AL WAHA PETROCHEMICALS COMPANY
(A LIMITED LIABILITY COMPANY)

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

Al Waha Petrochemicals Company
(A Limited Liability Company)
Financial statements
For the year ended 31 December 2023

Independent auditor's report to the shareholders of Al Waha Petrochemicals Company

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Al Waha Petrochemical Company (the "Company") as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with the 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 Company's financial statements comprise:

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

Basis for opinion

We conducted our audit in accordance with the 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 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 Company 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 financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the 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 Articles of Association, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Independent auditor's report to the shareholders of Al Waha Petrochemicals Company (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 the 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 financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company'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 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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

PricewaterhouseCoopers

Ali H. Al Basri
License Number 409

19 March 2024

Al Waha Petrochemicals Company
(A Limited Liability Company)
Statement of financial position
As at 31 December 2023
Expressed in Saudi Riyals unless otherwise stated

	Notes	31 December 2023	31 December 2022
Assets			
Non-current assets			
Property, plant and equipment	4	**2,653,642,120**	2,752,177,276
Right-of-use assets	5	**35,105,781**	24,957,941
Long term prepaid employees' benefits	6	**29,481,736**	29,855,328
Intangible assets	7	**15,551,732**	2,354,984
Total non-current assets		**2,733,781,369**	2,809,345,529
Current assets			
Inventories	8	**364,684,247**	416,278,246
Trade receivables	9	**385,485,263**	415,033,622
Zakat and income tax refundable	20	**-**	1,023,865
Due from related parties	25	**111,130,190**	54,017,355
Prepayments and other current assets	10	**4,173,600**	4,594,802
Cash and cash equivalents	11	**189,869,764**	238,925,968
Total current assets		**1,055,343,064**	1,129,873,858
Total assets		**3,789,124,433**	3,939,219,387
Equity and liabilities			
Equity			
Share capital	1	**1,660,000,000**	1,660,000,000
Statutory reserve		**248,127,057**	236,000,200
Re-measurement of defined benefit plans		**7,080,430**	5,391,886
Retained earnings		**441,762,021**	532,620,308
Total equity		**2,356,969,508**	2,434,012,394
Liabilities			
Non-current liabilities			
Long term borrowings	12	**397,245,434**	682,556,178
Contractual liabilities	14	**50,883,502**	57,051,190
Lease liabilities	5	**34,910,510**	23,987,417
Employees' benefits	15	**45,578,649**	41,489,120
Deferred tax liability	16	**62,486,155**	70,266,155
Provision for decommissioning costs	17	**22,724,064**	32,974,842
Total non-current liabilities		**613,828,314**	908,324,902
Current liabilities			
Current portion of long term borrowings	12	**91,495,000**	157,120,000
Current portion of lease liabilities	5	**1,173,679**	1,703,588
Current portion of contractual liabilities	14	**6,167,692**	6,167,692
Short term loan	13	**262,500,000**	-
Due to related parties	25	**37,004,677**	40,621,395
Trade and other payables	18	**392,993,477**	374,755,790
Provision for precious metals	19	**19,086,309**	16,513,626
Zakat and income tax payable	20	**7,905,777**	-
Total current liabilities		**818,326,611**	596,882,091
Total liabilities		**1,432,154,925**	1,505,206,993
Total equity and liabilities		**3,789,124,433**	3,939,219,387

The financial statements were approved by the shareholders of the Company on 4 March 2024 and have been signed on their behalf by:

Khalid Al-Zamil	**Ibrahim Al-Rushoud**	**Rushdi Al-Dulaijan**
Chairman	President	Vice President Finance

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

Al Waha Petrochemicals Company
(A Limited Liability Company)
Statement of profit or loss
For the year ended 31 December 2023
Expressed in Saudi Riyals unless otherwise stated

	Note	31 December 2023	31 December 2022
Revenue	21	**1,877,930,681**	2,077,014,063
Cost of sales	22	**(1,611,242,388)**	(1,879,968,217)
Gross profit		**266,688,293**	197,045,846
General and administrative expenses	23	**(96,955,692)**	(84,653,601)
Operating profit		**169,732,601**	112,392,245
Finance income		**13,362,969**	3,879,158
Finance costs	24	**(55,247,632)**	(51,918,137)
Other (expense) / income, net		**(1,126,610)**	5,824,858
Profit before zakat and income tax		**126,721,328**	70,178,124
Zakat expense	20	**(6,597,192)**	(13,680,320)
Income tax expense	20	**(6,635,566)**	(7,403,907)
Deferred tax credit / (charge)	20	**7,780,000**	(10,616,798)
Profit for the year		**121,268,570**	38,477,099

Khalid Al-Zamil	**Ibrahim Al-Rushoud**	**Rushdi Al-Dulaijan**
Chairman	President	Vice President Finance

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Al Waha Petrochemicals Company
(A Limited Liability Company)
Statement of comprehensive income
For the year ended 31 December 2023
Expressed in Saudi Riyals unless otherwise stated

	Note	31 December 2023	31 December 2022
Profit for the year		**121,268,570**	38,477,099
Items that will not to be reclassified to profit or loss:			
Re-measurement gain on defined benefit plans	15	**1,688,544**	3,487,447
Other comprehensive income for the year		**1,688,544**	3,487,447
Total comprehensive income for the year		**122,957,114**	41,964,546

Khalid Al-Zamil
Chairman

Ibrahim Al-Rushoud
President

Rushdi Al-Dulaijan
Vice President Finance

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

Al Waha Petrochemicals Company
(A Limited Liability Company)
Statement of changes in equity
For the year ended 31 December 2023
Expressed in Saudi Riyals unless otherwise stated

	Sahara Petrochemicals Company	Basell Arabia Investments Limited	Total
Share capital			
As at 31 December 2023	**1,245,000,000**	**415,000,000**	**1,660,000,000**
As at 31 December 2022	1,245,000,000	415,000,000	1,660,000,000
Statutory reserve			
As at 1 January 2022	174,114,369	58,038,122	232,152,491
Transfer from retained earnings	2,885,782	961,927	3,847,709
As at 31 December 2022	**177,000,151**	**59,000,049**	**236,000,200**
Transfer from retained earnings	**9,095,143**	**3,031,714**	**12,126,857**
As at 31 December 2023	**186,095,294**	**62,031,763**	**248,127,057**
Re-measurement of defined benefits plan			
As at 1 January 2022	1,428,329	476,110	1,904,439
Other comprehensive income for the year	2,615,585	871,862	3,487,447
As at 31 December 2022	**4,043,914**	**1,347,972**	**5,391,886**
Other comprehensive income for the year	**1,266,408**	**422,136**	**1,688,544**
As at 31 December 2023	**5,310,322**	**1,770,108**	**7,080,430**
Retained earnings			
As at 1 January 2022	422,250,659	75,740,259	497,990,918
Profit before zakat and income tax	52,633,593	17,544,531	70,178,124
Transfer to statutory reserve	(2,885,782)	(961,927)	(3,847,709)
Zakat and income tax expense for the year	(13,680,320)	(18,020,705)	(31,701,025)
As at 31 December 2022	**458,318,150**	**74,302,158**	**532,620,308**
Profit before zakat and income tax	**95,040,996**	**31,680,332**	**126,721,328**
Transfer to statutory reserve	**(9,095,143)**	**(3,031,714)**	**(12,126,857)**
Zakat and income tax (expense)/credit for the year	**(6,597,192)**	**1,144,434**	**(5,452,758)**
Dividends	**(156,153,303)**	**(43,846,697)**	**(200,000,000)**
As at 31 December 2023	**381,513,508**	**60,248,513**	**441,762,021**
Total shareholders' equity			
As at 31 December 2023	**1,817,919,124**	**539,050,384**	**2,356,969,508**
As at 31 December 2022	1,884,362,215	549,650,179	2,434,012,394

Khalid Al-Zamil	**Ibrahim Al-Rushoud**	**Rushdi Al-Dulaijan**
Chairman	President	Vice President Finance

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

Al Waha Petrochemicals Company
(A Limited Liability Company)
Statement of cash flows
For the year ended 31 December 2023
Expressed in Saudi Riyals unless otherwise stated

	Note	31 December 2023	31 December 2022
Cash flows from operating activities			
Profit before zakat and income tax		**126,721,328**	70,178,124
Adjustments for:			
Depreciation of property, plant and equipment	4	**221,479,242**	187,329,052
Depreciation of right-of-use assets	5	**1,936,743**	2,249,845
Amortization of intangibles	7	**1,913,661**	10,004,107
Amortization of long term prepaid employees' benefits	6	**4,101,925**	4,031,928
Amortization of contractual liabilities	14	**(6,167,688)**	(6,167,688)
Finance costs	24	**55,247,632**	51,918,137
Provision for employee's benefits	15	**3,827,667**	5,528,225
Changes in:			
Inventories		**51,593,999**	19,052,369
Trade receivables		**29,548,359**	150,471,338
Prepayments and other current assets		**421,202**	3,674,521
Due from related parties		**(57,112,835)**	25,205,579
Due to related parties		**(3,616,718)**	(7,220,085)
Provision for precious metals		**2,572,683**	2,678,239
Trade and other payables		**(31,185,869)**	(56,420,695)
Cash generated from operations		**401,281,331**	462,512,996
Employee benefits paid	15	**(326,276)**	(68,873)
Recoveries from long term prepaid employees' benefits	6	**-**	234,187
Zakat and income tax paid, net	20	**(4,303,116)**	(43,504,984)
Net cash generated from operating activities		**396,651,939**	419,173,326
Cash flows from investing activities			
Payments for purchase of property, plant and equipment	4	**(149,328,024)**	(274,805,132)
Payments for purchase of intangible assets	7	**(230,295)**	(9,857,641)
Addition to long term prepaid employees' benefits	6	**(3,728,333)**	(765,000)
Net cash used in investing activities		**(153,286,652)**	(285,427,773)
Cash flows from financing activities			
Repayment of long term borrowings	12	**(353,995,000)**	(157,120,000)
Proceeds from short term loan		**262,500,000**	-
Dividends paid		**(156,153,303)**	-
Finance costs paid		**(44,000,692)**	(43,323,981)
Payment of lease liabilities	5	**(772,496)**	(772,496)
Net cash used in financing activities		**(292,421,491)**	(201,216,477)
Net decrease in cash and cash equivalents		**(49,056,204)**	(67,470,924)
Cash and cash equivalents at beginning of the year		**238,925,968**	306,396,892
Cash and cash equivalents at end of the year	11	**189,869,764**	238,925,968

Khalid Al-Zamil	**Ibrahim Al-Rushoud**	**Rushdi Al-Dulaijan**
Chairman	President	Vice President Finance

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

Expressed in Saudi Riyals unless otherwise stated

1. Corporate information

Al Waha Petrochemicals Company (the 'Company') is a limited liability company licensed under foreign investment license number 121030061745 issued by the Saudi Arabian General Investment Authority on Jumada II 28, 1427 H (July 25, 2006) and operating under Commercial Registration number 2055007751 dated Sha'ban 9, 1427 H (September 2, 2006) issued in Dammam. The registered address of the Company is P.O. Box 11166, Al-Jubail 31961, Kingdom of Saudi Arabia.

As of 31 December 2023, and 2022, the shareholders of the Company and their respective shareholdings are as follows:

Name	Number of shares		%	Amount	
	2023	2022		**2023**	2022
Sahara Petrochemicals Company ("Sahara")	**124,500**	124,500	75	**1,245,000,000**	1,245,000,000
Basell Arabia Investment Limited	**41,500**	41,500	25	**415,000,000**	415,000,000
	166,000	166,000	100	**1,660,000,000**	1,660,000,000

The Company's principal activities are to operate a petrochemical complex for manufacturing and sale of propylene and polypropylene. The Company commenced commercial production in April 2011.

2. Material accounting policies

Material accounting policies applied in the preparation of these 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

These financial statements have been prepared in accordance with the International Financial Reporting Standards, that are 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").

(a) Basis of measurement

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

- The defined benefit obligation for employees' end of service liability;
- Trade receivables;
- Right-of-use assets and lease liabilities;
- Deferred tax assets and liabilities;
- Provision for decommissioning costs;

(b) New and amended standards adopted by the Company

The Company 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 Organisation for Economic Co-operation and Development (OECD) Pillar Two Rules
- Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IFRS 17)

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.

(c) 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 Company:

- 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

The Company's financial statements are presented in Saudi Riyals, which is also the Company's functional currency. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency is translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value in the item (i.e., the translation differences on items whose fair value gain or loss is recognised in statement of profit or loss or statement of profit or loss and other comprehensive income are also recognised in statement of profit or loss or statement of profit or loss and other comprehensive income, respectively)

2.3. Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current / non-current classification.

An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for 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

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for 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

All other liabilities are classified as non-current.

2.4. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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 fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, if market participants act in their economic best interest. A fair value measurement of a non-financial asset considers 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 utilise the asset in its highest and best use.

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

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (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 Company 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. The involvement of external valuers is decided by the Company. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Company decides, after discussions with the Company’s external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the Company analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Company’s accounting policies. For this analysis, the Company verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Company 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 fair value disclosures, the Company has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

2.5. Revenue from contracts with customers

IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customer. It establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized when the entity satisfies a performance obligation by transferring promised goods or services to a customer. An asset is transferred when control is transferred that is either over time or at a point in time. The Company recognizes revenue in respect of amounts to which it has a right to invoice.

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.

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 statement of profit or loss.

The sales made to related parties has been made on mutually agreed terms and conditions.

2.6. Property, plant and equipment

Property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of items of property, plant and equipment.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of individual items of property, plant and equipment. The estimated useful lives of assets are as follows:

	Number of years
Buildings and leasehold land improvements	33
Plant, machinery and equipment	2 - 25
Furniture, fixtures and office equipment	3 - 10
Vehicles	4

Capital work-in-progress is stated at cost less impairment, if any, and is not depreciated until the asset is ready for its intended use. Leasehold land improvements are depreciated on a straight-line basis over the shorter of their useful life or the term of the underlying lease.

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

Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to profit or loss as and when incurred.

Turnaround costs - Planned turnaround costs are deferred and amortized over the period until the date of the next planned turnaround which is usually within two to three years. Should an unexpected turnaround occur prior to the previously envisaged date of planned turnaround, then the previously unamortized costs are immediately expensed and the new turnaround costs are amortized over the period likely to benefit from such costs.

Capital spares are capitalized as part of plant, machinery and equipment and depreciated over remaining useful life of the plant.

Where an item of property, plant and equipment is comprised of major components having different useful lives, each component is recognised as a separate item of property, plant and equipment. The carrying amount of each component accounted for as a separate asset is derecognised when replaced.

The assets' residual values and useful lives are reviewed, at the end of each reporting period. If expectation differs from previous estimate, the changes shall be accounted for prospectively.

2.7. Intangible assets

Intangible assets acquired separately are measured at cost upon initial recognition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life 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 each financial year-end. 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 asset.

The useful life of an intangible asset with an indefinite life is reviewed regularly to determine whether there is any indication that its current life assessment continues to be supportable. If not, the change in useful life assessment is made on a prospective basis. Intangible assets with indefinite useful lives are not amortized but are tested for impairment annually either individually or at the aggregated cash generating unit level.

Gains or losses arising from derecognizing 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.

Software costs

Expenditure to acquire computer software and licenses are capitalized and amortized using the straight-line method over the useful life of five years.

2.8. Leases

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

The Company 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 at 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 Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company 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 Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources to reflect the terms of the lease and type of the asset leased. 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 arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

2.9. Inventories

Inventories, including raw materials, finished goods and consumables (spares), are valued at the lower of cost and net realizable value.

Cost comprises a) The purchase price of the inventories; and b) Landed costs components which typically include import duties and other taxes if applicable, transportation costs, handling costs and other directly attributable costs.

Conversion costs include costs directly related to the units of production, such as direct labour, sub-contracted work and expenses of direct production cost centres.

Abnormal inventory losses due to quality or other issues and overheads incurred during unplanned maintenance / shut down year are excluded from inventory cost. The allocation of overheads at year end for the purpose of inventory valuation are based on the higher of normal capacity or actual production for the year. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale (such as marketing, selling and distribution). Appropriate provisions are made for slow moving and redundant inventories considering various factors including age of the inventory items, historic usage and expected utilization in future.

2.10. Cash and cash equivalents

Cash and cash equivalents, for the purpose of presentation in the statement of financial position, include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.11. Statutory reserve

In accordance with the Articles of Association and the Regulations for Companies, the Company has established a statutory reserve by the appropriation of 10% of net profit until the reserve equals 30% of the share capital. This reserve is not available for distribution to the 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.

2.12. Financial instruments

(i) Financial assets

Classification

The Company, based on its business model for managing the financial assets and the contractual terms of the cash flows, classifies its financial assets as measured at amortised cost.

Recognition and derecognition

At initial recognition, the Company measures financial assets at their 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.

The Company 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 Company is recognized as a separate asset or liability.

Measurement

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

Impairment

The Company assesses on a forward looking basis the Expected Credit Losses ("ECL") associated with its financial assets, which are carried at amortised cost. The ECL is based on a 12-month ECL and a life time ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. For trade receivables and balances due from related parties, the Company applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(iii) Financial liabilities

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

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

(iv) Offsetting of financial instruments

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

(v) 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.

2.13. Employees' end of service benefits and post-employment benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating leaves, air fare, child education allowance, furniture allowance that are expected to be settled wholly within twelve months after the end of the year in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting year and are measured at amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employees' benefit obligations in statement of financial position.

(ii) Employees' end of service benefits

The Company provides its employees with end of service benefit scheme calculated in accordance with Saudi Arabian labour regulations. Defined benefit liability with respect to employees' end of service benefits is determined based on actuarial assumptions as the present value of the defined benefit obligation using the Projected Unit Credit Method (PUCM). Actuarial gains and losses are recognized in full in the period in which they occur in other comprehensive income and are not reclassified to profit or loss in subsequent periods. Payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the labour law of the Kingdom of Saudi Arabia. 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 Company recognizes related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability.

(iii) Employees' home ownership program

The shared cost of home ownership program implemented by Sahara Petrochemicals Company is classified as a non-current prepayment and amortized over the average service period of the employees who are eligible for home ownership program.

(iv) Employees' savings plan

The Company maintains an employee's savings plan for Saudi employees. Under the plan the the employees designate a portion of their salary to be contributed to the plan which is proportionately matched by the Company. The contributions from the employees are deposited in separate bank, which is in the name of the parent company of Sahara and not in the Company's name. The employees' contributions are always available to employees for unconditional withdrawal and have been presented as a current liability as part of accrued expenses and other current liabilities with the corresponding assets as part of current assets under due from related parties.

The Company's 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.

2.14. Provision for decommissioning costs

The Company's production of petrochemical products through construction and management of its petrochemical plant gives rise to obligation for plant closure and dismantling. The provision for decommissioning is discounted to its present value and capitalised as part of property, plant and equipment and then depreciated as an expense over the expected useful life of the plant.

2.15. Provision for precious metals

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

2.16. Zakat and income tax

In accordance with the regulations of the Zakat, Tax and Customs Authority (the "ZATCA"), the Company is subject to zakat attributable to the effective Saudi shareholding and to income tax attributable to the effective foreign shareholding in the Company. Provision for zakat and income tax is charged to profit or loss for the year. Additional amounts, if any, are accounted for when determined to be required for payment.

Further, the amounts for zakat and income tax expense for the year are presented in the statement of changes in equity in accordance with the guidance issued by SOCPA for companies with mixed ownership in line with the terms of the agreement between the shareholders of the Company with zakat allocated to the Saudi shareholder and income tax allocated to the foreign shareholder.

Income tax based on the applicable income tax rate is adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

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.

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.

The Company withholds tax on certain transactions with non-resident parties in the Kingdom of Saudi Arabia, including dividends payments to the foreign shareholder, as required under the ZATCA regulations.

2.17. Borrowing costs

Borrowings are initially recognised at the fair value (being proceeds received), net of eligible transaction costs incurred, if any. Subsequent to initial recognition, 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 rate method.

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

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.

3. Significant accounting estimates, assumptions and judgements

The preparation of the Company's 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 Company makes estimates and judgments concerning the future. The resulting accounting estimates will by definition, seldom equal the related actual results.

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 described below.

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 15.

ii. Useful lives of property plant and equipment

Management determines the estimated useful lives of property and equipment for calculating depreciation. This estimate is determined after considering expected usage of the assets and physical wear and tear. Management reviews the residual value and useful lives annually and change in depreciation charges, if any, are adjusted in current and future periods.

iii. Judgement related to settlement of precious metal contracts

Upon completion of the precious metal lease arrangements, the Company is obliged to return the full quantity of such precious metals to the bank. The management 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 Company has no economic incentive to settle in cash and has no alternate use for the quantities remaining at the end of useful lives of the underlying plants. Accordingly, such contracts are not considered to be financial liabilities.

Expressed in Saudi Riyals unless otherwise stated

4. Property, plant and equipment

	Buildings and leasehold land improvements	Plant, machinery and equipment	Catalysts	Furniture, fixtures and office equipment	Vehicles	Capital work-in- progress	Total
Cost							
At 1 January 2023	460,617,754	3,885,287,753	168,948,907	3,245,000	252,000	125,213,636	4,643,565,050
Additions	-	12,450,914	-	-	-	125,373,286	137,824,200
Transfers	-	15,632,354	-	1,533,876	-	(17,166,230)	-
Transfer to intangibles	-	-	-	-	-	(14,880,114)	(14,880,114)
Disposals	-	-	-	(128,707)	-	-	(128,707)
At 31 December 2023	460,617,754	3,913,371,021	168,948,907	4,650,169	252,000	218,540,578	4,766,380,429
Accumulated depreciation							
At 1 January 2023	(164,630,510)	(1,701,279,514)	(22,207,814)	(3,017,936)	(252,000)	-	(1,891,387,774)
Charge for the year	(15,084,738)	(165,442,263)	(40,758,453)	(193,788)	-	-	(221,479,242)
Disposals	-	-	-	128,707	-	-	128,707
At 31 December 2023	(179,715,248)	(1,866,721,777)	(62,966,267)	(3,083,017)	(252,000)	-	(2,112,738,309)
Net book value							
As at 31 December 2023	280,902,506	2,046,649,244	105,982,640	1,567,152	-	218,540,578	2,653,642,120

Expressed in Saudi Riyals unless otherwise stated

4. Property, plant and equipment (continued)

	Buildings and leasehold land improvements	Plant, machinery and equipment	Catalysts	Furniture, fixtures and office equipment	Vehicles	Capital work-in-progress	Total
Cost							
At 1 January 2022	460,617,754	3,664,772,339	-	3,245,000	252,000	239,872,825	4,368,759,918
Additions	-	66,082,444	168,948,907	-	-	39,773,781	274,805,132
Transfers	-	154,432,970	-	-	-	(154,432,970)	-
At 31 December 2022	460,617,754	3,885,287,753	168,948,907	3,245,000	252,000	125,213,636	4,643,565,050
Accumulated depreciation							
At 1 January 2022	(149,545,772)	(1,551,299,805)	-	(2,961,145)	(252,000)	-	(1,704,058,722)
Charge for the year	(15,084,738)	(149,979,709)	(22,207,814)	(56,791)	-	-	(187,329,052)
At 31 December 2022	(164,630,510)	(1,701,279,514)	(22,207,814)	(3,017,936)	(252,000)	-	(1,891,387,774)
Net book value							
As at 31 December 2022	295,987,244	2,184,008,239	146,741,093	227,064	-	125,213,636	2,752,177,276

i) Capital work-in-progress represents the projects which are under progress at year end. These mainly include plant debottlenecking project and advance payments for procurement of catalysts. During 2023, Saudi Riyals 5.8 million (2022: Nill) of borrowing costs have been capitalized at the weighted average interest rate applicable to the Company's borrowings.

ii) At 31 December 2023 and 2022, no property, plant and equipment were pledged as collateral with banks.

iii) Depreciation has been charged as follows:

	2023	2022
Cost of revenue	**221,331,867**	187,321,729
General and administrative expenses	**147,375**	7,323
	221,479,242	187,329,052

iv) Additions include adjustment due to change in the assumptions for provision for decommissioning costs. See note 17 for details.

Expressed in Saudi Riyals unless otherwise stated

5. Leases

Property, plant and equipment of the Company are constructed on land sub-leased by Sahara Petrochemicals Company, a shareholder of the Company. The lease term is for an initial period of 30 years which commenced in 2006 and is renewable by mutual agreement of both parties.

5.1 Right-of-use assets

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

	2023	2022
At January 1	**24,957,941**	31,290,174
Modification	**-**	(4,082,388)
Increase due to change in assumption	**12,084,583**	-
Depreciation charge for the year	**(1,936,743)**	(2,249,845)
At December 31	**35,105,781**	24,957,941

5.2 Lease liabilities

Lease liabilities are presented in the statement of financial position as follows:

	2023	2022
Current portion	**1,173,679**	1,703,588
Non-current portion	**34,910,510**	23,987,417
	36,084,189	25,691,005

5.3 Amounts recognized in statement of profit or loss

	2023	2022
Depreciation charge for the year	**1,936,743**	2,249,845
Finance costs on lease liabilities	**910,968**	1,211,004
	2,847,711	3,460,849

6. Long term prepaid employees' benefits

These are costs related to site development, infrastructure and cost of land ("Land") associated with the home ownership program**.** The costs are incurred and the home ownership plan is managed by Sahara Petrochemicals Company. Certain costs are transferred to the Company which are recorded by the Company as a non-current prepayment and are amortized over the average service period of the Company's eligible employees. These are costs related to the purchase of land, finance and other cost associated with the home ownership program. The break-up is as follows:

	Land	**Financing costs**	**Employee loan**	**Total**
At 1 January 2023	**20,499,751**	**8,596,993**	**758,584**	**29,855,328**
Additions		**-**	**3,728,333**	**3,728,333**
Amortization	**(1,860,403)**	**(1,907,243)**	**(334,279)**	**(4,101,925)**
At 31 December 2023	**18,639,348**	**6,689,750**	**4,152,638**	**29,481,736**
At 1 January 2022	22,848,426	10,508,017	-	33,356,443
Additions	-	-	765,000	765,000
Recovery from employees	(234,187)	-	-	(234,187)
Amortization	(2,114,488)	(1,911,024)	(6,416)	(4,031,928)
At 31 December 2022	20,499,751	8,596,993	758,584	29,855,328

Expressed in Saudi Riyals unless otherwise stated

7. Intangible assets

	2023	2022
Cost		
At 1 January	**18,019,266**	8,161,625
Additions	**230,295**	9,857,641
Transfers from property, plant and equipment	**14,880,114**	-
At 31 December	**33,129,675**	18,019,266
Accumulated amortization		
At 1 January	**(15,664,282)**	(5,660,175)
Charge for the year	**(1,913,661)**	(10,004,107)
At 31 December	**(17,577,943)**	(15,664,282)
Net book value		
As at 31 December	**15,551,732**	2,354,984

Intangibles 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 4-9 years.

8. Inventories

	2023	2022
Raw materials	**44,342,475**	44,067,438
Finished goods	**197,861,707**	247,192,725
Stores and spares	**125,370,126**	125,498,706
	367,574,308	416,758,869
Provision for obsolescence of slow moving stores and spares	**(2,890,061)**	(480,623)
	364,684,247	416,278,246

8.1. Provision for obsolescence of slow moving stores and spares

	2023	2022
1 January	**480,623**	395,573
Provision for the year	**2,409,438**	85,050
31 December	**2,890,061**	480,623

9. Trade receivables

	2023	2022
Related parties balances	**387,143,074**	416,177,056
Third parties balances	**3,906,316**	4,420,693
	391,049,390	420,597,749
Provision for expected credit loss (note 9.1)	**(5,564,127)**	(5,564,127)
	385,485,263	415,033,622

10. Prepayments and other current assets

	2023	2022
Prepayments	**2,965,892**	2,804,671
Advances to suppliers	**423,343**	1,379,139
Others	**784,365**	410,992
	4,173,600	4,594,802

Expressed in Saudi Riyals unless otherwise stated

11. Cash and cash equivalents

	Note	2023	2022
Cash at bank		**129,869,764**	68,925,968
Murabaha deposits	11.1	**60,000,000**	170,000,000
		189,869,764	238,925,968

11.1 Murabaha deposits are placed with local commercial banks and yield finance income at the prevailing market rates, having original maturities of less than three months. All cash and cash equivalents are non-conventional.

12. Long term borrowings

	Note	2023	2022
Islamic loan under Ijara arrangement	12.1	**490,525,000**	844,520,000
Less: Unamortized upfront fee	12.2	**(1,784,566)**	(4,843,822)
		488,740,434	839,676,178

Presented in the statement of financial position as follows:

	2023	2022
Current portion	**91,495,000**	157,120,000
Non-current portion	**397,245,434**	682,556,178
	488,740,434	839,676,178

12.1 Islamic loan under Ijara arrangement

During 2015, the Company signed an Ijara facility agreement with a syndicate of commercial banks amounting to Saudi Riyals 2.0 billion. The loan bears financial charges at Saudi Inter Bank Offered Rate ("SAIBOR") plus a specified margin and is repayable in twenty four un-equal semi-annual installments commencing from 30 June 2015. The covenants of the borrowing facilities require the Company to maintain certain level of financial conditions and certain other requirements. As at 31 December 2023 and 2022, the Company was compliant with such covenants.

12.2 Unamortized upfront fees

	2023	2022
As at January 1	**4,843,822**	7,903,078
Amortization for the year	**(3,059,256)**	(3,059,256)
As at December 31	**1,784,566**	4,843,822

12.3 Maturity profile of long-term borrowings

	2023	2022
2023	**-**	157,120,000
2024	**91,495,000**	157,120,000
2025	**91,495,000**	157,120,000
2026	**91,495,000**	157,120,000
2027	**216,040,000**	216,040,000
	490,525,000	844,520,000

13. Short term loan

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

Expressed in Saudi Riyals unless otherwise stated

14. Contract liabilities

This represents advance provided by Sahara and Ma'aden Petrochemicals Company, a related party for usage of shared facilities. The advance is amortized over the term of the underlying agreement.

	2023	2022
Balance as at January 1	**63,218,882**	69,386,570
Less: amortization during the year	**(6,167,688)**	(6,167,688)
Balance as at December 31	**57,051,194**	63,218,882

Presented in the statement of financial position as follows:

	2023	2022
Current portion	**6,167,692**	6,167,692
Non-current portion	**50,883,502**	57,051,190
	57,051,194	63,218,882

15. Employees' benefits

	2023	2022
Post-employment benefits (note 15.1)	**44,255,424**	40,738,415
Thrift plan	**1,323,225**	750,705
	45,578,649	41,489,120

15.1. Post-employment benefit plan

The Company maintains an unfunded defined benefit plan in line with the labor law requirement in the Kingdom of Saudi Arabia. The end of service benefit payments under the plans are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the labor laws of the Kingdom of Saudi Arabia. The benefit payments are due upon termination of or resignation from employment. The valuation of employee benefit obligations under the projected unit method was carried out by an independent actuary as at 31 December 2023 and 2022.

The movement in the present value of defined benefit obligations is as follows:

	2023	2022
Defined benefit obligation at 1 January	**40,738,415**	40,379,929
Net benefit expense recognized in statement of profit or loss:		
- Current service costs	**3,827,667**	4,098,847
- Interest costs	**1,704,162**	1,000,568
	5,531,829	5,099,415
Net re-measurement gain or loss recognized in statement of comprehensive income:		
Remeasurements of obligation:		
- Changes in financial assumptions	**(2,104,037)**	(5,564,609)
- Experience adjustments	**415,493**	2,077,162
	(1,688,544)	(3,487,447)
Benefits paid during the year	**(326,276)**	(68,873)
Liability transferred to a related party	**-**	(1,184,609)
Defined benefit obligation at 31 December	**44,255,424**	40,738,415

Expressed in Saudi Riyals unless otherwise stated

The significant actuarial assumptions are as follows:

	2023	2022
Discount rate	**4.88%**	4.20%
Future salary increases	**4.20%**	4.20%
Mortality rates	**A1949-52**	A1949-52
Withdrawal rates per annum	**12%**	12%

The sensitivity of the defined benefit obligation liability to changes in the principal assumptions for year ended December 31 is as follows:

Assumptions	**2023**	2022
Discount rate + 50 bps	**41,471,601**	38,046,185
Discount rate – 50 bps	**47,415,754**	43,812,180
Salary increase + 50 bps	**47,614,493**	43,973,935
Salary increase – 50 bps	**41,243,127**	37,851,068

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

The weighted average duration of the defined benefit obligation is 7 years (2022: 7 years).

16. Deferred tax liability

	2023	2022
As at January 1	**70,266,155**	59,649,357
(Reversal) / charge for the year	**(7,780,000)**	10,616,798
As at December 31	**62,486,155**	70,266,155

Components of deferred tax are as follows:

	2023	2022
Difference in accounting and tax base of:		
Non-current assets	**(1,522,957,770)**	(1,732,354,188)
Employees benefit obligations	**47,757,740**	47,056,120
Decommissioning liability	**22,724,064**	32,974,842
Carried forward tax losses	**50,690,610**	61,750,000
	(1,401,785,356)	(1,590,573,226)

17. Provision for decommissioning costs

	2023	2022
Balance as at January 1	**32,974,842**	31,767,670
Reduction due to change in estimate	**(11,503,822)**	-
Finance costs on unwinding of liability	**1,253,044**	1,207,172
Balance as at December 31	**22,724,064**	32,974,842

Expressed in Saudi Riyals unless otherwise stated

18. Trade payables and other payables

	2023	2022
Trade payables	**113,944,671**	19,202,872
Goods received invoices not received	**166,921,277**	259,064,277
Distribution cost accruals	**53,812,153**	52,200,530
Dividends payable	**43,846,697**	-
Employee related accruals	**359,828**	652,862
Others	**14,108,851**	43,635,249
	392,993,477	374,755,790

19. Provision for precious metals

	2023	2022
Balance as at 1 January	**16,513,626**	13,835,387
Provision for the year	**2,572,683**	2,678,239
Balance as at 31 December	**19,086,309**	16,513,626

20. Zakat and income tax

	2023	2022
Zakat payable (20.1)	**4,971,379**	10,390,612
Income tax payable / (refundable) (20.2)	**2,934,398**	(11,414,477)
	7,905,777	(1,023,865)

20.1 Zakat

a) 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%. The principal elements of the Zakat base are as follows:

	2023	2022
Non-current assets	**2,733,781,368**	(2,809,345,529)
Spare parts - held not for sale	**(125,370,126)**	(125,018,083)
Non-current liabilities	**429,295,201**	908,324,902
Shareholders' equity at beginning of year	**1,884,362,215**	2,392,047,808
Adjusted net profit	**117,022,530**	38,477,099
Dividends	**(156,153,303)**	-

b) Movement in Company's zakat provision for the years ended December 31 is as follows:

	2023	2022
January 1	**10,390,612**	11,742,488
Charged during the year	**4,971,379**	10,390,612
Adjustment for prior years	**1,625,813**	3,289,708
Charge for the year	**6,597,192**	13,680,320
Paid during the year	**(12,016,425)**	(15,032,196)
December 31	**4,971,379**	10,390,612

Expressed in Saudi Riyals unless otherwise stated

20.2 Income tax

a) The components of income tax in the statement of profit or loss is broken down as follows for the year ended December 31:

	2023	2022
Current income tax		
Current year	**5,851,126**	3,104,530
Adjustment for prior years	**784,440**	4,299,377
	6,635,566	7,403,907
Deferred income tax		
(Reversal) / charge for the year	**(7,780,000)**	10,616,798
Total income tax expense for the year	**(1,144,434)**	18,020,705

b) Movement in current income tax provision for the years ended December 31 is as follows:

	2023	2022
January 1	**(11,414,477)**	9,654,404
Charged during the year	**5,851,126**	3,104,530
Adjustment for prior years	**784,440**	4,299,377
Refund / (payments) during the year	**7,713,309**	(28,472,788)
December 31	**2,934,398**	(11,414,477)

c) Reconciliation of income tax expense

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

	2023	2022
Income before zakat and income tax	**126,721,328**	70,178,124
Less: Income subject to zakat	**(95,040,996)**	(52,633,593)
Income subject to income tax	**31,680,332**	17,544,531
Income tax rate (%)	**20%**	20%
Income tax at domestic rate	**6,336,066**	3,508,906
Tax effects of:		
- Prior year adjustment	**784,440**	4,299,377
- Others	**(8,264,940)**	10,212,422
	(1,144,434)	18,020,705

20.3 Status of assessment:

The Company assessments are finalized up to year 2018. The Company has submitted zakat and income tax returns for all years up to the year ended 31 December 2022. ZATCA's review is awaited.

21. Revenue

The Company generates revenue from contract with customer from the sale of petrochemical products which is recognized on a point in time basis.

21.1. Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical market:

	2023	2022
Primary geographic markets		
Foreign countries	**1,349,300,536**	1,709,178,499
Saudi Arabia	**528,630,145**	367,835,564
	1,877,930,681	2,077,014,063

Expressed in Saudi Riyals unless otherwise stated

22. Cost of sales

	2023	2022
Cost of inventories	**1,229,119,982**	1,515,746,815
Depreciation and amortisation	**221,547,935**	187,518,187
Employee costs	**51,794,352**	56,011,984
Shared service cost	**55,907,884**	65,877,799
Others	**52,872,235**	54,813,432
	1,611,242,388	1,879,968,217

23. General and administrative expenses

	2023	2022
Shared service cost	**78,659,348**	67,878,659
Depreciation and amortisation	**7,857,295**	16,140,323
Others	**10,439,049**	634,619
	96,955,692	84,653,601

24. Finance cost

		2023	2022
Finance costs on long-term borrowings		**39,884,380**	32,047,634
Interest cost on employees' end of service benefits	24.1	**4,040,672**	2,555,925
Commission on letters of credit and guarantees		**2,882,693**	3,120,010
Un-winding cost of decommissioning liability	17	**1,253,044**	1,207,172
Finance costs on lease liabilities	5.2	**910,968**	1,211,004
Others		**6,275,875**	11,776,392
		55,247,632	51,918,137

24.1 Interest costs on employees' end of service benefits include interest cost allocated by Sahara International Petrochemical Company amounting to Saudi Riyals 2.34 million (2022: 1.56 million).

25. Related party transactions and balances

The related parties consist of the shareholders, their shareholders, subsidiaries, associates and jointly controlled entities (affiliates), and the Company's Board of Directors.

(*i*) *During the year ended 31 December, the Company had the following significant transactions with its related parties:*

Related party	Relationship	Nature of transaction	2023	2022
Sahara International Petrochemical Company ("Sipchem")	Ultimate parent of shareholder	Shared service cost charged to profit or loss	**147,372,082**	139,126,677
Sipchem Marketing Company ("SMC')	Subsidiary of Sipchem	Sale of polypropylene	**528,630,145**	547,618,666
Sahara Petrochemicals Company	Shareholder	Allocation of HOP finance costs	**4,631,821**	3,111,018
Lyondell Basell	Shareholder	Sale of polypropylene	**1,349,300,536**	1,529,395,397
Sahara and Ma'aden Petrochemicals Company	Joint venture of a shareholder	Cost and expenses charged by the Company	**5,787,429**	5,800,879
Saudi Ethylene and Polyethylene Company	Significant influence of a shareholder	Purchase of ethylene	**79,016,125**	145,660,809

Expressed in Saudi Riyals unless otherwise stated

(ii) The above transactions resulted in the following balances with related parties as at 31 December:

	2023	2022
a) Trade receivable from related parties:		
Lyondell Basell and its associates	**268,412,258**	248,577,784
Sipchem Marketing Company	**118,730,816**	167,599,272
	387,143,074	416,177,056
b) Due from related parties		
Sahara International Petrochemical Company	**96,655,484**	48,440,801
Sahara and Ma'aden Petrochemical Company	**13,433,331**	5,371,703
Sahara Petrochemicals Company	**156,128**	139,483
International Polymers Company	**750,750**	40,305
International Vinyl Acetate Company	**2,064**	12,157
International Methanol Company	**-**	9,707
International Diol Company	**128,997**	3,199
International Utilities Company	**2,250**	-
International Acetyl Company	**1,186**	-
	111,130,190	54,017,355

c) Due to related parties	**2023**	2022
Sahara International Petrochemical Company	**25,088,407**	36,753,817
International Polymers Company	**7,272,273**	3,080,807
Sahara Petrochemicals Company	**4,039,508**	606,315
Sipchem Marketing Company	**9,982**	60,746
Sahara and Ma'aden Petrochemical Company	**64,195**	58,075
International Gases Company	**-**	39,800
International Methanol Company	**119,829**	11,627
International Vinyl Acetate Company	**410,483**	9,707
Gulf Advances Cable and Insulation Company	**-**	501
	37,004,677	40,621,395

26. Financial instruments and risk management

26.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, commodity risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

The management has overall responsibility for the establishment and oversight of the Company's risk management framework.

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

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

Expressed in Saudi Riyals unless otherwise stated

a) Market risk

(i) Currency risk
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. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD), Australian Dollar (AUD), Euro (EUR) and Great Britain Pound (GBP).

The Company's management believes that the currency risk is not significant as either the currencies are pegged to Saudi Riyals or the underlying balances and transactions are not material.

(ii) Interest rate risk
Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

At 31 December 2023, the Company had variable interest bearing financial liabilities of Saudi Riyals 488.7 million (2022: Saudi Riyals 839.7 million), and had the interest rate varied by 0.5% with all the other variables held constant, net change in profit before zakat for the year would have been approximately Saudi Riyals 2.4 million (2022: Saudi Riyals 3.1 million) lower / higher, as a result of higher / lower financial charges on floating rate borrowings.

b) Credit risk
Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk of the Company arises from deposits with banks, trade and other receivables.

(i) Exposure to credit risk
The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	Note	**2023**	2022
Trade receivables	9	**385,485,263**	415,033,622
Other current assets		**1,207,707**	1,790,131
Cash and cash equivalents	11	**189,869,764**	238,925,968
		576,562,734	655,749,721

At December 31 the exposure to credit risk for trade receivables by geographic region is as follows:

	2023	2022
Foreign countries	**268,412,258**	247,434,350
Kingdom of Saudi Arabia	**117,073,005**	167,599,272
	385,485,263	415,033,622

Trade receivables and due from related parties
The Company monitors and reconciles balances with related parties on a regular basis. Management believes that the credit risk from these balances is minimal as the parties have a history of regular and timely payments.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Company's treasury department in accordance with the Company'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 Company's Board of Directors on an annual basis. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty's failure to make payments.

c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash. The table below analyzes the Company's financial liabilities, except for derivative financial instruments, into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows as the impact of discounting is not significant.

	Carrying amount	Less than one year	One to five years	More than five years	Total
			SR '000		
As at 31 December 2023					
Long term borrowings	**488,740**	**91,495**	**399,030**	**-**	**490,525**
Future finance costs of long term borrowings	**-**	**31,099**	**51,128**	**-**	**82,227**
Short term loan	**262,500**	**262,500**	**-**	**-**	**262,500**
Lease liabilities	**36,084**	**2,452**	**9,807**	**38,557**	**50,816**
Provision for precious metals	**19,086**	**19,086**	**-**	**-**	**19,086**
Trade and other payables	**392,993**	**392,993**	**-**	**-**	**392,993**
	1,199,403	**799,625**	**459,965**	**38,557**	**1,298,147**
As at 31 December 2022					
Long term borrowings	839,676	157,120	687,400	-	844,520
Future finance costs of long term borrowings	-	51,109	100,348	-	151,457
Lease liabilities	25,691	2,429	10,528	18,626	31,583
Provision for precious metals	16,514	16,514	-	-	16,514
Trade and other payables	374,756	374,756	-	-	374,756
	1,256,637	601,928	798,276	18,626	1,418,830

26.2 Financial instruments by categories

(i) Financial assets

	2023	2022
Financial assets measured at amortised cost:		
Other current assets	**1,207,707**	1,790,131
Due from related parties (note 25)	**111,130,190**	54,017,355
Cash and cash equivalents (note 11)	**189,869,764**	238,925,968
Total financial assets at amortised cost	**302,207,661**	294,733,454
Financial assets measured through FVTPL:		
Trade receivables (note 9)	**385,485,263**	415,033,622
Total financial assets through FVTPL	**385,485,263**	415,033,622
Total financial assets at amortised cost	**687,692,924**	709,767,076

Expressed in Saudi Riyals unless otherwise stated

(ii) Financial liabilities

	2023	2022
Lease liabilities (note 5)	**36,084,189**	25,691,005
Due to related parties (note 25)	**37,004,677**	40,621,395
Provision for precious metals (note 19)	**19,086,309**	16,513,626
Long term borrowings (note 12)	**488,740,434**	839,676,178
Trade and other payables (note 18)	**392,993,477**	374,755,790
Total financial liabilities measured at amortized cost	**973,909,086**	1,297,257,994

27. Commitments and contingencies

(i) At 31 December 2023, banks have issued guarantees and letters of credit on behalf of the company amounting to Saudi Riyals 317.2 million (2022: Saudi Riyals 317.2)

(ii) The capital expenditure contracted by the Company but not yet incurred till 31 December 2023, was approximately Saudi Riyals 42.5 million (2022: Saudi Riyals 32.5 million).

28. Approval of financial statements

These financial statements have been approved by the Shareholders on 4 March 2024.

29. Subsequent events

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