

**Sahara International Petrochemical Company  
(A Saudi Joint Stock Company)**

**Consolidated financial statements for the year  
ended 31 December 2022  
and independent auditor's report**

**Sahara International Petrochemical Company  
A Saudi Joint Stock Company  
Consolidated financial statements  
For the year ended 31 December 2022**

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# Independent auditor's report to the shareholders of 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 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

### What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of profit or loss for the year ended 31 December 2022;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

### 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	Control reassessment of the Group's interest in Gulf Advanced Cable Insulation Company ("GACI")
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As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud. We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.



## *Independent auditor’s report to the shareholders of Sahara International Petrochemical Company (continued)*

### *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
<p><i>Control reassessment of the Group’s interest in Gulf Advanced Cable Insulation Company (“GACI”)</i></p> <p>During the year ended 31 December 2022, the Group reassessed the contractual arrangements between the Group and the other shareholder of GACI and its basis of conclusion regarding control over GACI.</p> <p>As a result of this reassessment, the Group concluded that it exercises joint control according to the requirements of IFRS 10 ‘Consolidated Financial Statements’ (“IFRS 10”) and IFRS 11 ‘Joint Arrangements’ (“IFRS 11”). Accordingly, since the Group consolidated GACI until 31 December 2021, the Group changed its accounting of GACI from consolidation to the equity method.</p> <p>The impact of the reassessment was applied retrospectively in accordance with the requirements of IAS 8 ‘Accounting Policies, Changes in Accounting Estimates and Errors’ (“IAS 8”) in the consolidated financial statements of the Group.</p> <p>We considered this to be a key audit matter as the reassessment resulted in a change in the previous basis of conclusion and given the nature and complexity of the matter, including the significance of the impact on the presentation of the consolidated financial statements of the Group for the year ended 31 December 2022.</p> <p>Refer to Notes 2.3 and 2.4 to the consolidated financial statements for the accounting policy relating to the basis of consolidation and equity method of accounting and Note 38 for the disclosures relating to the impact of the restatement to the comparative figures.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• Reviewed the contractual arrangements between the Group and the other shareholder and evaluated, with the assistance of our internal accounting experts, that the Group’s control reassessment over GACI is in accordance with the requirements of IFRS 10, IFRS 11 and the Group’s accounting policies;</li> <li>• Obtained the deconsolidation schedules prepared by the Group and audited the completeness and accuracy of the deconsolidation adjustments;</li> <li>• Ensured that the accounting of the investment as a joint venture has been appropriately applied retrospectively in accordance with the requirements of IFRS 11; and</li> <li>• Assessed the adequacy of the disclosures in the consolidated financial statements with respect to the change in accounting treatment in accordance with the requirements of IAS 8 and IFRS 12 ‘Disclosure of Interests in Other Entities’.</li> </ul>



## *Independent auditor's report to the shareholders of Sahara International Petrochemical Company (continued)*

### *Other information*

Management is responsible for the other information. The other information comprises information included in the Group's 2022 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 2022 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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



## *Independent auditor's report to the shareholders of Sahara International Petrochemical Company (continued)*

### *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 scepticism throughout the audit. We also:

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



## *Independent auditor's report to the shareholders of Sahara International Petrochemical Company (continued)*

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

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

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

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

### **PricewaterhouseCoopers**

Ali H. Al Basri  
License Number 409

6 March 2023



**Sahara International Petrochemical Company**  
**A Saudi Joint Stock Company**  
**Consolidated statement of financial position**  
**As at 31 December 2022**  
**Expressed in Saudi Riyals in thousands unless otherwise stated**

	Notes	31 December 2022	31 December 2021 (restated- note 38)
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	11,944,009	12,182,935
Right-of-use assets	7.1	104,635	119,959
Intangible assets	8	553,087	606,149
Goodwill	13	630,483	630,483
Investments in equity accounted investees	9	3,960,481	3,990,594
Long term investments	10	190,926	251,896
Deferred tax assets	11	4,932	2,177
Long term prepaid employees' benefits	12	632,982	726,636
Other non-current assets	14	30,538	37,584
<b>Total non-current assets</b>		<b>18,052,071</b>	<b>18,548,413</b>
<b>Current assets</b>			
Inventories	15	1,398,550	1,140,843
Trade receivables	16	1,172,378	1,862,415
Prepayments and other current assets	17	246,353	227,072
Short term investments	20	150,019	20,223
Cash and cash equivalents	18	2,455,935	2,666,104
<b>Total current assets</b>		<b>5,423,235</b>	<b>5,916,657</b>
<b>Total assets</b>		<b>23,475,306</b>	<b>24,465,070</b>
<b>Equity and liabilities</b>			
Share capital	19	7,333,333	7,333,333
Share premium		4,069,262	4,169,291
Treasury shares	19	(92,261)	(67,949)
Statutory reserve	19	1,971,650	1,612,121
Other reserves	19	(355,887)	(475,628)
Retained earnings		2,891,166	2,013,981
<b>Equity attributable to the equity holders of Company</b>		<b>15,807,263</b>	<b>14,585,149</b>
Non-controlling interests	5	929,560	1,136,929
<b>Total equity</b>		<b>16,736,823</b>	<b>15,722,078</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long term borrowings	20	3,049,133	4,721,472
Contractual liabilities	21	42,788	170,614
Lease liabilities	7.2	135,169	153,988
Employees' benefits	22	587,276	573,686
Deferred tax liabilities	11	55,839	55,417
Decommissioning liability	23	138,842	132,221
Other non-current liabilities		8,556	8,556
<b>Total non-current liabilities</b>		<b>4,017,603</b>	<b>5,815,964</b>

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**Sahara International Petrochemical Company**  
**A Saudi Joint Stock Company**  
**Consolidated statement of financial position (continued)**  
**As at 31 December 2022**  
**Expressed in Saudi Riyals in thousands unless otherwise stated**

	Notes	31 December 2022	31 December 2021 (restated- note 38)
<b>Current liabilities</b>			
Current portion of long term borrowings	20	284,385	582,620
Short term borrowings	20	-	70,000
Current portion of contractual liabilities	21	135,239	9,688
Current portion of lease liabilities	7.2	3,679	10,739
Trade payables		251,003	312,325
Accrued expenses and other current liabilities	24	1,052,463	938,945
Provision for precious metals	24.1	505,058	440,283
Zakat and income tax payable	25	489,053	562,230
<b>Total current liabilities</b>		<b>2,720,880</b>	<b>2,927,028</b>
<b>Total liabilities</b>		<b>6,738,483</b>	<b>6,742,992</b>
<b>Total equity and liabilities</b>		<b>23,475,306</b>	<b>24,465,070</b>

The accompanying notes 1 through 38 form an integral part of these consolidated financial statements.

The consolidated financial statements were authorized for issuance by the Board of Directors of the Company on 27 February 2023 (corresponding to 7 Shaban 1444) and have been signed on their behalf by:



**Khalid Abdullah Al-Zamil**  
Chairman of the Board



**Abdullah Saif Al-Saadoon**  
Chief Executive Officer



**Rushdi Khalid Al-Dulaljan**  
Vice President, Finance

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**Sahara International Petrochemical Company**  
**A Saudi Joint Stock Company**  
**Consolidated statement of profit or loss**  
**For the year ended 31 December 2022**  
**Expressed in Saudi Riyals in thousands unless otherwise stated**

	Notes	31 December 2022	31 December 2021 (restated- note 38)
Revenue	26	10,253,628	9,686,694
Cost of revenues	27	(5,414,953)	(4,344,339)
<b>Gross profit</b>		<b>4,838,675</b>	<b>5,342,355</b>
Selling and distribution expenses	28	(295,988)	(229,874)
General and administrative expenses	29	(495,698)	(651,050)
Impairment of non-financial assets	6	-	(160,000)
<b>Operating profit</b>		<b>4,046,989</b>	<b>4,301,431</b>
Share of profit from equity accounted investees	9	364,800	479,758
Finance income		51,277	29,632
Finance cost	30	(244,916)	(314,931)
Other (expenses) / income, net	31	(33,979)	(38,429)
<b>Profit before zakat and income tax</b>		<b>4,184,171</b>	<b>4,457,459</b>
Zakat	25	(145,530)	(349,221)
Income tax	25	(85,586)	(99,841)
<b>Profit for the year</b>		<b>3,953,075</b>	<b>4,008,397</b>
<b>Profit attributable to:</b>			
Equity holders of the company		3,595,291	3,591,844
Non-controlling interests		357,784	416,553
<b>Profit for the year</b>		<b>3,953,075</b>	<b>4,008,397</b>
<b>Earnings per share (Saudi Riyals):</b>			
Basic earnings per share	32	4.96	4.94
Diluted earnings per share	32	4.90	4.90

The accompanying notes 1 through 38 form an integral part of these consolidated financial statements.



Khalid Abdullah Al-Zamil  
Chairman of the Board



Abdullah Saif Al-Saadoon  
Chief Executive Officer



Rashed Khalid Al-Dulajjan  
Vice President, Finance

Sahara International Petrochemical Company  
A Saudi Joint Stock Company  
Consolidated statement of comprehensive income  
For the year ended 31 December 2022  
Expressed in Saudi Riyals in thousands unless otherwise stated

	Notes	31 December 2022	31 December 2021 (restated- note 38)
<b>Profit for the year</b>		<b>3,953,075</b>	<b>4,008,397</b>
<b>Other comprehensive (loss) / income</b>			
<i>Items that will be reclassified to profit or loss in subsequent periods:</i>			
Exchange difference on translation of foreign operations		(2,476)	(387)
Changes in fair value of derivative financial instruments designated as hedges		-	6,880
		<b>(2,476)</b>	<b>6,493</b>
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>			
Re-measurement gains on defined benefit plans	22	42,406	42,496
Share of re-measurement (loss) gains on defined benefit plans from equity accounted investees	22	(935)	3,274
Changes in fair value of financial assets at fair value through other comprehensive income	10.4	(217)	355
		<b>41,254</b>	<b>46,127</b>
<b>Total other comprehensive income for the year</b>		<b>38,778</b>	<b>52,620</b>
<b>Total comprehensive income for the year</b>		<b>3,991,853</b>	<b>4,061,017</b>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company		<b>3,634,936</b>	<b>3,643,748</b>
Non-controlling interests	5	<b>356,917</b>	<b>417,269</b>
<b>Total comprehensive income for the year</b>		<b>3,991,853</b>	<b>4,061,017</b>

The accompanying notes 1 through 38 form an integral part of these consolidated financial statements.



Khalid Abdullah Al-Zamil  
Chairman of the Board



Abdullah Saif Al-Saadoon  
Chief Executive Officer



Rushdi Khalid Al-Dulajjan  
Vice President, Finance

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Sahara International Petrochemical Company  
A Saudi Joint Stock Company  
Consolidated statement of changes in equity  
For the year ended 31 December 2022  
Expressed in Saudi Riyals in thousands unless otherwise stated

	Attributable to the equity holders of Company						Non-controlling interest	Total	
	Share capital	Share premium	Treasury shares	Statutory reserve	Other reserves (note 19)	Retained earnings			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

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Sahara International Petrochemical Company  
A Saudi Joint Stock Company  
Consolidated statement of changes in equity (continued)  
For the year ended 31 December 2022  
Expressed in Saudi Riyals in thousands unless otherwise stated

	Attributable to the equity holders of Company (restated – note 38)						Non-controlling interest	Total	
	Share Capital	Share premium	Treasury shares	Statutory reserve	Other reserves (note 19)	Retained earnings			Total
As at 1 January 2021 (restated - note 38)	7,333,333	4,174,760	(59,990)	1,252,936	(111,885)	397,522	12,986,676	856,763	13,843,439
Profit for the year (restated - note 38)	-	-	-	-	-	3,591,844	3,591,844	416,553	4,008,397
Other comprehensive income (restated - note 38)	-	-	-	-	51,904	-	51,904	716	52,620
Total comprehensive income	-	-	-	-	51,904	3,591,844	3,643,748	417,269	4,061,017
Transfer to retained earnings	-	-	-	-	(19,915)	19,915	-	-	-
Purchase of non-controlling interest	-	-	-	-	(392,388)	-	(392,388)	165,976	(226,412)
Repurchase of treasury shares	-	(5,469)	(7,959)	-	-	-	(13,428)	-	(13,428)
Net change in other reserves	-	-	-	-	(3,344)	-	(3,344)	-	(3,344)
Transfer to statutory reserve	-	-	-	359,185	-	(359,185)	-	-	-
Dividends	-	-	-	-	-	(1,636,115)	(1,636,115)	(303,079)	(1,939,194)
As at 31 December 2021 (restated - note 38)	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

The accompanying notes 1 through 38 form an integral part of these consolidated financial statements

Khalid Abdullah Al-Zamil  
Chairman of the Board

Abdullah Saif Al-Saadoon  
Chief Executive Officer

Rushdi Khalid Al-Dulajjan  
Vice President, Finance

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**Sahara International Petrochemical Company**  
**A Saudi Joint Stock Company**  
**Consolidated statement of cash flows**  
**For the year ended 31 December 2022**  
**Expressed in Saudi Riyals in thousands unless otherwise stated**

	Notes	31 December 2022	31 December 2021 (restated- note 38)
<b>Cash flow from operating activities</b>			
Profit before zakat and income tax for the year		4,184,171	4,457,459
<i>Non-cash adjustments to reconcile profit before zakat and income tax to net cash flows:</i>			
Depreciation	6,7	801,210	780,546
Impairment loss on non-financial assets		-	180,000
Amortization of intangible assets	8,12	122,178	227,970
Amortization of contractual liabilities		(9,888)	(14,746)
Share of profit from equity accounted investees	9	(364,800)	(479,756)
Provision for employees' benefits	22	65,895	73,968
Provision for expected credit loss		-	35,567
Provision for precious metals	24.1	64,775	205,774
Loss/(gain) on disposal of property, plant and equipment		2,604	(10,569)
Property, plant and equipment - written off		26,820	-
Fair value loss on investments		3,754	-
Net foreign exchange difference		317	(1,306)
Finance income		(51,277)	(28,632)
Finance cost		244,916	314,931
		<b>5,090,877</b>	<b>5,720,206</b>
<b>Changes in:</b>			
Trade receivables		690,037	(806,264)
Inventories		(257,707)	(233,318)
Prepayments and other current assets		(13,163)	(36,107)
Trade payables, accrued expenses and other current liabilities		72,238	315,784
Long term prepaid employees' benefits	12	69,356	152,443
<b>Cash flows from operations</b>		<b>5,651,638</b>	<b>5,112,744</b>
Employees' benefits paid		(25,748)	(133,642)
Zakat and income tax paid	25	(306,606)	(97,867)
<b>Net cash generated from operating activities</b>		<b>5,319,284</b>	<b>4,881,235</b>
<b>Cash flow from investing activities</b>			
Additions to property, plant and equipment	6	(584,714)	(364,880)
Additions to intangibles	8	(46,872)	(288,141)
Sale Proceeds from disposal of property, plant and equipment		135	18,900
Placements in short term investments		(1,359,000)	(1,032,949)
Redemption of short term investments		1,229,000	1,325,849
Maturity of long term investments		56,999	17,145
Finance income received		45,841	20,484
Dividend received from an associate investment in a joint venture	9	398,738	63,410
		(2,500)	-
<b>Net cash used in investing activities</b>		<b>(262,373)</b>	<b>(240,182)</b>

**Sahara International Petrochemical Company**  
**A Saudi Joint Stock Company**  
**Consolidated statement of cash flows (continued)**  
**For the year ended 31 December 2022**  
**(All amounts in Saudi Riyals in thousands unless otherwise stated)**

	Notes	31 December 2022	31 December 2021 (restated- note 38)
<b>Cash flow from financing activities</b>			
Proceeds from long term borrowings		202,000	1,769,148
Repayment of long term borrowings		(2,245,403)	(3,900,597)
Proceeds from short term borrowings		-	70,000
Purchase of treasury shares		(134,341)	(13,428)
Dividends paid to shareholders		(2,358,577)	(1,536,115)
Dividends paid to non-controlling shareholders		(392,661)	(303,079)
Finance cost paid		(227,924)	(225,430)
Payment of lease liabilities	7.4	(9,500)	(6,826)
Purchase of additional shares in subsidiaries		(97,881)	(226,412)
<b>Net cash used in financing activities</b>		<b>(5,264,287)</b>	<b>(4,472,739)</b>
<b>Net change in cash and cash equivalents</b>			
Cash and cash equivalents at 1 January		(207,376)	188,314
Effect of exchange rate fluctuations		2,666,104	2,496,871
<b>Cash and cash equivalents at 31 December</b>		<b>(2,793)</b>	<b>919</b>
		<b>2,455,935</b>	<b>2,686,104</b>

The accompanying notes 1 through 38 form an integral part of these consolidated financial statements.



**Khalid Abdullah Al-Zamil**  
Chairman of the Board



**Abdullah Saif Al-Saadoon**  
Chief Executive Officer



**Rushdi Khalid Al-Dulain**  
Vice President, Finance

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**Sahara International Petrochemical Company**  
**A Saudi Joint Stock Company**  
**Notes to the consolidated financial statements**  
**For the year ended 31 December 2022**  
**(All amounts 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. The Company had the following subsidiaries (the Company and its subsidiaries hereinafter collectively referred to as "the Group"):

<b>Subsidiaries</b>	<b>Note</b>	<b>Country of incorporation and principal place of business</b>	<b>Effective ownership percentage at 31 December</b>	
			<b>2022</b>	<b>2021</b>
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%	97%
International Vinyl Acetate Company ("IVC")	1.5	Saudi Arabia	100%	97%
International Gases Company ("IGC")	1.6	Saudi Arabia	100%	97%
Sipchem Marketing Company ("SMC")	1.7	Saudi Arabia	100%	100%
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%	91.2%
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%



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**1. General Information (continued)**

**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. During 2021, Sipchem purchased additional shares in IAC from the minority shareholder to increase its shareholding to 97% for a cash consideration of SR 129 million, resulting in a difference between the consideration and the carrying amount of SR 2.3 million which has been included in other reserves under statement of changes in equity being a transaction between shareholders in their capacity as shareholders. During 2022, Sipchem acquired the remaining shares from the minority shareholder to increase its ownership to 100% for a cash consideration of SR 48.8 million, resulting in a difference between the consideration and the carrying amount of SR 14.5 million which has been included in other reserves under statement of changes in equity being a transaction between shareholders in their capacity as shareholders.

**1.5.** The principal activity of IVC is manufacturing and sale of vinyl acetate monomer. IVC commenced its commercial operations in 2010. During 2021, Sipchem purchased additional shares in IVC from the minority shareholder to increase its shareholding to 97% for a cash consideration of SR 96 million, resulting in a difference between the consideration and the carrying amount of SR 4.3 million which has been included in other reserves under statement of changes in equity being a transaction between shareholders in their capacity as shareholders. During 2022, Sipchem acquired the remaining shares from the minority shareholder to increase its ownership to 100% for a cash consideration of SR 36.4 million, resulting in a difference between the consideration and the carrying amount of SR 46.5 million which has been included in other reserves under statement of changes in equity being a transaction between shareholders in their capacity as shareholders.

**1.6.** The principal activity of IGC is the manufacturing and sale of carbon monoxide. IGC commenced its commercial operations in June 2010. During 2022, Sipchem purchased additional shares in IGC from the minority shareholder to increase its shareholding to 100% for a cash consideration of SR 12.8 million, resulting in a difference between the consideration and the carrying amount of SR 17.2 million which has been included in other reserves under statement of changes in equity being a transaction between shareholders in their capacity as shareholders.

**1.7.** The principal activities of SMC, Sipchem Europe Cooperative U.A and its 100% owned subsidiaries including Sipchem Europe B.V. and Sipchem Europe SA , Sipchem Asia Pte Limited and SaMC are to provide marketing and distribution services for the products manufactured by the Group and other petrochemical products.

**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) and polyvinyl alcohol (PVA). IPC commenced its commercial operations in 2015.

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**1. General Information (continued)**

**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.

**1.11.** The principal activity of SSPC is the manufacture and sale of metal moulds and related services as well as production of Ethylene-Vinyl Acetate (EVA) films. Tool manufacturing facility commenced commercial operations in 2016 and the EVA film plant commenced commercial operations in 2019.

**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. Joint operation**

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

**1.14. Equity accounted investees**

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

	<b>Effective ownership percentage at 31 December</b>	
	<b>2022</b>	<b>2021</b>
<b>Joint ventures</b>		
Sahara and Ma'aden Petrochemicals Company ("SAMAPCO")	<b>50%</b>	50%
Gulf Advanced Cable Insulation Company ("GACI") (note 1.14.1)	<b>50%</b>	50%
Linde Sipchem Industrial Gases Company ("LSIG")	<b>50%</b>	-
<b>Associates</b>		
Tasnee and Sahara Olefins Company ("TSOC")	<b>32.55%</b>	32.55%
Saudi Acrylic Acid Company ("SAAC")	<b>43.16%</b>	43.16%
Khair Inorganic Chemicals Industries Company ("Inochem")	<b>30%</b>	30%

**1.14.1.** The Company holds 50% shareholding in GACI. During 2022, the Company re-assessed its position in relation to control over GACI and concluded that GACI meets the definition of a joint venture and accordingly should be equity accounted. GACI was being consolidated in 2021 and previous years. Based on the re-assessment, 2021 balances have been re-stated to consider the investment as equity accounted.

**2. Significant accounting policies**

Significant 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.

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## **2. Significant accounting policies (continued)**

### **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:

- Investment in certain equity securities and certain financial assets measured at fair value;
- The defined benefit obligation for employees' end of service liability is recognised using the Projected Unit Credit Method;

#### *(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 2022:

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37
- Annual Improvements to IFRS Standards 2018-2020
- Reference to the Conceptual Framework – Amendments to IFRS 3

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 2022 reporting periods and have not been early adopted by the group:

- Amendments to IAS 1: Classification of Liabilities as Current or Non-current
- Definition of Accounting Estimates – (Amendments to IAS 8)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

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.

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**2. Significant accounting policies (continued)**

*(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 2022 except for joint operations which are 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.

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.

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## **2. Significant accounting policies (continued)**

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. 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.

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## **2. Significant accounting policies (continued)**

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 Business combination and goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of fair value of the consideration transferred, which is measured at the acquisition date fair value and the amount of any non-controlling interests in the acquiree. The consideration comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

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## **2. Significant accounting policies (continued)**

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase. 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.

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.

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## **2. Significant accounting policies (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 initially 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.

On certain transactions, related to sale of goods, the Group, due to the underlying incoterms is responsible for shipping and handling to the customer after the title and control of the underlying goods has been transferred. The Group management has concluded that under such arrangements, the Group acts as an agent as the primary responsibility of providing the services lies with the shipper, the inventory risk passes to the customer through transfer of title and control and the prices agreed by the Group for such services are passed on to the customer without any margins. Accordingly, for shipping and handling, the Group records the revenue net of the related expenses.

### *b) 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.

### ***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.



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**2 Significant accounting policies (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:

<b>Class of assets</b>	<b>No of Years</b>
- Buildings and lease hold improvements	10 - 33.33
- Plant and machinery	1.5 - 30
- Computers	4
- Furniture and fixtures	2 - 10
- Office equipment	2 - 20
- Vehicles	4
- Catalysts and tools	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.

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**2. Significant accounting policies (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. 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. During the period of development, the asset is tested for impairment annually. A summary of the policies applied to the Group's intangible assets is as follows:

	Software license & project related cost	Deferred costs	Right to use	Customer contract
Useful lives	Up to 10 years	10 - 15 years	12 - 16 years	30 years
Amortisation method used	Amortised on a straight-line basis over the useful life	Amortised on a straight-line basis over the period of expected future benefits from the related project	Amortised on a straight-line basis over the period of expected future benefits from the related project	Amortised on a straight-line basis over the useful life
Internally generated or acquired	Acquired	Internally generated/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.

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**2. Significant accounting policies (continued)**

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.

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 IT equipment. 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.

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**2. Significant accounting policies (continued)**

**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.

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.

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**2. Significant accounting policies (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.

**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, if any. 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, if any, 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.

**Interest 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.

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**2 Significant accounting policies (continued)**

**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. 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.

*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.

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## **2. Significant accounting policies (continued)**

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 cost.

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## **2. Significant accounting policies (continued)**

### *Decommissioning liability*

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 cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied, are added to or deducted from the cost of the asset.

### **2.18 Zakat and income tax**

The Group is subject to zakat and income tax in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"). Zakat and income taxes are initially recorded in profit or loss based on an estimate. Any difference in the estimate is recorded in profit or loss when the final assessment is approved, at which time the provision is cleared.

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 Arabian subsidiaries. Foreign subsidiaries are subject to income taxes in their respective countries of domicile.

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, in the Kingdom of Saudi Arabia 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.

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 Saudi Arabian subsidiaries operate their respective unfunded end of service defined benefit plans driven by the Labor Laws of KSA. 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



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## **2. Significant accounting policies (continued)**

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 Group 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 over the period during which the employees remain in the HOP.

### **2.21 Employees' savings plan (thrift plan)**

The Group maintains an employee's savings plan for Saudi employees. Under the plan the employees contribute a portion of their salary to the plan and the Group contributes the same amount. The contributions from the employees are deposited in separate bank account which is in the Group's name and may be invested on behalf of the employees. The Group's contribution under the savings plan is charged to profit or loss. The underlying asset (bank account) is presented under cash and cash equivalents and the liability is recorded under employees' benefits.

### **2.22 Dividends**

Dividends are recorded in the consolidated financial statements in the period in which they are approved by the Annual General Assembly. Interim dividends are recorded as and when approved by the Board of Directors.

### **2.23 Share based payments transactions**

Employees of the group receives some remuneration in the form of share based payment, 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. 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.

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## **2. Significant accounting policies (continued)**

### **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.

### **2.26 Statutory reserves**

In accordance with Company's Articles of Association, 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 dividend distribution.

### **2.27 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.

### **2.28 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.

### **2.29 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.

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## **2. Significant accounting policies (continued)**

### **2.30 Precious metals**

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.

Upon completion of the contract, the Group is obliged to return the full quantity of such precious metals to the bank. In case of a shortfall, due to consumption of such precious metals in the production process, the Group is required to either purchase the shortfall from the market or to settle the amount in cash at market rates of such precious metals. Management of the Group believes that the underlying plant has a finite useful life, at the end of which 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, at each reporting period, the Group assesses the physical quantities of such precious metals in hand and records a provision for the shortfall based on market price of the precious metal at the reporting date with the resulting charge or gain recorded in cost of sales.

### **2.31 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.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized 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.

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**2. Significant accounting policies (continued)**

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.

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 2022 and 2021, 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 and assumptions**

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. Significant judgments relate to home-ownership plan and precious metals and are disclosed in their relevant accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and judgments concerning the future. The resulting accounting estimates will by definition, seldom equal the related actual results.

The 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 21.

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**3. Significant accounting estimates and assumptions (continued)**

*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 of goodwill 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.

*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 2022, 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 SR 79.4 million.

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**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 and electrical connecting wire products.
- **Trading**, which includes trading revenues of Sipchem Marketing Company and its foreign subsidiaries.
- **Corporate and others**, which includes Sipchem, EVA films and Tool manufacturing plant. This segment also includes Sahara's enabling functions and support activities.

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

<b>Year ended 31 December 2022</b>	<b>Basic chemicals</b>	<b>Intermediate chemicals</b>	<b>Polymers</b>	<b>Trading</b>	<b>Corporate and others</b>	<b>Inter segment transaction elimination</b>	<b>Total</b>
<b>Revenue</b>							
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)	-
<b>Total revenue</b>	<b>3,184,341</b>	<b>4,639,421</b>	<b>3,360,814</b>	<b>8,048,281</b>	<b>28,076</b>	<b>(9,007,305)</b>	<b>10,253,628</b>
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	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
<b>Profit before zakat and tax</b>	<b>1,626,411</b>	<b>1,253,228</b>	<b>694,084</b>	<b>259,621</b>	<b>251,375</b>	<b>99,452</b>	<b>4,184,171</b>
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

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**4. SEGMENT INFORMATION (continued)**

Year ended 31 December 2021	Basic chemicals	Intermediate chemicals	Polymers*	Trading	Corporate and others	Inter segment transaction elimination	Total
Revenue							
External customers - KSA	114,780	-	-	647,887	16,527	-	779,194
External customers - foreign countries	2,609,947	2,848,760	3,427,479	21,314	-	-	8,907,500
Inter-segment	421,319	1,456,561	27,196	6,766,112	-	(8,671,188)	-
<b>Total revenue</b>	<b>3,146,046</b>	<b>4,305,321</b>	<b>3,454,675</b>	<b>7,435,313</b>	<b>16,527</b>	<b>(8,671,188)</b>	<b>9,686,694</b>
Gross profit/(loss)	1,985,883	1,706,369	1,416,351	335,889	(20,005)	(82,132)	5,342,355
Operating costs	1,380,751	2,916,386	2,413,297	7,166,277	157,774	(8,649,222)	5,385,263
Operating profit/(loss)	1,765,295	1,388,935	1,041,378	269,036	(141,247)	(21,966)	4,301,431
Share of profit from equity accounted investees	-	-	-	-	479,756	-	479,756
<b>Profit/(loss) before zakat and tax</b>	<b>1,697,279</b>	<b>1,256,767</b>	<b>931,865</b>	<b>267,585</b>	<b>687,315</b>	<b>(383,352)</b>	<b>4,457,459</b>
Total assets	3,838,652	5,955,119	7,208,711	2,060,727	26,733,649	(21,331,788)	24,465,070
Total liabilities	1,895,142	1,895,612	2,927,891	1,651,673	4,844,086	(4,471,412)	8,742,992
Capital expenditure	80,116	224,068	116,461	76,881	243,646	-	741,172

\*Polymers segment includes an impairment loss of Nil (2021: SR 160 million).

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 at a point in time amounting to SR 10,235 million (2021: SR 9,670 million). Revenue over time amounting to SR 19 million (2021: SR 17 million) and is included in "corporate and others" segment.

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**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:**

<b>Subsidiaries</b>	<b>Country of Incorporation</b>	<b>2022</b>	<b>2021</b>
International Methanol Company ("IMC")	KSA	35%	35%
International Acetyl Company ("IAC")	KSA	-	3%
International Vinyl Acetate Company ("IVC")	KSA	-	3%
International Gases Company ("IGC")	KSA	-	3%
International Polymers Company ("IPC")	KSA	25%	25%

**The summarized information of these subsidiaries is provided below:**

Summarized statements of financial position as at 31 December 2022

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

Summarized statements of financial position as at 31 December 2021

	<b>IMC</b>	<b>IAC</b>	<b>IVC</b>	<b>IGC</b>	<b>IPC</b>	<b>Total</b>
Current assets	585,709	411,798	915,768	139,196	819,400	2,871,871
Non-current assets	1,350,862	2,287,925	1,602,471	959,895	2,298,135	8,499,288
Current liabilities	(209,870)	(577,933)	(469,373)	(167,318)	(346,969)	(1,771,463)
Non-current liabilities	(121,632)	(236,990)	(40,532)	(247,770)	(761,937)	(1,408,861)
Equity	1,605,069	1,884,800	2,008,334	684,003	2,008,629	8,190,835
<b>Attributable to:</b>						
<b>Equity holders of the Company</b>	<b>1,057,527</b>	<b>1,828,575</b>	<b>1,945,932</b>	<b>659,817</b>	<b>1,562,055</b>	<b>7,053,906</b>
<b>Non-controlling interests</b>	<b>547,542</b>	<b>56,225</b>	<b>62,402</b>	<b>24,186</b>	<b>446,574</b>	<b>1,136,929</b>



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**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	(464)	279	892	(404)	(2,264)	(1,961)
<b>Total comprehensive income</b>	<b>616,039</b>	<b>338,299</b>	<b>903,813</b>	<b>117,467</b>	<b>645,867</b>	<b>2,621,485</b>
<b>Attributable to:</b>						
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

Summarized statements of comprehensive income for the year ended 31 December 2021

	IMC	IAC	IVC	IGC	IPC	IDC	Total
Revenue	1,318,430	1,308,013	2,260,899	317,349	1,682,703	1,038,763	7,926,157
Profit/(loss) before Zakat and tax	733,869	281,268	864,641	55,956	824,101	507,374	3,267,209
Profit/(loss) after Zakat and tax	661,937	267,602	805,668	48,353	766,437	493,262	3,043,259
Other comprehensive income	448	-	34	37	196	-	715
<b>Total comprehensive income/(loss)</b>	<b>662,385</b>	<b>267,602</b>	<b>805,702</b>	<b>48,390</b>	<b>766,633</b>	<b>493,262</b>	<b>3,043,974</b>
<b>Attributable to:</b>							
Equity holders of the Company	461,042	257,690	776,326	46,674	598,313	486,660	2,626,705
Non-controlling interests	201,343	9,912	29,376	1,716	168,320	6,602	417,269
Dividends to non-controlling interest	179,726	-	-	6,000	117,353	-	303,079

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**5. NON-CONTROLLING INTERESTS (continued)**

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

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

Summarized statement of cash flows for the year ended 31 December 2021

	<b>IMC</b>	<b>IAC</b>	<b>IVC</b>	<b>IGC</b>	<b>IPC</b>	<b>Total</b>
Cash flow generated from/(used in) operating activities	877,351	526,201	889,409	121,551	904,233	3,318,745
Cash flow (used in)/from investing activities	(37,626)	(35,320)	(148,493)	544	(35,821)	(256,716)
Cash flow (used in)/from financing activities	(669,285)	(454,570)	(444,112)	(176,249)	(705,509)	(2,449,725)
Cash and cash equivalents at 31 December 2021	320,417	112,995	346,919	25,944	282,327	1,088,602

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6. PROPERTY, PLANT AND EQUIPMENT

<u>2022</u>	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
<b><u>Cost:</u></b>						
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	<u>1,218,517</u>	<u>19,147,420</u>	<u>999,862</u>	<u>308,524</u>	<u>885,526</u>	<u>22,559,849</u>
<b><u>Accumulated depreciation:</u></b>						
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	<u>333,262</u>	<u>9,276,179</u>	<u>800,933</u>	<u>205,466</u>	<u>-</u>	<u>10,615,840</u>
Carrying amount at 31 December 2022	<u>885,255</u>	<u>9,871,241</u>	<u>198,929</u>	<u>103,058</u>	<u>885,526</u>	<u>11,944,009</u>

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**6. PROPERTY, PLANT AND EQUIPMENT (continued)**

<u>2021</u>	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
<u>Cost:</u>						
At 1 January 2021	1,214,355	18,874,118	819,920	305,389	574,066	21,787,848
Additions	877	48,582	30,941	529	283,951	364,880
Transfers	375	30,790	27,654	-	(58,819)	-
Transfers to intangibles	-	-	-	-	(119,682)	(119,682)
Disposals	(2,333)	(556)	(14,284)	(1,082)	(5,744)	(23,999)
At 31 December 2021	1,213,274	18,952,934	864,231	304,836	673,772	22,009,047
<u>Accumulated depreciation:</u>						
At 1 January 2021	260,039	7,820,339	634,783	193,553	-	8,908,714
Depreciation charge for the year	36,829	652,874	77,265	6,099	-	773,067
Impairment loss	-	160,000	-	-	-	160,000
Disposals	(710)	(239)	(14,284)	(436)	-	(15,669)
At 31 December 2021	296,158	8,632,974	697,764	199,216	-	9,826,112
Carrying amount at 31 December 2021	917,116	10,319,960	166,467	105,620	673,772	12,182,935

## **6. PROPERTY, PLANT AND EQUIPMENT (continued)**

### **6.1. Capital work in progress**

The Group's capital work-in-progress as at 31 December 2022 amounting to SR 885.5 million (2021: SR 673.8 million) comprises mainly of turnaround costs and other costs related to several projects for improvements and enhancements of operating plants.

### **6.2. Property, plant and equipment – pledged**

Certain items of the Group's property, plant and equipment with a carrying amount of Nil (2021: SR 850.3 million) are pledged as security against bank loans and Saudi Industrial Development Fund Loans (note 20).

### **6.3. Impairment**

Management of the Group, in line with its strategy of improving profitability and efficiency of operations, and ensuring the best level of liquidity and stability, decided to mothball the operations of PBT during 2021. Consequently, the Group fully impaired PBT up to its residual value and an impairment loss of SR 160 million was recognized in 2021. This is in addition to an impairment loss of SR 150 million previously recognized in 2019 and SR 300 million previously recognised in 2016.

The Group presents the statement of profit or loss by function where impairment losses are included either before or after gross profit depending on their nature. The Group's management has recorded impairment losses related to the aforementioned CGUs as a separate line item in the statement of profit or loss after gross profit but within operating profit as these CGUs were idle i.e. not generating revenues.

Furthermore, all other CGUs were analyzed by the management as at 31 December 2022. Based on the analysis, no indicators for impairment exist.

### **6.4. Assets written off**

Certain assets related to SSPC plant having a carrying amount of SR 26.8 million (2021: Nil) were written off during the year. Also see note 31.

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## 7. LEASES

The Group leases several land 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:

	<b>Land</b>	<b>Vehicles</b>	<b>Total</b>
<b>Balance as at 1 January 2022</b>	<b>118,669</b>	<b>1,290</b>	<b>119,959</b>
<b>Depreciation charge for the year</b>	<b>(6,873)</b>	<b>(267)</b>	<b>(7,140)</b>
<b>Adjustment</b>	<b>(8,184)</b>	<b>-</b>	<b>(8,184)</b>
<b>Balance as at 31 December 2022</b>	<b>103,612</b>	<b>1,023</b>	<b>104,635</b>
Balance as at 1 January 2021	57,956	3,018	60,974
Depreciation charge for the year	(5,650)	(1,829)	(7,479)
Additions during the year	39,039	101	39,140
Modification during the year*	27,324	-	27,324
Balance as at 31 December 2021	118,669	1,290	119,959

### 7.2. Lease liabilities

<u>2022</u>	<b>Land</b>	<b>Vehicles</b>	<b>Total</b>
<b>Current portion</b>	<b>3,152</b>	<b>527</b>	<b>3,679</b>
<b>Non-current portion</b>	<b>134,697</b>	<b>472</b>	<b>135,169</b>
<b>Balance as at 31 December 2022</b>	<b>137,849</b>	<b>999</b>	<b>138,848</b>
<u>2021</u>			
Current portion	9,492	1,247	10,739
Non-current portion	153,044	944	153,988
Balance as at 31 December 2021	162,536	2,191	164,727

\*Modification represents increase/modification of rentals related to industrial land lease by Royal Commission for Jubail and Yanbu.

### 7.3 Amounts recognized in statement of profit or loss

<b>Leases under IFRS 16</b>	<b>2022</b>	<b>2021</b>
Depreciation charge for the year	<b>7,140</b>	7,473
Interest on lease liabilities	<b>4,588</b>	4,791
	<b>11,728</b>	12,264

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**7. LEASES (continued)**

**7.4 Amounts recognized in statement of cash flow**

	<b>2022</b>	2021
Payment of lease liabilities	<b>9,500</b>	6,826

There were no significant non-cash movement in the balances during the years ended 31 December 2022 and 2021.

**8. INTANGIBLE ASSETS**

	<b>Computer Software</b>	<b>Rights</b>	<b>Customer contracts</b>	<b>Total</b>
<b>Costs:</b>				
<b>Balance as at 1 January 2022</b>	<b>332,932</b>	<b>746,052</b>	<b>6,750</b>	<b>1,085,734</b>
<b>Additions</b>	<b>6,517</b>	<b>40,355</b>	<b>-</b>	<b>46,872</b>
<b>Transfers (note 6)</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>11</b>
<b>Balance as at 31 December 2022</b>	<b>339,460</b>	<b>786,407</b>	<b>6,750</b>	<b>1,132,617</b>

**Accumulated amortization:**

<b>Balance as at 1 January 2022</b>	<b>320,157</b>	<b>158,846</b>	<b>582</b>	<b>479,585</b>
<b>Amortization</b>	<b>11,851</b>	<b>87,869</b>	<b>225</b>	<b>99,945</b>
<b>Balance as at 31 December 2022</b>	<b>332,008</b>	<b>246,715</b>	<b>807</b>	<b>579,530</b>

<b>Carrying amount at 31 December 2022</b>	<b>7,452</b>	<b>539,692</b>	<b>5,943</b>	<b>553,087</b>
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	<b>Computer Software</b>	<b>Rights</b>	<b>Customer contracts</b>	<b>Total</b>
<b>Costs:</b>				
<b>Balance as at 1 January 2021</b>	<b>210,109</b>	<b>461,052</b>	<b>6,750</b>	<b>677,911</b>
<b>Additions</b>	<b>3,141</b>	<b>285,000</b>	<b>-</b>	<b>288,141</b>
<b>Transfers (note 6)</b>	<b>119,682</b>	<b>-</b>	<b>-</b>	<b>119,682</b>
<b>Balance as at 31 December 2021</b>	<b>332,932</b>	<b>746,052</b>	<b>6,750</b>	<b>1,085,734</b>

**Accumulated amortization:**

<b>Balance as at 1 January 2021</b>	<b>169,107</b>	<b>129,148</b>	<b>357</b>	<b>298,612</b>
<b>Amortization</b>	<b>151,050</b>	<b>29,698</b>	<b>225</b>	<b>180,973</b>
<b>Balance as at 31 December 2021</b>	<b>320,157</b>	<b>158,846</b>	<b>582</b>	<b>479,585</b>

<b>Carrying amount at 31 December 2021</b>	<b>12,775</b>	<b>587,206</b>	<b>6,168</b>	<b>606,149</b>
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Computer software mainly includes SAP and other programs which management has capitalized and amortization is calculated on 5 -10 years of useful life.

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 10-15 years based on the inflow of economic benefits to the Group.

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.

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**9. INVESTMENTS IN EQUITY ACCOUNTED INVESTEES**

	<b>Notes</b>	<b>2022</b>	<b>2021</b>
Investment in joint ventures	9.1	<b>411,344</b>	308,169
Investment in associates	9.2	<b>3,549,137</b>	3,682,425
		<b>3,960,481</b>	3,990,594

**9.1. Investment in joint ventures**

	<b>Notes</b>	<b>2022</b>	<b>2021</b>
Sahara and Ma'aden Petrochemical Company	9.1.1	<b>386,490</b>	280,998
Gulf Advanced Cable Insulation Company		<b>23,758</b>	27,171
Linde Sipchem Industrial Gases Company		<b>1,096</b>	-
		<b>411,344</b>	308,169

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

	<b>2022</b>	<b>2021</b>
Non-current assets	<b>2,197,309</b>	2,267,675
Current assets (excluding cash and cash equivalents)	<b>248,493</b>	530,901
Cash and cash equivalents	<b>103,280</b>	121,889
Total current assets	<b>351,773</b>	652,790
Non-current liabilities	<b>(1,582,388)</b>	(2,080,986)
Trade payables	<b>(58,460)</b>	(94,089)
Other current liabilities	<b>(110,707)</b>	(184,024)
Total current liabilities	<b>(169,167)</b>	(278,113)

**Reconciliation to carrying amount:**

	<b>2022</b>	<b>2021</b>
Share in net assets as at 1 January	<b>280,998</b>	120,628
Share of profit	<b>106,221</b>	157,653
Share of changes in other comprehensive income	<b>(729)</b>	2,717
Carrying amount of investment as at 31 December	<b>386,490</b>	280,998



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**9. INVESTMENTS IN EQUITY ACCOUNTED INVESTEES (continued)**

**Summarized income statement of SAMAPCO:**

	<b>2022</b>	2021
Revenue	<b>1,023,821</b>	1,143,288
Cost of revenue	<b>(614,116)</b>	(628,927)
Depreciation and amortisation	<b>(123,592)</b>	(116,735)
Financial costs	<b>(81,198)</b>	(58,138)
Financial income	<b>3,899</b>	242
Profit before zakat	<b>243,769</b>	332,756
Zakat	<b>(6,149)</b>	(17,450)
Profit after zakat	<b>237,620</b>	315,306
Other comprehensive (loss) / income	<b>(1,459)</b>	5,435
Total comprehensive income	<b>234,703</b>	320,741

**9.2. Investment in associates**

	<b>Notes</b>	<b>2022</b>	2021
Tasnee and Sahara Olefins Company	9.2.1	<b>3,365,553</b>	3,492,672
Khair Inorganic Chemical Industries Company	9.2.2	<b>183,584</b>	189,753
Saudi Acrylic Acid Company	9.2.3	-	-
		<b>3,549,137</b>	3,682,425

**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 summarised 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:

	<b>2022</b>	2021
Non-current assets	<b>12,083,318</b>	12,788,320
Current assets	<b>1,526,016</b>	1,268,769
Non-current liabilities	<b>(425,658)</b>	(1,967,400)
Current liabilities	<b>(1,919,068)</b>	(633,040)
<b>Net assets</b>	<b>11,264,608</b>	11,456,649

**Reconciliation to carrying amount:**

	<b>2022</b>	2021
Balance as at 1 January	<b>3,492,672</b>	3,178,072
Share of profit	<b>271,619</b>	378,010
Dividends	<b>(398,738)</b>	(63,410)
Balance as at 31 December	<b>3,365,553</b>	3,492,672

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**9. INVESTMENTS IN EQUITY ACCOUNTED INVESTEES (continued)**

**Summarized income statement of TSOC:**

	<b>2022</b>	2021
Revenue	<b>985,768</b>	1,099,855
Share of profit in associated companies	<b>554,498</b>	911,532
Profit after zakat	<b>834,466</b>	1,334,193
Total comprehensive income	<b>834,466</b>	1,334,193

**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. The commercial operations are not yet started. The Group's interest in Inochem is accounted for using the equity method in the consolidated financial statements. The tables below provide summarised 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.

	<b>2022</b>	2021
Non-current assets	<b>2,189,824</b>	1,700,137
Current assets	<b>9,759</b>	18,993
Non-current liabilities	<b>(1,467,600)</b>	(861,351)
Current liabilities	<b>(177,957)</b>	(284,629)
<b>Net assets</b>	<b>554,026</b>	573,150

**Reconciliation to carrying amount:**

	<b>2022</b>	2021
Balance as at 1 January	<b>189,753</b>	194,614
Share of loss	<b>(6,169)</b>	(4,861)
Balance as at 31 December	<b>183,584</b>	189,753

	<b>2022</b>	2021
Share of net current assets	<b>165,111</b>	171,280
Goodwill	<b>18,473</b>	18,473
Balance as at 31 December	<b>183,584</b>	189,753

**Summarized income statement of Inochem:**

	<b>2022</b>	2021
General and administrative expenses	<b>(20,948)</b>	(16,612)
Loss after zakat	<b>(20,869)</b>	(13,557)
Total comprehensive loss	<b>(20,452)</b>	(13,557)

**9.2.3 Saudi Acrylic Acid Company (SAAC)**

The Group's interest in SAAC is accounted for using the equity method 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 2022 and 2021, management assessed and concluded that there were no indicators for reversal of impairment.

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**10. LONG TERM INVESTMENTS**

	<b>Notes</b>	<b>2022</b>	<b>2021</b>
At fair value through profit or loss ("FVTPL")	10.1	<b>130,266</b>	191,019
At fair value through other comprehensive income ("FVOCI")	10.2	<b>15,660</b>	15,877
		<b>145,926</b>	206,896
At amortized cost	10.3	<b>45,000</b>	45,000
		<b>190,926</b>	251,896

**10.1. At FVTPL**

	<b>2022</b>	<b>2021</b>
<b>Listed securities</b>		
Riyad REIT Fund	<b>37,050</b>	73,875
<b>Unlisted securities</b>		
Mutual fund units	<b>93,216</b>	117,144
	<b>130,266</b>	191,019

**10.2. At FVOCI**

	<b>2022</b>	<b>2021</b>
Equity shares	<b>15,660</b>	15,877

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). Break-up is as follows:

	<b>Date of maturity</b>	<b>Number of certificates</b>		<b>Amount</b>	
		<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Ma'aden Phosphate	February 2025	<b>50,000</b>	50,000	<b>5,000</b>	5,000
Banque Saudi Fransi	November 2025	<b>40</b>	40	<b>40,000</b>	40,000
				<b>45,000</b>	45,000

Presented in the statement of financial position as follows:

	<b>2022</b>	<b>2021</b>
Non-current assets	<b>45,000</b>	45,000
Current assets	-	-
	<b>45,000</b>	45,000

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

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

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**10. LONG TERM INVESTMENTS (continued)**

	FVTPL	FVOCI
Balance as at 1 January 2021	184,845	15,522
Purchases	6,000	-
Disposals/ matured	(7,890)	-
Fair value gain	8,064	355
Balance as at 31 December 2021	<u>191,019</u>	<u>15,877</u>

**10.5. Movement in long-term investments at amortized cost is as follows:**

	2022	2021
Balance as at 1 January	<u>45,000</u>	60,255
Investments matured during the year	-	(15,255)
Balance as at 31 December	<u>45,000</u>	<u>45,000</u>

**11. DEFERRED TAX**

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

**11.1 Deferred tax assets**

	2022	2021
Balance as at 1 January	<u>2,177</u>	4,970
Debit/(credit) for the year	<u>2,755</u>	(2,793)
Balance as at 31 December	<u>4,932</u>	<u>2,177</u>

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.

**11.2 Deferred tax liabilities**

	2022	2021
Balance as at 1 January	<u>55,417</u>	49,400
Charge for the year	<u>422</u>	6,017
Balance as at 31 December	<u>55,839</u>	<u>55,417</u>

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

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**12. LONG TERM PREPAID EMPLOYEES' BENEFITS**

	Employees' receivables	Employee loan	Deferred costs	Total
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	<u>503,714</u>	<u>11,621</u>	<u>117,647</u>	<u>632,982</u>
Balance as at 1 January 2021	757,505	6,640	175,957	940,102
Additions during the year	-	10,811	660	11,471
Amortization	-	-	(46,997)	(46,997)
Deductions	(163,628)	(286)	-	(163,914)
Discount on employee receivables	(10,369)	(3,657)	-	(14,026)
Balance as at 31 December 2021	<u>583,508</u>	<u>13,508</u>	<u>129,620</u>	<u>726,636</u>

**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 SR 106 million. SR 30 million of goodwill arose on this transaction.

Further, as disclosed in Note 1 to these consolidated financial statements, 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 SR 600.9 million of goodwill.

Goodwill has been allocated based on the assessed fair values to the following cash-generating units:

<b>Cash-generating units</b>	<b>Carrying amount</b>
Sahara	342,295
Al-Waha	258,644
	<u><b>600,939</b></u>

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 2022, management found no evidence of impairment in goodwill. The Group uses value in use as the basis to determine the recoverable amounts. The key assumptions used are as follows:

- The projected cash flows used were based on 5 years' cash flow forecast based on historical trends. 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% (2021: 2%). Management believes that the estimated growth rates used do not exceed the average growth rates over the long term on the Group's activities.
- A discount rate of 10% (2021: 10%) was applied to the cash flow projections, which is based on the weighted average cost of capital.

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**13 GOODWILL (continued)**

The Group assessed sensitivity of the discounted cash flow model used to the following key assumptions:

- Decreasing the growth rate used to extrapolate cash flow projections beyond the period covered by the most recent budgets/forecasts by 1% still demonstrated a substantial headroom to the carrying value of Goodwill.
- Increasing the discount rate by 1% still demonstrated a substantial headroom to the carrying value of Goodwill.

As such, any reasonably expected changes to key assumptions will not have any material impact on the carrying value of goodwill allocated to different cash-generating units.

**14. OTHER NON-CURRENT ASSETS**

Other non-current assets include lease receivables.

Movement in lease receivables is as follows:

	<u>2022</u>	<u>2021</u>
Balance as at 1 January	37,584	3,349
Acquisitions	-	33,116
Finance income on net investment in the lease	1,957	1,119
Adjustment	(9,005)	-
Balance as at 31 December	<u>30,536</u>	<u>37,584</u>

***Amount recognized in statement of profit or loss***

	<u>2022</u>	<u>2021</u>
Finance income on net investment in the lease	<u>1,957</u>	<u>1,119</u>

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

	<u>2022</u>	<u>2021</u>
Within 1 year	2,780	3,248
Between 1 to 5 years	11,122	12,990
Later than 5 years	22,243	29,228
	<u>36,145</u>	<u>45,466</u>

**15. INVENTORIES**

	<b>Notes</b>	<u>2022</u>	<u>2021</u>
Raw materials		205,821	117,528
Finished goods	15.1	815,143	665,470
Spare parts and consumables		395,486	407,173
		<u>1,416,450</u>	<u>1,190,171</u>
Provision for slow moving stores and spares	15.2	(17,900)	(49,328)
		<u>1,398,550</u>	<u>1,140,843</u>

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**15. INVENTORIES (continued)**

15.1. As at 31 December, finished goods include inventories amounting to SR 44.0 million (2021: SR 21.7 million) which are semi-finished products.

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

	<u>2022</u>	<u>2021</u>
Balance as at 1 January	49,328	47,591
Provision for the year	14,814	1,737
Reversal during the year	<u>(46,242)</u>	-
Balance as at 31 December	<u><u>17,900</u></u>	<u><u>49,328</u></u>

**16. TRADE RECEIVABLES**

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
Trade receivables - FVTPL		1,155,046	1,829,249
Trade receivables - at amortized cost		25,494	40,789
Less: impairment provision	16.1	<u>(8,162)</u>	<u>(7,623)</u>
		<u><u>1,172,378</u></u>	<u><u>1,862,415</u></u>

16.1. Movement in impairment provision is as follows:

	<u>2022</u>	<u>2021</u>
Balance as at 1 January	7,623	70,027
Provision made during the year	539	4,767
Write-off through provision	-	<u>(67,171)</u>
Balance as at 31 December	<u><u>8,162</u></u>	<u><u>7,623</u></u>

Trade receivables include an amount of SR 322.2 million (2021: SR 485.4 million) from related parties. For terms and conditions relating to related party receivables, refer to note 35. Trade receivables are non-interest bearing and are generally on terms in accordance with the agreements with customers.

The management analyse customers outstanding balance on regular basis and write off any balance which management realize to be un-collectible.

Trade receivables amounting to SR 832.7 million (2021: SR 764.6 million) are secured against letter of credits and letter of guarantees.

Please refer note 20 on credit risk of trade receivables, which discusses how the Group manages and measures credit quality of trade receivables.

**17. PREPAYMENTS AND OTHER CURRENT ASSETS**

	<u>2022</u>	<u>2021</u>
Advances, deposits and prepayments	109,700	78,203
Due from related parties (note 35)	48,593	69,982
VAT input tax receivable	70,441	70,815
Accrued investment income	3,528	445
Others	<u>14,091</u>	<u>7,627</u>
	<u><u>246,353</u></u>	<u><u>227,072</u></u>

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**18. CASH AND CASH EQUIVALENTS**

	<u>2022</u>	<u>2021</u>
Cash in hand	323	347
Cash at bank	1,298,423	1,384,507
Short term deposits	1,157,189	1,281,250
	<u>2,455,935</u>	<u>2,666,104</u>

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.

**19. SHARE CAPITAL AND RESERVES**

	<u>2022</u>	<u>2021</u>
<b>Authorized, issued and fully paid shares @ SR 10 each</b>		
As at 1 January and 31 December - number of shares	<u>733,333,300</u>	733,333,300
As at 1 January and 31 December - share capital (SR 000's)	<u>7,333,333</u>	7,333,333

**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 premium 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.

Movement in other reserves during the year is as follows:

	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	Remeasurme -nts on employees' benefits	Total
<b>2022</b>							
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	<u>7,936</u>	<u>1,468</u>	<u>(315,406)</u>	<u>(11,182)</u>	<u>9,658</u>	<u>(48,361)</u>	<u>(355,887)</u>



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**19. SHARE CAPITAL AND RESERVES (continued)**

2021	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	Remeasure -ments on employees' benefits	Total
As at 1 January 2021	1,056	21,245	(1,252)	(8,319)	11,140	(135,755)	(111,885)
Exchange difference on translation of foreign operations	-	-	-	(387)	-	-	(387)
Changes in the fair value of derivative financial instruments	6,880	-	-	-	-	-	6,880
Re-measurement gain on defined benefit plan	-	-	-	-	-	45,056	45,056
Changes in the fair value of investment	-	355	-	-	-	-	355
Transfer to retained earnings	-	(19,915)	-	-	-	-	(19,915)
Issuance of vested shares under share based payment – net	-	-	-	-	(3,344)	-	(3,344)
Net change in reserve for sale purchase in subsidiaries	-	-	(392,388)	-	-	-	(392,388)
As at 31 December 2021	7,936	1,685	(393,640)	(8,706)	7,796	(90,699)	(475,628)

As at 31 December 2022, the Group had following share-based payments arrangements:

**Share purchase plan (Equity-settled)**

The Group has offered to its employees, subject to an eligibility criteria, to participate in an employee 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.

**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

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**19 SHARE CAPITAL AND RESERVES (continued)**

31 December 2021:

Grant date	Number of instruments	Vesting conditions	Grant date fair value	Exercise price	Contractual life of options
1-May-19	306,706	3 years services from grant date	21.0	14.7	3 Years
1-Nov-19	247,665	3 years services from grant date	16.7	11.7	3 Years
1-May-20	1,682,883	3 years services from grant date	13.8	9.7	3 Years
1-Nov-20	479,063	3 years services from grant date	16.6	11.6	3 Years
1-May-21	332,055	3 years services from grant date	23.8	16.7	3 Years
1-Nov-21	66,303	3 years services from grant date	44.2	30.9	3 Years

The Group has, under share based payments arrangements, cash and cash equivalent of SR 5.4 million (2021: SR 24.2 million) and short-term investments of SR 20.1 million (2021: SR 20.2 million). The expense recognized during the year arising from amortization of discount offered under share based payments arrangements amounted SR 4.8 million (2021: SR 4.5 million).

**Treasury shares**

Treasury shares includes 9.2 million shares (2021: 6.8 million shares) of Sipchem held by the Group.

**Statutory reserve**

In accordance with Company's Articles of Association, 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.

**20. FINANCIAL INSTRUMENTS**

**20.1. Financial assets**

2022	At amortized	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 16)	17,332	1,155,046	-	1,172,378
Other current assets	143,851	-	-	143,851
Cash and cash equivalent (note 18)	2,455,935	-	-	2,455,935
	<b>2,792,118</b>	<b>1,305,331</b>	<b>15,660</b>	<b>4,113,109</b>

2021	At amortized cost	At FVTPL	At FVOCI	Total
Short term investments	-	20,223	-	20,223
Long term investments	45,000	191,019	15,877	251,896
Trade receivables (note 16)	33,166	1,829,24	-	1,862,415
Other current assets	140,360	-	-	140,360
Cash and cash equivalent (note 18)	2,666,104	-	-	2,666,104
	<b>2,884,630</b>	<b>2,040,49</b>	<b>15,877</b>	<b>4,940,998</b>

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**20. FINANCIAL INSTRUMENTS (continued)**

**20.2. Financial liabilities**

Financial liabilities measured at amortized cost:

a. *Loans and borrowings*

	<b>2022</b>	<b>2021</b>
<b>Current loans and borrowings</b>		
Shari'a compliant loans (Note 20.2.1)	<b>272,883</b>	498,820
Saudi Industrial Development Fund ("SIDF") (Note 20.2.2)	<b>11,502</b>	84,000
	<b>284,385</b>	582,820
<b>Other current loans</b>		
Short term loan (Note 20.2.3)	-	70,000
<b>Total current loans and borrowings</b>	<b>284,385</b>	652,820
<b>Non-current loans and borrowings</b>		
Shari'a compliant loans	<b>3,049,133</b>	4,712,324
Saudi Industrial Development Fund ("SIDF")	-	9,148
<b>Total non-current loans and borrowings</b>	<b>3,049,133</b>	4,721,472
<b>Total loans and borrowings</b>	<b>3,333,518</b>	5,374,292

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

	<b>2022</b>	<b>2021</b>
2022	-	652,820
2023	<b>284,385</b>	1,224,609
2024	<b>930,512</b>	1,034,498
2025	<b>587,368</b>	600,833
2026	<b>741,592</b>	1,023,589
2027 and thereafter	<b>789,661</b>	837,943
	<b>3,333,518</b>	5,374,292

There were no significant non-cash movement in the balances during the years ended 31 December 2022 and 2021.

b. *Other financial liabilities*

	<b>2022</b>	<b>2021</b>
Lease liabilities (note 7)	<b>138,848</b>	164,727
Trade payables	<b>251,003</b>	312,325
Accrued expenses and other current liabilities (note 24)	<b>1,052,463</b>	938,945
<b>Total other financial liabilities measured at amortized cost</b>	<b>1,442,314</b>	1,415,997
<b>Total financial liabilities measured at amortized cost</b>	<b>4,775,832</b>	6,790,289

## **20. FINANCIAL INSTRUMENTS (continued)**

### **20.2.1 Shari'a compliant bank loans**

The Group entered into Shari'a compliant credit facility agreements with individual financial institutions as well as syndicates of financial institutions. The loans are secured by second priority mortgage on the assets already mortgaged to SIDF. The loans are repayable in unequal semi-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 2022, the Group was in compliance with such covenants.

### **20.2.2 Secured loan - Saudi Industrial Development Fund**

The Saudi Industrial Development Fund ("SIDF") granted loans to IPC, SCC and GACI. These loans are secured by guarantees from shareholders of relevant affiliates proportionate to their respective shareholdings and a 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 2022, SAT is in covenant breach of current ratio, total liability to tangible net worth ratio and Capex requirement for SIDF loan. Accordingly, entire SIDF outstanding liability related to SAT has been classified as current liability.

### **20.2.3 Short term loan**

During 2021, the Group has taken short term loan from the bank. The loan carry financial charges at market rates which are based on SAIBOR plus a fixed margin.

## **20.3. 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 2022 and 2021, 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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20. FINANCIAL INSTRUMENTS (continued)

	Carrying amount	Fair value	Level 1	Level 2	Level 3
<b>As at 31 December 2022</b>					
<u>Trade receivables</u>	1,155,046	1,155,046	-	1,155,046	-
<u>Short term investments</u>					
Equity securities	20,019	20,019	20,019	-	-
<u>Long term investments</u>					
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	-	-
<b>Total</b>	<b>1,320,991</b>	<b>1,320,991</b>	<b>72,729</b>	<b>1,248,262</b>	<b>-</b>
<b>As at 31 December 2021</b>					
<u>Trade receivables</u>	1,829,249	1,829,249	-	1,829,249	-
<u>Short term investments</u>					
Equity securities	20,223	20,223	20,223	-	-
<u>Long term investments</u>					
Listed mutual fund	73,875	73,875	73,875	-	-
Unlisted mutual fund	117,143	117,143	-	117,143	-
Equity shares	15,878	15,878	15,878	-	-
<b>Total</b>	<b>2,056,368</b>	<b>2,056,368</b>	<b>109,976</b>	<b>1,946,392</b>	<b>-</b>

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 2022, the Group had 10 customers (2021: 10 customers) representing SR 564 million (2021: SR 1,100 million) altogether and accounted for approximately 45% (2021: 59%) of the total trade receivables. During the years ended 31 December 2022 and 2021, the Group had no individual customers with revenue representing more than 10% of the consolidated revenue.

**20.4. 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.

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**20. FINANCIAL INSTRUMENTS (continued)**

***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 2022, fixed amount of interest on outstanding long term loan is approximately around 27% (2021: 39%) of finance charges on loans.

***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:

	<b>Increase/ decrease</b>	<b>Effect on profit before Zakat and income tax</b>
<b>31 December 2022</b>		
<b>Impact in SR in million due to change in base point</b>	<b>+50 bps</b>	<b>16.6</b>
<b>Impact in SR in million due to change in base point</b>	<b>-50 bps</b>	<b>(16.6)</b>
<b>31 December 2021</b>		
Impact in SR in million due to change in base point	+50 bps	26.5
Impact in SR in million due to change in base point	-50 bps	(26.5)

***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 SR 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 2022, 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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**20. FINANCIAL INSTRUMENTS (continued)**

***Sensitivity analysis - Equity price risk***

Group's listed equity investments are listed on the Saudi Stock Exchange (Tadawul). As at 31 December 2022, 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.

<b>Financial instruments</b>	<b>2022</b>	<b>2021</b>
Long term investments	<b>45,000</b>	45,000
Trade receivables and due from related parties	<b>65,925</b>	103,148
Short term investments	<b>130,000</b>	-
Other current assets	<b>143,851</b>	140,360
Cash and cash equivalents	<b>2,455,935</b>	2,666,104

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 35.5 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.

***Expected credit loss assessment for customers as at 31 December 2022***

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:

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

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**20. FINANCIAL INSTRUMENTS (continued)**

31 December 2021	ECL impairment rate	Gross carrying amount	ECL impairment
Current (not past due)	-	16,919	-
0-90 days past due	-	13,716	-
91-120 days past due	40%	4,201	(1,670)
121-180 days past due	100%	-	-
181-360 days past due	100%	-	-
More than 360 days past due	100%	5,953	(5,953)
		<u>40,789</u>	<u>(7,623)</u>

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 approval of the Group's Finance Committee. 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 as illustrated in note 16.

**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.

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

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 and other 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
	<u>4,899,032</u>	<u>123,200</u>	<u>1,558,772</u>	<u>240,340</u>	<u>3,134,097</u>	<u>429,053</u>	<u>5,485,462</u>



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**20. FINANCIAL INSTRUMENTS (continued)**

As at 31 December 2021	Carrying value	On demand	Less than 6 months	6 to 12 months	1 to 5 years	> 5 years	Total
Lease liabilities	164,727	-	5,124	5,124	38,728	127,989	176,965
Trade and other payables	312,325	-	312,325	-	-	-	312,325
Accrued expenses and other current liabilities	938,945	-	938,945	-	-	-	938,945
Long term borrowings	5,374,292	-	452,659	322,349	4,150,245	892,916	5,818,169
Financial guarantee Short term borrowings	123,200	123,200	-	-	-	-	123,200
	70,000	-	-	70,000	-	-	70,000
	<u>6,983,489</u>	<u>123,200</u>	<u>1,709,053</u>	<u>397,473</u>	<u>4,188,973</u>	<u>1,020,905</u>	<u>7,439,604</u>

**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's 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. The Group's policy is to keep a maximum gearing ratio of 3:1 and minimum current ratio of 1:1 which it was in compliance with as at 31 December 2022 and 2021. Gearing ratio is calculated as the percentage of total liabilities to total liabilities and equity.

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to borrowings that define capital structure requirements. Breaches in meeting the financial covenants may lead to call-back of facilities. See note 20.2 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 2022 and 2021, the Group did not have a significant concentration of revenue transactions from any individual foreign countries.

**21. 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 2022, outstanding balance was amounted to SR 47.4 million (2021: SR 52.1 million) including SR 4.6 million (2021: SR 4.6 million) which is classified as current.
- An expected credit loss provision against a financial guarantee contract amounting to SR 123.2 million classified as current liability (2021: SR 123.2 million classified as non-current liability).

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**22. EMPLOYEES' BENEFITS**

	<b>Notes</b>	<b>2022</b>	<b>2021</b>
Post-employment benefits	22.1	<b>535,688</b>	531,027
Thrift plan	22.2	<b>51,588</b>	42,669
		<b>587,276</b>	<b>573,696</b>

**22.1. 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.

**Net benefit expense recognised in consolidated income statement:**

	<b>2022</b>	<b>2021</b>
Current service cost	<b>65,895</b>	73,968
Interest cost on defined benefit obligation	<b>12,896</b>	17,189
	<b>78,791</b>	<b>91,157</b>

**Re-measurements recognised in consolidated statement of comprehensive income:**

	<b>2022</b>	<b>2021</b>
(Gain) Loss due to change in financial assumptions	<b>(67,215)</b>	23,301
Gain due to change in demographic assumptions	-	(38,483)
Loss / (gain) due to change in experience adjustments	<b>24,809</b>	(27,316)
	<b>(42,406)</b>	(42,498)
Share of loss (income) from joint venture and associates	<b>935</b>	(3,274)
	<b>(41,471)</b>	<b>(45,772)</b>

**Movement in the present value of defined benefit obligation:**

	<b>2022</b>	<b>2021</b>
As at 1 January	<b>531,027</b>	616,840
Current service cost	<b>53,672</b>	63,728
Interest cost on benefit obligation	<b>12,896</b>	17,189
Actuarial gain on the obligation	<b>(42,406)</b>	(42,498)
Transfers	<b>2,943</b>	479
Benefits paid during the year	<b>(22,444)</b>	(124,711)
As at 31 December	<b>535,688</b>	<b>531,027</b>

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

	<b>2022</b>	<b>2021</b>
Discount rate	<b>4.2%</b>	2.48%
Future salary increases	<b>4.2%</b>	4.2%
Mortality rates	<b>A1949-52</b>	A1949-52
Rates of employee turnover	<b>12% per annum</b>	12% per annum

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**22. EMPLOYEES' BENEFITS (continued)**

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 2022 is shown below:

<b>Assumptions</b>	<b>Discount rate</b>	
	0.5% increase	0.5% decrease
<b>Sensitivity analysis</b>		
<b>Defined benefit obligation as at 31 December 2022</b>	<b>521,482</b>	<b>594,464</b>
Defined benefit obligation as at 31 December 2021	512,411	551,662
	<b>Salary increase</b>	
	0.5% increase	0.5% decrease
<b>Defined benefit obligation as at 31 December 2022</b>	<b>596,515</b>	<b>518,994</b>
Defined benefit obligation as at 31 December 2021	552,350	511,563

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 7 years (2021: 7 years). The expected maturity analysis of undiscounted post-employment benefits is as follows:

	<b>Less than a year</b>	<b>Between 1 - 2 years</b>	<b>Between 2 - 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>2022</b>	<b>79,814</b>	<b>69,078</b>	<b>208,876</b>	<b>1,049,246</b>	<b>1,407,014</b>
2021	66,957	57,523	176,785	939,687	1,240,952

**22.2. Thrift Plan**

The Group maintains an employee's savings plan for its Saudi employees. The contribution from the participants are deposited in a separate bank account. The Company's contribution under the savings plan is charged to profit or loss.

**23. DECOMMISSIONING LIABILITY**

	<b>2022</b>	2021
Balance as at 1 January	<b>132,221</b>	137,758
Reduction during the year	-	(11,848)
Charge for the year	<b>6,621</b>	6,311
Balance as at 31 December	<b>138,842</b>	132,221

**24. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

	<b>Notes</b>	<b>2022</b>	2021
Goods received invoices not received		<b>556,305</b>	409,396
Distribution costs accruals		<b>110,178</b>	108,443
Due to related parties	35	<b>110,294</b>	92,005
Donations		<b>63,219</b>	46,663
Finance costs accruals		<b>28,211</b>	30,451
SEIP Payable		<b>40,421</b>	31,869
Employees related liabilities		<b>9,574</b>	29,220
Others		<b>134,261</b>	190,898
		<b>1,052,463</b>	938,945

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**24.1 Provision for precious metals**

	<b>2022</b>	2021
1 January	<b>440,283</b>	234,509
Provision	<b>64,775</b>	205,774
31 December	<b>505,058</b>	440,283

**25. ZAKAT AND INCOME TAX PAYABLE**

	<b>2022</b>	2021
Zakat payable	<b>473,142</b>	483,563
Income tax payable	<b>15,911</b>	78,667
	<b>489,053</b>	562,230

During 2012, the Company received an approval from ZATCA in the Kingdom of Saudi Arabia to file consolidated zakat returns of the Company and its 100% owned Saudi subsidiaries. The Company has filed consolidated zakat returns while non-wholly owned subsidiaries have filed their zakat and income tax returns with ZATCA up to the years ended 31 December 2021.

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 is payable at 20% of taxable income attributable to foreign shareholders in certain subsidiaries.

The movement in the zakat and income tax payable is as follows:

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

	Zakat	Income Tax	Total
Balance as at 1 January 2021	223,309	(3,464)	219,845
Current year charge	344,866	89,595	434,461
Prior year (over)/provision	4,355	1,436	5,791
Payments during the year	(88,967)	(8,900)	(97,867)
Balance as at 31 December 2021	483,563	78,667	562,230

The zakat, current tax and deferred tax charge/(credit) for the years ended 31 December comprises of the following:

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

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**25. ZAKAT AND INCOME TAX PAYABLE (continued)**

2021	Zakat	Income tax	Deferred tax	Total
Company's share in zakat and income taxes	349,221	5,473	-	354,694
Income tax attributable to non-controlling interest	-	85,558	-	85,558
Deferred tax (note 11)	-	-	8,810	8,810
	<u>349,221</u>	<u>91,031</u>	<u>8,810</u>	<u>449,062</u>

**Outstanding assessments:**

The Group is subject to zakat and income tax in accordance with the Zakat, Tax and Customs Authority ("ZATCA") regulations. Zakat and income tax computation involves relevant knowledge and judgment of the zakat and tax rules and regulations to assess the impact of zakat liability at a particular year end. This liability is considered an estimate until the final assessment by ZATCA has been completed until which the Group retains exposure to additional zakat and tax liability. Wherever necessary, the Group has recorded estimated additional zakat and income tax liability in respect of the following open 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 SR 148.3 million (2021: SR 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.

**Subsidiaries**

Certain subsidiaries in KSA file their zakat and income tax returns individually. Some of these subsidiaries have received assessments for several years from the ZATCA, resulting in additional liability amounting to SR 77.3 million (2021: SR 74.3 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.

**26. REVENUE**

**26.1. Revenue streams**

	2022	2021
Sale of goods at a point in time	<b>10,488,297</b>	9,182,313
Movement between provisional and final price	<b>(253,777)</b>	487,855
Sales of specific products	<b>19,108</b>	16,526
<b>Total revenue</b>	<b>10,253,628</b>	9,686,694

In the following table, revenue from contracts with customers is disaggregated by primary geographical market, major products and service lines and timing of revenue recognition.

	2022	2021
<b>Primary geographic markets</b>		
Foreign countries	<b>9,363,363</b>	8,907,500
Saudi Arabia	<b>890,265</b>	779,194
	<b>10,253,628</b>	9,686,694
<b>Timing of revenue recognition</b>		
Product transferred at a point in time	<b>10,234,520</b>	9,670,168
Product transferred over time	<b>19,108</b>	16,526
	<b>10,253,628</b>	9,686,694

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**26. REVENUE (continued)**

**26.2. Contract balances**

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers:

	<b>2022</b>	2021
Receivables included in trade receivables	<b>1,171,261</b>	1,861,833
Contract assets included in trade receivables	<b>1,117</b>	582
Contractual liabilities	<b>178,027</b>	180,300

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. During 2022 all contract assets outstanding as at 31 December 2021 were billed and realized.

**27. COST OF REVENUES**

	<b>2022</b>	2021
Cost of inventories	<b>3,931,337</b>	2,791,502
Depreciation and amortization	<b>813,626</b>	823,459
Employee related costs	<b>473,108</b>	559,403
Others	<b>196,882</b>	169,975
	<b>5,414,953</b>	4,344,339

**28. SELLING AND DISTRIBUTION EXPENSES**

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

**29. GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>2022</b>	2021
Employees' related costs	<b>304,641</b>	337,462
Depreciation and amortization	<b>109,762</b>	182,639
Legal and professional expenses	<b>12,969</b>	12,703
Research related expenses	<b>7,818</b>	12,937
Board of directors' expenses	<b>9,141</b>	11,679
Donations	<b>28,381</b>	31,523
Others	<b>22,986</b>	62,107
	<b>495,698</b>	651,050

**30. FINANCE COST**

	<b>Notes</b>	<b>2022</b>	2021
Finance charges on loans		<b>162,499</b>	180,281
Charges for precious metal		<b>44,451</b>	79,149
Interest cost on defined benefit obligation		<b>10,448</b>	14,510
Commission on letters of credit and guarantees		<b>8,874</b>	8,068
Un-winding cost of decommissioning liability	23	<b>6,621</b>	6,311
Interest on lease liabilities	7	<b>4,588</b>	4,791
Others		<b>7,435</b>	21,821
		<b>244,916</b>	314,931

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**31. OTHER (EXPENSES) / INCOME, NET**

Other expenses mainly includes the write-off of plant and inventories in one of the Group's subsidiary ("SSPC"). Accordingly, a write-off amounting to SR 36.4 million has been recorded and included in the other expenses. Other income/(expenses), net for 2021 primarily include an expected credit loss provision against a financial guarantee contract amounting to SR 30.8 million (2022: Nil).

**32. EARNINGS PER SHARE**

Basic earnings per share for profit attributable to ordinary shares holders for the year ended 31 December 2022 and 2021 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 2022 and 2021 (restated see note 38, as the dilutive impact of share based payments was not considered in 2021), are computed based on the weighted average number of shares outstanding during such years adjusted for treasury shares.

	<b>2022</b>	2021
Profit for the year attributable to equity holders of Sipchem	<b>3,595,291</b>	3,591,844
Weighted average number of shares used in calculating basic earnings per share	<b>725,122</b>	727,162
Weighted average number of shares used in calculating dilutive earnings per share	<b>733,333</b>	733,333
Basic earnings per share	<b>4.96</b>	4.94
Diluted earnings per share	<b>4.90</b>	4.90

**33. DIVIDENDS**

On 29 June 2022, Board of Directors approved to distribute cash dividends for the first half of 2022 amounting to SR 1,270.9 million (i.e. SR 1.75 per share) which was paid on 26 July 2022.

On 30 November 2022, Board of Directors approved to distribute cash dividends for the second half of 2022 amounting to SR 1,087.7 million (i.e. SR 1.5 per share) which was paid on 15 December 2022.

**34. COMMITMENTS AND CONTINGENCIES**

- The capital expenditure contracted by the Group but not incurred till 31 December 2022 was approximately SR 263.2 million (2021: SR 143.8 million).
- At 31 December 2021, banks have issued guarantees and letters of credit on behalf of the Group amounting to SR 556.3 million (2021: SR 515.7 million).
- Also see note 25 for details on zakat and income tax assessments.

**35. 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:

<b>Name</b>	<b>Relationship</b>
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
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

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**35. RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

**35.1. Significant transactions with related parties other than key management personnel**

<b>Related party</b>	<b>Nature of transaction</b>	<b>2022</b>	<b>2021</b>
Hanwha	Sales made to Hanwha	<b>753,153</b>	756,880
JAMC	Sales made to JAMC	<b>384,761</b>	431,933
SAMAPCO	Shared service cost charged to SAMAPCO	<b>109,732</b>	109,367
	Allocation of HOP finance cost to SAMAPCO	<b>2,564</b>	1,091
Lyondell Basell	Sales made to Lyondell Basell	<b>437,123</b>	466,729
	Shared services cost charged to Lyondell Basell	<b>32,512</b>	35,198
	Allocation of HOP finance cost to Lyondell Basell	<b>778</b>	591
SEPC	Purchase of ethylene by Al-Waha	<b>96,238</b>	80,950
	Purchase of ethylene by IVC	<b>565,728</b>	409,751
Tasnee	Acquisition of rights to feedstock supply and marketing arrangements	-	285,000

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

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

*i) Trade receivables (Note - 16)*

	<b>2022</b>	<b>2021</b>
Lyondell Basell	<b>186,433</b>	297,407
Hanwha	<b>85,665</b>	141,643
JAMC	<b>50,069</b>	46,381
	<b>322,167</b>	485,431

*ii) Prepayments and other current assets (Note - 17)*

	<b>2022</b>	<b>2021</b>
SAMAPCO	<b>37,594</b>	58,064
Lyondell Basell	<b>10,074</b>	11,918
LSIG	<b>925</b>	-
	<b>48,593</b>	69,982

*iii) Accrued expenses and other current liabilities (Note - 24)*

	<b>2022</b>	<b>2021</b>
SAMAPCO	<b>48,971</b>	26,040
Lyondell Basell	<b>54,024</b>	58,692
Hanwha	<b>7,299</b>	7,273
	<b>110,294</b>	92,005



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**35. RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

**35.3. 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:

	<b>2022</b>	2021
Short-term employee benefits	<b>10,757</b>	10,298
End of service benefits	<b>4,044</b>	3,549
Thrift plan	<b>1,225</b>	1,170
Share based payment transactions	<b>179</b>	138
Total compensation related to key management personnel	<b>16,205</b>	15,155

**35.4. 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 2022, 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.

**35.5. Guarantees**

Sahara has provided financial guarantee to a lender of Saudi Acrylic Polymer Company (SAPCO), a subsidiary of TSOC. As at 31 December 2022, the Group has recorded expected credit loss provision amounting to SR 123.2 million (2021: SR 123.2 million) against such financial guarantee which represents the maximum amount of potential cash outflow under such guarantee contract.

**36. CONVENTIONAL AND NON-CONVENTIONAL FINANCING AND INVESTING ACTIVITIES**

**Components of consolidated statement of financial position**

	<b>2022</b>	2021
<b>Cash and cash equivalents - non-conventional</b>		
Current murabaha (including fixed term deposits)	<b>1,157,189</b>	1,301,250
Current accounts (excluding fixed term deposits)	<b>1,298,746</b>	1,364,854
	<b>2,455,935</b>	2,666,104
<b>Long term investments - non-conventional</b>	<b>190,926</b>	251,896
<b>Short term investments - non-conventional</b>	<b>150,019</b>	20,223
<b>Borrowings - non-conventional</b>	<b>3,333,518</b>	5,374,292
<b>Borrowings - conventional</b>	-	-

In March 2021, the Group refinanced the conventional borrowing and replaced it with a Shari'a compliant borrowing making all of its borrowings non-conventional.

**37. SUBSEQUENT EVENTS**

No adjusting event occurred between 31 December 2022 and the date of approval of the consolidated financial statements by the Board of Directors, which may have an impact on the consolidated financial statements.

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**38. COMPARATIVE FIGURES**

During 2022, to comply with the requirements of IFRS, the Group has:

- a) Re-assessed its position in relation to the control over GACI and concluded that GACI meets the definition of a joint venture and accordingly should be deconsolidated and accounted for under the equity method of accounting;
- b) Reclassified impairment of non-financial assets relating to the year 2021 amounting to SR 160.0 million, from "Other expenses, net" to a separate line item in the consolidated statement of profit or loss, for a representative presentation of the Group's operating profit;
- c) Reclassified shipping and handling costs amounting to Saudi Riyals 222.6 million from "Selling and distribution expenses" to "Revenue" in the consolidated statement of profit or loss based on the incoterms of the underlying transactions; and
- d) Reclassified provision for precious metals, previously included under "Accrued expenses and other current liabilities", separately as "Provision for precious metals" in the statement of financial position.

As a result of the above, management has restated the comparative 2021 financial statements as follows:

**i) Consolidated statement of financial position as at 31 December 2021**

	Note	Previously	Adjustment	Restated
Property, plant and equipment	a	12,218,031	(35,096)	12,182,935
Right-of-use assets	a	120,128	(169)	119,959
Intangible assets	a	606,185	(36)	606,149
Investments in equity accounted investees	a	3,963,423	27,171	3,990,594
Long term prepaid employees' benefits	a	728,614	(1,978)	726,636
<b>Total non-current assets</b>		<b>18,558,520</b>	<b>(10,107)</b>	<b>18,548,413</b>
Inventories	a	1,145,427	(4,584)	1,140,843
Prepayments and other current assets	a	227,367	(295)	227,072
Cash and cash equivalents	a	2,690,390	(24,286)	2,666,104
<b>Total current assets</b>		<b>5,945,822</b>	<b>(29,165)</b>	<b>5,916,657</b>
<b>Total assets</b>		<b>24,504,342</b>	<b>(39,272)</b>	<b>24,465,070</b>
Non-controlling interests	a	1,110,469	26,460	1,136,929
<b>Total equity</b>		<b>15,695,618</b>	<b>26,460</b>	<b>15,722,078</b>
Long-term advances from non-controlling interests	a	54,802	(54,802)	-
Lease liabilities	a	154,157	(169)	153,988
Employees' benefits	a	574,097	(401)	573,696
Decommissioning liability	a	133,408	(1,187)	132,221
<b>Total non-current liabilities</b>		<b>5,872,523</b>	<b>(56,559)</b>	<b>5,815,964</b>
Current portion of lease liabilities	a	10,744	(5)	10,739
Trade payables	a	312,333	(8)	312,325
Accrued expenses and other current liabilities	a	1,387,741	(448,796)	938,945
Provision for precious metals	d	-	440,283	440,283
Zakat and income tax payable	a	562,877	(647)	562,230
<b>Total current liabilities</b>		<b>2,936,201</b>	<b>(9,173)</b>	<b>2,927,028</b>
<b>Total liabilities</b>		<b>8,808,724</b>	<b>(65,732)</b>	<b>8,742,992</b>
<b>Total equity and liabilities</b>		<b>24,504,342</b>	<b>(39,272)</b>	<b>24,465,070</b>

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**38. COMPARATIVE FIGURES (continued)**

**ii) Consolidated statement of financial position as at 1 January 2021**

The Group has not separately presented consolidated financial position as at 1 January 2021 in the consolidated statement of financial position as the overall impact of the adjustments (except item d) to the primary statement as of 1 January 2021 was not deemed material.

Adjustment d) on the other hand resulted in a decrease in accrued expenses and other current liabilities and increase in provision for precious metals by SR 234.5 million on the consolidated statement of financial position as at 1 January 2021.

**iii) Consolidated statement of profit or loss for the year ended 31 December 2021**

	Note	Previously reported	Adjustment	Restated
Revenue	a, c	9,981,729	(295,035)	9,686,694
Cost of revenues	a	(4,401,927)	57,588	(4,344,339)
<b>Gross profit</b>		<b>5,579,802</b>	<b>(237,447)</b>	<b>5,342,355</b>
Selling and distribution expenses	c	(452,491)	222,617	(229,874)
General and administrative expenses	a	(662,982)	11,932	(651,050)
Impairment of non-financial assets	b	-	(160,000)	(160,000)
<b>Operating profit</b>		<b>4,464,329</b>	<b>(162,898)</b>	<b>4,301,431</b>
Share of profit from equity accounted investees	a	530,802	(51,046)	479,756
Finance income	a	29,647	(15)	29,632
Finance cost	a	(318,807)	3,876	(314,931)
Other income/(expenses)	a, b	(298,232)	259,803	(38,429)
<b>Profit before zakat and income tax</b>		<b>4,407,739</b>	<b>49,720</b>	<b>4,457,459</b>
Zakat	a	(349,883)	662	(349,221)
<b>Profit for the year</b>		<b>3,958,015</b>	<b>50,382</b>	<b>4,008,397</b>
<b>Attributable to non-controlling interests</b>		<b>366,171</b>	<b>50,382</b>	<b>416,553</b>
<b>Diluted earnings per share</b>	32	<b>4.94</b>	<b>(0.04)</b>	<b>4.90</b>

**iv) Consolidated statement of comprehensive income for the year ended 31 December 2021**

	Note	Previously reported	Adjustment	Restated
Total other comprehensive income for the year	a	53,175	(555)	52,620
<b>Total comprehensive income for the year</b>		<b>4,011,190</b>	<b>49,827</b>	<b>4,061,017</b>
<b>Attributable to non-controlling interests</b>		<b>367,442</b>	<b>49,827</b>	<b>417,269</b>

**v) Consolidated statement of cash flows for the year ended 31 December 2021**

The impact of the adjustments on the consolidated statement of cash flows for the year ended 31 December 2021 was not material.