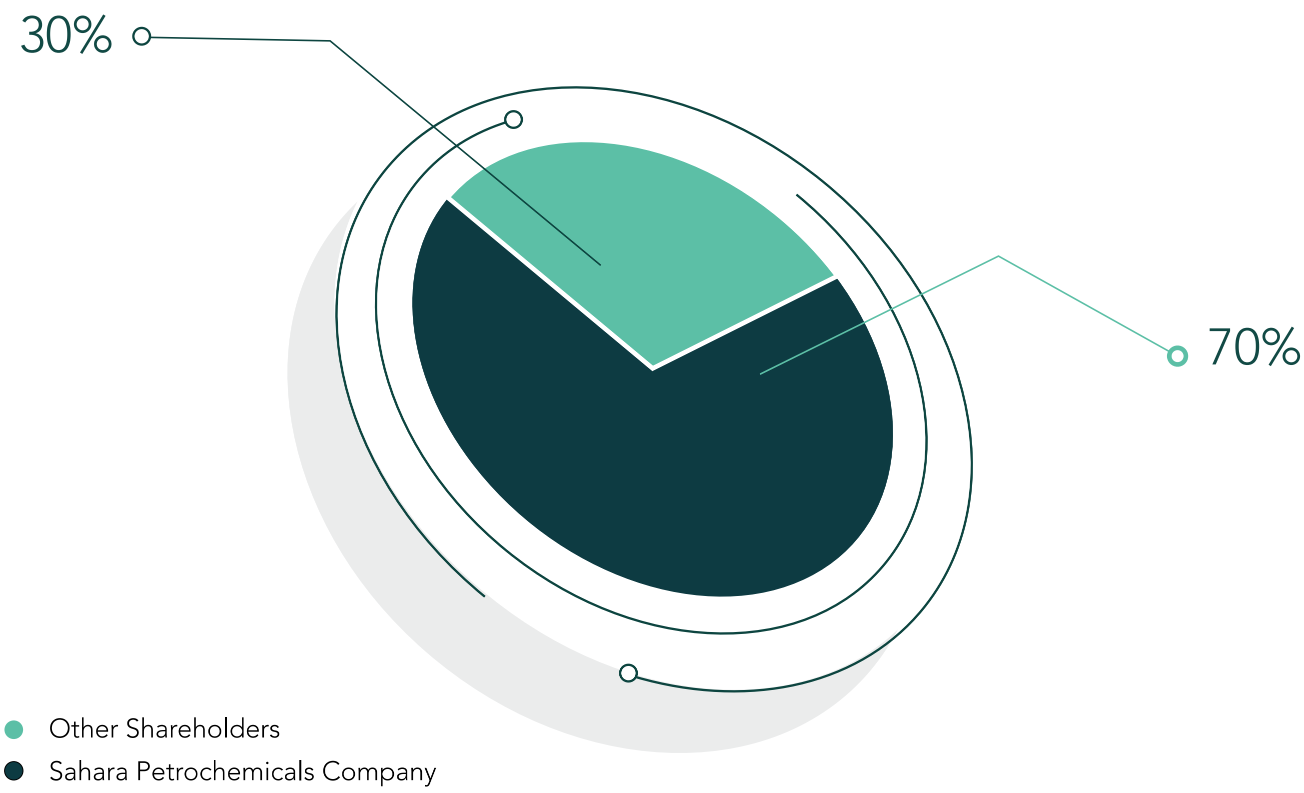


- Basell Moyen Orient Investissements SAS
- Tasnee & Sahara Olefins Company (TSOC)

Year of Establishment	2006
Company Type	Limited Liability Company
Headquarters	Jubail Industrial City – Saudi Arabia
Capital	2,737.5 Million SAR
Company Activity	Productions of Propylene, Ethylene, High and Low-Density Polyethylene
Production Capacity	Annual 285 thousand mtpa of Propylene
	Annual 1,000 thousand mtpa of Ethylene
	Annual 800 thousand mtpa of Polyethylene

Sahara Petrochemical Company owns 25%, which is an indirect share in the Saudi Ethylene and Polyethylene Company (SEPC)
On December 24, 2023, the company announced on the Tadawul website that it had awarded an engineering, supply and expansion contract to (SGC - eTEC) on 12/21/2023 AD, to increase the production of the ethylene crushing plant in the Saudi Ethylene and Polyethylene Company (SEPC)

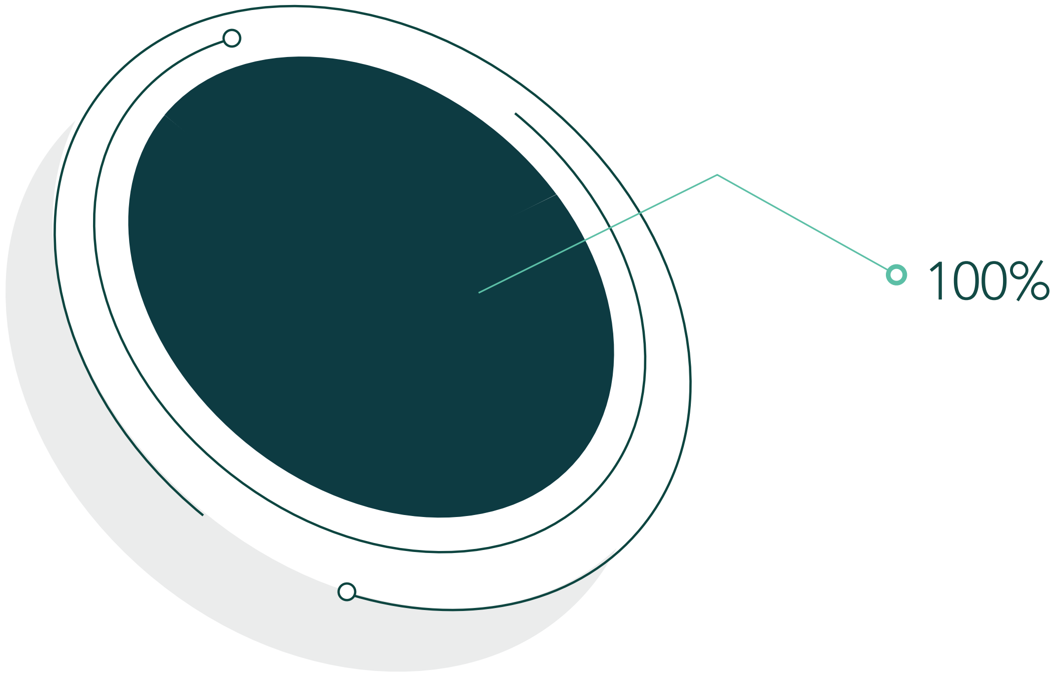
Khair Inorganic Chemical Industries (INOCHEM)



Year of Establishment	2016
Company Type	Closed Joint Stock
Headquarters	Ras Al Khair - Saudi Arabia
Capital	8 million SAR
Company Activity	Productions of Soda Ash and Calcium Chloride
Production Capacity	Annual 300,000 metric tons of Soda Ash
	Annual 384,000 metric tons of Sodium Chloride

The Company announced on November 12th, 2023 the beginning of the trial run of Khair Inorganic Chemical Industries (INOCHEM).

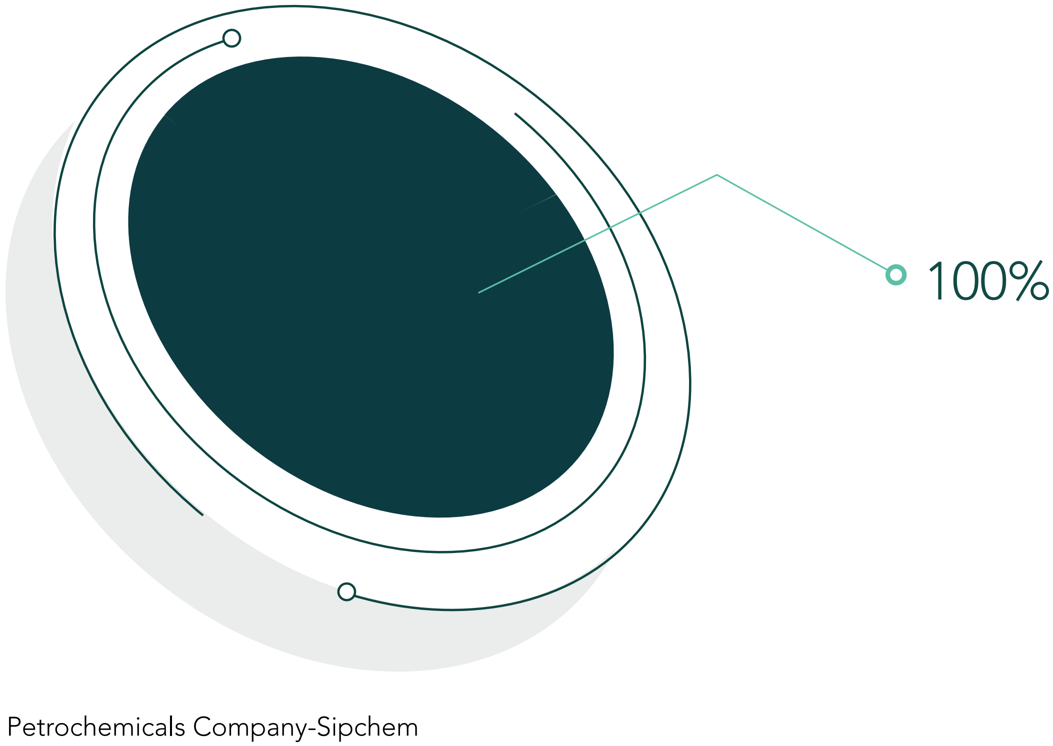
Sipchem Marketing Company (SMC)



● Sahara International Petrochemicals Company-Sipchem

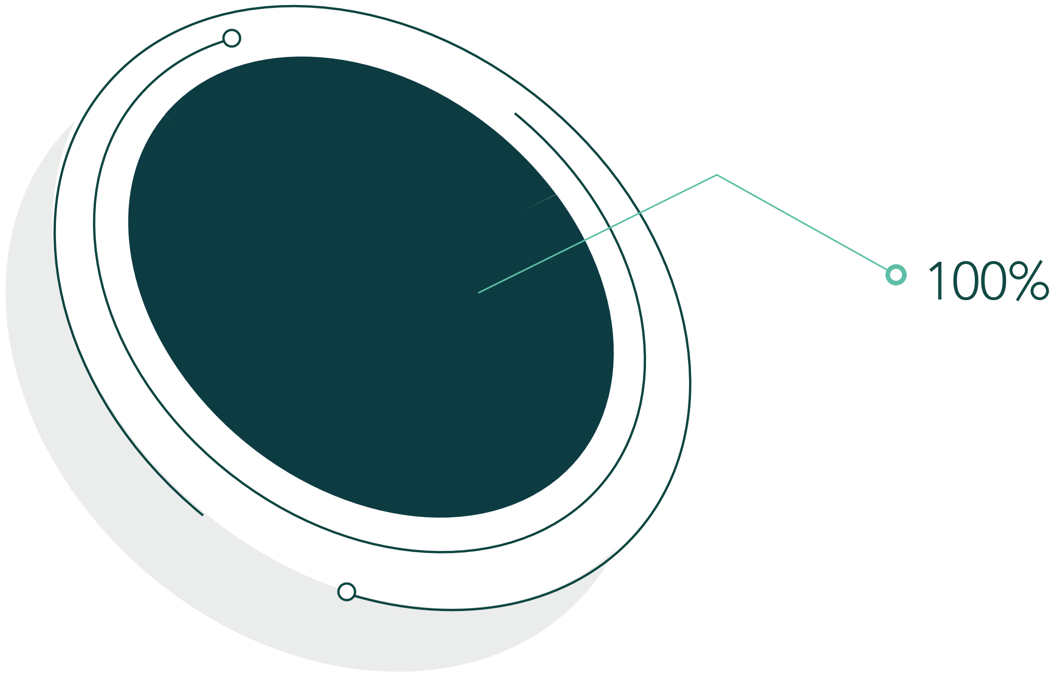
Year of Establishment	2007
Company Type	Limited Liability Company
Headquarters	City of Khobar - Saudi Arabia
Capital	2 Million SAR
Company Activity	Marketing and Sales of Petrochemical and Plastic Products
Production Capacity	Not applicable

Sipchem Europe Cooperative U.A and its Subsidiaries



Year of Establishment	2011
Company Type	Limited Liability Company
Headquarters	Loterie - Switzerland
Capital	Million CHF
Company Activity	Provide administrative support to the Logistic and Marketing aspects
Production Capacity	Not applicable

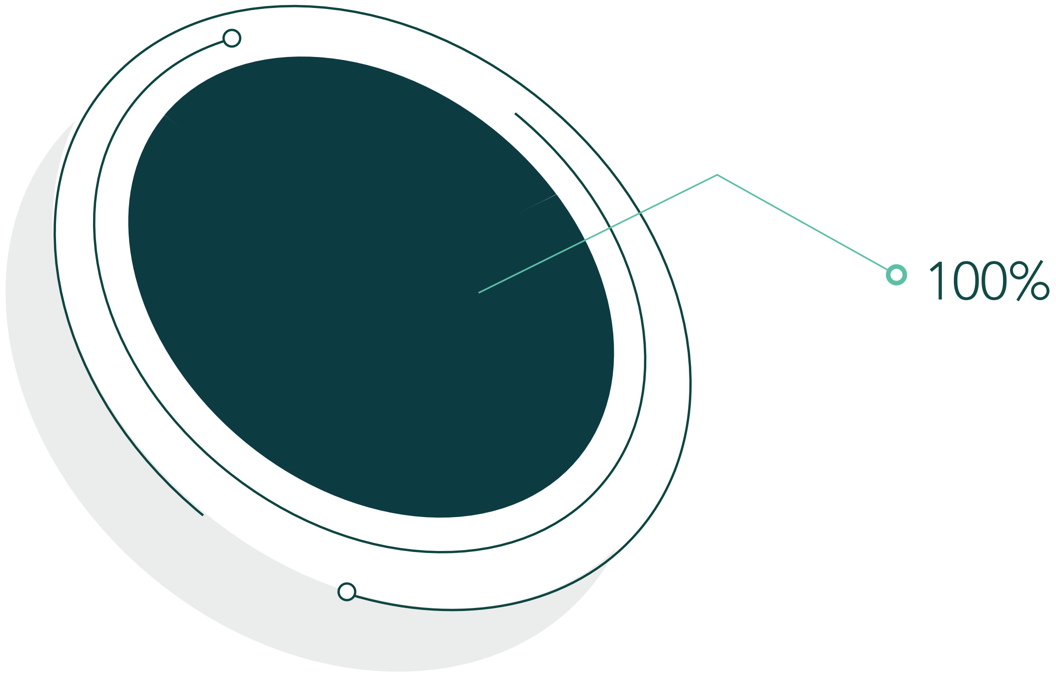
Sipchem Asia PTE



● Sahara International Petrochemicals Company-Sipchem

Year of Establishment	2013
Company Type	Limited Liability Company
Headquarters	Singapore
Capital	752,970 SAR
Company Activity	Market the company’s products in Asia
Production Capacity	Not applicable

Sipchem Innovent S.A



● Sahara International Petrochemicals Company-Sipchem

Year of Establishment	2023
Company Type	Limited Liability Company
Headquarters	Loterie - Switzerland
Capital	300,000 USD
Company Activity	Engage in Innovation, Research and Development, Venture Capital, and Investment in general
Production Capacity	Not applicable

7. Details of Social Contributions

Sipchem believes that its social responsibility is a commitment to the community to achieve cooperation and solidarity. It also believes in the necessity of contributing to bringing about change that benefits individuals and local communities. This comes in pursuit of its goals of sustainability, environmental preservation, and supporting the local economy. This is achieved through activating initiatives, and contributions, and implementing community programs that align with Sipchem's strategy, which in turn aligns with the Kingdom's Vision 2030.

We strive hard to inspire people and empower society to invest therein. Year after year, we are working to improve, develop and activate our approach and way of dealing with society to achieve high returns and benefits at all levels of projects.

Sipchem's corporate social responsibility strategy (Sipchem Cares) is based on four main pillars, which are:

Health, Environment and Safety

Social Programs and Volunteer

Education and Culture

Support Local Businesses and Entrepreneurship's Programs

7. Details of Social Contributions (cont.)

After we accomplished many significant achievements over the past years, Sipchem is committed to giving back to the community. We prioritize our community through various social development programs and initiatives, which aim to enhance the quality of the strategic outputs "Sipchem Cares" for community responsibility.

In 2023, Sipchem succeeded in carrying out the defined and various projects and social programs, which covered over 76% of the Kingdom's cities and provinces. Since 2007, We have also reached about 4 million beneficiaries. In 2023, Sipchem launched 100 community initiatives, through which our employees contributed to activating volunteer work and achieving 3,000 volunteer hours. 2023 was a year full of events in which "Sipchem" dedicated all its efforts to accomplish great achievements that grew and flourished in various fields and levels. These efforts have yielded continuous and impactful results, leaving a lasting positive mark on the community. Sipchem proudly and confidently fulfilled its social responsibility on the ground.

8. Statement of Dates of General Assemblies of Shareholders held during 2023 and names of Board Members who attend these General Assemblies

The General Assembly was held on May 10th, 2023.
Here are the names of the Board Members Attendees:

S/N	Name	Attendance
1	Eng. Khaled bin Abdullah AlZamil	Present
2	Mr. Fahad S. AlRajhi	Present
3	Dr. Abdulrahman A. AlZamil	Present
4	Eng. Reyadh S. Ahmed	Present
5	Eng. Saeed O. AlEsayi	Present
6	Mr. Saied A. Basamh	Present
7	Eng. Abdullah K. AlBuainain	Present
8	Mr. Ziad A. AlTurki	Present
9	Eng. Mosaed S. AlOhali	Present
10	Mr. Ahmed A. AlDakhil	Present
11	Mr. Feras M. AlAbad	Present

9. Information on Any Risks Facing the Company

Risk management is an integral part of Sipchem's strategy to achieve organizational objectives to maximize the shareholder value by taking the calculated risk. Integrating enterprise risk management practices across an organization improves decision-making in governance, strategy, objective-setting, and day-to-day operations.

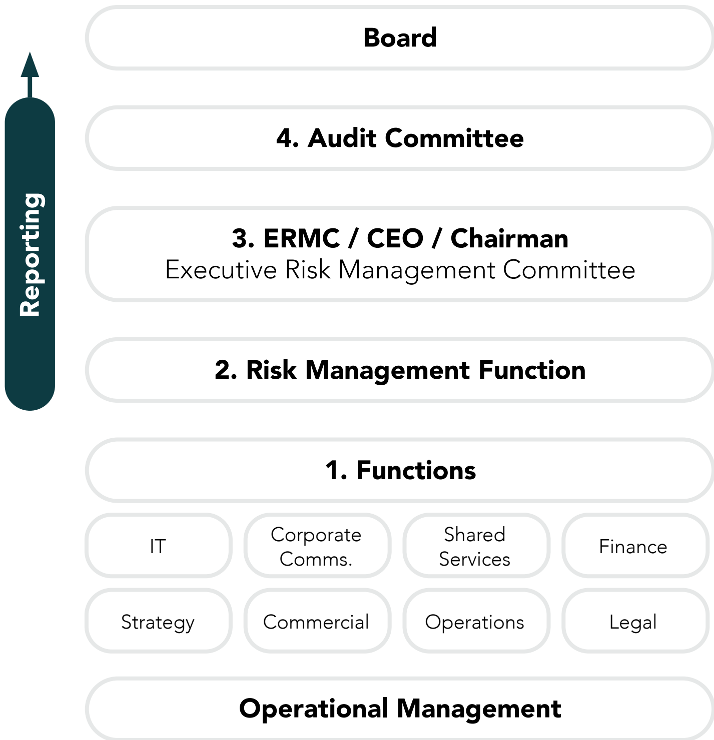
The Board, as part of its role in providing strategic oversight and supervision of the Company, is responsible for protecting investors' interests by maintaining effective risk management and internal control systems. The Executive Risk Management Committee is fostering a culture of risk management using leading standards through the risk management department. Accordingly, the concerned department implements, identifies, evaluates, and develops appropriate procedures for dealing with risk management practices in the normal course of business activities or managing risks that may affect the organizational strategies.

Based on the leading practices and regulations of CMA, Sipchem's governance structure of the risk management system is as follow:

Sipchem Risk Management Governance with Clear Reporting Lines – Ensure Active Monitoring of Risk Management practices at all key levels across the organization

Layers of Risk Reporting

1. Functions Report Risk & Treatment Strategies
2. Executive Risk Management Committee (ERMC) validation
3. Report Key Risks to AC
4. Report final Key Risk to the Board



Executive Risk Management Committee Role

- Monitor implementation of Sipchem Risk Management Policy.
- Give governance of RM culture.
- Provides oversight on the RM Framework to ensure appropriate compliance with international standards.
- Review and endorse key strategic risk.
- Align & prioritise key risk actions.

Implementation of the Risk Management System and Organizational Structure:

Sipchem's Board of Directors has assigned the responsibility of Sipchem's risk management systems and processes to the Audit Committee. The Audit Committee is responsible for leadership, direction, and oversight with respect to the Company's risk appetite, risk tolerance, risk framework, and risk strategy as well as governance of strategic, financial, operational, and environmental, social and governance (ESG) related risks. The Executive Risk Management Committee (ERMC) is responsible for developing and implementing risk management systems and processes as a framework for the Company. Sipchem's risk management functionally reports to the Executive Risk Management Committee.

Sipchem's Risk Management Policies and Practices:

Sipchem developed a risk management policy to govern the risk management activities within Sipchem & its affiliates. Furthermore, the policy was approved by the Board to establish the tone within the organization for promoting risk culture and formalizing consistent risk management processes and practices.

Sipchem Risk Management Framework:

Sipchem implemented a comprehensive risk management framework through a system based on ISO 31000 principles and guidelines (accompanied by ISO 22301 Business Continuity Management), consistently informing the Board about critical strategic, financial, operational and compliance risks and align with strategic objectives to ensure safety of its people and assets, and continuity of products or services delivery in the event of crisis/disaster.

Risk Factors for Sipchem & its Affiliates

Sipchem is exposed to several risks that limit its ability to achieve its strategic, operational, and financial objectives. There is no certainty that risk management activities will prevent occurrence of such risks. However, the management shall closely monitor such risks while taking preventive measures and controls to address the same. The following risks, which are identified as material, do not necessarily comprise all the risks affecting Sipchem.

Geopolitical Environment
Regional geopolitical instability may result from sanctions or unexpected political conflicts, which may lead to a decline of revenues and shareholder value.

Cybersecurity Incidents
Cybersecurity incidents, Information Technology (IT) / Operational Technology (OT) may cause disruptions in manufacturing processes, ERP transactions, data losses and reputational damages further cause sustained disruption to critical physical and digital infrastructure.

On-Site Major Plant Explosion
On site, major plant explosion incident, causing prolonged plant output loss, potential loss of lives or casualties, significant financial losses and Sipchem's reputation.

Sustainability
Significant delay in acknowledging required changes to existing assets, business volume and business model adaptation for sustainability is impacting organizational change (globally) and scrutiny on operational resilience, products and services.

Succession Challenges
This challenge is the ability to attract and retain the best talent and address the challenges of employee succession and competencies in new areas such as digitalization and sustainability.

Risk Factors for Sipchem & its Affiliates (cont.)

Evolving Technologies

The company's framework is characterized by a strategic response to evolving technologies (e.g. non-fossil plastics strategy) as well as market trends (circular economy) that may jeopardize the supply and demand fundamentals of the key value chain.

Major Maritime Shipping Incident/Explosion

Maritime incident or accident at sea, in transit or in port (e.g., explosion, fire or environmental contamination) may result in major financial loss, imposition of fines and penalties, and significant damage to Sipchem's reputation and shareholder value.

Increasing Feedstock Prices in KSA

Strategic Response in the Sipchem Business Model to Feedstock Price Increase in the Kingdom of Saudi Arabia.

Capital Investment Growth Projects / Value Creation from M&A Deals

In pursuing capital investment for growth projects and Merger and Acquisition deals, Sipchem may face risks from market volatility, regulatory uncertainties, integration challenges, and the potential for strategic misalignment.

Liquidity Crunch

Liquidly crisis in the Saudi Capital Market may cause an increase in base rates/profit margins, a focus on the exposure of local bank financing, which may lead to high loan cost/excessive lending.

10. Significant Differences in Operating Results from Previous year Results:

STATEMENTS	2023	2022	Change +/-	% of change
Sales/ Revenue	7,617.94	10,253.63	(2,635.7)	-25.7%
Gross profit	2,168.47	4,838.68	(2,670.5)	-55%
Operating profit	1,418.97	4,046.99	(2,628)	-65%
Net profit yields to shareholders	1,174.99	3,595.29	(2,338)	-67%

During 2023, the net profit decreased by 67% compared to 2022. This is attributed mainly to:

- Decrease in Revenue as a result of the decrease in selling prices for company's products.
- Decrease in sales volumes due to the periodic turnaround maintenance activities of International Methanol Company and International Diol Company, in spite of the decline in the prices of raw materials.

11. Clarification of any Difference for the Accounting Standards Approved by the Saudi Authority for Auditors and Accountants.

- There is no difference from the approved accounting standards.

12. Each Subsidiary's name, Share Capital, Percentage of Sipchem's Shareholding therein, Main Activity, Country of Operations, and Country of Incorporation

Subsidiary's name	Capital SAR 1 million	Percentage of the company's ownership	Main Activity	Country of operations	Country of incorporation
International Methanol Company	360.97	65%	Production of Methanol (Methyl Alcohol)	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
International Diol Company	431.25	100%	Production of Butanediol (BDO), Maleic Anhydride (MAn), Tetrahydrofuran (THF) and Gamma-butyrolactone (GBL)	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Sahara Petrochemicals Company	2,388	100%	It operates as a holding company whose main activity is concentrated in the Petrochemical sector	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
International Vinyl Acetate Company Ltd.	676	100%	Production of Vinyl Acetate Monomer	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Al WAHA Petrochemicals Company	1,660	75%	Production of Propylene and Polypropylene	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
International Acetyl Company Limited (IAC)	1,003	100%	Production of Acetic Acid (AA) and Acetic Anhydride (AA)	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Tasnee & Sahara Olefins Company (TSOC)	2,830	33%	Establishment, Management, Operation, Ownership and Investment in Industrial projects, Particularly Petrochemical and Chemical Industries in addition to Marketing their products and Performing all related activities.	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
International Gases Company	425.4	100%	Production of Carbon monoxide and Hydrogen	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Saudi Ethylene and Polyethylene Company (SEPC)	2,737.5	24%	Production of Propylene, Ethylene, High-density Polyethylene and Low-density Polyethylene.	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Sipchem Marketing Company	2	100%	Marketing and sales of Petrochemicals and Plastics	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Saudi Acrylic Acid Company (SAAC)	1,777	44%	Establishment, Management, Operation and Ownership of Acrylic Acid and its Derivatives Production Projects, and Petrochemical and Chemical Industrial projects.	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia

12. Each Subsidiary's name, Share Capital, Percentage of Sipchem's Shareholding therein, Main Activity, Country of Operations, and Country of Incorporation (cont.)

Subsidiary's name	Capital SAR 1 million	Percentage of the company's ownership	Main Activity	Country of operations	Country of incorporation
Saudi Acrylic Monomer Co. Ltd. (SAMCO)	1,084.5	32%	Production of Acrylic Acid derivatives: Acrylic Acid Butyl Acrylic Diethylhexyl Acrylic Glacial Acrylic Acid	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
International Utilities Company (IUC)	2	91%	Management, Operation and Maintenance of utilities and Facilities for Sipchem's subsidiaries.	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
International Polymers Company	703	75%	Production of Polyvinyl Acetate, Polyvinyl Alcohol, Polyethylene Wax, Low-Density Polyethylene and Ethylene and Vinyl Acetate Copolymers	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Saudi Acrylic Polymer Company (SAPCO)	416.4	32%	Ownership, Management and Operation of Super Absorbent Polymers plant within the Integrated Acrylics Complex project	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Sahara & Ma'aden Petrochemicals Company (SAMAPCO)	900	50%	Production of Caustic Soda, Chlorine, and Ethylene Dichloride	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Sipchem Chemicals Company	266	100%	Production of Ethyl Acetate, Butyl Acetate, Polybutylene Terephthalate, and Hydrofuran	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Saudi Butanol Company (SABUCO)	486	14%	Production of N-butanol and Isobutanol	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Gulf Advanced Cable Insulation Company	57	50%	Cable Insulation Polymers products	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Khair Inorganic Chemical Industries (INOCHEM)	800	30%	Production of Sodium Carbonate, Dense vs Light Soda ash, Calcium Chloride and Calcium Carbonate	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia

12. Each Subsidiary's name, Share Capital, Percentage of Sipchem's Shareholding therein, Main Activity, Country of Operations, and Country of Incorporation (cont.)

Subsidiary's name	Capital SAR 1 million	Percentage of the company's ownership	Main Activity	Country of operations	Country of incorporation
Saudi Specialized Products Company (WAHAJ)	56	100%	Production of Metal Molds used for Plastics Industries and Maintenance of Metal Molds in addition to Producing Transparent Films.	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Sipchem Asia Pte Ltd	0.752	100%	Marketing Sipchem's products in Asia	Singapore	Singapore
Saudi Advanced Technologies Company	106	100%	Metal formation by Hammering, Pistons, Casting, Rolling, Making Structures for Motor vehicles, Making parts, accessories and Engines for Motor vehicles.	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Linde Sipchem Industrial Gases Company	5	50%	Production of Raw Gases and Industrial Gases	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Sipchem Europe Cooperative U.A and its subsidiaries	Million CHF	100%	Provide administrative support to the logistic and marketing aspects	Switzerland	Switzerland
Sipchem Innovent S.A	.300	100%	Innovation, Research and Development, Venture Capital, and Investment in general	Switzerland	Switzerland

13. Details of Shares and Debt Instruments issued for each Subsidiary

Details of shares and debt instruments issued for each subsidiary. There are no debt instruments convertible into shares or any subscription notes or similar rights issued or granted by the Company during 2023. There are also no rights of transfer or subscription under debt instruments convertible into shares, option rights, warrants or similar rights issued or granted by the Company during the year 2023.

14. A Description of Sipchem's Policy in Distributing Dividends

The annual net profits of the Company are distributed according to Article (48) of Sipchem's articles of association, after deducting all general expenses and other costs as follows:

- A percentage representing (10%) of the net profits shall be set aside to form a statutory reserve for the Company, and the Ordinary General Assembly may cease such practice whenever the mentioned reserve reaches 30% of the paid share capital.
- The Ordinary General Assembly, based on the proposal of the Board of Directors may retain a certain percentage of the net profits to form a consensual reserve and allocate such reserve for purposes beneficial to the Company.
- The Ordinary General Assembly may decide to create other reserves, to the extent that serves the interest of the Company or guarantees the distribution of fixed profits as possible to the shareholders. The Ordinary General Assembly may also deduct amounts from the net profits to incorporate social institutions for Sipchem's employees or to assist the institutions that may exist.
- The remaining amount thereafter shall be distributed among shareholders, with a proportion not less than (5%) five per cent of the paid share capital.
- Subject to the provisions of Article (22) twenty-second of this law, and Article (76) seventy-six of the Companies Law, which after the above allocates a percentage not exceeding (10%) ten percent of the remaining amount for remuneration of the Board of Directors, provided that entitlement to such remuneration shall be prorated to the number of sessions attended by each member.

The Company may also distribute profits to its shareholders periodically, quarterly or semi-annually, if its financial capabilities permit, provided that the Company, when doing so, adheres to the conditions, controls and instructions issued about the same by the competent authorities.

The dividends to be distributed according to Article (49) of the Articles of Association shall be paid to the shareholders at the place and dates specified by the Board in accordance with the instructions issued by the Ministry of Commerce and Investment and the Capital Market Authority.

Sipchem's Board of Directors has made its Recommendations on the First half and the Second half of the Financial year 2023 as follows:

	Profit ratios distributed during the year		Proposed year-end dividend profit ratios	Gross Profit
	21 July 2023 AD	11 December 2023 AD		
Percentage	12%	8%	20%	-
Total	906402.488.75	543,841,493	-	1, 450,243,981.75

15. Description of any Interest in the Voting Shares Category held by Persons (save the Members of Sipchem's Board of Directors, Senior Executives and their Relatives) who informed the Company of such Rights under Article Eighty-five of the Registration and Listing Rules and any change in such Rights during the Fiscal year 2023 AD

The Company did not receive notice of any interests belonging to persons in the voting shares or a change in such rights.

16. Information Related to Any Loans owed by the Company (Million Riyals)

Sahara International Petrochemical Company

Loan lender	Loan lender months	Principal amount of loan	Beginning of the year balance	Reclassification	Withdrawals made during the year	Payments made during the year	End of the year balance
Commercial banks Long-term loans	5-7	4,425	1,869	-	-	581	1,288
Commercial banks Short-term loans	6	100	-	-	100	100	-

International Diol Company (IDC)

Loan lender	Loan lender months	Principal amount of loan	Beginning of the year balance	Reclassification	Withdrawals made during the year	Payments made during the year	End of the year balance
Long-term loans from partners	unspecified	740	461	-	-	-	461

International Gases Company (IGC)

Loan lender	Loan lender months	Principal amount of loan	Beginning of the year balance	Reclassification	Withdrawals made during the year	Payments made during the year	End of the year balance
Commercial banks Long-term loans	4	300	162	-	-	70	92

16. Information Related to Any Loans Owed by the Company (Million Riyals) (cont.)

International Polymers Company (IPC)

Loan lender	Loan lender months	Principal amount of loan	Beginning of the year balance	Reclassification	Withdrawals made during the year	Payments made during the year	End of the year balance
Commercial banks Long-term loans	7	700	665	-	-	70	595

Sipchem Chemicals Company (SCC)

Loan lender	Loan lender months	Principal amount of loan	Beginning of the year balance	Reclassification	Withdrawals made during the year	Payments made during the year	End of the year balance
Long-term loans from partners	unspecified	812	812	-	18	-	830

Gulf Advanced Cable Insulation Company (GACI)

Loan lender	Loan lender months	Principal amount of loan	Beginning of the year balance	Reclassification	Withdrawals made during the year	Payments made during the year	End of the year balance
Long-term loans from partners	unspecified	3	2	-	-	0.2	1.8

Saudi Specialized Products Company (SSPC)

Loan lender	Loan lender months	Principal amount of loan	Beginning of the year balance	Reclassification	Withdrawals made during the year	Payments made during the year	End of the year balance
Long-term loans from partners	unspecified	-	-	-	-	-	-

Saudi Advanced Technologies Company (WAHAJ)

Loan lender	Loan lender months	Principal amount of loan	Beginning of the year balance	Reclassification	Withdrawals made during the year	Payments made during the year	End of the year balance
Short-term loans from partners	unspecified	-	-	-	-	-	-

16. Information Related to Any Loans owed by the Company (Million Riyals) (cont.)

Sahara and Ma'aden Petrochemicals Company (SAMAPCO)

Loan lender	Loan lender months	Principal amount of loan	Beginning of the year balance	Reclassification	Withdrawals made during the year	Payments made during the year	End of the year balance
Commercial banks Long-term loans	11.6	2,250	1,525	-	-	-	1,525

Al WAHA Petrochemical Company (AL WAHA)

Loan lender	Loan lender months	Principal amount of loan	Beginning of the year balance	Reclassification	Withdrawals made during the year	Payments made during the year	End of the year balance
Commercial banks Long-term loans	12	1,964	845	-	-	355	490
Saudi Exim Bank	1	262.5	-	-	262.5	-	262.5

17. Description of Categories and Numbers of Any Convertible debt Instruments and any Contractual or Subscription Rights or Similar Rights issued or Granted by the Company during the Fiscal year, with an Explanation of any Compensation Received by the Company in Return

N/A

18. Description of any Transfer or Subscription Rights under Convertible debt Instruments Contractual Securities or Similar Subscription notes issued or Granted by the Company

N/A

19. Description of any Redemption, Purchase, or Cancellation by the Company of Any Redeemable Debt Instruments and the remaining Value of the Securities, Distinguishing between listed Securities Purchased by the Company and those Purchased by its Subsidiaries

N/A

20. The Number of Board Meetings held During the Fiscal year 2023, the dates of these Meetings, and the Attendance Record for each Meeting, Indicating the Names of the Attendees

The Board of Directors of Sahara Global Petrochemicals Company held four meetings during the year 2023, and the following table shows the attendance and date of each meeting:

S/N	Name	2023/03/04	2023/21/06	2023/27/09	2023/11/12	Total Attendance
1	Eng. Khaled bin Abdullah AlZamil	Present	Present	Present	Present	4
2	Mr. Fahad S. AlRajhi	Present	Present	Present	Present	4
3	Dr. Abdulrahman A. AlZamil	Present	Present	Present	Present	4
4	Eng. Reyadh S. Ahmed	Present	Present	Present	Present	4
5	Eng. Saeed O. AlEsayi	Present	Present	Present	Present	4
6	Mr. Saied A. Basamh	Present	Present	Present	Present	4
7	Eng. Abdullah K. AlBuainain	Present	Present	Present	Present	4
8	Mr. Ziad A. AlTurki	Present	Present	Not Present	Present	3
9	Eng. Mosaed S. AlOhali	Present	Present	Present	Present	4
10	Mr. Ahmed A. AlDakhil	Present	Present	Present	Present	4
11	Mr. Feras M. AlAbad	Present	Present	Present	Present	4

21. Number of Company's Requests for Shareholders' Register and dates and Reasons for those Requests

S/N	Request date	Request reasons
1	11 Jan 2023	company procedures
2	01 February 2023	company procedures
3	08 Mar 2023	company procedures
4	28 Mar 2023	company procedures
5	03 May 2023	company procedures
6	08 May 2023	General Assembly
7	01 June 2023	company procedures
8	04 July 2023	company procedures
9	03 Aug 2023	company procedures
10	03 September 2023	company procedures
11	04 October 2023	company procedures
12	02 November 2023	company procedures
13	05 Dec 2023	company procedures

22. Description of any Transactions Between Sipchem and Related Parties

Transactions with the related parties represent transactions with the shareholders, the sister companies, associate companies, partners, the Board of Directors and the entities wholly or jointly controlled or materially influenced by the related parties. The Group conducted the following transactions with the related parties during 2023:

Name	Nature of the transaction	Relationship
Japan- Arabia Methanol Company Limited ("JAMC")	Sales	Shareholder in a subsidiary
Hanwha Chemical Malaysia Sdn Bhd ("Hanwha")	Sales	Shareholder in a subsidiary
Sahara and Ma'aden Petrochemicals Company ("SAMAPCO")	Joint Services cost, employee unit ownership program cost	A joint-venture of a subsidiary
National Manufacturing Company ("Tasnee")	Acquisition of feedstock supplies rights and marketing arrangements	Shareholder in an associate company
Basell Arabia Investments Limited and its associates ("Lyondell Basell")	Sales	Shareholder in joint operations of a subsidiary
Saudi Ethylene & Polyethylene Company ("SEPC")	Sales	Associate Company
Linde Sipchem Industrial Gases Company ("LSIG")	Expense paid on behalf of joint-venture	A joint-venture
Gulf Advanced Cable Insulation Company ("GACI")	Expense paid on behalf of joint-venture	A joint-venture

The Company and non-controlling equity shareholders have provided loans to group companies to support their operations and comply with debt requirements. Long-term loans carry financing charges at market rates and have specified maturity dates according to agreed upon repayment schedules.

The prices and terms of the above transactions are approved by the Board of Directors of Group's subsidiaries. The above transactions resulted in the following balances with the related parties as at December 31, 2023:

Trade Receivables:

Million Riyals		
Name	2023	2022
LyondellBasell Industries NV and an associate company	201	186
Hanwa Chemical Malaysia SDN. BHD.	70	86
Japan- Arabia Methanol Company Limited	72	50
Total	343	322

Prepayments and Other Current Assets

Million Riyals		
Name	2023	2022
SAMAPCO	41	38
LyondellBasell Industries NV	9	10
Linde Sipchem Industrial Gases Company	1	1
Gulf Advanced Cable Insulation Company	1	-
Total	52	49

Accrued Expenses and Other Current Liabilities

Million Riyals		
Name	2023	2022
SAMAPCO	91	38
Lyondell Basell Industries NV	53	10
Hanwa Chemical Malaysia SDN. BHD.	6	1
Gulf Advanced Cable Insulation Company	0	1
Total	150	50

23. Information Related to Any Business or Contracts, in which the Company is a Party, or in which there was an Interest for a Board Member or its Senior Executives or any Person Related to any of Them, Including the Names of Those Involved in the Business or Contracts, the Nature of Such Business or Contracts, Terms, Duration and Amount of the Same. In Case of Lack of Such Business or Contracts, the Company shall provide a Declaration in this Regard

N/A

24. Statement of any Arrangements or Agreement, Under Which a Board Member or a Senior Executive Has Waived Any Remunerations

There is no arrangement or agreement, under which a Board Member or a senior executive has waived any remuneration.

25. Statement of Any Arrangements or Agreement, Under Which a Shareholder of the Company Has Waived Any Rights to Profits

There is no arrangement or agreement, under which a shareholder of the Company has waived any rights to profits.

26. Statement of Regular Paid and Payable Payments of Any Zakat, Taxes, Fees or Any Other Payables that Were Not Paid Until the End of the Annual Fiscal Period with a Brief Description of the Same and Description of the Reasons

Regulatory due payments:

Million Riyals

STATEMENTS	Payments made during the year 2023	Outstanding and unpaid up to the end of annual fiscal year	Brief description	Reasons
ZATCA	147.9	299.6	Zakat	Obligatory
ZATCA	75.5	(15.1)	Tax	Obligatory
GOSI	66.7	-	Subscriptions	Obligatory
Labor Office Fees	1.7	-	Fees	Obligatory

27. Statement of Any Investments or Reserves Established for the Interest of Employees of the Company

Sipchem's success is mainly attributed to its distinguished ability and constant endeavors to attract qualified personnel. Sipchem has been successful in creating an environment in which employees are proud to work; a very professional transparent one, which encourages high performance and effective engagement at all levels of management in all of Sipchem's subsidiaries. Sipchem cares about ensuring its personnel's job satisfaction to help them achieve their career ambition. Sipchem pays attention to the job development and training programs, both technical and administrative, to raise levels of efficiency, and loyalty and create a fair and competitive environment inside the Company. The table below shows the number and percentage of employees in Sipchem and its subsidiaries as of the end of 2023 compared to 2022:

Employees	2023		2022	
	Number	Percentage	Number	Percentage
Saudis	1,233	85%	1182	83%
Non-Saudis	226	15%	236	17%
	1,459	-	1,418	-

The following are some of the achievements of the Human Resources Department during 2023:

1. Talent Management and Development:

A. Development of Human Resources Policy:

Sipchem implemented an online training system, which included more than 8,800 training courses in management, leadership, work skills, security and safety, and computer programs. Approximately 1,800 employees attended these courses. It is worth mentioning that the content of these training materials was prepared by global universities and educational institutions. In 2023, the company achieved more than 35,795 training hours.

B. Internal Training Courses Program:

The Talent Management Department Organized over 104 training courses in various fields such as Safety, security, and personal skills in collaboration with some departments, attended by more than 2,259 participants from most departments of the company. In 2023, the company achieved more than 37,975 training hours.

C. Development of Employee Performance Assessment:

The Human Resources team developed and improved the annual employee performance evaluation management program by adding and launching multiple stages for the employee performance management process, divided into five models, namely:

- A model for measuring the performance of executive employees.
- A model for measuring the performance of middle management employees.
- A model for measuring the performance of professional and experienced employees.
- A model for measuring the performance of technical assistant employees.
- A model for measuring the performance of administrative assistant employees.

These stages begin at the beginning of the year by setting goals and performance standards according to the employee category. This is followed by the first-quarter dialogue between the employee and the supervisor, then the mid-year review stage, followed by the third-quarter dialogue as well. Then, the final evaluation and calibration stage begins. This ensures that performance monitoring is continuous throughout the year, providing appropriate guidance at the right time. It also ensures linking employee performance to the organization's goals fundamentally and primarily.

D. Talent Assessment:

Sipchem has completed two talent assessment campaigns to assess a total of 493 employees. The results helped Sipchem identify leadership potential and support employees in developing their professional lives.

E. Succession Planning:

Based on its efforts in talent assessment, Sipchem has enhanced succession planning and conducted talent reviews with different levels of leadership throughout Sipchem to develop them using various development solutions such as training, coaching, and leadership skill development.

F. Career Progression Program:

Sipchem has recruited more than thirty (30) Saudi employees who graduated during 2023 from Sipchem's development program to determine the career path for universities' fresh graduates.

G. Professional Development Plan Program:

Applying the individual professional development plan for employees, which is a plan implemented through the human resources system. This plan describes the competencies required from the employee in line with the employee's career path and promotes the development of the employee's capabilities and skills and how to invest the same.

H. Qualification Program for Technicians and Technical Staff:

Sipchem provides training and development opportunities for employees in the field of manufacturing and operation, including training courses and on-the-job training. Sipchem issues certificates and grants rewards related to the successful completion of each stage of the program.

I. Digital Transformation of some Human Resources Systems:

- Among these is the process of managing the training of newly graduated university employees Personal Development Planning (PDP) who join the company immediately after graduation, where the management of their training and all related procedures has been fully automated.

- Additionally, the conversion of some operational safety curricula from traditional content to electronic training materials and courses.

- Establishing a dedicated online platform as an educational academy for procurement management.

1. Talent Management and Development (cont.)

Cooperative Training Program:

The Human Resources team, in collaboration with several departments at Sipchem, has trained 129 trainees from various universities and colleges in the Kingdom. The trainees have successfully completed the cooperative training programs.

2. Employees' Incentive Programs

A. Home Ownership Program for Saudi Employees:

The program aims to give a chance to Sipchem's Saudi employees, who meet the program conditions, to own housing units in light of Sipchem policy of assuring comfort and stability for its employees and motivating them to continue their services with Sipchem.

B. Housing Loan Program through the Bank for Saudi Employees:

Sipchem aims through this system to provide financial solutions through approved banks for its Saudi employees who meet the conditions, whereby Sipchem bears the interest on a monthly basis according to the repayment period and based on agreed criteria with the bank. This program included 194 beneficiaries in 2023, aiming to ensure stability and comfort for employees and their families and to encourage them to continue working in its service as they are a cornerstone of the company's strategic pillars.

C. Employees Share Ownership Incentive Program:

Sipchem implemented an Employee Incentive Program aimed at encouraging Sipchem's and subsidiaries' employees to maintain and improve their work performance and put up their utmost efforts to serve Sipchem's interests and achieve its objectives. The program also contributes to attracting highly qualified personnel in the field of petrochemicals.

The program is currently managed by Al Bilad Securities and Investment Co., through a special portfolio opened for the program in 2010. In 2023, a total of 2,087,164 shares were transferred to eligible employees, and the total number of shares for the program as of December 31, 2023, was 8,242,405 shares.

D. Savings Program:

Sipchem initiated an Islamic Shariah-compliant savings program to motivate its employees and enhance their loyalty to Sipchem hence improving the work performance, attracting well-qualified Saudi employees and motivating them to continue their services. The program aimed at helping Saudi employees accumulate their savings to be utilized upon retirement or the end of services. Sipchem takes a part of the subscribed employee's salary and may invest these savings according to his desire. Sipchem has the right to manage this investment in the way that it believes to be beneficial for the program subscriber in accordance with the best available Islamic Shariah-compliant investment portfolio.

Also, Sipchem has the right to invest the subscriber's savings in investment activities in cooperation with specialized companies and banks in accordance with the criteria of Islamic investment in a manner that can attain benefits for the subscribers provided that such investments are in low-risk Islamic portfolios. The saving program was activated in 2011. It is managed by Bank AlJazira and it was reviewed, audited and approved by the Sharia Committee of Bank AlJazira.

28. Board of Directors Member Decisions

The Board of Directors is keen to ensure the professional performance of Sipchem during the year 2023. Accordingly, the Board of Directors confirms the following:

1. That the accounting records had been prepared correctly.
2. That the internal control system has been properly prepared and implemented effectively.
3. That there is no little doubt in Sipchem's ability to continue its activity.
4. The consolidated financial statements have been prepared in accordance with the accounting standards and regulations issued by the Saudi Organization for Certified Public Accountants and in accordance with the relevant requirements of the Companies Law and the Company's Articles of Association regarding the preparation and publication of financial statements.
5. There is no contract to which the Company is a party and where there is or there was a fundamental interest of a member of the Board of Directors, CEO or CFO or any person related to any of them.
6. There is no arrangement or agreement whereby a Board Member or a senior executive waives any salary or compensation.
7. There is no arrangement or agreement whereby a shareholder of the Company waives any rights in profits.
8. No member of the board shall engage in any competitive activities with the company's business.

29. If the Auditor's Report Includes Reservations on the Annual Financial Statements, the Board Report Must Clarify Those Reservations, Their Reasons, and Any Information Related Thereto

Auditor's report does not include any reservations on the annual financial statements.

30. If the Board Recommends Changing the Auditor Before the end of the Auditor's Term of Service, the Report Must Contain this Matter, Along With the Recommendation for the Change

The Board did not recommend to change the auditor.

31. Disclosure of Details of Treasury Shares held by the Company and Details of the uses of these Shares:

Number of treasury shares held by the Company	Value (SAR per share)	Date of retention	Use details
8,211,341	SAR 301,766,781	20 October 2022	Sipchem's shares were bought back as treasury shares, because the Board considers that the share price in the market is less than its fair value.

Conclusion

At the end of our report, the Board of Directors would like to express its gratitude and thanks to the Custodian of the Two Holy Mosques and HRH Crown Prince, for their care and support for the petrochemical sector in Saudi Arabia. Also, the Board appreciates the sincere efforts of the governmental bodies for their continuous support.

The Board also extends its appreciation and thanks to the shareholders and all Company staff members for their sincere efforts and dedication to support Sipchem's efforts to attain its goals, promote its competitiveness and preserve its gains and interests. We pray to God to bless our efforts, as we are filled with hope to continue to develop the performance and enhance the capabilities of the company in order to support the economic and social development system of the Kingdom.

Consolidated Financial Statements
With Independent Auditor's Report

Contents

Independent Auditor's Report to the Shareholders of Sahara International Petrochemical 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 Sahara International Petrochemical Company (the "Company") and its subsidiaries (together the "Group") as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

What we have audited

The Group's consolidated financial statements comprise:

- The consolidated statement of profit or loss for the year ended 31 December 2023;
- The consolidated statement of comprehensive income for the year then ended;
- The consolidated statement of financial position as at 31 December 2023;
- 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
- Impairment assessment of non-current assets

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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Our audit approach (continued)

Overview (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
Impairment assessment of non-current assets As at 31 December 2023, non-current assets of the Group included: • Property, plant and equipment of Saudi Riyals 11,662.6 million; • Right-of-use assets of Saudi Riyals 117.4 million; • Intangible assets of Saudi Riyals 542.8 million; and • Investments in equity accounted investees of Saudi Riyals 3,795.5 million. The Group management performed a detailed impairment assessment of the abovementioned non-current assets, by estimating the recoverable amounts, using value-in-use calculations based on approved business plans, where impairment indicators were identified by management as at 31 December 2023. The detailed impairment assessment includes: • identification of the cash-generating units (CGUs); • identification of impairment indicators; • determination of the assumptions used in the value - in-use calculations to measure the recoverable amounts, including the discount rates and growth rates; and	Our audit procedures included the following: • Assessed the appropriateness of management’s identification of the Group’s CGUs; • Evaluated management’s assessment of the identification of impairment indicators, including the conclusions reached; • Evaluated the design and implementation of key controls over the impairment assessment process; • Assessed the reasonableness of management›s assumptions used in the value-in-use calculations to determine the recoverable amounts of the Group’s non-current assets subject to impairment assessment. This included: i. Assessing the appropriateness of the methodology used by management to estimate the value-in-use and checking the accuracy and appropriateness of the input data used by management in the discounted cash flow model by tracing to supporting documentation, such as the approved business plans; ii. Testing the reasonableness of assumptions used in determination of forecasted cash flows;

Our audit approach (continued)

Overview (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the Key audit matter
• implementation of key controls over the impairment assessment process. In addition, the Group management also performed sensitivity analysis over key assumptions used in the value-in-use calculations to assess the potential impact of a range of possible outcomes on the recoverable amounts, and has accordingly disclosed the results in the accompanying consolidated financial statements along with the other required disclosures. Based on the impairment assessments, no impairment loss was identified during the year ended 31 December 2023. We considered this as a key audit matter due to the inherent estimation uncertainty and significant judgment and subjectivity around assumptions used to determine the forecasted cash-flows, discount and growth rates for the assessment of the recoverable amounts. Refer to Notes 2.5 and 2.13 to the accompanying consolidated financial statements for the accounting policy relating to the impairment of non-current assets and Notes 6 and 13 to the accompanying consolidated financial statements for the disclosure of critical accounting estimates and judgments related to the impairment assessment of non-current assets.	iii. Engaging our internal valuation experts to assess the reasonableness of discount and growth rates used; iv. Assessing the potential impact of a range of possible outcomes on the headroom by performing sensitivity analyses over key assumptions in the discounted cash flow models; and v. Testing the mathematical accuracy of the underlying calculations used in the discounted cash flow models. • Assessed the adequacy and appropriateness of the related disclosures in the accompanying consolidated financial statements.

Other information

Management is responsible for the other information. The other information comprises information included in the Group's 2023 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 Group's 2023 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the 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.

Independent Auditor's Report to the Shareholders of Sahara International Petrochemical Company (cont.)

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

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

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

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

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

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

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.

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

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

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

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

Consolidated statement of financial position
As at 31 December 2023
Expressed in Saudi Riyals in thousands unless otherwise stated

	Notes	31 December 2023	31 December 2022
Assets			
Non-current assets			
Property, plant and equipment	6	11,662,592	11,944,009
Right-of-use assets	7.1	117,396	104,635
Intangible assets	8	542,844	553,087
Goodwill	13	630,483	630,483
Investments in equity accounted investees	9	3,795,519	3,960,481
Long term investments	10	172,033	190,926
Deferred tax assets	11	4,932	4,932
Long term prepaid employees' benefits	12	700,152	632,982
Derivative financial instruments	14	34,208	-
Other non-current assets	15	41,665	30,536
Total non-current assets		17,701,824	18,052,071
Current assets			
Inventories	16	1,108,966	1,398,550
Trade receivables	17	1,115,027	1,172,378
Prepayments and other current assets	18	268,042	246,353
Short term investments	21	326,000	150,019
Cash and cash equivalents	19	1,504,040	2,455,935
Total current assets		4,322,075	5,423,235
Total assets		22,023,899	23,475,306

Consolidated statement of financial position (cont.)
As at 31 December 2023
Expressed in Saudi Riyals in thousands unless otherwise stated

	Notes	31 December 2023	31 December 2022
Equity and liabilities			
Share capital	20	7,333,333	7,333,333
Share premium		4,031,657	4,059,262
Treasury shares	20	(82,116)	(92,261)
Statutory reserve	20	2,089,149	1,971,650
Other reserves	20	(301,211)	(355,887)
Retained earnings		2,498,417	2,891,166
Equity attributable to the equity holders of the Company		15,569,229	15,807,263
Non-controlling interests	5	853,097	929,560
Total equity		16,422,326	16,736,823
Liabilities			
Non-current liabilities			
Long term borrowings	21	2,017,382	3,049,133
Contractual liabilities	22	38,163	42,788
Lease liabilities	7.2	158,662	135,169
Employees' benefits	23	635,895	587,276
Deferred tax liabilities	11	44,824	55,839
Provision for decommissioning costs	24	144,383	138,842
Other non-current liabilities		8,556	8,556
Total non-current liabilities		3,047,865	4,017,603

Consolidated statement of financial position (cont.)
As at 31 December 2023
Expressed in Saudi Riyals in thousands unless otherwise stated

	Notes	31 December 2023	31 December 2022
Current liabilities			
Current portion of long term borrowings	21	338,464	284,385
Short term borrowings	21	196,875	-
Current portion of contractual liabilities	22	132,248	135,239
Current portion of lease liabilities	7.2	8,399	3,679
Trade payables		291,619	251,003
Accrued expenses and other current liabilities	25	1,049,103	1,052,463
Provision for precious metals	26	236,871	505,058
Zakat and income tax payable	27	300,129	489,053
Total current liabilities		2,553,708	2,720,880
Total liabilities		5,601,573	6,738,483
Total equity and liabilities		22,023,899	23,475,306

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

Consolidated Statement of Profit or Loss
For the year ended 31 December 2023
Expressed in Saudi Riyals in thousands unless otherwise stated

	Notes	31 December 2023	31 December 2022
Revenue	28	7,617,941	10,253,628
Cost of revenues	29	(5,449,474)	(5,414,953)
Gross profit		2,168,467	4,838,675
Selling and distribution expenses	30	(234,553)	(295,988)
General and administrative expenses	31	(514,946)	(495,698)
Operating profit		1,418,968	4,046,989
Share of profit from equity accounted investees	9	51,552	364,800
Finance income		89,248	51,277
Finance costs	32	(210,674)	(244,916)
Other income / (expenses), net		15,178	(33,979)
Profit before zakat and income tax		1,364,272	4,184,171
Zakat	27	25,530	(145,530)
Income tax	27	(44,473)	(87,899)
Deferred tax		11,015	2,333
Profit for the year		1,356,344	3,953,075

Consolidated Statement of Profit or Loss (cont.)
For the year ended 31 December 2023
Expressed in Saudi Riyals in thousands unless otherwise stated

	Notes	31 December 2023	31 December 2022
Profit attributable to:			
Equity holders of the Company		1,174,994	3,595,291
Non-controlling interests		181,350	357,784
Profit for the year		1,356,344	3,953,075
Earnings per share (Saudi Riyals):			
Basic earnings per share	33	1.62	4.96
Diluted earnings per share	33	1.60	4.90

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

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2023
Expressed in Saudi Riyals in thousands unless otherwise stated

	Notes	31 December 2023	31 December 2022
Profit for the year		1,356,344	3,953,075
Other comprehensive income / (loss)			
Items that will be reclassified to profit or loss in subsequent periods:			
Exchange difference on translation of foreign operations		192	(2,476)
Changes in fair value of derivative financial instruments designated as hedges		34,208	-
		34,400	(2,476)
Items that will not be reclassified to profit or loss in subsequent periods:			
Re-measurement gains on defined benefit plans	23	23,020	42,406
Share of re-measurement gain / (loss) on defined benefit plans from equity accounted investees	23	467	(935)
Changes in fair value of financial assets at fair value through other comprehensive income	10.4	2,049	(217)
		25,536	41,254
Total other comprehensive income for the year		59,936	38,778
Total comprehensive income for the year		1,416,280	3,991,853
Total comprehensive income attributable to:			
Equity holders of the Company		1,234,098	3,634,936
Non-controlling interests	5	182,182	356,917
Total comprehensive income for the year		1,416,280	3,991,853

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

Consolidated Statement of Changes in Equity
For the year ended 31 December 2023
Expressed in Saudi Riyals in thousands unless otherwise stated

	Attributable to the equity holders of the Company								
	Share capital	Share premium	Treasury shares	Statutory reserve	Other reserves (Note 20)	Retained earnings	Total	Non-controlling interest	Total
As at 1 January 2023	7,333,333	4,059,262	(92,261)	1,971,650	(355,887)	2,891,166	15,807,263	929,560	16,736,823
Profit for the year	-	-	-	-	-	1,174,994	1,174,994	181,350	1,356,344
Other comprehensive income	-	-	-	-	59,104	-	59,104	832	59,936
Total comprehensive income	-	-	-	-	59,104	1,174,994	1,234,098	182,182	1,416,280
Issuance of treasury shares	-	(27,605)	10,145	-	-	-	(17,460)	-	(17,460)
Net change in other reserves	-	-	-	-	(4,428)	-	(4,428)	-	(4,428)
Transfer to statutory reserve	-	-	-	117,499	-	(117,499)	-	-	-
Dividends (Note 34)	-	-	-	-	-	(1,450,244)	(1,450,244)	(258,645)	(1,708,889)
As at 31 December 2023	**7,333,333**	**4,031,657**	**(82,116)**	**2,089,149**	**(301,211)**	**2,498,417**	**15,569,229**	**853,097**	**16,422,326**

Consolidated Statement of Changes in Equity (cont.)
For the year ended 31 December 2023
Expressed in Saudi Riyals in thousands unless otherwise stated

	Attributable to the equity holders of the Company								
	Share capital	Share premium	Treasury shares	Statutory reserve	Other reserves (Note 20)	Retained earnings	Total	Non-controlling interest	Total
As at 1 January 2022	7,333,333	4,169,291	(67,949)	1,612,121	(475,628)	2,013,981	14,585,149	1,136,929	15,722,078
Profit for the year	-	-	-	-	-	3,595,291	3,595,291	357,784	3,953,075
Other comprehensive income	-	-	-	-	39,645	-	39,645	(867)	38,778
Total comprehensive income	-	-	-	-	39,645	3,595,291	3,634,936	356,917	3,991,853
Purchase of non-controlling interest	-	-	-	-	78,234	-	78,234	(171,625)	(93,391)
Repurchase of treasury shares	-	(110,029)	(24,312)	-	-	-	(134,341)	-	(134,341)
Net change in other reserves	-	-	-	-	1,862	-	1,862	-	1,862
Transfer to statutory reserve	-	-	-	359,529	-	(359,529)	-	-	-
Dividends	-	-	-	-	-	(2,358,577)	(2,358,577)	(392,661)	(2,751,238)
As at 31 December 2022	7,333,333	**4,059,262**	(92,261)	1,971,650	(355,887)	2,891,166	15,807,263	929,560	**16,736,823**

The accompanying notes form an integral part of these consolidated financial statements

Consolidated Statement of Cash Flows
For the year ended 31 December 2023
Expressed in Saudi Riyals in thousands unless otherwise stated

	Notes	31 December 2023	31 December 2022
Cash flow from operating activities			
Profit before zakat and income tax for the year		1,364,272	4,184,171
Non-cash adjustments to reconcile profit before zakat and income tax to net cash flows from operating activities:			
Depreciation of property, plant and equipment and right of use assets	6,7	821,150	801,210
Amortization of intangible assets and long term prepaid employees' benefits	8,12	93,098	122,178
Amortization of contractual liabilities		(7,616)	(9,686)
Share of profit from equity accounted investees	9	(51,552)	(364,800)
Provision for employees' benefits	23	65,445	65,895
(Reversal of provision) / provision for precious metals	26	(268,187)	64,775
Loss on disposal of property, plant and equipment		-	2,604
Property, plant and equipment - written off		3,026	26,820
Fair value (gain) / loss on investments		(601)	3,754
Net foreign exchange difference		(27)	317
Finance income		(89,248)	(51,277)
Finance cost		210,674	244,916
		2,140,434	5,090,877
Changes in:			
Trade receivables		57,351	690,037
Inventories		306,124	(257,707)
Prepayments and other current assets		(3,724)	(13,163)

Consolidated Statement of Cash Flows (cont.)
For the year ended 31 December 2023
Expressed in Saudi Riyals in thousands unless otherwise stated

	Notes	31 December 2023	31 December 2022
Trade payables, accrued expenses and other current liabilities		51,504	72,238
Long term prepaid employees' benefits	12	27,387	69,356
Cash flows from operations		2,579,076	5,651,638
Employees' benefits paid		(16,033)	(25,748)
Zakat and income tax paid	27	(223,382)	(306,606)
Net cash generated from operating activities		2,339,661	5,319,284
Cash flow from investing activities			
Payments for purchase of property, plant and equipment	6	(729,202)	(584,714)
Payments for purchase of intangibles	8	(2,645)	(46,872)
Sale proceeds from disposal of property, plant and equipment		-	135
Placements in short term investments		(1,344,280)	(1,359,000)
Redemption of short term investments		1,168,299	1,229,000
Maturity of long term investments		21,543	56,999
Finance income received		88,228	45,841
Dividend received from an associate	9	227,850	398,738
Investment in a joint venture		(9,375)	(2,500)
Net cash used in investing activities		(579,582)	(262,373)

Consolidated Statement of Cash Flows (cont.)
For the year ended 31 December 2023
Expressed in Saudi Riyals in thousands unless otherwise stated

	Notes	31 December 2023	31 December 2022
Cash flow from financing activities			
Proceeds from long term borrowings		-	202,000
Repayment of long term borrowings		(1,086,065)	(2,245,403)
Proceeds from short term borrowings		296,875	-
Purchase of treasury shares		(37,681)	(134,341)
Dividends paid to shareholders		(1,450,244)	(2,358,577)
Dividends paid by subsidiaries to non-controlling interests		(258,645)	(392,661)
Finance costs paid		(166,172)	(227,924)
Payment of lease liabilities	7.4	(9,877)	(9,500)
Purchase of additional shares in subsidiaries		-	(97,881)
Net cash used in financing activities		(2,711,809)	(5,264,287)
Net decrease in cash and cash equivalents		(951,730)	(207,376)
Cash and cash equivalents at 1 January		2,455,935	2,666,104
Effect of exchange rate fluctuations		(165)	(2,793)
Cash and cash equivalents at 31 December		1,504,040	2,455,935

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

Expressed in Saudi Riyals in thousands unless otherwise stated

1. General Information

Sahara International Petrochemical Company ("Sipchem" or "the Company"), is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia ("KSA") under commercial registration number 2051023922 dated 30 Shawwal 1420H, corresponding to 6 February 2000G. The Company's registered head office is in Al-Khobar, with a branch in the city of Riyadh having commercial registration number 1010156910 dated 14 Ramadan 1420H, corresponding to 22 December 1999G, and another branch in Jubail Industrial City having commercial registration number 2055007570 dated 4 Jumada Al-Awal, 1427H, corresponding to 1 June 2006G.

The Company's principal place of business is in Al Jubail, Kingdom of Saudi Arabia.

The principal activities of the Company are to own, establish, operate and manage industrial projects especially those related to chemical and petrochemical industries. As at 31 December 2023 and 2022, the Company has the following subsidiaries (the Company and its subsidiaries hereinafter collectively referred to as "the Group"):

Subsidiaries	Note	Country of incorporation and principal place of business	Effective ownership percentage at 31 December	
			2023	2022
Sahara Petrochemicals Company ("Sahara")	1.1	Saudi Arabia	100%	100%
International Methanol Company ("IMC")	1.2	Saudi Arabia	65%	65%
International Diol Company ("IDC")	1.3	Saudi Arabia	100%	100%
International Acetyl Company ("IAC")	1.4	Saudi Arabia	100%	100%
International Vinyl Acetate Company ("IVC")	1.5	Saudi Arabia	100%	100%
International Gases Company (" IGC")	1.6	Saudi Arabia	100%	100%
Sipchem Marketing Company ("SMC")	1.7	Saudi Arabia	100%	100%

Expressed in Saudi Riyals in thousands unless otherwise stated

Subsidiaries	Notes	Country of incorporation and principal place of business	Effective ownership percentage at 31 December	
			2023	2022
Sahara Marketing Company ("SaMC")	1.7	Saudi Arabia	100%	100%
Sipchem Europe Cooperative U.A	1.7	Netherlands	100%	100%
Sipchem Europe B.V.	1.7	Netherlands	100%	100%
Sipchem Europe SA	1.7	Switzerland	100%	100%
Sipchem Asia PTE Ltd.	1.7	Singapore	100%	100%
International Utility Company ("IUC")	1.8	Saudi Arabia	93%	93%
International Polymers Company ("IPC")	1.9	Saudi Arabia	75%	75%
Sipchem Chemical Company ("SCC")	1.10	Saudi Arabia	100%	100%
Saudi Specialized Products Company ("SSPC")	1.11	Saudi Arabia	100%	100%
Saudi Advanced Technologies Company ("SAT")	1.12	Saudi Arabia	100%	100%
Sipchem "Innovent" SA	1.13	Switzerland	100%	-

1.1. The principal activity of Sahara is investing in industrial projects, especially in the petrochemicals and chemical fields and to own and execute projects necessary to supply raw materials and utilities.

1.2. The principal activity of IMC is the manufacturing and sale of methanol. IMC commenced its commercial operations in 2004.

1.3. The principal activity of IDC is the manufacturing and sale of maleic anhydride, butanediol and tetra hydro furan. IDC commenced its commercial operations in 2006.

1.4 The principal activity of IAC is the manufacturing and sale of acetic acid. IAC commenced its commercial operations in 2006.

1.5. The principal activity of IVC is manufacturing and sale of vinyl acetate monomer. IVC commenced its commercial operations in 2010.

1.6. The principal activity of IGC is the manufacturing and sale of carbon monoxide and Hydrogen. IGC commenced its commercial operations in June 2010.

1.7. The principal activities of SMC, Sipchem Europe Cooperative U.A, Sipchem Europe B.V., Sipchem Europe SA , Sipchem Asia Pte Limited and SaMC are to provide marketing and distribution services for the petrochemical products. SaMC ceased operations in 2020 and has been dormant since then. The Group management plans to liquidate SaMC.

1.8. The principal activity of IUC is to manage provision of industrial utility services to the Group companies.

1.9. The principal activity of IPC is to manufacture and sell low-density polyethylene (LDPE), polyvinyl acetate (PVAC) , polyvinyl alcohol (PVA) and Ethylene-Vinyl Acetate (EVA) films. IPC commenced its commercial operations in 2015.

1.10. The principal activity of SCC is the manufacture and sale of ethyl acetate, butyl acetate and Polybutylene Terephthalate (PBT). The ethyl acetate plant commenced its commercial operations in 2013 while PBT commenced its commercial operations in 2018 and was later mothballed in 2021.

1.11. The principal activity of SSPC is the manufacture and sale of metal moulds and related services as well as EVA films. EVA film plant commenced commercial operations in 2019. During 2022, due to a fire incident, there was a significant damage to the plant's production and storage facilities. Accordingly, during the year ended 31 December 2023, the Group management resolved to discontinue the EVA film business and evaluate other suitable business opportunity to capitalize on existing assets.

1.12. The principal activity of SAT is the manufacturing of metal equipment and spare parts. The Tool Manufacturing Factory ("TMF") plant started commercial operations in 2016 and was transferred from SSPC to SAT in 2020.

1.13. During 2023, Group established Sipchem "Innovent" SA, a subsidiary, which is primarily involved in innovation, investments and productions of various compounds. The subsidiary is yet to commence commercial operations.

1.14. Joint operations

The Company, through its subsidiary Sahara, holds 75% equity interest in Al-Waha Petrochemicals Company ("Al-Waha"). Al-Waha commenced its commercial operations in 2011 and is primarily involved in manufacturing of polypropylene.

Expressed in Saudi Riyals in thousands unless otherwise stated

1.15. Equity accounted investees

The Group holds equity interests in the following joint ventures and associates which are involved in manufacturing of petrochemical and other industrial products:

	Effective ownership percentage at 31 December	
	2023	2022
Joint ventures		
Sahara and Ma'aden Petrochemicals Company ("SAMAPCO")	50%	50%
Gulf Advanced Cable Insulation Company ("GACI")	50%	50%
Linde Sipchem Industrial Gases Company ("LSIG")	50%	50%
Associates		
Tasnee and Sahara Olefins Company ("TSOC")	32.55%	32.55%
Saudi Acrylic Acid Company ("SAAC")	43.16%	43.16%
Khair Inorganic Chemicals Industries Company ("Inochem")	30%	30%

1.16. SAT is the process of establishing Wahaj Nexter Industrial Company ("Nexter") and Portsmouth Arabia Company ("PAC") together with certain foreign partners.

2. Material accounting policies

Material accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated

2.1 Basis of preparation

(a) Statement of compliance
These consolidated financial statements ("consolidated financial statements") have been prepared in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA) (hereinafter collectively referred to as "IFRSs").

(b) Basis of measurement
These consolidated financial statements have been prepared on a historical cost basis, using accrual basis of accounting except for the following material items in the consolidated statement of financial position:

- Investments in equity accounted investees, equity securities and certain financial assets (including derivative assets) measured at fair value;
- The defined benefit obligation for employees' end of service liability;
- Certain trade receivables;
- Right-of-use assets and lease liabilities;
- Deferred tax assets and liabilities;
- Decommissioning liability; and
- Provision for precious metals

2.1 Basis of preparation (continued)

(c) New and amended standards adopted by the Group
The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2023:

- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
- Definition of Accounting Estimates – Amendments to IAS 8
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
- Organization for Economic Co-operation and Development (OECD) Pillar Two Rules

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(d) New standards and interpretations not yet adopted
The following new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group:

- Non-current liabilities with covenants - Amendments to IAS 1
- Lease Liability in a sale and leaseback – Amendments to IFRS 16
- Supplier finance arrangements – Amendments to IAS 7 and IFRS 7
- Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28

Management is currently assessing the impact of such standards, amendments or interpretations on the entity in the future reporting periods and on foreseeable future transactions.

2.2 Functional and presentation currency

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 Riyals" which is the Company's functional as well as presentation currency.

(a) Transactions and balances
Foreign currency transactions are translated into Saudi Riyals using exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies other than Saudi Riyals are recognized in profit or loss.
Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate applicable at the date of the initial transactions.

(b) Foreign currency translation
The results and financial position of foreign subsidiaries having reporting currencies other than Saudi Riyals are translated into Saudi Riyals as follows:

- (i) assets and liabilities for each statement of financial position presented are translated at the closing exchange rate at the date of statement of financial position;
- (ii) income and expenses for statement of comprehensive income are translated at average exchange rates;
- (iii) components of equity are translated at historic rate; and
- (iv) all resulting exchange differences are recognised in other comprehensive income.

Exchange differences arising on translation of the foreign controlled entities are recognized in other comprehensive income with the corresponding impact recorded within equity in other reserves as 'foreign currency translation reserve'. The cumulative amount is reclassified to profit or loss when the net investment is disposed-off.

2.3 Basis of consolidation

These consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2023 except for investment in joint operations which is consolidated based on the Group's relative share in the arrangement.

Subsidiaries are 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; and
- 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 are attributed to the equity holders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

2.3 Basis of consolidation (continued)

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. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised 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.

2.4 Investments in associates, joint arrangements and equity method of accounting

(a) Investments in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

Investments in associates are accounted for using the equity method after initially being recognised at cost.

(b) Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

Joint operations

A joint operation is a type of joint arrangement whereby the parties that have joint control have rights to the assets and liabilities of the joint arrangement. The Group recognises 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 are incorporated in the consolidated financial statements under the appropriate headings.

Joint ventures

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

Interests in joint ventures are accounted for using the equity method after initially being recognised at cost in the consolidated balance sheet.

(c) Equity method of accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Adjustments are made to account for the Group's share of the investee'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 investee's profit or loss after acquisition are made for impairment losses such as for goodwill or property, plant and equipment. Dividends received or receivable from investees are recognised as a reduction in the carrying amount of the investment.

2.4 Investments in associates, joint arrangements and equity method of accounting (continued)

(c) Equity method of accounting (continued)
Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.13.

(d) Transactions eliminated on consolidation
Intra-Group balances and transactions, and any unrealised income and expenses arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2.5 Goodwill

Goodwill represents consideration paid in excess of the fair value of net assets acquired in business combinations. Goodwill 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. 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.

2.6 Current vs 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 normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

2.6 Current vs non-current classification (continued)

The Group classifies all other assets as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

2.7 Revenue from contracts with customers

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts, volume rebates and value-added tax, in the ordinary course of the Group's activities. The Group recognizes revenue based on a five-step model as set out in IFRS 15.

The Group has the following revenue streams:

a) Sale of goods
Revenue is recognized at a point in time upon satisfaction of performance obligations, which occurs when control transfers to the customer, which typically takes place upon delivery or shipment of products depending on the contractually agreed terms.

2.7 Revenue from contracts with customers (continued)

a) Sale of goods (continued)

Revenue contracts for certain transactions with marketers/off-takers provide for provisional pricing at the time of shipment, with final pricing based on the actual selling prices received by such marketers/off-takers from the final customers, after deducting the costs of shipping and distribution (settlement price). Revenue on these contracts is initial recorded at the provisional price i.e. an estimation of final price at the time control is transferred to the customer. Any difference between the estimate and the final price is recorded as a change in fair value of the related receivable, as part of revenue, in consolidated statement of profit or loss.

b) Shipping services

In case of sale of goods under C- incoterms, the Group is also responsible for transportation of goods after control of such goods has passed to the end customer. The separate transaction price for such transportation service is not explicitly available in the contract and the Group uses estimation method to allocate the transaction price to such performance obligation. This service is satisfied over the period of delivery and recognised as revenue accordingly.

c) Sale of specific products

In certain contracts, the Group manufactures products based on customer's specifications. The Group has determined that for these type of products, the customers control all of the work in progress as the products are being manufactured. This is because under those contracts, products are made to a customer's specifications and if a contract is terminated by the customer then the Group is entitled to reimbursement of the costs incurred to date, including a reasonable margin. Revenues from such contracts satisfy criteria for revenue recognition over time and is measured based on input method by the percentage of actual cost incurred to-date to estimated total cost for each contract.

2.7 Revenue from contracts with customers (continued)

Contract assets and liabilities
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

2.8 Property, plant and equipment

Property, plant and equipment are initially recorded at cost net of accumulated depreciation and accumulated impairment losses, if any. Cost includes all expenditure directly attributable to the construction or purchase of the item of property, plant and equipment. Such costs include the cost of replacing parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group. Repair and maintenance costs are charged to profit or loss. Plant and machinery include planned turnaround costs which are depreciated over the period until the date of the next planned turnaround. Should an unexpected turnaround occur prior to the previously envisaged date of planned turnaround, then the net book value of planned turnaround costs is immediately expensed and the new turnaround costs are depreciated over the period likely to benefit from such costs.

2.8 Property, plant and equipment (continued)

The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

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

Class of assets	No of Years
- Buildings and lease hold improvements	10 - 33.33
- Plant and machinery	1.5 - 30
- Computers and vehicles	4
- Furniture and fixtures, catalysts and tools and office equipments	2 - 10
- Capital spares	2 - 20

Land is not depreciated.

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 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.

Capital work in progress is stated at cost less impairment losses, if any, and is not depreciated until the asset is brought into commercial operations or is available for intended use.

2.9 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. 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 profit or loss when it is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized on a straight line basis 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 profit or loss in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

2.9 Intangible assets (continued)

Research and development costs

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

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. During the period of development, the asset is tested for impairment annually.

Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of sales and general and administrative expenses.

A summary of the policies applied to the Group's intangible assets is as follows:

Class of assets	Software license and related cost "Computer software"	Right to use "Rights"	Customer contracts
Useful lives Amortisation method used	Up to 10 years Amortised on a straight-line basis over the useful life	10 - 20 years Amortised on a straight- line basis over the period of expected future benefits from the related project	30 years Amortised on a straight-line basis over the useful life
Internally generated or acquired	Acquired	Acquired	Acquired

2.10 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. Currently, Group has no contract which includes lease and non-lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made on or before the commencement date.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

2.10 Leases (continued)

Lease payments included in the measurement of the lease liability mainly comprise of fixed lease payments. The lease liability is subsequently carried at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset. The Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate. The revised discount rate is determined as the interest rate implicit in the lease or the Group's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low value assets and short term leases including lease of IT equipments. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

ii) As a lessor
Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Lease income from operating leases where the Group is a lessor is recognised as income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet in accordance with their nature.

2.11 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an 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.

2.12 Financial instruments

Financial assets

a) Classification

The Group's financial assets are classified and measured under the following categories:

i) amortised cost;
ii) fair value through OCI ("FVOCI"); or
iii) fair value through profit or loss ("FVTPL").

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model. These classifications are on the basis of business model of the Group for managing the financial assets, and contractual cash flow characteristics.

2.12 Financial instruments (continued)

Financial assets (continued)

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.

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

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

2.12 Financial instruments (continued)

Financial assets (continued)

c) Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Financial assets at FVOCI	These assets are subsequently measured at fair value with the corresponding fair value movement recorded in other comprehensive income and accumulated in other reserves within equity as 'fair value investment reserve'. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

2.12 Financial instruments (continued)

Financial assets (continued)

c) Subsequent measurement and gains and losses (continued)

Financial liabilities

Financial liabilities are recognized initially at fair value less any directly attributable transaction costs and are subsequently measured at amortised cost using the EIR method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Financial guarantees require the Group to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the guarantee. At the end of each reporting period, the guarantees are measured at the higher of (i) the amount of the loss allowance for the guaranteed exposure determined based on the expected loss model and (ii) the remaining unamortised balance of the amount at initial recognition. In addition, an ECL loss allowance is recognised for fees receivable that are recognised in the consolidated statement of financial position as an asset.

Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Group has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

2.12 Financial instruments (continued)

Financial assets (continued)

c) Subsequent measurement and gains and losses (continued)

Finance income

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

Derivative financial instruments and hedge accounting

Derivatives are measured at fair value and any related transaction costs are recognised in profit or loss. When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and accumulated in a separate reserve shown under equity. The amount accumulated in equity is reclassified to profit or loss in the period during which the hedged forecast cash flows affect profit or loss or the hedged item affects profit or loss. If the forecast transaction is no longer expected to occur, the hedge no longer meets the criteria for hedge accounting, the hedging instrument expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

Hedge effectiveness is determined at the inception of the hedge relationship and periodically to ensure that an economic relationship exists between the hedged item and hedging instrument. The Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The Group performs a qualitative and quantitative assessment of effectiveness at each reporting date. The ineffective portion, if material, is recognized in statement of profit or loss.

2.12 Financial instruments (continued)

Financial assets (continued)

c) Subsequent measurement and gains and losses (continued)

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The 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; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

2.13 Impairment

i) Financial instruments and contract assets

The Group recognises loss allowances for Expected credit losses "ECL" on financial assets measured at amortised cost. For trade receivables (including contract assets and due from related parties) carried at amortised cost, the Group applies the simplified approach as permitted by IFRS 9, which requires expected lifetime losses to be recognised from the initial recognition of the related financial asset. The amount of the loss is charged to profit or loss.

The Group uses a provision matrix in the calculation of the ECL on to estimate the lifetime ECL, applying certain provision rates to respective contractual past due aging buckets. The provision matrix was developed considering probability of default based on historical collection trends and loss given default. The loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group measures loss allowances at an amount equal to lifetime ECLs.

2.13 Impairment (continued)

i) Financial instruments and contract assets (continued)
When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is no longer recoverable based on historical experience of recoveries of similar assets. For off-takers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off if there is a significant decrease in credit worthiness of the customer, the failure of the customer to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of 1 year. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due. While cash and cash equivalents, contract assets, due from related parties and other receivables are also subject to impairment requirements of IFRS 9 'Financial Instruments' ("IFRS 9"), these are considered as low risk and the impairment loss is not expected to be material.

2.13 Impairment (continued)

ii) Non-financial assets

The Group assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded entities or other available fair value indicators. Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

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

2.14 Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is principally based on the weighted average principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

At each reporting date, spare parts and consumables are assessed for impairment. If spare parts and consumables are impaired, their carrying amount is reduced to written down value; the impairment losses are recognized immediately in profit or loss. Provision for slow-moving inventories is made considering various factors including age of inventory items, historic usage and expected utilization in future.

2.15 Cash and cash equivalent

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

2.16 Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized against share premium.

2.17 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, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a discount rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance costs.

Decommissioning costs

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

Precious metal

The production process of certain of the Group's subsidiaries require the use of certain precious metals as catalysts. The Group enters into arrangements with certain commercial banks under which the banks procure such precious metals from suppliers and provide them to the Group for certain periods (usually for twelve months) against a fixed margin. The rental period may be extended with mutual agreement of both parties. The Group records the fixed margin paid on such arrangements in profit or loss within cost of sales and records a provision for the shortfall in precious metal quantities due to consumption, based on the expected market prices with the resulting charge or gain recorded in cost of sales.

2.18 Zakat and income tax

The Company and its Saudi Arabian subsidiaries are subject to zakat and income tax in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"). Foreign subsidiaries are subject to income taxes in their respective countries of domicile. Zakat and income taxes are initially recorded in profit or loss on self assessment basis. Any difference in such assessment and the final assessment by the tax authorities is recorded in profit or loss when the final assessment is issued.

The income tax is calculated based on the tax laws enacted or substantively enacted at the end of the reporting period. Income tax is provided for on the share of the adjusted profit related to foreign shareholders in the Saudi subsidiaries.

The Company and its Saudi Arabian subsidiaries withhold taxes on certain transactions with non-resident parties, including dividend payments to foreign shareholders of the Saudi Arabian subsidiaries, if any, as required under Saudi Arabian Income Tax Law.

Deferred tax

Income tax based on the applicable income tax rate is adjusted by changes in deferred tax assets and liabilities attributable to temporary differences. Deferred income tax is provided in full, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

2.18 Zakat and income tax (continued)

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

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

2.19 Employees' end of service benefits

The Company and its subsidiaries operate their respective unfunded end of service defined benefit plans driven by regulations applicable in their respective countries of domicile. The plans are based on employees' most recent salary and number of service years. The costs of providing benefits under the defined benefit plans is determined using the projected unit credit method. Actuarial gains and losses are recognized in full in the period in which they occur in other comprehensive income and transferred to other reserves within equity as 'Remeasurements on employees' benefits'.

Past service costs are recognized in 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

Interest is calculated by applying the discount rate to the net defined benefit liability and is recorded under finance costs in profit or loss. Service costs are recorded under 'cost of sales', 'general and administrative expenses' and 'selling and distribution expenses' in the consolidated statement of profit or loss.

2.20 Employees’ home ownership program

The Company and its Saudi subsidiaries has an employees’ home ownership programs (“HOP”) under which eligible Saudi employees have the opportunity to buy residential units constructed by the Group through a series of deductions from their salaries over a particular number of years. Ownership of the houses is transferred upon completion of full payment. Under the HOP, the amounts paid by the employee towards the house are repayable back to the employee subject to certain deductions in case the employee discontinues employment and the house is returned back to the Group. Costs which are not directly related to residential units are recognized in long term prepaid employees benefits as deferred costs at time the residential units are allocated to the employees. Such deferred costs are employee benefit costs and are amortized on a straight line basis over 5 -10 years as this period reflects the expected future benefits to be recoverable from the employees.

2.21 Employees’ savings plan (thrift plan)

The Company and its Saudi Subsidiaries maintain an employee’s savings plan for Saudi employees. Under the plan the employees designate a portion of their salary to be contributed to the plan which is proportionately matched by the Group. Employees’ contributions are deposited in a separate bank account, which is in the Group’s name and such funds may be invested on behalf of the employees. The employees’ contributions are always available to employees for unconditional withdrawal. The underlying asset (bank account) is presented as cash and cash equivalents and the corresponding liability is presented as a current liability as part of accrued expenses and other current liabilities.

The Company and its Saudi Subsidiaries’ contribution under the savings plan is available for withdrawal by the employees subject to certain conditions and is charged to profit or loss with the corresponding liability being recognised under long term employees’ benefits.

2.22 Dividends

Dividends are recorded in the consolidated financial statements in the period in which they are approved by the Company's Annual General Assembly. Interim dividends are recorded as and when approved by the Company's Board of Directors based on delegation of authority by the general assembly for approval of such interim dividends.

2.23 Share based payment transactions

Employees of the Group receive certain remuneration in the form of share based payments under Sipchem Employee Incentive Program "SEIP", whereby employees render services as consideration for equity instruments (equity settled transactions).

Equity-settled transactions

The cost of equity-settled transactions is recognised in employee benefits expense, together with a corresponding increase in equity over the period in which the services and the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. Service conditions are not taken into account when determining the grant date fair value of awards but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. There are no market conditions associated with the vesting of the equity instruments. No expense is recognised for awards that do not ultimately vest because service conditions have not been met. Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original terms of the award are met.

2.23 Share based payment transactions (continued)

An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

2.24 Segment reporting

A business segment is Group of assets, operations or entities:

- Engaged in business activities from which it may earn revenue and incur expenses including revenues and expenses that relate to transactions with any of the Company's other components;
- The results of its operations are continuously analysed by chief operating decision maker (CODM) in order to make decisions related to resource allocation and performance assessment; and
- For which financial information is discretely available.

The Group's Board of Directors ("BOD") is considered to be the chief operating decision maker. Segment results that are reported to the BOD include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The details of Group's segments are presented in note 4 to these consolidated financial statements.

2.25 Earnings per share

Earnings per share are computed by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

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

2.26 Short term investments

Short term investments in the statement of financial position are deposits having maturity of more than three months but less than a year from date of placement.

2.27 Borrowings

Borrowings are initially recognised at the fair value (being proceeds received), net of eligible transaction costs incurred, if any. Subsequent to initial recognition, long-term borrowings are measured at amortised cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

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

2.28 Trade payables

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

2.29 Fair value measurement and valuation processes

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

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

The Group has an established control framework with respect to the measurement of fair values. Management has overall responsibility for overseeing all significant fair value measurements, including level three fair values.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.
For assets and liabilities that are recognized in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The Group determines the policies and procedures for both recurring fair value measurement, and for non-recurring measurement.

External valuers are involved for valuation of significant assets, whenever required. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group decides, after discussions with the external valuer, which valuation techniques and inputs to use for each case.

2.29 Fair value measurement and valuation processes (continued)

At each reporting date, the Group analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Group also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above. As at 31 December 2023 and 2022, the fair values of the Group's financial instruments at amortised cost, other than non-current are estimated to approximate their carrying values as these financial instruments are short term in nature, carry interest rates which are based on prevailing market interest rates and are expected to be realized at their carrying amounts within twelve months from the date of statement of financial position. Fair values of non-current financial liabilities are estimated to approximate their carrying amounts as these carry interest rates which are based on prevailing market interest rates.

3. Significant accounting estimates, assumptions and judgements

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and judgments concerning the future. The resulting accounting estimates will by definition, seldom equal the related actual results.

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

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows:

i. Employees' end of service benefits

The cost of end of service defined benefit and the present value of the related obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. For details on assumptions used and sensitivities of key assumptions refer Note 23.

ii. Impairment of non-financial assets

Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The value in use calculation is based on a Discounted Cash Flow (DCF) model. The cash flows are derived from the budget and marketing terms forecast for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested.

Future events could cause the estimates used in the value-in-use calculations to change adversely with a consequent effect on the future results of the Group. Management has performed a sensitivity analysis around the estimates. For details on assumptions used and sensitivities of key assumptions refer Note 13.

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

iii. Useful lives of property, plant and equipment
Management determines the estimated useful lives of property, plant and equipment for calculating depreciation. This estimate is determined after considering expected usage of the assets and physical wear and tear. Management reviews the useful lives annually and change in depreciation charges, if any, are adjusted in current and future periods. At 31 December 2023, if the useful lives increased or decreased by 10% against the current useful lives with all other variables held constant, the profit for the year would have been higher or lower by Saudi Riyals 73 million.

iv. Judgement related to settlement of precious metal contracts
Upon completion of the precious metal lease arrangements, the Group is obliged to return the full quantity of such precious metals to the bank. The management of the Group believes that the underlying plant in which the respective precious metals are used has a finite useful life. Accordingly these arrangements will be settled through return of the leased quantities of precious metals, and not in cash, as the Group has no economic incentive to settle in cash and the Group has no alternate use for the quantities remaining at the end of useful lives of the underlying plants as these precious metals cannot be used in any other plant within the Group. Accordingly, such contracts are not considered to be financial liabilities.

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

v. Judgement related to classification of joint arrangements

a) Joint ventures

The Group is party to several join arrangements. The Group has joint control over these arrangements as unanimous consent is required from all parties to the agreements to direct the activities that significantly affect the returns of the arrangement, such as annual production budgets, capital expenditures, incurrence of indebtedness, election of key management team members, approval of pricing policies and admission of new parties. The classification of these joint arrangements as joint ventures is driven by the rights and obligations of the parties arising from the arrangements rather than the legal form of the arrangements. These entities meet the definition of a joint venture as they are structured as limited liability companies and provide the Group and the other shareholders with rights to its net assets under the respective arrangements.

b) Joint operations

The Group is party to a joint arrangement, Al Waha (75% shareholding). Al Waha cannot sell its products directly to third parties and, under the directives of its shareholders, all of its sales are to related parties of the shareholders, depending on the end customer's geographical location. An assessment was carried out for this joint arrangement where it was assessed that it meets the criteria of a joint operation given all of the economic benefits of its assets are taken by shareholders and is dependent on its sales to shareholders or their related parties, as approved by the shareholders, to generate cash in order to settle its liabilities. Accordingly, Al Waha is assessed as a joint operation, and the Group records its share of assets and liabilities in Al Waha in the accompanying consolidated financial statements.

4. Segment Information

The Group has the following operating segments:

- Basic chemicals, which includes methanol, butane products and carbon monoxide.
- Intermediate chemicals, which includes acetic Acid, vinyl acetate monomer, ethyl acetate, butyl acetate, and utilities.
- Polymers, which includes Low-density polyethylene, polyvinyl acetate, polyvinyl alcohol, PBT, polypropylene, EVA and electrical connecting wire products.
- Trading, which includes trading revenues of SMC and its foreign subsidiaries.
- Corporate and others, which includes Sipchem, and tool manufacturing plant. This segment also includes Sahara's enabling functions and support activities.

Expressed in Saudi Riyals in thousands unless otherwise stated

4. Segment Information (continued)

No operating segments have been aggregated to form the above reportable operating segments.

Year ended 31 December 2023	Basic chemicals	Intermediate chemicals	Polymers	Trading	Corporate and others	Inter segment transaction elimination	Total
Revenue							
External customers - KSA	113,325	-	-	742,415	36,522	-	892,262
External customers - foreign countries	1,604,569	1,768,091	2,715,059	636,812	1,148	-	6,725,679
Inter-segment	480,139	910,260	26,533	3,842,637	-	(5,259,569)	-
Total revenue	2,198,033	2,678,351	2,741,592	5,221,864	37,670	(5,259,569)	7,617,941
Gross profit	882,203	198,473	641,998	198,959	(16,667)	263,501	2,168,467
Operating costs	1,444,382	2,594,665	2,264,986	5,112,022	122,653	(5,339,735)	6,198,973
Operating profit / (loss)	753,650	83,686	476,606	109,842	(84,982)	80,166	1,418,968
Share of profit from equity accounted investees	-	-	-	-	51,552	-	51,552
Profit before zakat and tax	716,302	68,837	368,159	110,290	121,853	(21,169)	1,364,272
Total assets	3,364,988	4,860,260	6,303,826	1,379,077	25,961,306	(19,845,558)	22,023,899
Total liabilities	1,116,031	1,292,550	2,503,971	882,076	3,463,163	(3,656,218)	5,601,573
Capital expenditure	265,928	111,449	144,273	4,141	206,056	-	731,847
Depreciation and amortization	200,899	312,301	316,716	8,210	45,257	-	883,383
Finance cost	52,298	29,351	126,019	2,163	97,639	(96,796)	210,674
Finance income	6,620	17,584	19,042	150	45,852	-	89,248

Expressed in Saudi Riyals in thousands unless otherwise stated

4. Segment Information (continued)

Year ended 31 December 2022	Basic chemicals	Intermediate chemicals	Polymers	Trading	Corporate and others	Inter segment transaction elimination	Total
Revenue							
External customers - KSA	106,884	-	-	764,272	19,109	-	890,265
External customers - foreign countries	2,483,458	3,086,357	3,360,814	423,767	8,967	-	9,363,363
Inter-segment	593,999	1,553,064	-	6,860,242	-	(9,007,305)	-
Total revenue	3,184,341	4,639,421	3,360,814	8,048,281	28,076	(9,007,305)	10,253,628
Gross profit	1,858,505	1,640,099	927,516	331,017	(25,436)	106,974	4,838,675
Operating costs	1,527,256	3,330,499	2,597,973	7,788,448	125,078	(9,162,615)	6,206,639
Operating profit / (loss)	1,657,085	1,308,922	762,841	259,833	(97,002)	155,310	4,046,989
Share of profit from equity accounted investees	-	-	-	-	364,800	-	364,800
Profit before zakat and tax	1,626,411	1,253,228	694,084	259,621	251,375	99,452	4,184,171
Total assets	3,356,313	5,475,573	6,880,762	1,687,560	27,097,483	(21,022,385)	23,475,306
Total liabilities	1,106,853	1,546,335	2,677,033	1,135,421	3,799,491	(3,526,650)	6,738,483
Capital expenditure	79,930	67,707	234,991	1,771	247,185	-	631,584
Depreciation and amortization	203,955	318,881	304,023	8,510	58,646	-	894,015
Finance cost	41,479	70,631	66,420	2,604	103,914	(40,132)	244,916
Finance income	4,393	7,851	7,641	-	31,392	-	51,277

Segment performance is evaluated based on profit or loss before zakat and income tax and is measured consistently with profit or loss in these consolidated financial statements.

Revenue recognized at a point in time amounts to Saudi Riyals 7,342 million (2022: Saudi Riyals 10,235 million). Revenue recognized over time amounts to Saudi Riyals 276 million.

Expressed in Saudi Riyals in thousands unless otherwise stated

5. Non-Controlling Interests

Financial information of subsidiaries that have material non-controlling interests is provided below:

Proportion of equity interest held by non- controlling interests:

Subsidiaries	Country of Incorporation	2023	2022
IMC	KSA	35%	35%
IPC	KSA	25%	25%

The summarized information of these subsidiaries is provided below:

Summarized statements of financial position as at 31 December 2023:

	IMC	IPC	Total
Current assets	310,110	436,588	746,698
Non-current assets	1,297,754	2,105,330	3,403,084
Current liabilities	(135,748)	(245,090)	(380,838)
Non-current liabilities	(71,364)	(602,284)	(673,648)
Equity	1,400,752	1,694,544	3,095,296
Attributable to: Equity holders of the Company	925,777	1,316,422	2,242,199
Non-controlling interests	474,975	378,122	853,097

Expressed in Saudi Riyals in thousands unless otherwise stated

5. Non-Controlling Interests (continued)

Summarized statements of financial position as at 31 December 2022:

	IMC	IPC	Total
Current assets	354,242	776,169	1,130,411
Non-current assets	1,291,408	2,192,769	3,484,177
Current liabilities	(160,567)	(319,536)	(480,103)
Non-current liabilities	(64,371)	(694,905)	(759,276)
Equity	1,420,712	1,954,497	3,375,209
Attributable to: Equity holders of the Company	931,648	1,514,001	2,445,649
Non-controlling interests	489,064	440,496	929,560

Summarized statements of comprehensive income for the year ended 31 December 2023:

	IMC	IPC	Total
Revenue	750,102	1,289,906	2,040,008
Profit before zakat and tax	360,369	350,795	711,164
Profit after zakat and tax	328,866	338,365	667,231
Other comprehensive income	1,174	1,683	2,857
Total comprehensive income	330,040	340,048	670,088
Attributable to: Equity holders of the Company	228,588	259,318	487,906
Non-controlling interests	101,452	80,730	182,182
Dividends to non-controlling interest	115,543	143,102	258,645

Expressed in Saudi Riyals in thousands unless otherwise stated

5. Non-Controlling Interests (continued)

Summarized statements of comprehensive income for the year ended 31 December 2022:

	IMC	IAC	IVC	IGC	IPC	Total
Revenue	1,268,863	1,252,680	2,634,781	373,695	1,855,504	7,385,523
Profit before zakat and tax	666,931	352,256	924,514	121,137	694,899	2,759,737
Profit after zakat and tax	616,503	338,020	902,921	117,871	648,131	2,623,446
Other comprehensive income/ (loss)	(464)	279	892	(404)	(2,264)	(1,961)
Total comprehensive income	616,039	338,299	903,813	117,467	645,867	2,621,485
Attributable to: Equity holders of the Company	425,722	331,259	883,338	116,171	508,078	2,264,568
Non-controlling interests	190,317	7,040	20,475	1,296	137,789	356,917
Dividends to non-controlling interest	248,793	-	-	-	143,868	392,661

Expressed in Saudi Riyals in thousands unless otherwise stated

5. Non-Controlling Interests (continued)

Summarized statement of cash flows for the year ended 31 December 2023:

	IMC	IPC	Total
Net cash flow generated from operating activities	390,268	581,298	971,566
Net cash flow used in investing activities	(94,953)	(24,953)	(119,906)
Net cash flow used in financing activities	(351,980)	(714,435)	(1,066,415)
Cash and cash equivalents at 31 December 2023	6,329	31,399	37,728

Summarized statement of cash flows for the year ended 31 December 2022:

	IMC	IPC	Total
Net cash flow generated from operating activities	697,175	754,811	1,451,986
Net cash flow used in investing activities	(46,487)	(27,834)	(74,321)
Net cash flow used in financing activities	(908,111)	(819,815)	(1,727,926)
Cash and cash equivalents at 31 December 2022	62,994	189,489	252,483

Expressed in Saudi Riyals in thousands unless otherwise stated

6. Property, Plant and Equipment

2023	Land, buildings and lease hold improvements	Plant and machinery	Catalysts and tools	Vehicles, computers, furniture, fixture and office equipment	Capital work in progress (CWIP)	Total
Cost:						
At 1 January 2023	1,218,517	19,147,420	999,862	308,524	885,526	22,559,849
Additions*	386	202,793	15,700	3,184	505,715	727,778
Transfers	2,909	77,791	18,542	2,189	(101,431)	-
Transfers to long term prepaid employees' benefits	-	-	-	-	(119,134)	(119,134)
Transfers to intangibles	-	-	-	-	(56,995)	(56,995)
Transfers to inventories	-	-	-	-	(16,540)	(16,540)
Disposals/write off	-	-	(19,622)	(205)	(3,026)	(22,853)
At 31 December 2023	1,221,812	19,428,004	1,014,482	313,692	1,094,115	23,072,105
Accumulated depreciation:						
At 1 January 2023	(333,262)	(9,276,179)	(800,933)	(205,466)	-	(10,615,840)
Depreciation charge for the year	(38,337)	(656,307)	(110,322)	(8,534)	-	(813,500)
Disposals/write off	-	-	19,622	205	-	19,827
At 31 December 2023	(371,599)	(9,932,486)	(891,633)	(213,795)	-	(11,409,513)
Carrying amount at 31 December 2023	850,213	9,495,518	122,849	99,897	1,094,115	11,662,592

* Additions include impact of change in assumption arising from decommissioning liability. Also see Note 24.

Expressed in Saudi Riyals in thousands unless otherwise stated

6. Property, Plant and Equipment (continued)

2022	Land, buildings and lease hold improvements	Plant and machinery	Catalysts and tools	Vehicles, computers, furniture, fixture and office equipment	Capital work in progress (CWIP)	Total
Cost:						
At 1 January 2022	1,213,274	18,952,934	864,231	304,836	673,772	22,009,047
Additions	1,148	96,184	126,712	3,199	357,471	584,714
Transfers	4,095	128,641	12,481	489	(145,706)	-
Transfers to intangibles	-	-	-	-	(11)	(11)
Disposals/write off	-	(30,339)	(3,562)	-	-	(33,901)
At 31 December 2022	1,218,517	19,147,420	999,862	308,524	885,526	22,559,849
Accumulated depreciation:						
At 1 January 2022	(296,158)	(8,632,974)	(697,764)	(199,216)	-	(9,826,112)
Depreciation charge for the year	(37,104)	(643,985)	(106,731)	(6,250)	-	(794,070)
Disposals/write off	-	780	3,562	-	-	4,342
At 31 December 2022	(333,262)	(9,276,179)	(800,933)	(205,466)	-	(10,615,840)
Carrying amount at 31 December 2022	885,255	9,871,241	198,929	103,058	885,526	11,944,009

Expressed in Saudi Riyals in thousands unless otherwise stated

6.1. Capital work in progress

The Group's capital work-in-progress as at 31 December 2023 amounting to Saudi Riyals 1,094.1 million (2022: Saudi Riyals 885.5 million) comprises mainly advances for purchases of items of property, plant and equipment and other costs incurred related to several projects for improvements and enhancements of operating plants. During 2023, Saudi Riyals 14.8 million (2022: Saudi Riyals 3.5 million) have been capitalized as borrowing costs at the weighted average interest rate applicable to the Group's borrowings.

6.2. Property, plant and equipment - pledged

Property, plant and equipment (other than CWIP) for SAT is pledged as security against borrowings from Saudi Industrial Development Fund ("SIDF").

6.3. Allocation of depreciation charge for the year

	2023	2022
Cost of revenue	785,990	766,491
General and administrative expenses	27,510	27,579
	813,500	794,070

6.4. Impairment indicators and assessment

During 2023, IDC's management identified the significant decrease in the market prices of the products of IDC along with a current-period operating loss as impairment indicators. Accordingly, IDC's management performed a detailed impairment assessment of the non-current assets of IDC and determined the recoverable amount based on value-in-use calculations using the approved business plans. As a result of such assessment, as at 31 December 2023, the recoverable amount of the non-current assets of IDC were higher than their respective carrying amounts.

The key assumptions used in the value-in-use calculations are as follows:

- The projected cash flows used were based on three years' cash flow projections based on budgets/forecasts approved by IDC's Board of Directors.
- The growth rate used to extrapolate cash flow projections beyond the period covered by the most recent budgets/forecasts was 2.5%. Management believes that the estimated growth rate used does not exceed the average growth rate of the activities of IDC over the long term.
- A discount rate of 9.0% was applied to the cash flow projections, which is based on the weighted average cost of capital.

IDC's management has performed a sensitivity analysis around the key assumptions used in the value-in-use calculations and believes that the recoverable amount of IDC's non-current assets is not sensitive to reasonable possible changes in key assumptions. The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

As at 31 December 2023, Group management has analyzed all other CGUs for impairment indicators and concluded that no indicators existed for the other CGUs.

Expressed in Saudi Riyals in thousands unless otherwise stated

7. Leases

The Group leases land parcels and vehicles. The lease period ranges from 3 to 30 years with an option to renew the lease after that date. Property, plant and equipment of the Group are constructed on land leased by the Group from the Royal Commission for Jubail and Yanbu. The land lease term is for an initial period of 30 years which commenced in 2002 and is renewable by mutual agreement of the parties. Lease payments are agreed at the time of inception of the lease which may change based on mutual consent of both the parties. The Group leases IT equipment with contract terms of one to three years. These leases are leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases. Information about leases for which the Group is a lessee is presented below:

7.1. Right-of-use assets

The movement in right-of-use assets at 31 December is as follows:

	Land	Vehicles	Total
Balance as at 1 January 2023	103,612	1,023	104,635
Additions	-	9,667	9,667
Depreciation charge for the year	(6,323)	(1,327)	(7,650)
Increase due to change in assumptions	10,744	-	10,744
Balance as at 31 December 2023	108,033	9,363	117,396
Balance as at 1 January 2022	118,669	1,290	119,959
Depreciation charge for the year	(6,873)	(267)	(7,140)
Adjustment	(8,184)	-	(8,184)
Balance as at 31 December 2022	103,612	1,023	104,635

Expressed in Saudi Riyals in thousands unless otherwise stated

7.2. Lease liabilities

2023	Land	Vehicles	Total
Current portion	6,499	1,900	8,399
Non-current portion	151,609	7,053	158,662
Balance as at 31 December 2023	158,108	8,953	167,061
2022			
Current portion	3,152	527	3,679
Non-current portion	134,697	472	135,169
Balance as at 31 December 2022	137,849	999	138,848

7.3 Amounts recognized in statement of profit or loss

Leases under IFRS 16	2023	2022
Depreciation charge for the year	7,650	7,140
Interest on lease liabilities	4,553	4,588
	12,203	11,728

7.4 Amounts recognized in statement of cash flow

	2023	2022
Payment of lease liabilities	9,877	9,500

Expressed in Saudi Riyals in thousands unless otherwise stated

8. Intangible Assets

2023	Computer Software	Rights	Customer contracts	Total
Costs:				
Balance as at 1 January	339,460	786,407	6,750	1,132,617
Additions	2,645	-	-	2,645
Transfers (Note 6)	56,995	-	-	56,995
Balance as at 31 December	399,100	786,407	6,750	1,192,257
Accumulated amortization:				
Balance as at 1 January	(332,008)	(246,715)	(807)	(579,530)
Amortization	(18,845)	(50,813)	(225)	(69,883)
Balance as at 31 December	(350,853)	(297,528)	(1,032)	(649,413)
Net carrying amount at 31 December	48,247	488,879	5,718	542,844

Expressed in Saudi Riyals in thousands unless otherwise stated

8. Intangible Assets (continued)

2022	Computer Software	Rights	Customer contracts	Total
Costs:				
Balance as at 1 January	332,932	746,052	6,750	1,085,734
Additions	6,517	40,355	-	46,872
Transfers (Note 6)	11	-	-	11
Balance as at 31 December	339,460	786,407	6,750	1,132,617
Accumulated amortization:				
Balance as at 1 January	(320,157)	(158,846)	(582)	(479,585)
Amortization	(11,851)	(87,869)	(225)	(99,945)
Balance as at 31 December	(332,008)	(246,715)	(807)	(579,530)
Net carrying amount at 31 December	7,452	539,692	5,943	553,087

Computer software mainly includes SAP and other programs which management has capitalized and amortization is calculated on 5 -10 years of useful life with the remaining useful life of 5-9 years.

Rights mainly represent payments by the Group to acquire feedstock from suppliers under preferential arrangements on long term contracts. Amortization is calculated over a period of 10-20 years based on the inflow of economic benefits to the Group with the remaining useful life of 10-15 years.

Expressed in Saudi Riyals in thousands unless otherwise stated

8. Intangible Assets (continued)

Customer contract relates to a beneficial long-term agreement to off-take a significant amount of polypropylene production. The Group acquired this contract as a result of business combination. The asset is amortized over 30 years with the remaining useful life of 25 years.

Allocation of amortisation charge for the year

	2023	2022
Cost of revenue	39,198	38,238
General and administrative expenses	30,685	61,707
	69,883	99,945

9. Investments In Equity Accounted Investees

	Notes	2023	2022
Investment in joint ventures	9.1	371,876	411,344
Investment in associates	9.2	3,423,643	3,549,137
		3,795,519	3,960,481

Expressed in Saudi Riyals in thousands unless otherwise stated

9.1. Investment in joint ventures

	Notes	2023	2022
SAMAPCO	9.1.1	345,395	386,490
GACI	9.1.2	18,393	23,758
LSIG	9.1.2	8,088	1,096
		371,876	411,344

9.1.1. Sahara and Ma'aden Petrochemical Company (SAMAPCO)

The Group has a 50% interest in SAMAPCO, a limited liability company and registered in the Kingdom of Saudi Arabia, is engaged in production and sale of caustic soda, chlorine and ethyl dichloride. The Group's interest in SAMAPCO is accounted for using the equity method in these consolidated financial statements. The tables below provide summarized financial information for SAMAPCO:

	2023	2022
Non-current assets	2,094,656	2,197,309
Current assets (excluding cash and cash equivalents)	279,396	248,493
Cash and cash equivalents	71,323	103,280
Total current assets	350,719	351,773

Expressed in Saudi Riyals in thousands unless otherwise stated

9.1.1. Sahara and Ma'aden Petrochemical Company (SAMAPCO) (continued)

	2023	2022
Non current financial liabilities	(1,498,187)	(1,530,847)
Other non current liabilities	(45,987)	(51,541)
Total non-current liabilities	(1,544,174)	(1,582,388)
Trade payables	(71,499)	(58,460)
Financial liabilities (excluding trade payables)	(46,407)	(1,637)
Other current liabilities	(67,959)	(109,070)
Total current liabilities	(185,865)	(169,167)

Reconciliation to carrying amount:

	2023	2022
Share in net assets as at 1 January	386,490	280,998
Share of (loss) / profit	(41,393)	106,221
Share of changes in other comprehensive income / (loss)	298	(729)
Carrying amount of investment as at 31 December	345,395	386,490

Expressed in Saudi Riyals in thousands unless otherwise stated

9.1.1. Sahara and Ma'aden Petrochemical Company (SAMAPCO) (continued)

Summarized statement of profit or loss of SAMAPCO:

	2023	2022
Revenue	678,040	1,023,821
Cost of revenue	(575,394)	(614,116)
Depreciation and amortization	(115,565)	(123,592)
Finance costs	(117,441)	(81,198)
Financial income	3,144	3,899
(Loss) / profit before zakat	(75,776)	243,769
Zakat	(7,011)	(6,149)
(Loss) / profit after zakat	(82,786)	237,620
Other comprehensive income / (loss)	596	(1,459)
Total comprehensive (loss) / income	(82,190)	236,161

The information disclosed reflects the amounts presented in the financial statements of SAMAPCO and not the Group's share of those amounts.

9.1.2. During the year ended 31 December 2023, GACI and LSIG contributed a loss of Saudi Riyals 9.2 million (31 December 2022: Saudi Riyals 4.1 million) to the consolidated profit before zakat and tax.

9.1.3. Impairment indicators and assessment

During 2023, Group management identified the significant decrease in the market prices of the products of SAMAPCO along with a current-period operating loss as impairment indicators. Accordingly, Group management performed a detailed impairment assessment of the Group's investment in SAMAPCO and determined the recoverable amount based on value-in-use using a discounted cash flow model based on the approved business plan. As a result of such assessment, as at 31 December 2023, the recoverable amount of the Group's investment in SAMAPCO was higher than the carrying amount.

The key assumptions used in the discounted cash flow model are as follows:

- The projected cash flows used were based on three years' cash flow projections based on approved budgets/forecasts. This is the best available information on projected sales and production volumes, sales prices and production costs.
- The growth rate used to extrapolate cash flow projections beyond the period covered by the most recent budgets/forecasts was 2.5%. Management believes that the estimated growth rates used do not exceed the average growth rate of the activities of SAMAPCO over the long term.
- A discount rate of 9.0% was applied to the cash flow projections, which is based on the weighted average cost of capital.

Group management has performed a sensitivity analysis around the key assumptions used in the value-in-use calculations and believes that the recoverable amount of the Group's investment in SAMAPCO is not sensitive to reasonable possible changes in key assumptions. The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

As at 31 December 2023, Group management has analyzed all other investments for impairment indicators and concluded that no indicators existed for the other investments.

Expressed in Saudi Riyals in thousands unless otherwise stated

9.2. Investment in associates

	Notes	2023	2022
Tasnee and Sahara Olefins Company	9.2.1	3,246,004	3,365,553
Khair Inorganic Chemical Industries Company	9.2.2	177,639	183,584
Saudi Acrylic Acid Company	9.2.3	-	-
		3,423,643	3,549,137

9.2.1 Tasnee and Sahara Olefins Company (TSOC)

The Group has a 32.55% interest in TSOC, a Saudi closed joint stock company, registered in the Kingdom of Saudi Arabia, engaged in production and sale of Propylene, Ethylene and Polyethylene. The Group's interest in TSOC is accounted for using the equity method in these consolidated financial statements. The tables below provide summarized financial information for TSOC. The information disclosed reflects the amounts presented in the financial statements of TSOC and not the Group's share of those amounts. These have been amended to reflect adjustments made by the entity when using the equity method if any, including fair value adjustments and modifications for differences in accounting policy as needed:

	2023	2022
Non-current assets	12,207,550	12,083,318
Current assets	2,229,746	1,526,016
Non-current liabilities	(412,710)	(425,658)
Current liabilities	(3,241,516)	(1,919,068)
Net assets	10,783,070	11,264,608

Expressed in Saudi Riyals in thousands unless otherwise stated

9.2.1 Tasnee and Sahara Olefins Company (TSOC) (continued)

Reconciliation to carrying amount:

	2023	2022
Balance as at 1 January	3,365,553	3,492,672
Share of profit	108,301	271,619
Dividends	(227,850)	(398,738)
Balance as at 31 December	3,246,004	3,365,553

Summarized statement of profit or loss of TSOC:

	2023	2022
Revenue	889,751	985,768
Share of profit in associated companies	516,355	554,498
Profit after zakat	218,462	834,466
Total comprehensive income	218,462	834,466

Expressed in Saudi Riyals in thousands unless otherwise stated

9.2.2 Khair Inorganic Chemical Industries Company (Inochem)

The Group has a 30% interest in Inochem, a Saudi closed joint stock company and registered in the Kingdom of Saudi Arabia. It will be engaged in production and sale of Dense Sodium Carbonate (Soda Ash), Calcium Chloride and Calcium Carbonate. During the year, the trial production of Inochem plant has been started, However, the commercial operations have not yet started and expected to be commenced during 2024. The Group's interest in Inochem is accounted for using the equity method in the consolidated financial statements.

The tables below provide summarized financial information for Inochem. The information disclosed reflects the amounts presented in the financial statements of Inochem and not the Group's share of those amounts.

	2023	2022
Non-current assets	2,595,272	2,189,824
Current assets	59,829	9,759
Non-current liabilities	(1,853,222)	(1,467,600)
Current liabilities	(267,666)	(177,957)
Net assets	534,213	554,026

Expressed in Saudi Riyals in thousands unless otherwise stated

9.2.2 Khair Inorganic Chemical Industries Company (Inochem) (continued)

Reconciliation to carrying amount:

	2023	2022
Balance as at 1 January	183,584	189,753
Share of loss	(6,114)	(6,169)
Share of changes in other comprehensive income	169	-
Balance as at 31 December	177,639	183,584

	2023	2022
Share of net current assets	159,166	165,111
Goodwill	18,473	18,473
Balance as at 31 December	177,639	183,584

Summarized statement of profit or loss of Inochem:

	2023	2022
General and administrative expenses	(20,630)	(20,948)
Loss after zakat	(20,378)	(20,869)
Total comprehensive loss	(19,814)	(20,452)

Expressed in Saudi Riyals in thousands unless otherwise stated

9.2.3 Saudi Acrylic Acid Company (SAAC)

The Group's interest in SAAC is accounted for using the equity method of accounting in the consolidated financial statements. During 2018, the recoverable amount of the investment in SAAC was determined to be Nil and the entire carrying value of the investment was impaired. During 2023 and 2022, management assessed and concluded that there were no indicators for reversal of impairment.

10. Long Term Investments

	Notes	2023	2022
At fair value through profit or loss ("FVTPL")	10.1	109,324	130,266
At fair value through other comprehensive income ("FVOCI")	10.2	17,709	15,660
		127,033	145,926
At amortized cost	10.3	45,000	45,000
		172,033	190,926

10.1. At FVTPL

	2023	2022
Listed securities		
Riyad REIT Fund	33,225	37,050
Unlisted securities		
Mutual fund units	76,098	93,216
	109,323	130,266

Expressed in Saudi Riyals in thousands unless otherwise stated

10.2. At FVOCI

For investments in equity instruments, management has elected to classify them at FVOCI. These represent investments in equity shares of an entity listed in KSA.

10.3. At amortized cost

This includes investments in various Sukuks which earn profit at prevailing market rates which are based on Saudi inter-bank offer rate (SAIBOR) and have been classified as non-current assets in the statement of financial position. Break-up is as follows:

		Number of certificates		Amount	
	Date of maturity	2023	2022	2023	2022
Ma’aden Phosphate Company	February 2025	50,000	50,000	5,000	5,000
Banque Saudi Fransi	November 2025	40	40	40,000	40,000
				45,000	45,000

Expressed in Saudi Riyals in thousands unless otherwise stated

10.4. Movement in long-term investments FVTPL and FVOCI is as follows:

	FVTPL	FVOCI
Balance as at 1 January 2023	130,266	15,660
Disposals	(21,543)	-
Fair value gain	601	2,049
Balance as at 31 December 2023	109,324	17,709

	FVTPL	FVOCI
Balance as at 1 January 2022	191,019	15,877
Disposals	(56,999)	-
Fair value loss	(3,754)	(217)
Balance as at 31 December 2022	130,266	15,660

10.5. There was no movement in long-term investments at amortized cost during the years ended 31 December 2023 and 2022.

11. Deferred Tax

Following are the major deferred tax assets and liabilities recognized by the Group and movements thereon during the year:

Expressed in Saudi Riyals in thousands unless otherwise stated

11.1 Deferred tax assets

	2023	2022
Balance as at 1 January	4,932	2,177
Debit for the year	-	2,755
Balance as at 31 December	4,932	4,932

Deferred tax assets mainly relate to certain provisions that are not considered as deductible tax expense. Management believes that future taxable profits will be available against which deferred tax assets can be realised and those temporary differences become deductible

11.2 Deferred tax liabilities

	2023	2022
Balance as at 1 January	55,839	55,417
(Reversal) / charge for the year	(11,015)	422
Balance as at 31 December	44,824	55,839

Deferred tax liabilities mainly relate to taxable temporary differences arising on property, plant and equipment.

Expressed in Saudi Riyals in thousands unless otherwise stated

12. Long Term Prepaid Employees' Benefits

	Employees' receivables	Employee loan	Deferred costs	Total
Balance as at 1 January 2023	503,714	11,621	117,647	632,982
Transfers (Note 6)	96,886	-	22,248	119,134
Additions during the year	-	-	39,612	39,612
Reclassification	348	619	(967)	-
Amortization	-	-	(23,215)	(23,215)
Deductions	(65,254)	(1,745)	-	(66,999)
Discount on employee receivables	(1,929)	567	-	(1,362)
Balance as at 31 December 2023	533,765	11,062	155,325	700,152
Balance as at 1 January 2022	583,508	13,508	129,620	726,636
Additions during the year	-	3,290	6,960	10,250
Reclassification	-	(3,300)	3,300	-
Amortization	-	-	(22,233)	(22,233)
Deductions	(78,295)	(1,311)	-	(79,606)
Discount on employee receivables	(1,499)	(566)	-	(2,065)
Balance as at 31 December 2022	503,714	11,621	117,647	632,982

Expressed in Saudi Riyals in thousands unless otherwise stated

13. Goodwill

On 31 December 2011, SMC acquired 100% of the voting shares of Sipchem Europe SA an unlisted Company registered in Switzerland and subsidiary of Sipchem Europe Cooperative U.A, for a consideration of Saudi Riyals 106.0 million. Saudi Riyals 30.0 million of goodwill arose on this transaction.

On 16 May 2019, Sipchem acquired 100% shares and voting interests in Sahara Petrochemicals Company ("Sahara") and obtained control of Sahara. This business combination resulted in goodwill of Saudi Riyals 600.9 million which was allocated based on the assessed fair values to the following cash-generating units:

Cash-generating units	Carrying amount
Sahara	342,295
Al Waha	258,644
	600,939

Goodwill is tested annually for any impairment by the Group's management, using discounted cash flow model. As a result of the goodwill assessment test performed during the year ended 31 December 2023, there was no impairment loss identified. The Group uses a discounted cash flow model as the basis to determine the recoverable amounts based on value-in-use.

The key assumptions used in the discounted cash flow model are as follows:

- The projected cash flows used for Al Waha were based on two years' cash flow projections based on the budget/forecast approved by the Board of Directors. The projected cash flows used for Sahara were based on cash flow projections based on the approved budget which includes the cash flows of the equity accounted investees as approved by their respective Board of Directors.

Expressed in Saudi Riyals in thousands unless otherwise stated

13. Goodwill (continued)

- The growth rate used to extrapolate cash flow projections beyond the period covered by the most recent budgets/forecasts was 2.5% (2022: 2.0%). Management believes that the estimated growth rates used do not exceed the average long term growth rate of the activities of Al Waha and Sahara.
- A discount rate of 9% (2022: 10%) was applied to the cash flow projections, which is based on the weighted average cost of capital.

The Group management has performed a sensitivity analysis around the key assumptions used in the discounted cash flow models and believes that the recoverable amount of the goodwill in Al Waha and Sahara will be equal to their respective carrying amounts based on the following changes in key assumptions:

	Al Waha	Sahara
Increase in discount rate to	9.8%	10.2%
Decrease in growth rate to	1.7%	0.8%
Decrease in projected selling prices by	1.6%	5.1%

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

As at 31 December 2022, there were no assumptions a reasonable possible change in which would have resulted in an impairment loss.

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14. Derivative Financial Instruments

The Group entered into an interest rate swap arrangement designated as a cash flow hedge instrument to cover cash flow fluctuations arising from variable interest rate long term loans. The interest rate swap results in the Group receiving floating Saudi Interbank Offer Rate ("SAIBOR") while paying a fixed rate of interest under certain conditions.

The fair value of the derivative is calculated using a discounted cash flow analysis and is accordingly categorized in Level 3 of the fair value hierarchy. Significant market data used as input for such valuation includes interest rate (SAIBOR) curves. At 31 December 2023, the impact of a reasonably expected change in the interest rate (SAIBOR) curves is not expected to be material.

At 31 December 2023, the carrying amount and fair value of the hedging instrument is Saudi Riyals 34.2 million (2022: Nil).

15. Other Non-Current Assets

Other non-current assets include lease receivables. Movement in lease receivables is as follows:

	2023	2022
Balance as at 1 January	30,536	37,584
Finance income on net investment in the lease	1,740	1,957
Adjustment	9,389	(9,005)
Balance as at 31 December	41,665	30,536

Expressed in Saudi Riyals in thousands unless otherwise stated

15. Other Non-Current Assets (continued)

Amount recognized in statement of profit or loss

	2023	2022
Finance income on net investment in the lease	1,740	1,957

The following table sets out the maturity analysis of lease receivables, showing undiscounted lease payments to be received after reporting date:

	2023	2022
Within 1 year	2,908	2,908
Between 1 to 5 years	11,631	11,631
Later than 5 years	47,399	21,606
	61,938	36,145

Expressed in Saudi Riyals in thousands unless otherwise stated

16. Inventories

	Notes	2023	2022
Raw materials		164,232	205,821
Finished goods	16.1	580,583	815,143
Spare parts and consumables		403,161	395,486
		1,147,976	1,416,450
Provision for slow moving stores and spares	16.2	(39,010)	(17,900)
		1,108,966	1,398,550

16.1. As at 31 December, finished goods include inventories amounting to Saudi Riyals 89.5 million (2022: Saudi Riyals 44.0 million) which are semi-finished products.

16.2. Movement in provision for slow moving stores and spares is as follows:

	2023	2022
Balance as at 1 January	17,900	49,328
Provision for the year	21,110	14,814
Reversal during the year	-	(46,242)
Balance as at 31 December	39,010	17,900

16.3. Write-downs of inventories to net realisable value amounted to Saudi Riyals 9.6 million (2022: Nil). These were recognised as an expense and included in cost of sales in the statement of profit or loss.

Expressed in Saudi Riyals in thousands unless otherwise stated

17. Trade Receivables

	Notes	2023	2022
Trade receivables - FVTPL		1,081,380	1,155,046
Trade receivables - at amortized cost		41,302	25,494
Less: expected credit losses	17.1	(7,655)	(8,162)
		1,115,027	1,172,378

17.1. Movement in expected credit losses is as follows:

	2023	2022
Balance as at 1 January	8,162	7,623
Charge during the year	86	539
Write-offs	(593)	-
Balance as at 31 December	7,655	8,162

17.1. Movement in expected credit losses is as follows (continued)

Trade receivables include an amount of Saudi Riyals 343.3 million (2022: Saudi Riyals 322.2 million) from related parties. For terms and conditions relating to related party receivables, refer to Note 36. Trade receivables are non-interest bearing and are generally on terms in accordance with the agreements with customers.

The Group's management analyse customers outstanding balance on regular basis and write off any balance which management realize to be un-collectible. Trade receivables amounting to Saudi Riyals 668.5 million (2022: Saudi Riyals 832.7 million) are secured against letter of credits and letter of guarantees.

Please refer Note 21 on credit risk of trade receivables, which discusses how the Group manages and measures credit quality of trade receivables.

Expressed in Saudi Riyals in thousands unless otherwise stated

18. Prepayments And Other Current Assets

	2023	2022
Advances, deposits and prepayments	94,888	109,700
Due from related parties (Note 36)	52,181	48,593
VAT input tax receivable	88,193	70,441
Income tax refundable (Note 27)	15,514	-
Others	17,266	17,619
	268,042	246,353

19. Cash And Cash Equivalents

	2023	2022
Cash in hand	340	323
Cash at bank	885,750	1,298,423
Short term deposits	617,950	1,157,189
	1,504,040	2,455,935

Cash and cash equivalents include cash and bank balances, demand deposits, and highly liquid investments with original maturities of three months or less. Short term deposits are held with local commercial banks and yield financial income at the prevailing market rates having original maturities of less than three months.

Expressed in Saudi Riyals in thousands unless otherwise stated

20. Share Capital and Reserves

Authorized, issued and fully paid shares @ Saudi Riyals 10 each	2023	2022
As at 1 January and 31 December - number of shares	733,333,300	733,333,300
As at 1 January and 31 December - share capital (Saudi Riyals 000's)	7,333,333	7,333,333

20.1 Other reserves

Other reserves include cash flow hedge reserve, fair value investment reserve, reserve for results of sale/purchase of shares in subsidiaries, foreign currency translation reserve, share based payment transactions reserve and unrealised gain/(loss) on employees' benefits. The gains or losses resulting from sale/purchase of shares in subsidiaries, when the Group continues to exercise control over the respective subsidiary, are booked in the reserve for the results of sale/purchases of shares in subsidiaries.

Expressed in Saudi Riyals in thousands unless otherwise stated

20.1 Other reserves (continued)

Movement in other reserves during the year is as follows:

2023	Cash flow hedge reserve	Fair value investment reserve	Reserve for results of sale / purchase of shares in subsidiaries	Foreign currency translation reserve	Shares based payment transaction reserve	Remeasurements on employees' benefit obligations	Total
As at 1 January 2023	7,936	1,468	(315,406)	(11,182)	9,658	(48,361)	(355,887)
Exchange difference on translation of foreign operations	-	-	-	192	-	-	192
Re-measurement gain on defined benefit plans of the Group	-	-	-	-	-	22,655	22,655
Changes in the fair value of investment	-	2,049	-	-	-	-	2,049
Movement in share based payment - net	-	-	-	-	(4,428)	-	(4,428)
Changes in cash flow hedge reserve	34,208	-	-	-	-	-	34,208
As at 31 December 2023	42,144	3,517	(315,406)	(10,990)	5,230	(25,706)	(301,211)

Expressed in Saudi Riyals in thousands unless otherwise stated

20.1 Other reserves (continued)

2022	Cash flow hedge reserve	Fair value investment reserve	Reserve for results of sale / purchase of shares in subsidiaries	Foreign currency translation reserve	Shares based payment transaction reserve	Remeasurements on employees' benefit obligations	Total
As at 1 January 2022	7,936	1,685	(393,640)	(8,706)	7,796	(90,699)	(475,628)
Exchange difference on translation of foreign operations	-	-	-	(2,476)	-	-	(2,476)
Re-measurement gain on defined benefit plans of the Group	-	-	-	-	-	42,338	42,338
Changes in the fair value of investment	-	(217)	-	-	-	-	(217)
Charge against share based payment - net	-	-	-	-	1,862	-	1,862
Net change in reserve for sale purchase in subsidiaries	-	-	78,234	-	-	-	78,234
As at 31 December 2022	7,936	1,468	(315,406)	(11,182)	9,658	(48,361)	(355,887)

As at 31 December 2023, the Group had following share-based payments arrangements:

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20.2 Share purchase plan (equity-settled)

The Group has offered to its employees, subject to an eligibility criteria, to participate in a share purchase plan. At the inception of the plan, eligible employees are offered a fixed number of shares at a 30% discount of the market price at grant date. The remaining 70% of the market value of such shares at grant date is paid by employees through deductions from their monthly salaries over a period of three years 3 years. The exercise price is fixed at the grant date and does not change. Consequently, the employee is entitled to the risks and rewards of all share price movements subsequent to the grant date.

The shares vest if the employees remain in service (vesting condition) for 3 years (vesting period) and pay their portion of share purchase price (representing 70% of the market value of shares at grant date) in full (non-vesting condition). Employees who cease their employment, before completion of the vesting period, or elect not to exercise their options to purchase shares will be refunded their saved amounts.

Below is the movement of the number of shares granted under the plan:

	Number of instruments	
	2023	2022
As at 1 January	2,617,409	3,114,675
Granted during the year	1,144,753	136,214
Vested during the year	(2,109,795)	(554,371)
Forfeited during the year	(37,985)	(79,109)
As at 31 December	1,614,382	2,617,409

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20.2 Share purchase plan (equity-settled) (continued)

31 December 2023:

Grant date	Number of instruments	Vesting conditions	Grant date fair value	Exercise price	Contractual life of options
1-May-21	277,918	3 years services from grant date	23.8	16.7	3 Years
1-Nov-21	73,320	3 years services from grant date	44.2	30.9	3 Years
1-May-22	69,902	3 years services from grant date	56.2	39.4	3 Years
1-Nov-22	48,489	3 years services from grant date	42.3	29.6	3 Years
1-May-23	588,342	3 years services from grant date	39.4	27.6	3 Years
1-Nov-23	556,411	3 years services from grant date	34.4	24.1	3 Years

31 December 2022:

Grant date	Number of instruments	Vesting conditions	Grant date fair value	Exercise price	Contractual life of options
1-May-20	1,634,382	3 years services from grant date	13.8	9.7	3 Years
1-Nov-20	475,413	3 years services from grant date	16.6	11.6	3 Years
1-May-21	293,989	3 years services from grant date	23.8	16.7	3 Years
1-Nov-21	77,411	3 years services from grant date	44.2	30.9	3 Years
1-May-22	85,007	3 years services from grant date	56.2	39.4	3 Years
1-Nov-22	51,207	3 years services from grant date	42.3	29.6	3 Years

20.2 Share purchase plan (equity-settled) (continued)

The expense recognized during the year arising from amortization of discount offered under share based payments arrangements amounted Saudi Riyals 4.3 million (2022: Saudi Riyals 4.8 million).

20.3 Treasury shares

Treasury shares include 8.2 million shares (2022: 9.2 million shares) of Sipchem held by the Group.

20.4 Statutory reserve

In accordance with Company's By-laws, the Company has established a statutory reserve by the appropriation of 10% of net income until the reserve equals 30% of the share capital. This reserve is not available for distribution to shareholders.

According to the newly enacted Regulations for Companies effective in KSA starting 19 January 2023, the mandatory statutory reserve requirement has been abolished. In pursuant to this change, the Company is in the process of amending its By-laws.

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21. Financial Instruments

21.1. Financial assets

2023	At amortized cost	At FVTPL	At FVOCI	Total
Short term investments	326,000	-	-	326,000
Long term investments	45,000	109,323	17,710	172,033
Trade receivables (Note 17)	33,647	1,074,156	-	1,107,803
Derivative financial instrument	-	-	34,208	34,208
Other current assets	120,905	-	-	120,905
Cash and cash equivalent (Note 19)	1,504,040	-	-	1,504,040
	2,029,592	1,183,479	51,918	3,264,989

2022	At amortized cost	At FVTPL	At FVOCI	Total
Short term investments	130,000	20,019	-	150,019
Long term investments	45,000	130,266	15,660	190,926
Trade receivables (Note 17)	17,332	1,155,046	-	1,172,378
Other current assets	143,851	-	-	143,851
Cash and cash equivalent (Note 19)	2,455,935	-	-	2,455,935
	2,792,118	1,305,331	15,660	4,113,109

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21.2. Financial liabilities

Financial liabilities measured at amortized cost:

a. Loans and borrowings

	2023	2022
Current loans and borrowings		
Shari'a compliant loans (Note 21.2.1)	337,664	272,883
SIDF (Note 21.2.2)	800	11,502
	338,464	284,385
Other current loans		
Short term loan (Note 21.2.3)	196,875	-
Total current loans and borrowings	535,339	284,385
Non-current loans and borrowings		
Shari'a compliant loans	2,006,882	3,049,133
SIDF	10,500	-
Total non-current loans and borrowings	2,017,382	3,049,133
Total loans and borrowings	2,552,721	3,333,518

Expressed in Saudi Riyals in thousands unless otherwise stated

21.2. Financial liabilities (continued)

Aggregate maturities of the long term loans at 31 December were as follows:

	2023	2022
2023	-	284,385
2024	535,339	929,712
2025	538,149	585,868
2026	669,516	739,392
2027	504,697	501,697
2028 and thereafter	305,020	292,464
	2,552,721	3,333,518

There were no significant non-cash movement in the balances during the years ended 31 December 2023 and 2022.

b. Other financial liabilities

	2023	2022
Lease liabilities (Note 7)	167,061	138,848
Trade payables	291,619	251,003
Accrued expenses and other current liabilities (Note 25)	1,049,103	1,052,463
Total other financial liabilities measured at amortized cost	1,507,783	1,442,314
Total financial liabilities measured at amortized cost	4,060,504	4,775,832

21.2.1 Shari'a compliant bank loans

The Group entered into Shari'a compliant credit facility agreements with individual financial institutions. The loans are repayable in unequal semi-annual and annual instalments. The loans carry financial charges at SAIBOR plus a fixed margin. The agreements include covenants to maintain certain financial ratios. As at 31 December 2023, the Group was in compliance with such covenants.

21.2.2 Secured loan - SIDF

SIDF granted loan to SAT. This loan is secured by corporate guarantees from SIPCHEM and first priority mortgage on all present and future assets. The loans are repayable in unequal semi-annual instalments. The loan agreements include covenants to maintain financial ratios during the loans period. Management fees and follow-up fees are charged to the loans as stated in the loan agreements. As at 31 December 2023, SAT is in covenant breach of current ratio, total liability to tangible net worth ratio and Capex requirement for SIDF loan. Management has obtained a waiver from SIDF for compliance of such covenants.

21.2.3 Short term loan

During the year, the Group has taken short term loan from the Saudi Exim bank. The loan carries financial charges at a fixed margin as stated in the loan agreement.

21.3. Financial assets measured at fair value

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

The following table shows the carrying amounts and fair values of financial assets, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets not measured at fair value if the carrying amount is a reasonable approximation of fair value.

As at 31 December 2023 and 2022, the fair values of the Group's financial instruments at amortised cost, other than non-current financial instruments are estimated to approximate their carrying values as these financial instruments are short term in nature and are expected to be realized at their carrying amounts within twelve months from the date of statement of financial position. Fair values of non-current financial liabilities are estimated to approximate their carrying amounts as these carry interest rates which are based on prevailing market interest rates.

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21.3. Financial assets measured at fair value (continued)

	Carrying amount	Fair value	Level 1	Level 2	Level 3
	As at 31 December 2023				
Trade receivables	1,074,156	1,074,156	-	1,074,156	-
Derivative financial instruments	34,208	34,208	-	-	34,208
Long term investments					
Listed mutual fund	33,225	33,225	33,225	-	-
Unlisted mutual fund	76,096	76,096	-	76,096	-
Equity shares	17,710	17,710	17,710	-	-
Total	1,235,395	1,235,395	50,935	1,150,252	34,208

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21.3. Financial assets measured at fair value (continued)

	Carrying amount	Fair value	Level 1	Level 2	Level 3
	As at 31 December 2022				
Trade receivables	1,155,046	1,155,046	-	1,155,046	-
Short term investments					
Equity securities	20,019	20,019	20,019	-	-
Long term investments					
Listed mutual fund	37,050	37,050	37,050	-	-
Unlisted mutual fund	93,216	93,216	-	93,216	-
Equity shares	15,660	15,660	15,660	-	-
Total	1,320,991	1,320,991	72,729	1,248,262	-

Fair value of trade receivables is based on information provided by the marketers which is based on published market prices of goods sold by the Group as adjusted for shipping and handling costs estimated by the marketers, if any. At 31 December 2023, the Group had 10 customers (2022: 10 customers) representing Saudi Riyals 537 million (2022: Saudi Riyals 564 million) altogether and accounted for approximately 47% (2022: 45%) of the total trade receivables. During the years ended 31 December 2023 and 2022, the Group had no individual customers with revenue representing more than 10% of the consolidated revenue.

21.4. Financial instruments risk management objectives and policies

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Group's financial risk activities are governed by appropriate policies and procedures. Financial risks are identified, measured and managed in accordance with Group policies and risk appetite. All activities for risk management purposes are carried out by teams that have the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

Market risk

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates. To manage this, the Group has a policy to assess implications of changes in interest rates and evaluate need of entering into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At 31 December 2023, fixed amount of interest on outstanding long term loan is approximately around 17% (2022: 27%) of finance charges on loans.

Expressed in Saudi Riyals in thousands unless otherwise stated

21.4. Financial instruments risk management objectives and policies (continued)

Interest rate sensitivity

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

	Increase/ decrease	Effect on profit before Zakat and income tax
31 December 2023		
Impact in Saudi Riyals in million due to change in base point	+50 bps	11.7
Impact in Saudi Riyals in million due to change in base point	-50 bps	(11.7)
31 December 2022		
Impact in Saudi Riyals in million due to change in base point	+50 bps	16.6
Impact in Saudi Riyals in million due to change in base point	-50 bps	(16.6)

21.4. Financial instruments risk management objectives and policies (continued)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries including foreign currency amounts due from related parties. The Group is subject to fluctuations in foreign exchange rates for Australian dollar ("AUD") and Euros. The Group's transactions in USD are not subject to foreign currency risk as the Saudi Riyals is pegged to USD. The currency risk is monitored at the Group level. The Group monitors the fluctuations in exchange rates and manages its foreign currency risk by closely monitoring the fluctuations in foreign currencies and purchasing such currencies if the market conditions are favourable. As at 31 December 2023, the Group's exposure to foreign currency risk was not material as a reasonable possible change in the exchange rate of AUD or Euros will not have a material impact on the Group's profit before zakat and income tax.

Commodity price risk

The Company is exposed to the impact of market fluctuations of the price of various inputs to production, mainly propane, ethane, ethylene, propylene, natural gas and utilities, with many of the inputs correlated to the prices of crude oil. The Company is also subject to commodity price risk on provisional price sales to marketers and off takers as the final price will fluctuate due to change in market prices of products. To manage the risk, the Board of Directors has developed and enacted a risk management strategy which includes procuring long term fixed-price contracts where possible to deal with commodity price risk. Further, prices of certain variable-price inputs like propane, propylene, ethylene are relatively co-related to the sales price of the final product sold by the Group, which also mitigates the exposure. Sensitivity of the Group's product portfolio to volatility in crude oil prices cannot be reasonably determined and, therefore, has not been disclosed. The commodity price risk related to provisional price sales is not expected to be material as the time period between the provisional sale and final sale to customers is not more than few days and therefore any price movements between both dates is usually not material.

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21.4. Financial instruments risk management objectives and policies (continued)

Sensitivity analysis - Equity price risk

Group's listed equity investments are listed on the Saudi Stock Exchange (Tadawul). As at 31 December 2023, the Group's exposure to equity price risk was not material as a reasonable possible change in the share price will not have a material impact on the Group's profit before zakat and income tax.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables at amortised cost) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets and contract assets, as disclosed below.

Financial instruments	2023	2022
Long term investments	45,000	45,000
Trade receivables and due from related parties	85,828	65,925
Short term investments	326,000	130,000
Other current assets	120,905	143,851
Cash and cash equivalents	1,504,040	2,455,935

21.4. Financial instruments risk management objectives and policies (continued)

Cash and cash equivalents and investments represent low credit risks as they are placed with reputable local banks and institutions with good credit ratings.

Trade receivables and due from related parties are recorded net of expected credit loss. Also see Note 36.5 for credit risk on financial guarantee contracts.

Trade receivables at amortised cost and contract assets

Customer credit risk is managed subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other forms of credit insurance.

The requirement for an impairment is analysed at each reporting date on an individual basis for major clients. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The Group evaluates the concentration of risk with respect to trade receivables as normal, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

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Expected credit loss assessment for customers as at 31 December 2023

The Group allocates each exposure to a credit risk grade based credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of the customers on due dates.

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets from customers:

31 December 2023	ECL impairment rate	Gross carrying amount	ECL impairment
Current (not past due)	-	31,224	-
0-90 days past due	56%	5,472	(3,049)
91-120 days past due	100%	262	(262)
121-180 days past due	100%	380	(380)
181-360 days past due	100%	701	(701)
More than 360 days past due	100%	3,263	(3,263)
		41,302	(7,655)

31 December 2022	ECL impairment rate	Gross carrying amount	ECL impairment
Current (not past due)	-	14,871	-
0-90 days past due	-	-	-
91-120 days past due	40%	4,101	(1,640)
121-180 days past due	100%	-	-
181-360 days past due	100%	1,366	(1,366)
More than 360 days past due	100%	5,156	(5,156)
		25,494	(8,162)

Expected credit loss assessment for customers as at 31 December 2023 (continued)

ECL impairment rates are based on actual credit loss experience over the past years. These rates are reflective of economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Group's Board of Directors on an annual basis, and may be updated throughout the year subject to certain approvals. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty's failure to make payments. The Group's maximum exposure to credit risk for the components of the statement of financial position is the carrying amounts.

Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Group manages its liquidity risk by managing the working capital and ensuring that bank facilities are available.

Expressed in Saudi Riyals in thousands unless otherwise stated

Expected credit loss assessment for customers as at 31 December 2023 (continued)

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscountedpayments:

As at 31 December 2023	Carrying value	On demand	Less than 6 months	6 to 12 months	1 to 5 years	> 5 years	Total
Lease liabilities	167,061	-	5,375	5,375	42,456	131,248	184,454
Trade payables	291,619	-	291,619	-	-	-	291,619
Accrued expenses and other current liabilities	1,049,103	-	1,049,103	-	-	-	1,049,103
Short term borrowings	196,875	-	196,875	-	-	-	196,875
Long term borrowings	2,552,721		118,723	240,925	2,216,411	-	2,576,059
Financial guarantee	123,200	123,200	-	-	-	-	123,200
	4,380,579	123,200	1,661,695	246,300	2,258,867	131,248	4,421,310

As at 31 December 2022	Carrying value	On demand	Less than 6 months	6 to 12 months	1 to 5 years	> 5 years	Total
Lease liabilities	138,848	-	5,124	5,124	38,728	118,632	167,608
Trade payables	251,003	-	251,003	-	-	-	251,003
Accrued expenses and other current liabilities	1,052,463	-	1,052,463	-	-	-	1,052,463
Long term borrowings	3,333,518	-	250,182	235,216	3,095,369	310,421	3,891,188
Financial guarantee	123,200	123,200	-	-	-	-	123,200
	4,899,032	123,200	1,558,772	240,340	3,134,097	429,053	5,485,462

Expected credit loss assessment for customers as at 31 December 2023 (continued)

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group' Board of Directors manages its capital structure and makes adjustments to it in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a gearing ratio and current ratio to ensure compliance with the applicable financial covenants of loan facilities. Gearing ratio is calculated as the percentage of total liabilities to total liabilities and equity. See Note 21.2 for details of covenant compliance.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry. In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. During the years ended 31 December 2023 and 2022, the Group did not have a significant concentration of revenue transactions from any individual foreign countries.

Expressed in Saudi Riyals in thousands unless otherwise stated

22. Contractual Liabilities

Contractual liabilities mainly include the following:

- Advance received for usage of certain shared facilities by a joint venture which will be adjusted over the duration of the shared facilities usage contract. As at 31 December 2023, outstanding balance was amounted to Saudi Riyals 42.8 million (2022: Saudi Riyals 47.4 million) including Saudi Riyals 4.6 million (2022: Saudi Riyals 4.6 million) which is classified as current.

- An expected credit loss provision against a financial guarantee contract amounting to Saudi Riyals 123.2 million classified as current liability (2022: Saudi Riyals 123.2 million classified as non-current liability)

23. Employees' Benefits

	Notes	2023	2022
Post-employment benefits	23.1	572,687	535,688
Thrift plan	23.2	63,208	51,588
		635,895	587,276

23.1. Post-employment benefits

The Group has a post-employment defined benefit plan. The benefits are required by Saudi Labour and Workmen Law. The Group and its subsidiaries recognized the benefits in the consolidated statement of profit and loss. The benefit is based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws of Saudi Arabia. The following table summarizes the components of the net benefit expense recognized in the consolidated statement of profit or loss and consolidated statement of comprehensive income and amounts recognized in the consolidated statement of financial position.

Expressed in Saudi Riyals in thousands unless otherwise stated

23.1. Post-employment benefits (continued)

Net benefit expense recognised in consolidated income statement:

	2023	2022
Current service cost	65,445	65,895
Interest cost on defined benefit obligation	22,200	12,896
	87,645	78,791

Re-measurements recognised in consolidated statement of comprehensive income:

	2023	2022
Gain due to change in financial assumptions	(24,302)	(67,215)
Loss due to change in experience adjustments	1,282	24,809
	(23,020)	(42,406)
Share of (loss) income from joint venture and associates	(298)	935
	(23,318)	(41,471)

Expressed in Saudi Riyals in thousands unless otherwise stated

23.1. Post-employment benefits (continued)

Movement in the present value of defined benefit obligation:

	2023	2022
As at 1 January	535,688	531,027
Current service cost	51,098	53,672
Interest cost on benefit obligation	22,200	12,896
Actuarial gain on the obligation	(23,020)	(42,406)
Transfers	-	2,943
Benefits paid during the year	(13,279)	(22,444)
As at 31 December	572,687	535,688

Significant assumptions used in determining the post-employment defined benefit obligation includes the following:

	2023	2022
Discount rate	4.88%	4.20%
Future salary increases	4.20%	4.20%
Mortality rates	A1949-52	A1949-52
Rates of employee turnover	12% per annum	12% per annum

Assumptions regarding future mortality have been based on published statistics and mortality tables. A quantitative sensitivity analysis for discount rate and salary increases on the defined benefit obligation as at 31 December is shown below:

Expressed in Saudi Riyals in thousands unless otherwise stated

23.1. Post-employment benefits (continued)

Movement in the present value of defined benefit obligation: (continued)

Assumptions	Discount rate	
Sensitivity analysis	0.5% increase	0.5% decrease
Defined benefit obligation as at 31 December 2023	538,732	609,385
Defined benefit obligation as at 31 December 2022	521,482	594,464

	Salary increase	
	0.5% increase	0.5% decrease
Defined benefit obligation as at 31 December 2023	611,744	536,000
Defined benefit obligation as at 31 December 2022	596,515	518,994

The sensitivity analyses above 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. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis 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 average duration of the defined benefit obligation at the end of the reporting period is 6 years (2022: 7 years). The expected maturity analysis of undiscounted post-employment benefits is as follows:

	Less than a year	Between 1 - 2 years	Between 2 - 5 years	Over 5 years	Total
2023	89,430	71,671	222,352	1,082,124	1,465,577
2022	79,814	69,078	208,876	1,049,246	1,407,014

Expressed in Saudi Riyals in thousands unless otherwise stated

23.2. Thrift Plan

This represents the Group's contribution for the employee's savings plan for its Saudi employees which is charged to profit or loss. Also see Note 25.1.

24. Provision For Decommissioning Costs

	2023	2022
Balance as at 1 January	138,842	132,221
Movements due to change in assumptions	(1,424)	-
Charge for the year	6,965	6,621
Balance as at 31 December	144,383	138,842

Expressed in Saudi Riyals in thousands unless otherwise stated

25. Accrued Expenses And Other Current Liabilities

	2023	2023	2022
Goods received and invoices not received		496,527	556,305
Distribution costs accruals		105,990	110,178
Due to related parties	36	150,444	110,294
Donations accrual		58,175	63,219
Finance costs accruals		29,604	28,211
SEIP payable		24,180	40,421
Employees related liabilities		12,440	9,574
Others	25.1	171,743	134,261
		1,049,103	1,052,463

25.1 Others include employees' contribution to thrift plan amounting to Saudi Riyals 70.1 million.

26. Provision for precious metals

	2023	2022
1 January	505,058	440,283
(Reversal) / provision, net	(268,187)	64,775
31 December	236,871	505,058

26.1 The movement in provision during the years ended 31 December 2023 and 2022 is mainly due to fluctuation in the prices of the precious metal during such years.

Expressed in Saudi Riyals in thousands unless otherwise stated

27. Zakat And Income Tax Payable

	2023	2022
Zakat payable	299,696	473,142
Income tax payable	433	15,911
	300,129	489,053

The Company files a consolidated zakat return for the Company and its 100% owned Saudi subsidiaries. Non-wholly owned Saudi subsidiaries file their zakat and income tax returns on an individual basis. Foreign subsidiaries file their income tax returns individually in their respective countries of domicile. The Company and its subsidiaries have filed their respective zakat and income tax returns for all years up to 2022.

For the Company and its Saudi subsidiaries zakat is payable at 2.578% of the zakat base, excluding adjusted profit for the year, attributable to the Saudi shareholders. Zakat on adjusted profit for the year is payable at 2.5%. Income tax for Saudi subsidiaries with foreign shareholders is payable at 20% of taxable income attributable to their foreign shareholders. Income tax for foreign subsidiaries is payable at the tax rates enacted in their respective countries of domicile.

Expressed in Saudi Riyals in thousands unless otherwise stated

27.1 Zakat and income tax payable

	Zakat	Income tax	Total
Balance as at 1 January 2023	473,142	15,911	489,053
Charge:			
Current year	122,425	44,495	166,920
Prior year	(147,955)	(22)	(147,977)
Payments during the year	(147,917)	(75,465)	(223,382)
Balance as at 31 December 2023	299,695	(15,081)	284,614

	Zakat	Income tax	Total
Balance as at 1 January 2022	483,563	78,667	562,230
Charge:			
Current year	169,284	85,681	254,965
Prior year	(23,754)	2,218	(21,536)
Payments during the year	(155,951)	(150,655)	(306,606)
Balance as at 31 December 2022	473,142	15,911	489,053

Income tax is presented in statement of financial position as follows:

	2023	2022
Prepayments and other current assets (Note 18)	(15,514)	-
Zakat and income tax payable	433	15,911
	(15,081)	15,911

Expressed in Saudi Riyals in thousands unless otherwise stated

27.2 Zakat, current tax and deferred tax impact in the profit or loss

2023	Zakat	Income tax	Deferred tax	Total
Company's share in zakat and income taxes	(25,530)	521	-	(25,009)
Income tax attributable to non-controlling interest	-	43,952	-	43,952
Deferred tax (Note 11)	-		(11,015)	(11,015)
	(25,530)	44,473	(11,015)	7,928

2022	Zakat	Income tax	Deferred tax	Total
Company's share in zakat and income taxes	145,530	6,394	-	151,924
Income tax attributable to non-controlling interest	-	81,505	-	81,505
Deferred tax (Note 11)	-	-	(2,333)	(2,333)
	145,530	87,899	(2,333)	231,096

Expressed in Saudi Riyals in thousands unless otherwise stated

27.3 Reconciliation of income tax expense

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

	2023	2022
Income before zakat and income tax	1,446,625	4,184,171
Less: Income subject to Zakat	(1,232,797)	(3,777,020)
Income subject to income tax	213,828	407,151
Income tax rate (%)	20%	20%
Income tax at domestic rate	42,766	81,430
Tax effects of:		
Prior year tax assessment and others	(9,308)	4,136
	33,458	85,566

27.4 Outstanding assessments:

Sahara International Petrochemical Company (Sipchem)

Sipchem has finalized its zakat status with ZATCA up to 2008 and received assessments for the years up to 2018 resulting in additional liability of Saudi Riyals 148.3 million (2022: Saudi Riyals 148.3 million), which are still under various stages of appeal. The management believes that sufficient provisions are recorded, and no additional material liability is likely to arise from open assessments, once finalized.

Expressed in Saudi Riyals in thousands unless otherwise stated

Sahara International Petrochemical Company (Sipchem) (continued)

Subsidiaries

Certain Saudi subsidiaries filing their returns individually have received assessments for several years from the ZATCA, resulting in additional liability amounting to Saudi Riyals 27.7 million (2022: Saudi Riyals 77.3 million). The subsidiaries have submitted appeals 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.

There are no open assessment currently outstanding for any of the foreign subsidiaries

28. Revenue

28.1. Revenue streams

	2023	2022
Sale at provisional prices	7,822,488	10,488,297
Movement between provisional and final price	(242,217)	(253,777)
Sales of specific products	37,670	19,108
Total revenue	7,617,941	10,253,628

Sale at provisional prices includes revenue from shipping and handling services which is recognized at over a period of time. For disaggregation of revenues refer Note 4.

Expressed in Saudi Riyals in thousands unless otherwise stated

28.2. Contract balances

The following table provides information about receivables from contracts with customers:

	2023	2022
Contract assets included in trade receivables	8,310	1,117
Contractual liabilities	4,422	7,413

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer. As at 31 December 2023, contract assets amounting to SR 6.3 million (2022: nil) were unbilled.

29. Cost Of Revenues

	2023	2022
Cost of inventories	3,831,768	3,931,337
Depreciation and amortization	826,789	813,626
Employee related costs	441,909	473,108
Others	349,008	196,882
	5,449,474	5,414,953

Expressed in Saudi Riyals in thousands unless otherwise stated

30. Selling And Distribution Expenses

Selling and distribution expenses mainly include freight charges and other shipping and handling costs.

31. General And Administrative Expenses

	2023	2022
Employees' related costs	317,408	304,641
Depreciation and amortization	87,459	109,762
Legal and professional expenses	8,303	12,969
Research related expenses	2,296	7,818
Board of directors' expenses	8,440	9,141
Donations	11,495	28,381
Others	79,545	22,986
	514,946	495,698

Expressed in Saudi Riyals in thousands unless otherwise stated

32. Finance Costs

	Notes	2023	2022
Finance charges on loans		163,398	162,499
Interest cost on defined benefit obligation		19,609	10,448
Commission on letters of credit and guarantees		6,425	8,874
Un-winding of discount on provision for decommissioning costs	24	6,965	6,621
Interest on lease liabilities	7	4,553	4,588
Others		9,724	51,886
		210,674	244,916

Expressed in Saudi Riyals in thousands unless otherwise stated

33. Earnings Per Share

Basic earnings per share for profit attributable to ordinary shares holders for the year ended 31 December 2023 and 2022 are computed based on the weighted average number of shares outstanding during such years. Diluted earnings per share for profit attributable to ordinary shares holders for the year ended 31 December 2023 and 2022 are computed based on the weighted average number of shares outstanding during such years adjusted for treasury shares.

	2023	2022
Profit for the year attributable to equity holders of Sipchem	1,174,994	3,595,291
Weighted average number of shares used in calculating basic earnings per share	725,122	725,122
Weighted average number of shares used in calculating dilutive earnings per share	733,333	733,333
Basic earnings per share	1.62	4.96
Diluted earnings per share	1.60	4.90

34. Dividends

On 21 June 2023, Board of Directors approved to distribute cash dividends for the first half of 2023 amounting to Saudi Riyals 906.4 million (i.e. Saudi Riyals 1.25 per share) which was paid on 19 July 2023.

On 11 December 2023, Board of Directors approved to distribute cash dividends for the second half of 2023 amounting to Saudi Riyals 543.8 million (i.e. Saudi Riyals 0.75 per share) which was paid on 25 December 2023.

Expressed in Saudi Riyals in thousands unless otherwise stated

35. Commitments And Contingencies

- The capital expenditure contracted by the Group but not incurred till 31 December 2023 was approximately Saudi Riyals 305.8 million (2022: Saudi Riyals 263.2 million).
- At 31 December 2023, banks have issued guarantees and letters of credit on behalf of the Group amounting to Saudi Riyals 605.2 million (2022: Saudi Riyals 556.3 million).
- Also see Note 25 for details on zakat and income tax assessments

36. Related Party Transactions And Balances

Related parties include the Company's shareholders, associates and their shareholders, joint arrangements and their shareholders, non-controlling interests, key management personnel, directors, and entities controlled, jointly controlled or significantly influenced by such parties. During the period, the Group transacted with the following related parties:

Name	Relationship
Japan Arabia Methanol Company Limited ("JAMC")	Shareholder of a subsidiary (non-controlling interest)
Hanwha Chemical Malaysia Sdn Bhd ("Hanwha")	Shareholder of a subsidiary (non-controlling interest)
SAMAPCO	Joint venture
LSIG	Joint venture
GACI	Joint venture
National Industrialization Company ("Tasnee")	Share holder of an associate
Basell Arabia Investments Limited and its associates ("Lyondell Basell")	Shareholder of a joint operation
Saudi Ethylene and Polyethylene Company ("SEPC")	Indirect associate

Expressed in Saudi Riyals in thousands unless otherwise stated

36.1. Significant transactions with related parties other than key management personnel

Related party	Nature of transaction	2023	2022
Hanwha	Sales made to Hanwha	543,720	753,153
JAMC	Sales made to JAMC	281,510	384,761
SAMAPCO	Shared service cost charged to SAMAPCO	116,143	109,732
	Allocation of HOP finance costs to SAMAPCO	3,817	2,564
Lyondell Basell	Sales made to Lyondell Basell	337,325	437,123
	Shared services cost charged to Lyondell Basell	34,505	34,782
	Allocation of HOP finance costs to Lyondell Basell	1,158	778
SEPC	Purchase of ethylene by Al-Waha	59,262	109,246
	Purchase of ethylene by IVC	836,971	565,728

The prices and terms of the above transactions were approved by the Board of Directors of the subsidiaries of the Group.

Expressed in Saudi Riyals in thousands unless otherwise stated

36.2. The above transactions resulted in the following unsecured balances with related parties:

i) Trade receivables (Note - 17)

	2023	2022
Lyondell Basell	201,309	186,433
Hanwha	70,132	85,665
JAMC	71,872	50,069
	343,313	322,167

ii) Prepayments and other current assets (Note - 18)

	2023	2022
SAMAPCO	41,494	37,594
Lyondell Basell	8,762	10,074
LSIG	1,196	925
GACI	729	-
	52,181	48,593

iii) Accrued expenses and other current liabilities (Note - 25)

	2023	2022
SAMAPCO	91,618	48,971
Lyondell Basell	52,908	54,024
Hanwha	5,884	7,299
GACI	34	-
	150,444	110,294

Expressed in Saudi Riyals in thousands unless otherwise stated

36.3. Key management personnel

Key management personnel of the Group comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group. Key management personnel compensation also includes the proportionate benefits of key management personnel of Sahara after business combination. The key management personnel compensation is as follows:

	2023	2022
Short-term employee benefits	11,651	10,757
End of service benefits	3,427	4,044
Thrift plan	1,328	1,225
Share based payment transactions	239	179
Total compensation related to key management personnel	16,645	16,205

36.4. Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at mutually agreed terms. Outstanding balances at the year-end are unsecured, interest free and settled in cash. For the year ended 31 December 2023, the Group has assessed and concluded that no impairment is required for amounts owed by a related party. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Expressed in Saudi Riyals in thousands unless otherwise stated

36.5. Guarantees

Sahara has provided financial guarantee to a lender of Saudi Acrylic Polymer Company (SAPCO), a subsidiary of TSOC. As at 31 December 2023, the Group has recorded expected credit loss provision amounting to Saudi Riyals 123.2 million (2022: Saudi Riyals 123.2 million) against such financial guarantee which represents the maximum amount of potential cash outflow under such guarantee contract.

37. Conventional And Non-Conventional Financing And Investing Activities

Components of consolidated statement of financial position

	2023	2022
Cash and cash equivalents - non-conventional		
Current murabaha (including fixed term deposits)	617,950	1,157,189
Current accounts (excluding fixed term deposits)	886,090	1,298,746
	1,504,040	2,455,935
Long term investments - non-conventional	172,033	190,926
Short term investments - non-conventional	326,000	150,019
Borrowings - non-conventional	2,539,981	3,322,016
Borrowings - conventional	11,300	11,502

38. Subsequent Events

No adjusting event occurred between 31 December 2023 and the date of authorisation of issuance of the accompanying consolidated financial statements by the Board of Directors, which may have an impact on the consolidated financial statements.


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