SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A SAUDI JOINT STOCK COMPANY)

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

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Saudi Aramco Base Oil Company - Luberef (the "Company") as at December 31, 2023, and its financial performance and its 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 Company's financial statements comprise:

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

Basis for opinion

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

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

Independence

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

Our audit approach

Overview

Key audit matter	• Revenue recognition

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the 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 financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Independent auditor's report to the shareholders of Saudi Aramco Base Oil Company - Luberef (continued)

Our audit approach (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the 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
Revenue recognition	
During the year ended December 31, 2023, the Company recognised total revenue of Saudi Riyals 9,489 million from sale of base oil and by-products to domestic and international customers. Management identified different performance obligations arising out of its contracts with customers. Revenue from the sale of goods is recognized at a point in time when control of the goods is transferred to the customer. Revenue from freight is recognized over the period of time the shipping services are rendered. Management also exercised judgement when recognising revenue particularly in assessing whether the Company is acting as an agent or as a principal in contracts with customers in discharging its performance obligations. Revenue recognition is considered a key audit matter in view of the significance of the amount and judgement involved in the revenue recognition process. *Note 3.6 sets out the key accounting judgement with respect to revenue recognition; Note 4.20 discloses the accounting policy for revenue recognition; and Note 25 includes relevant revenue disclosures.*	Our audit procedures included the following: • Understood and evaluated the revenue process for the Company's performance obligations. • Understood and evaluated the accounting policy with respect to revenue recognition and checked its appropriateness with respect to International Financial Reporting Standard 15 *Revenue from Contracts with Customers* ("IFRS 15"). • Obtained an understanding of the nature of revenue contracts entered into by the Company and tested a representative sample of sales contracts to confirm our understanding and assess whether the management's application of IFRS 15 requirements was appropriate. • Inspected revenue transactions recorded during the year, on a sample basis, with invoices, sales contracts and goods delivery notes to assess whether the related revenue was recognised in accordance with IFRS 15. • Inspected and assessed the key contractual sales arrangements with related parties to evaluate the appropriateness of management's judgment involved in revenue recognition. • Assessed the adequacy and appropriateness of the disclosures made in the accompanying financial statements.

Independent auditor's report to the shareholders of Saudi Aramco Base Oil Company - Luberef (continued)

Other information

Management is responsible for the other information. The other information comprises the Annual Report, but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report.

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

In connection with our audit of the 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 financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Independent auditor's report to the shareholders of Saudi Aramco Base Oil Company - Luberef (continued)

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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 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

برايس وترهاوس كوبرز
محاسبون قانونيون
ترخيص ١/٢٥/١١/٣٢٣
س.ت ٤٠٣٠٢٨٩٠٠٢
PRICEWATERHOUSECOOPERS
CERTIFIED PUBLIC ACCOUNTANTS
Lic No. 323/11/25/1
C.R. 4030289002

Mufaddal A. Ali
License Number 447

March 3, 2024

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Statement of financial position
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	As at December 31, 2023	2022*
Assets			
Non-current assets			
Property, plant and equipment	5	**4,770,631**	4,819,032
Right-of-use assets	6	**167,098**	94,374
Intangible assets	7	**15,319**	18,114
Employees' home ownership receivables	8	**488**	1,950
Loans to employees	9	**17,524**	16,483
Total non-current assets		**4,971,060**	4,949,953
Current assets			
Inventories	10	**622,965**	583,889
Trade receivables	11	**1,053,830**	1,023,142
Prepayments and other assets	12	**27,335**	27,555
Short-term deposits	13	**1,635,320**	148,200
Cash and cash equivalents	14	**545,960**	1,912,078
Total current assets		**3,885,410**	3,694,864
Total assets		**8,856,470**	8,644,817
Equity and liabilities			
Equity			
Share capital	15	**1,687,500**	1,687,500
Statutory reserve	16	**506,250**	418,308
Treasury shares	15	**(49,238)**	(57,420)
Retained earnings		**2,724,281**	3,034,443
Total equity		**4,868,793**	5,082,831
Liabilities			
Non-current liabilities			
Long-term borrowings	18	**1,743,750**	1,940,625
Lease liabilities	6	**163,842**	97,451
Employee benefit obligations	19	**329,179**	263,127
Provision for decommissioning obligation	21	**45,179**	39,081
Other non-current liabilities	20	**4,422**	5,335
Total non-current liabilities		**2,286,372**	2,345,619
Current liabilities			
Trade and other payables	22	**1,174,164**	674,489
Accrued expenses and other liabilities	23	**227,032**	237,097
Current portion of long-term borrowings	18	**198,354**	164,235
Lease liabilities	6	**22,428**	10,340
Zakat and income tax payable	31	**79,327**	130,206
Total current liabilities		**1,701,305**	1,216,367
Total liabilities		**3,987,677**	3,561,986
Total equity and liabilities		**8,856,470**	8,644,817

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

* Refer to Note 35 regarding the comparatives.

Ibrahim Qassim Al Buainain	Samer Abdulaziz M. Al - Hokail	Mohammed A. Al Nafea
Chairman of the Board	President & Chief Executive Officer	Chief Financial Officer

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Statement of comprehensive income
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Year ended December 31, 2023	2022*
Revenue	25	**9,488,679**	10,613,892
Cost of revenue	26	**(7,630,310)**	(8,180,206)
Gross profit		**1,858,369**	2,433,686
Selling and distribution expenses	27	**(37,354)**	(26,916)
General and administrative expenses	28	**(229,514)**	(210,954)
Impairment losses on financial assets	32	**(1,216)**	(5,727)
Other expenses		-	(25,320)
Fair value gain on derivative financial instruments measured at fair value through profit or loss		-	6,336
Operating profit		**1,590,285**	2,171,105
Finance income	29	**130,702**	34,904
Finance cost	30	**(142,015)**	(74,402)
Profit before zakat and income tax		**1,578,972**	2,131,607
Zakat and income tax	31	**(69,360)**	(153,527)
Profit for the year		**1,509,612**	1,978,080
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Re-measurement (loss) / gain on employee benefit obligations	19	**(49,265)**	47,918
Deferred tax relating to re-measurement		-	(5,295)
		(49,265)	42,623
Total comprehensive income for the year		**1,460,347**	2,020,703
Basic and diluted earnings per share	17	**8.98**	11.72

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

* Refer to Note 35 regarding the comparatives.

Ibrahim Qassim Al Buainain	Samer Abdulaziz M. Al - Hokail	Mohammed A. Al Nafea
Chairman of the Board	President & Chief Executive Officer	Chief Financial Officer

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Statement of changes in equity
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Share capital	Statutory reserve	Treasury shares	Share-based payment reserve	Retained earnings	Total equity
Balance as at January 1, 2022	441,000	220,500	-	-	3,583,046	4,244,546
Profit for the year	-	-	-	-	1,978,082	1,978,082
Other comprehensive income for the year	-	-	-	-	42,623	42,623
Total comprehensive income for the year	-	-	-	-	2,020,705	2,020,705
Transfer of share capital (Note 15)	1,246,500	-	-	-	(1,246,500)	-
Transfer to statutory reserve (Note 16)	-	197,808	-	-	(197,808)	-
Transaction with owners in their capacity as owners:						
Acquisition of treasury shares (Note 15)	-	-	(57,420)	-	-	(57,420)
Dividends (Note 15)	-	-	-	-	(1,263,710)	(1,263,710)
Zakat and income tax recovered from shareholders	-	-	-	-	138,710	138,710
	-	-	(57,420)	-	(1,125,000)	(1,182,420)
Balance as at December 31, 2022	1,687,500	418,308	(57,420)	-	3,034,443	5,082,831
Profit for the year	-	-	-	-	**1,509,612**	**1,509,612**
Other comprehensive income for the year	-	-	-	-	**(49,265)**	**(49,265)**
Total comprehensive income for the year	-	-	-	-	**1,460,347**	**1,460,347**
Transfer to statutory reserve (Note 16)	-	**87,942**	-	-	**(87,942)**	-
Transaction with owners in their capacity as owners:						
Current period charge	-	-	-	**8,182**	-	**8,182**
Treasury shares issued to employees (Note 15)	-	-	**8,182**	**(8,182)**	-	-
Dividends (Note 15)	-	-	-	-	**(1,682,567)**	**(1,682,567)**
	-	-	**8,182**	-	**(1,682,567)**	**(1,674,385)**
Balance as at December 31, 2023	**1,687,500**	**506,250**	**(49,238)**	-	**2,724,281**	**4,868,793**

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

Ibrahim Qassim Al Buainain
Chairman of the Board

Samer Abdulaziz M. Al - Hokail
President & Chief Executive Officer

Mohammed A. Al Nafea
Chief Financial Officer

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Statement of cash flows
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Year ended December 31, 2023	2022
Cash flows from operating activities			
Profit before zakat and income tax		**1,578,972**	2,131,610
Adjustments for:			
Depreciation and amortization	5, 6, 7	**321,334**	340,276
Finance income	29	**(130,702)**	(34,904)
Non-cash employee expenses		**9,001**	279
Finance cost	30	**142,015**	74,402
Property, plant and equipment written off		**-**	24,464
Fair value gain on derivative financial instruments		**-**	(6,336)
Provision for employee benefits obligations	19	**27,875**	26,996
Loss on disposals of property and equipment		**106**	130
Impairment loss on financial assets	11	**1,216**	5,727
Allowance for inventory obsolescence and slow moving	10	**5,696**	13,988
Impairment (reversal) / charge on inventories	10	**(12,459)**	-
Changes in working capital:			
Inventories		**(32,313)**	112,186
Trade receivables		**(31,904)**	(166,192)
Prepayments and other assets		**2,026**	6,759
Trade payables		**499,306**	(413,061)
Accrued expenses and other liabilities		**(45,690)**	138,356
Cash generated from operations		**2,334,479**	2,254,680
Finance income received		**118,474**	33,784
Employee benefit obligations paid	19	**(11,088)**	(37,621)
Zakat and income tax paid	31	**(120,239)**	(233,979)
Net cash inflow from operating activities		**2,321,626**	2,016,864
Cash flows from investing activities			
Payments for property, plant and equipment	5	**(213,113)**	(44,664)
Payments for intangible assets	7	**(231)**	(3,273)
Investment in short-term deposits		**(3,494,931)**	(1,034,297)
Withdrawals from short-term deposits		**2,018,086**	1,031,823
Collection against employees' loans		**4,034**	8,760
Disbursement of employees' loans		**(4,830)**	(7,181)
Net cash outflow from investing activities		**(1,690,985)**	(48,832)
Cash flows from financing activities			
Repayment of borrowings	18	**(163,125)**	(145,140)
Purchase of treasury shares	15	**-**	(57,420)
Dividends paid	15	**(1,682,567)**	(1,125,000)
Principal element of lease payments		**(10,075)**	(10,002)
Finance cost element of lease payments		**(7,031)**	(77)
Finance cost paid		**(133,961)**	(67,802)
Net cash outflow from financing activities		**(1,996,759)**	(1,405,441)
Net (decrease) / increase in cash and cash equivalents		**(1,366,118)**	562,591
Cash and cash equivalents at the beginning of the year		**1,912,078**	1,349,487
Cash and cash equivalents at the end of the year	14	**545,960**	1,912,078
Supplemental information for non-cash information			
Recognition of provision for decommissioning liability	21	**5,444**	7,014
Additions to right-of-use assets and lease liabilities	6	**88,554**	-

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

Ibrahim Qassim Al Buainain	Samer Abdulaziz M. Al - Hokail	Mohammed A. Al Nafea
Chairman of the Board	President & Chief Executive Officer	Chief Financial Officer

1. General information

Saudi Aramco Base Oil Company – Luberef (the "Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia. The Company commenced its operations in Jeddah in 1978 and in Yanbu in 1998. The purpose of the Company is to construct, own and operate refineries of base oils and to purchase, sell, transport, market, import and export base oils, additives, base oil blending stocks, by-products and other related petroleum products.

The Company is registered under Commercial Registration ("CR") number. 4030010447 issued in Jeddah on 3 Ramadan 1396H (corresponding to 29 August 1976). The Company was converted from a limited liability company to a closed joint stock company pursuant to resolution number 1173 dated Muharram 20, 1444H (corresponding to August 18, 2022) issued by the Ministry of Commerce. On December 28, 2022, the Company completed its Initial Public Offering ("IPO") and its ordinary shares were listed on the Saudi Stock Exchange ("Tadawul") accordingly the Company has been categorised as a Saudi Joint Stock Company. The Company is currently under process, to update its status in the commercial registration certificate from closed joint stock company to joint stock company.

The financial statements include the financial information of the Company's head office in Jeddah, its branch in Yanbu and its operations in Hamriyah Free Zone Authority, United Arab Emirates (UAE). The CR number of Yanbu branch is 4700004941. The license certificate number of 11857 for operations in Hamriyah was issued with a status of Free Zone Establishment Company (the "Establishment") by the Government of Sharjah (UAE), on 26 Rabi-ul-Awal 1435H (corresponding to January 27, 2014). The Company has treated the Free Zone Establishment as a branch in these financial statements as it owns 100% paid up capital of the Establishment.

Saudi Arabian Oil Company ("Saudi Aramco") owns 70% shareholding of the Company. The Saudi Arabian Government is the largest shareholder with 90.19% direct shareholding in Saudi Aramco. The remaining 29.7% of the Company's shares are held by the private sector and 0.3% are held by the Company as treasury shares.

Saudi Aramco is the immediate parent of the Company. The Company is ultimately controlled by the government of Kingdom of Saudi Arabia.

These financial statements were approved and authorized for issue by the Board of Directors of the Company on February 27, 2024.

2 Basis of preparation

2.1 Statement of compliance

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

The Company has elected to present a single statement of comprehensive income and presents its expenses by function. The Company reports cash flows from operating activities using the indirect method.

2.2 Basis of measurement

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

- The defined benefit obligation which is recognized at the present value of future obligations using the Projected Unit Credit Method; and
- Lease liabilities which are recognized at the present value of future lease payments.

These financial statements are presented in thousands of Saudi Riyal, which is the Company's functional and presentation currency. These financial statements have been rounded-off to the nearest Saudi Riyal thousands, unless otherwise stated.

(All amounts in Saudi Riyals thousands unless otherwise stated)

2.3 New standards and amendments

New standards and amendments applicable from January 1, 2023

Certain amendments to existing standards became applicable for the current reporting period. The amendments did not have an impact on the financial statements of the Company and accordingly the Company did not have to change its accounting policies or make any retrospective adjustments.

Standards, interpretations and amendments issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2023 reporting periods and have not been early adopted by the Company. The standards, interpretations and amendments issued relevant to the Company, but are not yet effective are disclosed below:

Title	**Key requirements**	**Effective Date**
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	The narrow-scope amendments to IAS 1 'Presentation of Financial Statements, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.	January 1, 2024
Amendment to IAS 1 – Non-current liabilities with covenants	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions	January 1, 2024
Supplier Finance arrangements - Amendments to IAS 7 and IFRS 7	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.	January 1, 2024
Amendment to IFRS 16 – Leases on sale and leaseback	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.	January 1, 2024
Lack of exchangeability – Amendment to IAS 21	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.	January 1, 2025

Management is in the process of assessing the impact, if any, these pronouncements may have in future reporting periods.

3 Critical accounting estimates and judgments

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, costs, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future period.

These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the periods in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

The key assumption concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial year include:

3.1 Useful life of property, plant and equipment

The Company's management determines the estimated useful life of its property, plant and equipment for calculating depreciation based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Company as well as the duration of lease period. The following primary factors are considered: (a) the expected usage of the assets; (b) the expected physical wear and tear, which depends on operational factors and maintenance plan; and (c) the technical or commercial obsolescence arising from changes in market conditions.

The management periodically reviews the estimated useful lives, residual values and the depreciation method to ensure that depreciation is consistent with the expected pattern of economic benefit of the assets. The Company's assets, classified within property, plant and equipment, are depreciated on a straight -line basis over their economic useful lives.

As at December 31, 2023, if the estimated useful life of the property, plant and equipment increased or decreased by 10%, with all other variables held constant, total comprehensive income for the year ended would have been Saudi Riyals 11.42 million higher or Saudi Riyals 47.08 million (December 31, 2022: Saudi Riyals 28.67 million higher or Saudi Riyals 42.79 million lower), respectively.

3.2 Provision for inventory obsolescence

The Company determines its allowance for inventory obsolescence based upon historical experience, current condition, and current and future expectations with respect to its use. The estimate of the Company's allowance for inventory obsolescence could change from period to period, which could be due to assessment of the future usage of inventory.

At December 31, 2023, if the provision for inventory obsolescence increased/decreased by 10%, with all other variables held constant, the total comprehensive income for the year then ended would have been Saudi Riyals 0.57 million (December 31, 2022: Saudi Riyals 2.85 million lower/higher).

3.3 Employee benefit obligations

The cost of post-employment defined benefits is the present value of the related obligation, as determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, withdrawal before normal retirement age, mortality rates, etc. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. With respect to determining the appropriate discount rate, yield and duration of high-quality bonds obligation, as designated by an internationally acknowledged rating agency, are extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. See Note 19 for further details.

3.4 Expected Credit Loss (ECL) measurement on financial assets

Measurement of ECL is a significant estimate that involves determination methodology, models and data inputs. The Company uses supportable forward-looking information for measurement of ECL. Details of ECL measurement methodology are disclosed in Note 32.2. The components that have a major impact on credit loss allowance are probability of default ("PD") and loss given default ("LGD"), as well as models of macro-economic scenarios. The Company regularly reviews and validates the models and inputs of the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

At December 31, 2023, if the allowance for ECL increased/decreased by 10%, with all other variables held constant, total comprehensive income for the year ended would have been Saudi Riyals .12 million (December 31, 2022: Saudi Riyals 1.11 million lower/higher).

3.5 Decommissioning obligation

The Company's operational activities are subject to various laws and regulations. The Company estimates decommissioning obligations based on management's understanding of the current legal requirements in the Kingdom of Saudi Arabia, terms of the lease agreements and engineering estimates. Provision is made for decommissioning as soon as the obligation arises. Actual costs incurred in future years could differ materially from the amounts provided. Additionally, future changes to laws and regulations and life of assets estimates could affect the carrying amount of this provision.

3.6 Key accounting judgement - Revenue recognition

The Company has agreements with Saudi Aramco to purchase feedstock for the Company's Jeddah and Yanbu refineries and to supply certain by-products back to Saudi Aramco after the feedstock has been processed and base oil extracted for sale to its other customers (see Note 25). The Company accounts for these transactions separately as purchases of feedstock from, and sales of by-products to, Saudi Aramco, instead of provision of processing services. This is on the basis of the Company's ability to control, obtaining substantial economic benefit and decision making relating to feedstock used and mix of the products produced which are substantially different from the feedstock purchased.

4 Material accounting policies

The material accounting policies applied by the Company in the preparation of the financial statements are set out below. These policies have been consistently applied for all periods presented, unless otherwise stated.

4.1 Foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The financial statements include the financial statements of the Company's branch in Hamriyah Free Zone Authority, United Arab Emirates (UAE). The reporting period of the Company's branch is same as that of the Company i.e. December 31. The Company's branch transactions are principally in United Arab Emirates Dirhams and United States Dollars.

4.2 Current vs non-current classification

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

- Expected to be realised or intended to be sold or consumed in 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 Company 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 Company classifies all other liabilities as non-current.

4.3 Property, plant and equipment

Initial recognition

Property, plant and equipment is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the property, plant and equipment will flow to the Company, and the cost of the asset can be measured reliably. Property, plant and equipment is recognised and measured initially at cost. Cost includes the fair value of the consideration given to acquire the asset (net of discounts and rebates) and any directly attributable cost, such as site preparation cost, delivery, installation costs, relevant professional fees and the estimated cost of dismantling and removing the asset and restoring the site (to the extent that such cost is recognised as a provision).

When parts of property, plant and equipment are significant in cost in comparison to the total cost of the item and such parts have a useful life different from other parts, the Company recognises such parts as individual assets and depreciates them accordingly.

Major spare parts qualify for recognition as property, plant and equipment when the Company expects to use them during more than one year. Transfers are made to relevant operating assets category as and when such items are available for use.

Planned turnaround costs are deferred and 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, the previously undepreciated deferred costs are immediately expensed and the new turnaround costs are depreciated over the period likely to benefit from such costs.

Subsequent measurement

The Company adopts the cost model to measure the entire class of property, plant and equipment. After recognition as an asset, an item of property, plant and equipment is carried as its cost less any accumulated depreciation and impairment losses, if any.

Subsequent expenditure

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Depreciation

Useful lives are determined by management based on the expected usage of the asset, expected physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of the assets and other similar factors. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written-down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Depreciation is calculated on a straight-line basis over the below useful lives and is recognised in the statement of comprehensive income:

Category	**Useful life-years**
Manufacturing plants	10 - 50
Building and leasehold improvements	20 - 30
Furniture and fixtures	4 - 10
Other machinery and equipment	2 - 15
Motor vehicles	4

The Company has a policy to depreciate refinery turnaround costs upto five years.

De-recognition

Property, plant and equipment is derecognised when it has been disposed or no future economic benefits are expected to arise from its use or disposal. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income at the time the item is derecognised.

Capital work-in-progress (CWIP)

Assets in the course of construction or development are capitalised in the CWIP within property, plant and equipment. The asset under construction or development is transferred to the appropriate category in property, plant and equipment, once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management.

The cost of an item of CWIP comprises its purchase price, construction / development cost and any other cost directly attributable to the construction or acquisition of an item intended by management.

CWIP is measured at cost less any recognised impairment. CWIP is not depreciated. Depreciation only commences when the assets are capable of operating in the manner intended by management, at which point they are transferred to the appropriate asset category.

Borrowing costs

Borrowing costs directly attributable to the acquisition and or construction of property, plant and equipment assets that necessarily take a substantial period of time to prepare for their intended use and a proportionate share of general borrowings are capitalised to the cost of those property, plant and equipment. All other borrowing costs are expensed as incurred and recognised in finance costs.

4.4 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Assets and liabilities arising from a lease are initially measured on present value. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.
-

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and restoration costs.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Depreciation of right-of-use assets

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Subsequent measurement

Right-of-use assets

The Company adopts the cost model to measure right of use assets. After recognition as an asset, right-of-use assets are carried at its initial recognition amounts less any accumulated depreciation and impairment losses, if any.

Lease liabilities

The lease liability is measured as follows:

a) Increasing the carrying amount to reflect interest on the lease liability;
b) Reducing the carrying amount to reflect the lease payments made; and
c) Remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

Where the Company is exposed to potential future increases in variable lease payments based on an index or rate, these are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

4.5 Intangible assets

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

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible asset.

Intangible assets, consisting of computer software and licenses, are recorded at cost, net of accumulated amortisation and impairment losses, if any. Intangible assets are amortised on a straight-line basis over 3 to 15 years.

4.6 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to depreciation / amortisation and are instead tested annually for impairment. Assets subject to depreciation / amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or group of assets (cash generating unit).

Non-financial assets that have been fully or partially impaired are reviewed for possible reversal of all or part of the impairment loss at the end of each reporting period. The amount of any reversal is restricted to the carrying value of the relevant assets if the original impairment had not occurred (i.e., after taking into normal depreciation had no impairment occurred).

The impairment loss is allocated to reduce the carrying amount of the assets of the cash generating unit (group of units) in pro rata on the basis of the carrying amount of each asset in the unit (group of units). These reductions in carrying amounts shall be treated as impairment losses on individual assets and recognised.

4.7 Trade receivables

Trade receivables are amounts due from customers for goods sold and services rendered in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost. Refer Note 32.2 for a description of the Company's impairment policies.

4.8 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The amount of any write-down of inventories to net realisable value and all losses of inventories shall be recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, shall be recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

4.9 Financial instruments

Classification of financial assets

The Company classifies its financial assets under the following categories:

- Fair value through profit or loss (FVTPL); and
- Amortised cost.

These classifications are on the basis of business model of the Company for managing the financial assets, and contractual cash flow characteristics.

The Company measures financial asset at amortised cost when it is within the business model to hold assets in order to collect contractual cash flows, and contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For assets measured at fair value, gains and losses will be recorded in statement of comprehensive income.

Initial measurement

At initial recognition, financial assets or financial liabilities are measured at their fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in statement of comprehensive income. In the case of financial assets or financial liabilities not at fair value through profit or loss, its fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability is the initial recognition amount.

Classification of financial liabilities

The Company designates a financial liability at fair value through profit or loss if doing so eliminates or significantly reduces measurement or recognition inconsistency or where a group of financial liabilities is managed and its performance is evaluated on a fair value basis.

All other financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset so that the net amount reported in the statement of financial position where the Company currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Reclassifications

Financial assets are reclassified when the Company changes its business model for managing financial assets. For example, when there is a change in management's intention to hold the asset for a short-term or long-term. Financial liabilities are not reclassified.

Subsequent measurement

Subsequent measurement of financial assets is as follows:

Debt instruments

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in statement of comprehensive income and presented in other income / (expenses). Impairment losses are presented as separate line item in the statement of comprehensive income.

FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in statement of comprehensive income and presented as fair value gain / (loss) on financial instruments measured at fair value through profit or loss in the statement of comprehensive income in the period in which it arises.

De-recognition

The Company derecognises a financial asset when, and only when the contractual rights to the cash flows from financial asset expire, or it transfers substantially all the risks and rewards of ownership of the financial asset.

Financial liabilities are derecognised when the obligations specified in the contract is discharged, cancelled or expires. A substantial change in the terms of a debt instrument is considered as an extinguishment of the original liability and the recognition of a new financial liability.

The Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognised in profit or loss as the modification gain or loss within other income and expenses.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event (see (ii) above);
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
(e) the disappearance of an active market for that financial asset because of financial difficulties.

Impairment of financial assets

The Company assesses the expected credit losses associated with its financial assets carried at amortised cost using expected credit losses model. For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. See Note 32.2 for further details.

Derivative financial instruments

Derivative financial instruments, including interest rate swaps are carried at their fair value. All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year. The Company does not apply hedge accounting.

4.10 Short-term deposits

Short-term deposits include placements with banks and other short-term highly liquid Islamic investments with original maturities of more than three-month but not more than twelve months from the purchase date.

4.11 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash in hand, bank balances and deposits with original maturities of three months or less, if any.

4.12 Share capital

Ordinary shares are classified as equity. Transaction costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

Treasury shares are recognized as a deduction from equity at the amount of consideration paid by the Company for their acquisition, including any directly attributable transaction costs incurred.

4.13 Dividends distribution

Dividend distribution to Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by Company's shareholders.

4.14 Statutory reserve

In accordance with the Regulation of Companies in the Kingdom of Saudi Arabia and the Company's Articles of Association, 10% of the annual net income is required to be transferred to a statutory reserve until this reserve equals at least 30% of the share capital.

4.15 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any noncash assets transferred or liabilities assumed, is recognised in statement of comprehensive income as other income or finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

4.16 Employee benefits

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Employees' thrift plan

The Company operates a thrift plan to encourage its employees to make savings in a manner that will warrant an increase in their income and contribute to securing their future according to the established plan. The saving contributions from the participants are deposited in a separate bank account other than the Company's normal operating bank accounts.

Post-employment obligation

The Company operates post-employment benefit scheme of defined benefit plan driven by the labor laws and workman laws of the Kingdom of Saudi Arabia after the retirement of employee. End of service payments are based on employees' final salaries and allowances and their cumulative years of service. The Company also provides full medical coverage to Saudi employees and their spouses provided they have completed minimum 25 years of service with the Company and their age is minimum 55 years or the employee reaches the age of sixty.

The post-employment benefits plans are not funded. Accordingly, valuations of the obligations under those plans are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to post-employment benefits are recognised immediately in the statement of the comprehensive income while unwinding of the liability at discount rates used are recorded as interest cost. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in the other comprehensive income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income and transferred to retained earnings in the period in which they occur.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are also recognised immediately in the statement of comprehensive income as past service costs.

4.17 Provisions

Provisions are recognised when the Company 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. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-zakat and tax rate that reflects current market assessments of the time value of money and the risks specific to liability. The increase in the provision due to the passage of time is recognised as interest expense. The expense relating to a provision is presented in the statement of the comprehensive income, net of reimbursements.

Decommissioning cost

Provision for decommissioning obligation is recognized when the Company has a liability for restoration work or land rehabilitation. The extent of decommissioning required and the associated costs are dependent on the requirements of current laws and regulations.

Costs included in the provision includes all decommissioning obligations expected to occur over the life of the asset. The provision for decommissioning is discounted to its present value and capitalized as part of the asset under property, plant and equipment and then depreciated as an expense over the expected life of that asset.

Adjustments to the estimated amount and timing of future decommissioning cash flows are a normal occurrence in light of the significant judgments and estimates involved. Such adjustments are recorded as an increase in liability and a corresponding increase in the related asset. Factors influencing those adjustments include:

- developments in technology;
- regulatory requirements and environmental management strategies;
- changes in the estimated extent and costs of anticipated activities, including the effects of inflation; and
- changes in economic sustainability.

4.18 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 recognised initially at fair value and subsequently measured at amortised cost using effective interest rate.

4.19 Zakat and income tax

The Company is subject to zakat and income tax in accordance with the regulations of the Zakat, Tax and Customs Authority (the “ZATCA”) however subsequent to the listing on Tadawul, the Company is subject to zakat only. Provision for zakat is accrued and charged to the statement of comprehensive income. Additional amounts payable, if any, at the finalisation of final assessments are accounted for when such amounts are determined.

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

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

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

4.20 Revenue recognition

Revenue is recognised upon the satisfaction of performance obligations, which occurs when control transfers to the customer under contracts for sale of goods. Control of the products is determined to be transferred to the customer when the title of base oil and/or related by-products passes to the customer, which typically takes place when product is physically transferred into a vessel, pipe or other delivery mechanism. The Company has contracts with customers in which supply of the base oil and/or related by-products is the only performance obligation. The Company recognized revenue at a point in time when control of the goods is transferred to the customer, generally on delivery of the goods and revenue from freight over a period of time, when the services are rendered.

The Company has concluded that it is the principal in all of its revenue arrangements since it has the primary obligation in all the revenue arrangements, has pricing latitude, and controls the goods before these are transferred to the customer.

4.21 Expenses

<u>Cost of revenue</u>

Production costs and direct manufacturing expenses are classified as cost of revenue. This includes raw material, direct labor and other attributable overhead costs and freight costs incurred for freight services.

<u>Selling and distribution expenses</u>

Selling and marketing expenses are those arising from the Company's efforts underlying the marketing, selling and distribution functions.

<u>General and administrative expenses</u>

General and administrative expenses pertain to operation expenses which are not directly related to the production of any goods. These also include allocations of general overheads which are not specifically attributed to cost of revenue or selling and distribution expenses.
Allocation of overheads among cost of revenue, selling and distribution expenses, and general and administrative expenses, where required, is made on a consistent basis.

4.22 Finance income

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

4.23 Finance cost

Finance cost is recognised for the interest due to the lender of all financial liabilities measured at amortised cost, using the effective interest rate. Effective interest rate is the rate that discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial liability. Additionally, the finance cost also includes time value of money for all the lease liabilities recognised. Finance cost is also recognised due to passage of time whenever a provision or liability has been discounted to its present value.

4.24 Earnings per share

<u>Basic earnings per share</u>

Basic earnings per share is calculated by dividing:

- the net income attributable to the ordinary shareholder of the Company; and
- by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for bonus elements in ordinary shares issued during the period and excluding treasury shares.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

4.25 Share-based compensation

The cost of an equity-settled award granted to employees is measured by reference to the fair value of the equity instrument on the date the award is granted. This cost is recognized as an employee benefit expense in the statement of comprehensive income with a corresponding increase in equity. The cost of the equity-settled award is recognized over the vesting period, which is the period over which the employees render the required service for the award.

In determining the fair value of an equity-settled award, an appropriate valuation method is applied. Service and non-market performance conditions are not taken into account in determining the fair value of the award, but during the vesting period the likelihood of the conditions being met is assessed as part of the Company's best estimate of the number of awards that are expected to vest. Any market performance conditions and non-vesting conditions are taken into account in determining the award's fair value.

4.26 Segmental reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Company's Board of Directors and the President & Chief Executive Officer ("CEO) who makes decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis and are reported to the Company's Board of Directors and the President & CEO, being Chief Operating Decision Maker ("CODM") of the Company.

(All amounts in Saudi Riyals thousands unless otherwise stated)

5 Property, plant and equipment

(a) The movement in property, plant and equipment is as follows:

	Manufacturing plants	Buildings and leasehold improvements	Furniture and fixtures	Other machinery and equipment	Motor vehicles	Capital work in progress	Total
Cost							
At January 1, 2023	7,737,478	330,983	27,367	243,888	2,356	196,630	**8,538,702**
Additions	5,444	-	-	-	-	248,738	**254,182**
Disposals	(110)	-	-	-	-	-	**(110)**
Transfers	84,433	-	-	696	731	(85,860)	**-**
At December 31, 2023	**7,827,245**	**330,983**	**27,367**	**244,584**	**3,087**	**359,508**	**8,792,774**
Accumulated depreciation							
At January 1, 2023	3,204,782	280,546	26,902	205,227	2,213	-	**3,719,670**
Charge of the year	290,438	5,580	141	6,080	238	-	**302,477**
Disposals	(4)	-	-	-	-	-	**(4)**
At December 31, 2023	**3,495,216**	**286,126**	**27,043**	**211,307**	**2,451**	**-**	**4,022,143**
Net book value:							
December 31, 2023	**4,332,029**	**44,857**	**324**	**33,277**	**636**	**359,508**	**4,770,631**
Cost							
At January 1, 2022	7,723,139	330,699	27,367	243,536	2,356	184,532	8,511,629
Additions	-	-	-	-	-	51,678	51,678
Disposals	(141)	-	-	-	-	-	(141)
Write-offs	-	-	-	-	-	(24,464)	(24,464)
Transfers	14,480	284	-	352	-	(15,116)	-
At December 31, 2022	7,737,478	330,983	27,367	243,888	2,356	196,630	8,538,702
Accumulated depreciation							
At January 1, 2022	2,888,207	274,628	26,750	197,552	2,048	-	3,389,185
Charge of the year	316,586	5,918	152	7,675	165	-	330,496
Disposals	(11)	-	-	-	-	-	(11)
At December 31, 2022	3,204,782	280,546	26,902	205,227	2,213	-	3,719,670
Net book value:							
December 31, 2022	4,532,696	50,437	465	38,661	143	196,630	4,819,032

(All amounts in Saudi Riyals thousands unless otherwise stated)

(b) Manufacturing plants include deferred refinery turnaround costs. The movement in deferred refinery turnaround costs during the year ended, is analyzed as under:

	2023	2022
Cost:		
Opening balance	**113,673**	113,673
Addition during the year	**72,469**	-
Closing balance	**186,142**	113,673
Accumulated depreciation:		
Opening balance	**94,569**	71,859
Amortization during the year	**15,553**	22,710
Closing balance	**110,122**	94,569
Carrying amount	**76,020**	19,104

(c) Additions during the year in capital work in progress principally relate to the normal additions to Yanbu and Jeddah refineries. Capital work in progress at December 31, 2023 relates to the development and enhancement works for the Company's refineries in Jeddah and Yanbu. The management expects that the capital work in progress for Jeddah and Yanbu refineries will be completed within a year.

(d) During the year, the Company reviewed and revised the useful lives and residual value of Yanbu refinery manufacturing plants. As a result, effective October 1, 2023, the Company changed its estimated useful lives and residual value of these assets to better reflect the estimated periods during which these assets will remain in service. The estimated useful lives of manufacturing plants that previously averaged 22 years were increased to 25 years. Had there been no revision to the useful lives, the depreciation charge for the year ended December 31, 2023 would have been higher by Saudi Riyals 12.3 million.

(e) In prior years, a contractor for Yanbu Expansion Project has submitted claims and appeals amounting to Saudi Riyals 222.52 million. After the assessment on the procedural and substantive grounds, management has rejected these claims. In 2023 management has concluded negotiations with the contractor and accepted claims amounting to Saudi Riyals 35.62 million and such amount is included as part of the additions in capital work-in-progress in the current year as the project is currently on-going.

(f) Depreciation charge for the year has been allocated as follows:

	Note	2023	2022
Cost of revenue	26	**301,754**	329,733
General and administrative expenses	28	**722**	765
		302,476	330,498

6 Leases

The Company leases various lands, pipelines, equipments, buildings and motor vehicles. Rental contracts are typically made for fixed periods of 1 to 30 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

At December 31, 2023, the Company did not have any lease contracts classified as right-of-use asset that are variable in nature. Some leases contain extension options exercisable by the Company before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The Company assesses at lease commencement whether it is reasonably certain to exercise the option. The Company does not provide residual value guarantees in relation to any of its leases.

(All amounts in Saudi Riyals thousands unless otherwise stated)

a) Right-of-use assets

	Lands	Generators	Admin Building	Others	Total
At January 1, 2022	92,411	-	-	9,200	101,611
Depreciation	(4,325)	-	-	(2,912)	(7,237)
At December 31, 2022	88,086	-	-	6,288	94,374
Additions*	**44,539**	**30,168**	**13,847**	**-**	**88,554**
Depreciation	**(4,325)**	**(6,285)**	**(2,308)**	**(2,912)**	**(15,830)**
At December 31, 2023	**128,300**	**23,883**	**11,539**	**3,376**	**167,098**

* During the year, the Company entered into lease agreements for electric generators for Jeddah refinery and new head office building in Jeddah. Further during the current year, management has reassessed the extension option over Yanbu lease land and recognised an additional Saudi Riyals 44.54 million.

Depreciation on right-of-use assets is charged to the statement of comprehensive income using the straight-line method to allocate their costs over their lease term which are as follows:

Category	**Useful life - years**
Lands	30 - 99
Generator	5
Admin building	5
Other	5 - 27

b) Lease liabilities

	2023	**2022**
Opening balance	**107,791**	112,803
Additions *	**88,554**	-
Lease payments **	**(17,106)**	(10,079)
Interest on lease liabilities	**7,031**	5,067
Closing balance	**186,270**	107,791

Lease liabilities	**2023**	**2022**
Current	**22,428**	10,340
Non-current	**163,842**	97,451
	186,270	107,791

** Lease payments include a payment made to Royal Commission of Yanbu, related party for Yanbu land lease contract amounting to Saudi Riyals 5.8 million during the year ended December 31, 2023 (2022: Nil).

As at December 31, 2023, potential future cash outflows of Saudi Riyals 591.34 million (undiscounted) have been included in the lease liability because it is reasonably certain that the lease will be extended (December 31, 2022: Saudi Riyals 109.73 million), as the Company has incurred significant capital expenditure on the land.

The initial assessment of the land lease contract with the Royal Commission for Jubail and Yanbu has been revised. For the computation of the lease liabilities, the lease term applied has been extended to reflect the Company’s reasonable expectations of the period during which the underlying asset will be used. Considering the broader economics of the contract and recent developments, the Company is reasonably certain that parties to the contract will exercise extension options given in the land lease agreements. As a consequence of this change in assessment, the lease term for the Yanbu land lease contract has been extended to 99 years.

(All amounts in Saudi Riyals thousands unless otherwise stated)

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. During the current financial year, there were no revisions of lease terms due to exercising extension and termination options.

Amounts recognised in the statement of comprehensive income

	For the year ended December 31,	
	2023	**2022**
Depreciation charge on right-of-use assets	**15,830**	7,237
Interest expense (included in finance costs -Note 30)	**7,031**	5,067
Expense relating to tank rents (short-term leases) are included in selling and distribution expenses - Note 27	**14,843**	9511

Depreciation on right-of-use assets for the year has been allocated as follows:

	Note	**2023**	**2022**
Cost of revenue	26	**12,150**	5,844
General and administrative expenses	28	**3,680**	1,393
		15,830	7,237

7 Intangible assets

	2023	**2022**
Cost		
Opening balance	**36,112**	32,839
Additions	**231**	3,273
Closing balance	**36,343**	36,112
Accumulated amortization		
Opening balance	**17,998**	15,455
Charge for the year	**3,026**	2,543
Closing balance	**21,024**	17,998
Closing carrying amount	**15,319**	18,114

Intangible assets comprise of software and its development cost.

8 Employees' home ownership receivables

	Note	**2023**	**2022**
Employees' home ownership receivables		**1,950**	3,300
Less: current portion	12	**(1,462)**	(1,350)
		488	1,950

In the previous years, the Company had a Home Ownership Program that offered eligible Saudi employees' home ownership opportunities. During 2010, the Company constructed and sold 133 residential houses for outright sale to the employees. Houses were sold to eligible employees and a receivable was recorded against such sale, which does not bear any finance charges and is expected to be collected over a period of 15 years. Deductions are made monthly from the employees' salaries up to 25% of their basic salaries. The Company has the legal documents of the property as collateral having fair value higher than the receivable balance to be collected from the employee and shall transfer the legal title of those residential houses to the concerned employees at the time of final settlement of the loan.

(All amounts in Saudi Riyals thousands unless otherwise stated)

The Company shall transfer the legal title of those residential houses to the concerned employees at the time of final settlement of the loan.

9 Loans to employees

Loans to employees comprise the following:

	Note	2023	2022
Home loans to employees	9(a)	**19,618**	17,422
Other loans to employees	9(b)	**1,544**	1,382
Less: current portion	12	**(3,638)**	(2,321)
		17,524	16,483

(a) Home loans to employees

Home loans are given to eligible Saudi employees of the Company under a scheme approved by the Board of Directors. Under this scheme, loans are provided to eligible employees for the purpose of purchasing or constructing their residential houses. Such loans, which do not bear any finance charges, are repayable by the employee as per the agreement with the employee. The Company retains the title of the property until the employee has settled all dues. The fair value of the related collateral property is higher than the carrying value of the home loan to employees.

(b) Other loans to employees

Such loans are given to eligible Saudi employees of the Company under a scheme approved by the Board of Directors. Under this scheme, the employees are eligible for loans up to 80% of their end of service benefits accrued. Such loans, which do not bear any finance charges, are repayable by the employees over 36 months and are secured against the related employees' end of service benefits.

Other loans to employees are recognised as a non-current financial asset at fair value and measured at amortised cost using the EIR method. The difference between the fair value and the actual amount of cash given to the employee is recognised as an expense. The carrying amount of employees’ loans on each reporting date approximates the fair value of these balance.

10 Inventories

	2023	2022
Finished goods	**246,953**	224,504
Production in progress	**200,041**	200,251
Spare parts and consumables materials	**103,469**	97,827
Raw material - feedstock	**94,263**	89,831
	644,726	612,413
Less: Allowance for slow moving and inventory obsolescence	**(21,761)**	(28,524)
	622,965	583,889

Amounts of inventories recognised as an expense are disclosed in Note 26.

Movement in provision for slow moving and inventory obsolescence is as follows:

	2023	2022
Opening balance	**28,525**	14,537
Additions for the year	**5,695**	13,987
Reversal for the year*	**(12,459)**	-
Closing balance	**21,761**	28,524

(All amounts in Saudi Riyals thousands unless otherwise stated)

* During the current year, the Company was successful in its insurance claims related to spare parts and consumables that were damaged due to heavy rain in Jeddah in 2022. The Company is in the process of completing the legal formalities related to claim proceeds. The reversal of the provision for the year has been recognized in cost of revenue within the statement of comprehensive income.

11 Trade receivables

	Note	2023	2022
Trade receivables		**432,803**	664,464
Related parties	24	**633,322**	369,757
		1,066,125	1,034,221
Allowance for expected credit losses		**(12,295)**	(11,079)
		1,053,830	1,023,142

Related parties' balances amounting to Saudi Riyals 436.29 million (December 31, 2022: Saudi Riyals 444.37 million) have been offset against the related parties' trade payables in the statement of financial position. For details, refer to Note 22.

Due to the short-term nature of the trade receivables, their carrying amounts are considered to approximate their fair value and are generally settled within 12 months from the reporting date.

Movement in provision for impairment of trade receivables is as follows:

	2023	2022
Opening balance	**11,079**	5,352
Charge for the year *	**1,216**	5,727
Closing balance	**12,295**	11,079

* This includes Saudi Riyals 1.21 million charge for the year ended December 31, 2023, pertaining to related parties (December 31, 2022: Saudi Riyals 0.97 million).

Information about the impairment of trade receivables and the Company's exposure to credit risk, market risk and liquidity risk can be found in Note 32.2.

12 Prepayment and other assets

	Note	2023	2022
Prepaid insurance		**11,474**	5,033
Advances to suppliers		**9,712**	9,297
Loans to employees	9	**3,638**	2,321
Employees' home ownership receivables	8	**1,462**	1,350
Prepaid housing allowance		**-**	8,314
Others		**1,049**	1,240
		27,335	27,555

Loans to employees, employees' home ownership receivables, interest receivables and other receivables are generally settled within 12 months from the reporting date. Hence, their carrying amount is considered to be the same as fair value.

13 Short-term deposits

The Company invested Saudi Riyals 1,619.75 million (December 31, 2022: Saudi Riyals 146.85 million) in Murabaha deposits. The accrued profit from Murabaha deposits amounted to Saudi Riyals 15.57 million (December 31, 2022: Saudi Riyals 1.35 million). These short-term deposits, with maturity periods ranging from 96 days to 146 days, were held by commercial banks and are due to mature from January 3, 2024, to April 2, 2024. The Company had placed short-term Murabaha deposits on a recurring basis during the year ended December 31, 2023, the last short-term Murabaha deposit matured on December 27, 2023.

(All amounts in Saudi Riyals thousands unless otherwise stated)

The Murabaha deposits are held with banks having sound credit ratings. The fair value at each reporting date is estimated to be the same as their carrying value as they are short-term in nature and profit on Murabaha deposits is based on market prevailing rates.

14 Cash and cash equivalents

	2023	2022
Cash in hand	**80**	110
Cash at banks	**545,880**	128,808
Murabaha deposits*	**-**	1,783,160
	545,960	1,912,078

Cash at banks and Murabaha deposits are placed with banks having sound credit ratings (refer to Note 32.2). The carrying value at each reporting date is considered to be the same as fair value. Time deposits are placed with local commercial banks and yield shariah compliant financial income at prevailing market rates with original maturities of three months or less.

*As at December 31, 2023, the Company has invested all the balance in to short-term Murabaha deposits having maturity above 90 days.

15 Share capital

15.1 Issued and paid-up capital

	2023	2022
Ordinary shares of Saudi Riyals 10 each (December 31, 2022: Saudi Riyals 10 each)	**1,687,500**	1,687,500
Issued share and paid-up capital		
Number of shares	**168,750**	168,750

15.2 Dividend

On April 30, 2023, the shareholders approved a dividend of Saudi Riyals 841.29 million for Saudi Riyals 5 per share which was paid in May 2023. Further on July 27, 2023, the Board of Directors approved an interim dividend of Saudi Riyals 841.28 million for Saudi Riyals 5 per share which was paid in October 2023. Subsequently, on February 27, 2024, the Board of Directors recommended a final dividend of Saudi Riyals 5 per share amounting to Saudi Riyals 841.28 million.

15.3 Treasury shares

On December 28, 2022, the Company acquired 580,000 ordinary shares from Jadwa Industrial Investment Company for cash consideration of Saudi Riyals 57.42 million. The number of treasury shares issued to employees during the year was 82,650 (2022: Nil) in relation to the grant awarded in 2022 (Note 15.4).

These shares were classified by the Company as treasury shares for the purposes of issuing them to the Company's employees upon vesting or purchase of the shares in the employee share plans, including those that the Company may adopt in the future.

15.4 Share-based compensation

This share-based compensation relates to a grant of ordinary shares awarded on December 28, 2022 to the Company's eligible employees under the plan terms of the grant. The grant is subject to a 12-month vesting period from its grant date and is subject to a service condition during the vesting period.

The grant was settled with the employees in shares on vesting date i.e. December 28, 2023. The fair value of the grant was determined by reference to the market value of the Company's ordinary shares on the date of grant for equity-settled awards. The participants in the grant are entitled to dividend equivalents, if dividends are declared to ordinary shareholders, during the vesting period. Such dividend equivalents have been paid in cash on vesting of the grant. The value of the share-based compensation expense is recognised in the statement of comprehensive income and has created the share-based payment reserve.

(All amounts in Saudi Riyals thousands unless otherwise stated)

16 Statutory reserve

In accordance with the Company's By-laws, the Company must set aside 10% of its annual net income as the statutory reserve until it reaches 30% of the share capital. This reserve is not available for distribution to shareholders.

17 Earnings per share

	2023	2022
Net profit attributable to owners of the Company	**1,509,612**	1,978,080
Weighted average number of shares *	**168,171**	168,744
Basic / diluted earnings per share (Saudi Riyals per share)	**8.98**	11.72

As at December 31, 2023, the Company does not have any potential ordinary shares. The grant did not have a significant dilution effect on basic earnings per share for the year ended December 31, 2023.

18 Borrowings

Long-term borrowings comprise of the following:

	2023	2022
Islamic banking facilities (Murabaha)	**1,942,104**	2,104,860
Less: current portion of long-term borrowings	**(198,354)**	(164,235)
	1,743,750	1,940,625

Currency denomination of the borrowings in Saudi Riyals equivalent is as follows:

	2023	2022
Saudi Riyals	**1,456,606**	1,578,653
United States Dollars (“USD”)	**485,498**	526,207
	1,942,104	2,104,860

On August 19, 2021, the Company entered into an Islamic loan agreement under Murabaha arrangement. The agreement involved a syndication of Saudi Riyals 1,687.5 million from five local banks. In addition USD 150 million (equivalent of Saudi Riyals 562.5 million) from a commercial bank. The principal repayments have begun from June 30, 2022 and will continue on an agreed semi-annual installment basis till June 30, 2029. These facilities bear finance costs at market rates, which are generally based on Saudi Inter Bank Offered Rate (“SIBOR”) for Saudi Riyals denominated borrowings and on Term Secured Overnight Financing Rate (“Term SOFR”) for USD denominated borrowings. The spread during the year ended December 31, 2023 on these facilities varied between 0.75% - 1% (year ended December 31, 2022: 0.75% - 1 % per annum). Moreover, there is no collateral on the Company’s assets due to these long-term borrowing agreements.

The above long-term borrowing agreements contain certain covenants, which among other things, require the Company to maintain net debt to equity and certain other financial ratios. As at and during the year ended December 31, 2023 and 2022, the Company was compliant with all the covenants with the lenders.

As at December 31, 2023, the Company has a Islamic credit facility from a local commercial bank for managing its working capital amounting to Saudi Riyals 40 million (December 31, 2022: Saudi Riyals 40 million). The facility is subjected to Shariah principles and is denominated in Saudi Riyals and bears profit margin that is payable based on prevailing market rates i.e. SIBOR +1.5%. There are no financial covenants applicable to the Company under such facility with the respective bank. The facility is unsecured. The maturity of the Islamic credit facility is within twelve months. Total unused credit facility available to the Company as at December 31, 2023 is Saudi Riyals 40 million (December 31, 2022: Saudi Riyals 40 million).

Fair value of long-term borrowings is approximately equal to their carrying amounts as they are subject to variable interest at market rates. Finance costs recognized as expense on the above borrowings have been disclosed in Note 30.
The Company’s main interest rate risk arises from borrowings with variable rates, which expose the company to cash flow interest rate risk. During the year ended December 31, 2023 and 2022, the Company’s borrowings at variable rates were mainly denominated in Saudi Riyals and USD.

(All amounts in Saudi Riyals thousands unless otherwise stated)

The breakdown of the aggregate maturities of borrowings is as follows:

	2023	**2022**
2023	**-**	164,235
2024	**198,354**	196,875
2025	**225,000**	225,000
2026	**258,750**	258,750
2027	**270,000**	270,000
2028	**315,000**	315,000
2029	**675,000**	675,000
	1,942,104	2,104,860

Subsequent to December 31, 2023, the Company's Board of Directors has approved the early settlement of the Company's borrowings by Saudi Riyals 937.5 million.

19 Employee benefit obligations

Employee benefit obligations comprise the following:

	Note	**2023**	**2022**
Employees' end of service benefits	19(a)	**136,610**	135,079
Employees' post-retirement health care benefit	19(b)	**192,569**	128,048
		329,179	263,127

(a) Employees' end of service benefits

The Company has an employment defined benefit plan. The benefits are required by Saudi Labor Law. The benefit is based on the 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 statement of comprehensive income and amounts recognized in the statement of financial position.

Movement in the present value of defined benefit obligation:

	2023	**2022**
Opening balance	**135,079**	154,835
Included in profit or loss:		
Current service cost	**9,991**	10,398
Interest cost	**6,521**	4,164
	16,512	14,562
Included in other comprehensive income:		
Actuarial (gain) / loss on obligation	**(6,443)**	1,776
Benefits paid during the year	**(8,538)**	(36,094)
Closing balance	**136,610**	135,079

Significant assumptions used in determining the employment defined benefit obligation include the following:

	2023	**2022**
Discount rate	**5.02%**	4.80%
Future salary increase rate	**4.80% - 5.00%**	4.80% - 5.00%

(All amounts in Saudi Riyals thousands unless otherwise stated)

A quantitative sensitivity analysis for significant assumptions on the defined benefit obligation is shown below:

Discount rate:

	2023	**2022**
0.5% increase in discount rate	**(5,462)**	(5,434)
0.5% decrease in discount rate	**5,958**	5,870

Future salary growth rate:

0.5% increase in future salary growth rate	**5,910**	4,877
0.5% decrease in future salary growth rate	**(5,525)**	(4,564)

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

The expected maturity analysis of undiscounted employee benefit obligations as at December 31, 2023 is as follows:

Less than a year	8,207
Between 1 – 5 years	64,492
Over 5 years	76,716
	149,415

(b) Employees' post-retirement health care benefit

The Company provides full medical coverage to Saudi employees and their spouses provided they have completed a minimum 25 years of service with the Company and their age is minimum 55 years or the employee reaches the age of 60. The employees who joined the Company after February 28, 2021 will not be eligible for this benefit.

The following table summarizes the components of the net benefit expense recognized in the statement of comprehensive income and the amounts recognized in the statement of financial position:

Movement in the present value of defined benefit obligations:

	2023	**2022**
Opening balance	**128,048**	166,835
Included in profit or loss:		
Current service cost	**4,037**	6,829
Interest cost	**7,326**	5,605
	11,363	12,434
Included in other comprehensive income:		
Actuarial loss / (gain) on obligation	**55,708**	(49,694)
Benefits paid during the year	**(2,550)**	(1,527)
Closing balance	**192,569**	128,048

(All amounts in Saudi Riyals thousands unless otherwise stated)

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

	2023	2022
Discount rate	**5.80%**	5.65%
Medical rate (pre-retirement and post-retirement)	**10.00%**	7.65%

A quantitative sensitivity analysis for significant assumptions on the defined benefit obligation is shown below:

	2023	2022
Discount rate:		
0.5% increase in discount rate	**(21,297)**	(15,762)
0.5% decrease in discount rate	**25,172**	18,957
Medical rate (Pre-Retirement):		
0.5% increase in medical rate (Pre-Retirement)	**6,906**	4,672
0.5% decrease in medical rate (Pre-Retirement)	**(6,313)**	(4,255)
Medical rate (Post Retirement):		
0.5% increase in medical rate (Post-Retirement)	**16,545**	13,530
0.5% decrease in medical rate (Post-Retirement)	**(14,781)**	(11,790)

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

The expected maturity analysis of undiscounted Employees' post-retirement health care benefit as at December 31, 2023 is as follows:

Less than a year	2,758
Between 1 – 5 years	15,312
Over 5 years	25,533
	43,603

20 Other non-current liabilities

	2023	2022*
Employees' thrift plan	**3,672**	4,467
Chronic Medical Circumstance	**750**	868
	4,422	5,335

** Refer to Note 35 regarding the comparatives.*

21 Provision for decommissioning obligation

Decommissioning provision is made for the refinery closure, reclamation and dismantling obligation of the of the refineries. These obligations are expected to be incurred in the year in which the respective refinery is expected to be closed. Management estimates the provision based on management's understanding of the current legal requirements in the Kingdom of Saudi Arabia, terms of the lease agreements and engineering estimates.

(All amounts in Saudi Riyals thousands unless otherwise stated)

The provision for decommissioning obligation represents the present value of full amount of the estimated future closure and reclamation costs, based on information currently available including closure plans and applicable regulations. Future changes, if any, in regulations and cost assumptions may be significant and will be recognised when determined.

The initial assessment of site restoration under the contract with the Royal Commission for Jubail and Yanbu has been revised. Considering the broader economics of the contract and recent developments, the Company is reasonably certain that the Company contract partners will exercise extension options given in the land lease agreement. As a consequence of this change in assessment, the decommissioning on the Yanbu land has been recognised for 99 years.

Movement in provision for decommissioning is as follows:

	2023	**2022**
Opening balance	**39,081**	31,413
Addition during the year*	**5,444**	7,014
Unwinding of discount	**654**	654
Closing balance	**45,179**	39,081

* During the year ended December 31, 2023, the management has reassessed its expected costs for decommissioning obligation of the Yanbu land and refinery is Saudi Riyals 5.44 million. In 2022, the Company reassessed its expected costs decommissioning obligation of the Jeddah land and refinery and an addition of Saudi Riyals 7.01 million was recognized.

22 Trade and other payables

	Note	**2023**	**2022**
Related parties	24	**1,072,782**	506,406
Third parties		**59,403**	112,904
Employees' thrift plan	22(a)	**31,032**	32,789
Advances from customers		**10,947**	22,390
		1,174,164	674,489

Trade payables are unsecured and are usually paid within 3-12 months of recognition. The carrying amounts of trade payables are considered to approximate their fair values, due to their short-term nature.

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position where the Company currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Company has an agreement with Saudi Aramco to purchase feedstock and sell by-product in Jeddah refinery The settlement of these transactions takes place after 90 days and net payment is made to or received from Saudi Aramco.

The following table presents the recognised financial instruments that are offset, or subject to enforceable netting arrangements:

	Effects of offsetting on the statement of financial position		
	Gross amounts	**Amounts set off**	**Net amounts presented**
December 31, 2023			
Related party receivables	**1,069,616**	**(436,294)**	**633,322**
Related party payables	**1,509,076**	**(436,294)**	**1,072,782**
December 31, 2022			
Related party receivables	814,125	(444,368)	369,757
Related party payables	950,774	(444,368)	506,406

(All amounts in Saudi Riyals thousands unless otherwise stated)

(a) Employees' thrift plan

The movement in employees' thrift plan is as follows:

	2023	2022
Opening balance	**37,256**	36,624
Contribution for the year	**14,507**	15,631
Withdrawals during the year	**(17,059)**	(14,999)
Closing balance	**34,704**	37,256

	Note	2023	2022
Non-current	20	**3,672**	4,467
Current		**31,032**	32,789
		34,704	37,256

23 Accrued expenses and other liabilities

	2023	2022
Accrued expenses	**111,971**	112,667
Net value added tax (VAT) payable	**47,222**	55,306
Accrual for rebates and discounts	**40,452**	42,956
Accrued bonus	**21,150**	20,795
Others	**6,237**	5,373
	227,032	237,097

24 Related party transactions and balances

Related parties comprise the shareholders and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Related parties also include business entities in which certain directors or senior management have an interest (other related parties). Moreover, the Company is ultimately controlled by the government of the Kingdom of Saudi Arabia.

Following is the list of related parties with whom the Company has significant transactions and balances:

Shareholder and Immediate Parent

Saudi Aramco

Entities under common control

Saudi Aramco Mobil Refinery Company Ltd. ("SAMREF")
S-Oil Singapore Pte. Ltd
S-Oil Corporation
Motiva Trading LLC
Aramco Chemical Company
Aramco Lubricants and Retail Company
Saudi Aramco Technologies Company
Aramco Trading company

Agreements with Saudi Aramco

1. Purchase and sale contracts at Jeddah and Yanbu refinery

(All amounts in Saudi Riyals thousands unless otherwise stated)

The Company has agreements with Saudi Aramco for the purchase of feedstock for its Jeddah and Yanbu refineries. The Company also has an offtake agreement with Saudi Aramco for the sale of certain products. The pricing mechanism for the sale and purchase of these products is based on formulae, that has external inputs mentioned in the contracts.

2. Technical management, support services and leases

Saudi Aramco also provides operational technical, utilities and human resources support to the Company on commercial terms. The Company also has two lease agreements with Saudi Aramco for land rentals and pipelines in Jeddah, which are on agreed terms.

Agreement with SAMREF

The Company has an agreement for the sale of certain products from its Yanbu refinery to SAMREF. The pricing mechanism is based on a formula, that has external inputs mentioned in the contract. The Company also receives technical and management support services from SAMREF which are on agreed terms.

Transactions with key management personnel

Key management personnel include all the heads of departments and key personnel involved the in Company's operations. The compensation to key management personnel for the year is shown below:

	2023	2022
Short-term employee benefits	**33,917**	28,353
Provision for employee benefit obligations	**2,788**	2,341

All related party transactions were made on terms as specified in the agreements with the related parties. The credit terms with all related parties range from 30 to 90 days.

During the year ended December 31, 2023, the Company has remunerated Saudi Riyals 3.65 million to non-executive independent directors for attending the board of directors' meetings (2022: Saudi Riyals 0.03 million).

(All amounts in Saudi Riyals thousands unless otherwise stated)

24 Related party transactions and balances (continued)

Significant transactions and balances with related parties in the ordinary course of the business included in the financial statements are summarized below:

Related party	**Nature of transaction**	**Amount of transactions for the year ended December 31,**		**Balance as at December 31,**	
Due from related parties		**2023**	**2022**	**2023**	**2022**
Saudi Aramco	Sales of by products	**3,174,784**	3,686,719	**287,201**	121,653
SAMREF	Sales of by products	**822,190**	932,250	**163,676**	147,222
S-Oil Singapore Pte. Ltd.	Sales of base oil	**997,101**	1,245,279	**130,639**	68,820
S-Oil Corporation	Sales of base oil	**74,307**	25,250	**12,861**	24,647
Motiva Trading LLC	Sales of base oil	**39,887**	19,314	**21,797**	-
Aramco Chemical Company	Sales of base oil	**-**	19,255	**-**	6,174
Aramco Lubricants and Retail Company	Sales of base oil	**30,745**	11,916	**5,958**	1,241
Jadwa Industrial Investment Company (former shareholder)	Acquisition of treasury shares	**-**	57,420	**-**	-
	Recovery of IPO related expenses	**-**	25,610	**-**	-
Aramco Trading Company	Sales of base oil	**9,730**	-	**11,190**	-
				633,322	369,757
Due to related parties					
Saudi Aramco	Purchase of feedstock, materials and utilities	**6,285,367**	6,725,481	**1,049,359**	468,740
	Technical and management support services	**25,357**	23,329	**23,423**	25,972
	Lease rental for Jeddah refinery land and Yanbu refinery pipeline	**2,644**	2,644	**-**	-
	Dividends	**1,181,250**	884,597	**-**	-
SAMREF	Technical and management support services	**1,089**	1,193	**-**	-
S-Oil Corporation	Purchase of base oil	**434,548**	328,127	**-**	11,694
Motiva	Purchase of base oil	**66,223**	-	**-**	-
Saudi Aramco Technologies Company	Technical and management support services	**375**	300	**-**	-
				1,072,782	506,406

The Company's revenues derived from sales to Saudi Aramco and entities under its common control accounted for approximately 33% and 21% (December 31, 2022: 35% and 21%) respectively, of the total revenue. Refer to Note 11 for the impairment loss charge for the year ended December 31, 2023 and 2022.

(All amounts in Saudi Riyals thousands unless otherwise stated)

25 Revenue

The Company derives revenue from the transfer of goods at a point in time and revenue from freight and services to Saudi Aramco over a period of time. The Company has the following major product lines:

	2023	2022
Revenue from base oil sales*	**5,249,316**	5,769,513
Revenue from by-products sales	**4,239,363**	4,844,379
	9,488,679	10,613,892

*During the year ended December 31, 2023, the Company has recognized revenue from freight services amounting to Saudi Riyals 80.40 million (December 31, 2022: Saudi Riyals 78.98 million).

The management has categorized its geographical operations as follows:

	2023	2022
Geographic information		
Revenues from local sales		
Kingdom of Saudi Arabia	**5,710,972**	6,739,626
Revenues from export sales		
United Arab Emirates	**2,332,026**	2,093,438
India	**726,280**	980,423
Egypt	**110,666**	202,199
Singapore	**174,763**	200,336
United States of America	**97,555**	141,703
Others	**336,417**	256,167
Total	**9,488,679**	10,613,892

26 Cost of revenue

	Note	2023	2022*
Cost of materials		**6,906,557**	7,388,311
Depreciation on property, plant and equipment	5	**301,754**	329,733
Employee related costs		**192,722**	185,036
Freight cost		**126,734**	149,045
Depreciation on right-of-use assets	6	**12,150**	5,844
Amortization of intangible assets		**955**	527
Others		**89,438**	121,710
		7,630,310	8,180,206

** Refer to Note 35 regarding the comparatives.*

27 Selling and distribution expenses

	2023	2022*
Tank rents	**14,843**	9,511
Demurrage charges	**5,997**	4,091
Others	**16,514**	13,314
	37,354	26,916

** Refer to Note 35 regarding the comparatives.*

(All amounts in Saudi Riyals thousands unless otherwise stated)

28 General and administrative expenses

	Note	2023	2022*
Employee related costs		**146,400**	141,887
Consultancy charges		**43,992**	39,048
Telephone and postage		**4,730**	5,637
Depreciation on right-of-use assets	6	**3,680**	1,393
Board of directors' fees		**3,653**	33
Insurance		**2,310**	1,433
Amortization of intangible assets		**2,072**	2,015
Depreciation on property, plant and equipment	5	**722**	765
Others		**21,955**	18,743
		229,514	210,954

** Refer to Note 35 regarding the comparatives.*

29 Finance income

	2023	2022
Finance income with respect to:		
- Profit on Murabaha deposits	**128,980**	33,429
- Finance income on unwinding of loans	**1,722**	1,475
	130,702	34,904

30 Finance cost

	Note	2023	2022
Finance costs with respect to:			
- Murabaha (Islamic)		**134,330**	68,681
- Interest on lease liabilities	6	**7,031**	5,067
- Unwinding of decommissioning provision	21	**654**	654
		142,015	74,402

31 Zakat and income tax

The Company is subject to zakat which is payable at 2.58% of approximate zakat base (excluding adjusted net income for the year) and at 2.5% of the adjusted net income for the year.

31.1 Charge for the year

The charge for the year ended December 31 consists of the following:

	Note	2023	2022
Zakat charge	31.2	**61,660**	21,449
Income tax charge	31.4	**7,700**	192,219
Deferred tax charge		**-**	(60,141)
		69,360	153,527

(All amounts in Saudi Riyals thousands unless otherwise stated)

31.2 Components of zakat base

The significant components of the non-Aramco Saudi shareholder's share of approximate zakat base for year ended December 31 comprised the following:

	2023	2022
Equity at beginning of year	**5,140,252**	4,244,546
Treasury shares	**(49,238)**	(57,420)
Provision at beginning of year	**394,344**	307,003
Borrowings	**1,942,104**	2,104,860
Lease liabilities	**186,270**	107,791
Re-measurement (loss) / gain on employee benefit obligations	**(49,265)**	47,918
Property, plant and equipment	**(4,770,631)**	(4,819,032)
Right-of-use assets	**(167,098)**	(94,374)
Intangible assets	**(15,319)**	(18,114)
Dividend	**(1,682,567)**	(1,125,000)
Spare parts and consumables materials	**(103,469)**	(97,827)
Approximate zakat base	**825,383**	600,351
Total elements subject to Zakat excluding the amended income @ (365/354)	**851,028**	189,271
Adjusted net income		
Net profit before zakat	**1,578,972**	651,775
Provisions	**28,460**	2,448
Others	**7,931**	14,501
	1,615,363	668,724
Total zakat base	**2,466,391**	857,995
Approximate zakat provision for the year	**61,660**	21,450

* The Company was listed on Tadawul on December 28, 2022 and is only subject to zakat charge which resulted in an increase in the zakat expense and decrease in the income tax expense in the current year.

31.3 Provision for zakat and income tax

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

	Income tax	Zakat	Total
At January 1, 2022	130,710	19,806	150,516
Charge for the year	192,219	21,449	213,668
Payment	(221,453)	(12,525)	(233,978)
At December 31, 2022	101,476	28,730	130,206
Charge for the year	**7,700**	**61,660**	**69,360**
Payment	**(99,195)**	**(21,044)**	**(120,239)**
At December 31, 2023	**9,981**	**69,346**	**79,327**

31.4 Status of certificates and final assessments

The Company has filed its zakat and income tax return up to the year ended December 31, 2022. In 2023, the ZATCA issued a final assessment for the financial year 2017 against which the management has recognised a provision of Saudi Riyals 7.7 million. The Company has filed an objection against the said assessment with the ZATCA.

32 Financial instruments

32.1 Fair value measurement of financial instruments

a) Recognised fair value measurements

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 in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

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

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

As at December 31, 2023 and 2022, all of the Company's financial assets and financial liabilities are currently classified and measured at amortised cost. Further, the carrying value of all the financial assets and liabilities measured at fair value through profit or loss classified as amortised cost approximates to the fair value on each reporting date.

32.2 Risk management framework

The Company's top management has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. Risk management is carried out by the Board of Directors.

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

The Company management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the management.

The Company has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk (currency risk, fair value and cash flow interest risk and price risk)

a) Credit risk

Credit risk arises from cash and cash equivalents, credit exposures to customers, including outstanding receivables from other parties.

- *Risk management*

The stated rating is as per the global bank ratings by Moody's Investors Service. Management does not expect any losses from non-performance by these counterparties.

(All amounts in Saudi Riyals thousands unless otherwise stated)

The credit rating of banks in which the Company holds cash are as follows:

Credit rating (Moody's)	**2023**	**2022**
A1	**2,129,975**	1,876,879
A3	**31,709**	35,090
Total	**2,161,684**	1,911,969

As at December 31, 2023, the remaining cash and cash equivalents balance, amounting to Saudi Riyals 0.8 million, represents cash on hand (December 31, 2022: Saudi Riyals 0.11 million).

The short-term Murabaha deposits are held with banks having A1 credit rating and yields financial income at prevailing market rates. The carrying value at each reporting date is estimated to be the same as their fair value.

For trade receivables, management assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. The compliance with credit limits by customers is regularly monitored by line management.

For banks, only independently credit rated parties having sound ratings are accepted. For trade receivables, internal risk control department assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set in accordance with limits set by the management. The compliance with credit limits by customers is regularly monitored by line management.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a trade receivable occurs when the counterparty fails to make contractual payments within 90 days of when they fall due. The Company categorizes a receivable for write-off when a debtor fails to make contractual payments greater than 360 days past due. Where receivables have been written-off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in the statement of comprehensive income.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Company. The Company writes-off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Where recoveries are made, these are recognised in the statement of comprehensive income.

- *Impairment of financial assets*

The Company's exposure to credit risk at the reporting date is as follows:

	Note	**2023**	**2022**
Employees' home ownership receivables	8	**1,950**	3,300
Loans to employees	9	**21,162**	18,804
Trade receivables – third parties	11	**432,803**	664,463
Trade receivables – related parties	11	**633,322**	369,757
Other receivables (included within prepayments and other assets)	12	**1,049**	1,240
Short-term deposits	13	**1,635,320**	148,200
Cash at banks	14	**545,880**	128,808
Time deposits	14	**-**	1,783,161
		3,271,486	3,117,733

Other receivables are considered to have low credit risk; therefore, 12 months expected loss model was used for impairment assessment. Based on management's impairment assessment, there is no provision required in respect of these balances for all the periods presented.

(All amounts in Saudi Riyals thousands unless otherwise stated)

For trade receivables, the Company applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables based on a provision matrix. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The provision matrix takes into account historical credit loss experience and is adjusted for average historical recovery rates. The provision matrix was developed considering probability of default based on historical collection trends of the Company's customers and credit rating of the Company's related parties assigned by reputed credit rating agencies 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 historical loss rates are also considered to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified inflation rate, oil prices and GDP growth rate of the countries in which it sells its goods to be the most relevant macro-economic factors of forward-looking information that would impact the credit risk of the customers, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Impairment losses on financial assets recognised in the statement of comprehensive income are as follows:

	2023	2022
Impairment loss on trade receivables (Note 11)	**1,216**	5,727

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

	Gross carrying amount	Weighted average loss rate	Loss allowance
December 31, 2023			
Current (not past due)	**989,615**	**0.45%**	**4,340**
1–90 days past due	**67,490**	**0.45%**	**304**
181–360 days past due	**1,461**	**61.92%**	**905**
More than 360 days past due	**7,559**	**89.24%-100%**	**6,746**
Total	**1,066,125**		**12,295**
December 31, 2022			
Current (not past due)	819,701	0.45%	3,654
1–90 days past due	169,514	0.46%	775
91–180 days past due	40,275	6.51%	2,622
181–360 days past due	2,380	75.44%	1,796
More than 360 days past due	2,351	94.95%-100%	2,232
Total	1,034,221		11,079

Trade receivables relate to sales made during the year to corporate customers. As at December 31, 2023, trade receivables balance from related parties' is Saudi Riyals 633.32 million (December 31, 2022: Saudi Riyals 369.76 million). Of this amount Saudi Riyals 609.74 million was 'current (not past due)' and Saudi Riyals 21.56 million was due '1 to 90 days past due' (December 31, 2022: Saudi Riyals 362.06 million was 'not past due and Saudi Riyals 6.53 million was due '91 to 180 days past due) having impairment loss of Saudi Riyals 1.2 million (December 31, 2022: Saudi Riyals 0.97 million). These pertain to corporate related parties that have no history of default and accordingly the probability of default is minimal. For related parties' balances, the Company applies the simplified approach to provide for expected credit losses, which permits the use of the lifetime expected credit loss provision based on a provision matrix. Further, related parties' balances have low credit risk and majority balances were not yet due at each reporting date.

(All amounts in Saudi Riyals thousands unless otherwise stated)

Trade receivables are non-derivatives financial assets carried at amortised cost and are generally on terms of 30 to 60 days. The carrying value may be affected by changes in the credit risk of the counterparties. It is not the practice of the Company to obtain collateral over third party trade receivables and these are, therefore, unsecured. The majority of the Company's trade receivables are concentrated in the Kingdom of Saudi Arabia. As at December 31, 2023, the five largest customers accounted for 62% (December 31, 2022: 55%) of the outstanding trade receivables.

a) Liquidity risk

Liquidity risk is the risk that an enterprise will 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. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments. For instance, concentrations of liquidity risk may arise from the repayment terms of financial liabilities, bank overdraft or reliance on a particular market in which to realise liquid assets. Contractual undiscounted cashflows are:

	1 year or less	1 to 5 years	Above 5 years	Total
As at December 31, 2023				
Borrowings	328,529	1,414,006	700,842	**2,443,377**
Accrued expenses and other liability excluding VAT payable	179,810	-	-	**179,810**
Trade payables	1,174,164	-	-	**1,174,164**
Lease liabilities	28,234	57,781	591,848	**677,863**
	1,710,737	**1,471,787**	**1,292,690**	**4,475,214**
As at December 31, 2022				
Borrowings	293,581	1,634,991	693,316	2,621,888
Accrued expenses and other liability	181,791	-	-	181,791
Trade payables	674,489	-	-	674,489
Lease liabilities	10,340	32,353	117,227	159,920
	1,160,201	1,667,344	810,543	3,638,088

Liquidity risk is managed by monitoring on a regular basis that sufficient funds and banking and other credit facilities are available to meet the Company's future commitments.

b) Market risk

Market risk is the risk that changes in market prices - such as foreign exchange rates and interest rates - will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the returns. Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market profit rates or the market prices of securities due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk.

i) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in currency that is not the Company's functional currency. The Company's transactions are principally in Saudi Riyals, United Arab Emirates Dirhams, Euros and United States Dollars. The management believes that there is no currency risk arising from the transactions in currencies to which the Saudi Riyals is pegged.

The Company's exposure to currency risk arising from currencies to which the Saudi Riyals is not pegged is not material to these financial statements.

(All amounts in Saudi Riyals thousands unless otherwise stated)

ii) Interest rate risk

Interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Company's financial position and cash flows. The Company manages the interest rate risk by regularly monitoring the interest rate profiles of its interest-bearing financial instruments. The Company's interest-bearing liabilities, which are mainly bank borrowings, are at floating rates of interest, which are subject to re-pricing. Management monitors the changes in interest rates and believes that the fair value risks to the Company are not significant. The Company have short term deposits and time deposits, interest bearing financial assets at the end of reporting period.

The interest rate profile of the Company's interest-bearing financial instruments as reported to the management of the Company is as follows:

	2023	**2022**
Financial liabilities, principally borrowings	**1,942,104**	2,104,860

The Company's main interest rate risk arises from borrowings with variable rates, which expose the company to cash flow interest rate risk. During 2023 and 2022, the Company's borrowings at variable rate were mainly denominated in Saudi Riyals and USD.

At December 31, 2023, if interest rates had been 100 bps higher/lower with all other variables held constant, future interest on outstanding loans will increase/decrease by Saudi Riyals 19.42 million (December 31, 2022: Saudi Riyals 21.05 million).

iii) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from special commission rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or it's issuer, or factors affecting all similar financial instruments traded in the market. The Company does not have any financial instruments which are subject to other price risk.

c) Capital management

The primary objective of the Company's capital management is to ensure that it maintains a proper capital ratio in order to support its business and maximize shareholders' value. The capital is managed by the board of directors. The capital structure includes all component of shareholders' equity. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Company monitors capital on the basis of the gearing ratio. The Company does not have net debt position as at December 31, 2023.

33 Commitments and contingencies

33.1 Commitments

a) As at December 31, 2023 the Company had outstanding capital commitments of Saudi Riyals 1,264.50 million (December 31, 2022: Saudi Riyals 416.76 million) in respect of additions to property, plant and equipment at its Jeddah and Yanbu refineries.

33.2 Contingencies

a) As at December 31, 2023 the letters of guarantees issued by banks on behalf of the Company amounted to Saudi Riyals 3.86 million (December 31, 2022: Saudi Riyals 2.31 million) and letters of credit issued by banks on behalf of the Company is Nil (December 31, 2022: Saudi Riyals 4.41 million) for various business needs.

33.3 Short-term leases

The short-term lease commitment as of December 31, 2023 is Nil (December 31, 2022: Nil).

34 Operating segment

The Company is engaged to construct, own and operate refineries of lubricating oils and to purchase, sell, transport, market, import and export lubricating oils, additives, lubricating oil blending stocks, by-products and other related petroleum products. The Company operates in Jeddah and Yanbu region of Saudi Arabia and has an operation in Al-Hamriyah in the United Arab Emirates. For management purposes, the Company is organized as a single business unit aligned with its principal business activity.

The Company has determined that the Company's Board of Directors and the President & CEO, are the CODM and are responsible for making decisions regarding the allocation of resources and assessment of performance of the Company. The CODM monitors the operating results of the Company as a whole for the purpose of making decisions about resource allocation and performance assessment of the Company's business. The CODM evaluates the performance on the basis of revenues, total operating expenses, earnings before interest, tax, depreciation and amortization (EBITDA), net income and return on equity.

Geographical information of the Company's revenues is disclosed in Note 25. The Company's property, plant and equipment assets are located in Kingdom of Saudi Arabia. Saudi Aramco is the Company's major customer exceeding 10% revenue threshold. See Note 25.

(All amounts in Saudi Riyals thousands unless otherwise stated)

35 Presentation of comparative information

Management has re-evaluated the presentation of certain line items in the statement of comprehensive income and the statement of financial position in the prior years to determine if such transactions have been presented appropriately in line with the requirements of International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia. Where necessary, changes in presentation were made in accordance with IAS 1 - Financial Statement Presentation ("IAS 1") and IAS 8 - Accounting policies, changes in accounting estimates and errors ("IAS 8").

As a result, management restated the comparatives of the financial statements for the year ended December 31, 2022. The adjustments have no impact on previously reported net income and retained earnings.

	Note	As previously reported	Restatement	As restated
Statement of financial position as at December 31, 2022				
Non-current liabilities				
Provision for decommissioning obligation (i)	21	-	39,081	39,081
Other non-current liabilities (i)	20	44,416	(39,081)	5,335
Total non-current liabilities		**2,345,619**	**-**	**2,345,619**
Statement of financial position as at January 1, 2022				
Non-current liabilities				
Provision for decommissioning obligation (i)	21	-	31,413	31,413
Other non-current liabilities (i)	20	38,174	(31,413)	6,761
Total non-current liabilities		**2,625,975**	**-**	**2,625,975**
Statement of comprehensive income for the year ended December 31, 2022				
Cost of revenue (ii)	26	(8,110,137)	(70,069)	(8,180,206)
Selling and distribution expenses (ii)	27	(96,985)	70,069	(26,916)
General and administrative expenses (iii)	28	(216,681)	5,727	(210,954)
Impairment loss on financial assets (iii)	32	-	(5,727)	(5,727)
Operating profit		**2,171,105**	**-**	**2,171,105**

(i) In prior years, the provision for decommissioning obligation was classified within "other non-current liabilities" on the face of the statement of financial position. IAS 1 requires provisions to be presented separately and therefore, management reclassified the provision for decommissioning obligation from "other non-current liabilities" and presented this provision separately on the face of the statement of financial position.

(ii) In prior years, freight costs were classified within "selling and distribution expenses" on the face of the statement of comprehensive income. IAS 1 requires that expenses be recognised in the statement of comprehensive income using a classification based on either their nature or their function within the entity. Since freight costs are incurred to generate freight revenue and hence, based on their function, these costs were reclassified from "selling and distribution expenses" and presented as part of "cost of revenue" on the face of the statement of comprehensive income.

(iii) Impairment losses on financial assets were classified within "general and administrative expenses" on the face of the statement of comprehensive income in the prior year. IAS 1 requires impairment losses on financial assets to be presented separately and therefore, management reclassified impairment losses on financial assets from "general and administrative expenses" and presented this separately on the face of the statement of comprehensive income.