2022 Financial Statements

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

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
AND INDEPENDENT AUDITOR'S REPORT

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

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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, 2022, 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, 2022;
- 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, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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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 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	
The Company generates revenue from sale of base oil and by-products to domestic as well as export customers. The revenue from sale of goods is recognized at a point in time when control of the goods is transferred to the customer, and revenue from freight is recognized over a period of time of the shipping. Revenue recognition is considered a key audit matter in view of the significance of the amount and judgement involved in the revenue recognition process with respect to certain related party contracts. *Refer to Note 3.5, Note 4.20 and Note 24 to the accompanying financial statements for judgements, accounting policies and related disclosures.*	Our audit procedures included the following: • 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"). • Assessed the design and implementation of the Company's controls over revenue recognition. • 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. • Involved internal accounting specialists to assess the key contractual sales arrangements with the related parties and to evaluate the appropriateness of the management's judgment involved in revenue recognition. • Tested on a sample basis, specific revenue transactions recorded before and after the reporting date with underlying supporting documents to assess whether revenue was recognised in the correct period. • Reviewed the adequacy and appropriateness of the disclosures included in the notes to 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 information included in the annual report of the Company, (but does not include the financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the 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.

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

Responsibilities of management and those charged with governance for the 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.

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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.

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C.R. 4030289002

February 21, 2023

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

	Note	As at December 31, 2022	2021
Assets			
Non-current assets			
Property, plant and equipment	5	**4,819,031,974**	5,122,445,742
Right-of-use assets	6	**94,374,111**	101,611,090
Intangible assets	7	**18,114,450**	17,383,652
Employees' home ownership receivables	8	**1,950,015**	2,594,973
Loans to employees	9	**16,482,646**	11,900,415
Total non-current assets		**4,949,953,196**	5,255,935,872
Current assets			
Inventories	10	**583,888,377**	710,061,874
Trade receivables	11	**1,023,142,016**	862,677,645
Prepayments and other assets	12	**27,554,656**	40,415,231
Short-term deposits	13	**148,200,192**	145,726,030
Cash and cash equivalents	14	**1,912,078,489**	1,349,486,502
Total current assets		**3,694,863,730**	3,108,367,282
Total assets		**8,644,816,926**	8,364,303,154
Equity and liabilities			
Equity			
Share capital	15	**1,687,500,000**	441,000,000
Statutory reserve	16	**418,308,217**	220,500,000
Treasury shares	15	**(57,420,000)**	-
Retained earnings		**3,034,443,369**	3,583,046,248
Total equity		**5,082,831,586**	4,244,546,248
Liabilities			
Non-current liabilities			
Long-term borrowings	18	**1,940,625,000**	2,103,750,000
Lease liabilities	6	**97,451,267**	107,534,518
Employee benefit obligations	19	**263,126,392**	321,669,581
Deferred tax liabilities	29	**-**	54,846,570
Other non-current liabilities	20	**44,416,885**	38,174,003
Total non-current liabilities		**2,345,619,544**	2,625,974,672
Current liabilities			
Trade and other payables	21	**674,488,529**	1,086,671,015
Accrued expenses and other liabilities	22	**237,096,902**	105,077,133
Current portion of long-term borrowings	18	**164,234,591**	146,250,000
Lease liabilities	6	**10,339,938**	5,268,474
Zakat and income tax payable	29	**130,205,836**	150,515,612
Total current liabilities		**1,216,365,796**	1,493,782,234
Total liabilities		**3,561,985,340**	4,119,756,906
Total equity and liabilities		**8,644,816,926**	8,364,303,154

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

Ibrahim Qassim Al Buainain	Tareq Abdulaziz Al Nuaim	Mohammed A. Al Nafea
Chairman of the Board	President & Chief Executive Officer	Chief Financial Officer

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

	Note	Year ended December 31, 2022	2021 (Restated)
Revenue	24, 33	**10,613,892,189**	8,846,726,837
Cost of revenue	25, 33	**(8,110,136,727)**	(6,804,950,209)
Gross profit		**2,503,755,462**	2,041,776,628
Selling and distribution expenses	26	**(96,984,359)**	(116,582,767)
General and administrative expenses	27	**(216,679,818)**	(176,933,882)
Other expenses - net	27	**(25,319,898)**	(5,957,279)
Fair value gain on derivative financial instruments measured at fair value through profit or loss	22	**6,335,789**	13,341,071
Operating profit		**2,171,107,176**	1,755,643,771
Finance income		**34,904,415**	5,646,442
Finance cost	28	**(74,401,947)**	(69,860,511)
Profit before zakat and income tax		**2,131,609,644**	1,691,429,702
Zakat and income tax	29	**(153,527,478)**	(188,914,671)
Profit for the year		**1,978,082,166**	1,502,515,031
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Re-measurement gain (loss) on employee benefit obligations	19	**47,918,248**	(37,326,071)
Deferred tax relating to re-measurement gain (loss)	29	**(5,295,076)**	5,295,076
		42,623,172	(32,030,995)
Total comprehensive income for the year		**2,020,705,338**	1,470,484,036
Basic and diluted earnings per share	17	**11.72**	8.90

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

Ibrahim Qassim Al Buainain	Tareq Abdulaziz Al Nuaim	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 unless otherwise stated)

	Share capital	Statutory reserve	Treasury shares	Retained earnings	Total equity
Balance as at January 1, 2021	441,000,000	220,500,000	-	3,050,062,212	3,711,562,212
Profit for the year	-	-	-	1,502,515,031	1,502,515,031
Other comprehensive loss for the year	-	-	-	(32,030,995)	(32,030,995)
Total comprehensive income for the year	-	-	-	1,470,484,036	1,470,484,036
Dividends announced (Note 15)	-	-	-	(1,023,425,427)	(1,023,425,427)
Zakat and income tax recovered from shareholders	-	-	-	85,925,427	85,925,427
Dividends – net	-	-	-	(937,500,000)	(937,500,000)
Balance as at December 31, 2021	**441,000,000**	**220,500,000**	-	**3,583,046,248**	**4,244,546,248**
Profit for the year	-	-	-	**1,978,082,166**	**1,978,082,166**
Other comprehensive income for the year	-	-	-	**42,623,172**	**42,623,172**
Total comprehensive income for the year	-	-	-	**2,020,705,338**	**2,020,705,338**
Transfer of share capital (Note 15)	**1,246,500,000**	-	-	**(1,246,500,000)**	-
Acquisition of treasury shares (Note 15)	-	-	**(57,420,000)**	-	**(57,420,000)**
Transfer to statutory reserve (Note 16)	-	**197,808,217**	-	**(197,808,217)**	-
Dividends announced (Note 15)	-	-	-	**(1,263,709,646)**	**(1,263,709,646)**
Zakat and income tax recovered from shareholders	-	-	-	**138,709,646**	**138,709,646**
Dividends – net	-	-	-	**(1,125,000,000)**	**(1,125,000,000)**
Balance as at December 31, 2022	**1,687,500,000**	**418,308,217**	**(57,420,000)**	**3,034,443,369**	**5,082,831,586**

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

Ibrahim Qassim Al Buainain
Chairman of the Board

Tareq Abdulaziz Al Nuaim
President & Chief Executive Officer

Mohammed A. Al Nafea
Chief Financial Officer

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

	Note	Year ended December 31, 2022	2021
Cash flows from operating activities			
Profit before zakat and income tax		**2,131,609,644**	1,691,429,702
Adjustments for:			
Depreciation and amortization	5, 6, 7	**340,276,166**	340,165,775
Finance income		**(34,904,415)**	(5,646,442)
Non-cash employee expenses		**279,371**	44,722
Finance cost	28	**74,401,947**	69,860,511
Property, plant and equipment written off	5	**24,464,285**	-
Fair value gain on derivative financial instruments	22	**(6,335,789)**	(13,341,071)
Provision for employee benefits obligations	19	**26,995,840**	24,758,770
Loss (gain) on disposals of property and equipment		**130,200**	(2,130,515)
Impairment loss on trade receivables	11	**5,727,183**	4,845,900
Provision for slow moving inventories	10	**13,987,972**	1,599,373
Changes in working capital:			
Inventories		**112,185,525**	(167,869,795)
Trade receivables		**(166,191,554)**	(428,734,480)
Prepayments and other assets		**6,758,806**	98,765,974
Trade payables		**(413,060,958)**	198,026,665
Accrued expenses and other liabilities		**138,355,558**	32,879,694
Cash generated from operations		**2,254,679,781**	1,844,654,783
Finance income received		**33,784,364**	4,609,063
Employee benefit obligations paid	19	**(37,620,781)**	(33,527,359)
Zakat and income tax paid	29	**(233,978,900)**	(1,102,562)
Net cash inflow from operating activities		**2,016,864,464**	1,814,633,925
Cash flows from investing activities			
Payments for property, plant and equipment	5	**(44,664,344)**	(80,806,044)
Proceeds from sale of property and equipment		**-**	2,229,977
Payments for intangible assets	7	**(3,272,622)**	-
Investment in short-term deposits		**(1,034,296,820)**	(466,506,102)
Withdrawals from short-term deposits		**1,031,822,658**	320,780,072
Collection against employees' loans		**8,760,003**	6,832,902
Disbursement of employees' loans		**(7,179,591)**	(4,161,281)
Net cash outflow from investing activities		**(48,830,716)**	(221,630,476)
Cash flows from financing activities			
Repayment of borrowings	18	**(145,140,409)**	(2,154,067,200)
Proceeds from borrowings		**-**	2,250,000,000
Purchase of treasury shares	15	**(57,420,000)**	-
Dividends paid	15	**(1,125,000,000)**	(937,500,000)
Principal element of lease payments		**(10,001,899)**	(4,837,494)
Finance cost paid		**(67,879,453)**	(69,963,357)
Net cash outflow from financing activities		**(1,405,441,761)**	(916,368,051)
Net increase in cash and cash equivalents		**562,591,987**	676,635,398
Cash and cash equivalents at the beginning of the year		**1,349,486,502**	672,851,104
Cash and cash equivalents at the end of the year	14	**1,912,078,489**	1,349,486,502
Supplemental information for non-cash information			
Recognition of provision for decommissioning liability	20	**7,013,736**	-

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

Ibrahim Qassim Al Buainain	Tareq Abdulaziz Al Nuaim	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)
Notes to the financial statements for the year ended December 31, 2022
(All amounts in Saudi Riyals unless otherwise stated)

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 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 is registered under Commercial Registration No. 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.

In connection with the IPO, Jadwa Industrial Investment Company ("JIIC") sold an aggregate of 50.625 million ordinary shares that comprise of 30% of the Company's share capital. In addition, concurrent with the IPO, the Company acquired 580,000 of its ordinary shares from JIIC for a cash payment of Saudi Riyal 57.42 million, which are classified as treasury shares (Note 15). These shares will be used by the Company for its incentive and employee share purchase plans.

The Head office of the Company is located at the following address:
Saudi Aramco Industrial Area
P.O. Box 5518, Jeddah 21432
Kingdom of Saudi Arabia

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 Commercial Registration 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") is the majority shareholder, immediate and ultimate 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 16, 2023.

a) Environmental, Social and Governance (ESG)

The Company is exposed to risk of loss from climate changes, human injuries and other natural forces. The Company has extensive processes in place aimed at monitoring and mitigating those risks, including regular health inspections, vaccination policies and state of the art refineries to provide a barrier against these risks as at December 31, 2022. Further, the Company's robust precautionary operational measures related to refineries allow a high degree of mitigation against adverse climatic conditions. The Company is committed to ensuring that its refineries operated in a way that considers economic, comfort, environmental and energy whole-life impacts.

The Company has signed a memorandum of understanding with a contractor to evaluate producing Green Hydrogen that will be manufactured using electrolysis. This project will reduce carbon emissions and will avail Green Hydrogen to be consumed in Lubricant Value Park "LubeHub".

In addition, the Company has a clear social responsibility for cutting emissions to avoid the worst consequences of climate change. Management has recognised that the energy costs could increase over time and that a changing climate could make some materials scarce and more expensive.

Management believes that it's their people who make the Company's brands successful and they want to make sure their employees have a safe and healthy environment to work in. Underpinning the environmental and social commitments is the Company's commitment to 'do the right thing'. Whilst delivering on actions, the Company continues to make sure that they always comply with the standards.

b) Conflict between Russia and Ukraine

The Russian-Ukrainian conflict started in February 2022 resulting in a steep increase in crude oil and natural gas prices. The global commodity prices for certain key raw materials increased significantly due to the ongoing conflict between Russia and Ukraine. No significant operational costs were recognised in these financial statements, directly associated with the Russian-Ukrainian conflict. The Company does not have sales or purchase agreement with parties operating in sanctioned countries. Management will keep monitoring the situation and further developments. Based on the current assessment, no significant adjustments were required in the financial statements for the year ended December 31, 2022.

2 Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), 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 for the following:

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

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

2.3 New standards and amendments

New standards and amendments applicable from January 1, 2022

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, 2022 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:

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2022
(All amounts in Saudi Riyals unless otherwise stated)

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, 2023
Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.	January 1, 2024
Definition of Accounting Estimates – Amendments to IAS 8	The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.	January 1, 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities.	January 1, 2023
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

These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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 period 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 Depreciation rate 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. 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, 2022, 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 28.67 million higher or Saudi Riyals 42.79 million lower (December 31, 2021: Saudi Riyals 27.63 million higher or Saudi Riyals 35.61 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, 2022, 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 2.85 million lower/higher (December 31, 2021: Saudi Riyals 1.45 million lower/higher).

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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 18 for further details.

3.4 Expected Credit Loss (ECL) measurement on financial assets

Measurement of ECLs 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 30.2. 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, 2022, 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 1.11 million lower/higher (December 31, 2021: Saudi Riyals 0.54 million lower/higher).

3.5 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 23). 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 Significant accounting policies

The significant 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 respective entity 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 statement includes 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 depreciate 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.

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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 over 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.

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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 29 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.

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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 29 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 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 IPO, 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

Cost of revenue

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.

Selling and distribution expenses

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

General and administrative expenses

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.

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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 Financial 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

Basic earnings per share

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.

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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, 2022	7,723,139,210	330,699,013	27,367,141	243,536,305	2,355,698	184,532,325	**8,511,629,692**
Additions	-	-	-	-	-	51,678,080	**51,678,080**
Disposals	(141,412)	-	-	-	-	-	**(141,412)**
Write-offs*	-	-	-	-	-	(24,464,285)	**(24,464,285)**
Transfers	14,479,538	284,327	-	352,144	-	(15,116,009)	-
At December 31, 2022	**7,737,477,336**	**330,983,340**	**27,367,141**	**243,888,449**	**2,355,698**	**196,630,111**	**8,538,702,075**
Accumulated depreciation							
At January 1, 2022	2,888,207,115	274,627,522	26,749,865	197,551,760	2,047,688	-	**3,389,183,950**
Charge of the year	316,587,906	5,917,594	151,815	7,675,048	165,000	-	**330,497,363**
Disposals	(11,212)	-	-	-	-	-	**(11,212)**
At December 31, 2022	**3,204,783,809**	**280,545,116**	**26,901,680**	**205,226,808**	**2,212,688**	-	**3,719,670,101**
Net book value:							
December 31, 2022	**4,532,693,527**	**50,438,224**	**465,461**	**38,661,641**	**143,010**	**196,630,111**	**4,819,031,974**
Cost							
At January 1, 2021	7,646,597,830	330,407,213	27,367,141	232,110,378	6,554,927	191,985,388	**8,435,022,877**
Additions	-	-	-	-	-	80,806,044	**80,806,044**
Disposals	-	-	-	-	(4,199,229)	-	**(4,199,229)**
Transfers	76,541,380	291,800	-	11,425,927	-	(88,259,107)	-
At December 31, 2021	**7,723,139,210**	**330,699,013**	**27,367,141**	**243,536,305**	**2,355,698**	**184,532,325**	**8,511,629,692**
Accumulated Depreciation							
At January 1, 2021	2,572,439,495	268,677,083	26,495,716	189,777,081	5,882,587	-	**3,063,271,962**
Charge of the year	315,767,620	5,950,439	254,149	7,774,679	264,868	-	**330,011,755**
Disposals	-	-	-	-	(4,099,767)	-	**(4,099,767)**
At December 31, 2021	**2,888,207,115**	**274,627,522**	**26,749,865**	**197,551,760**	**2,047,688**	-	**3,389,183,950**
Net book value:							
December 31, 2021	**4,834,932,095**	**56,071,491**	**617,276**	**45,984,545**	**308,010**	**184,532,325**	**5,122,445,742**

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* During the year, the Company has partially written off capital work in progress related to manufacturing plant due to change in scope for design and specification.

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

	2022	2021
Cost:		
Opening and closing balance	**113,672,712**	113,672,712
Accumulated depreciation:		
Opening balance	**71,858,815**	49,026,111
Amortization during the year	**22,710,004**	22,832,704
Closing balance	**94,568,819**	71,858,815
Carrying amount	**19,103,893**	41,813,897

(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, 2022 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) Depreciation charge for the year has been allocated as follows:

	Note	2022	2021
Cost of revenue	25	**329,732,693**	329,089,982
General and administrative expenses	27	**764,670**	921,773
		330,497,363	330,011,755

6 Leases

The Company leases various lands, pipelines 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, 2022, 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.

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a) Right-of-use assets

	Lands	**Pipelines**	**Vehicles**	**Total**
At January 1, 2021	96,736,493	7,921,531	4,190,045	108,848,069
Depreciation	(4,325,476)	(1,980,383)	(931,120)	(7,236,979)
At December 31, 2021	**92,411,017**	**5,941,148**	**3,258,925**	**101,611,090**
Depreciation	**(4,325,475)**	**(1,980,383)**	**(931,121)**	**(7,236,979)**
At December 31, 2022	**88,085,542**	**3,960,765**	**2,327,804**	**94,374,111**

Depreciation 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
Pipelines	27
Vehicles	5

b) Lease liabilities

	2022	**2021**
Opening balance	**112,802,992**	117,640,486
Lease payments	**(10,079,110)**	(10,177,394)
Interest on lease liabilities	**5,067,323**	5,339,900
Closing balance	**107,791,205**	112,802,992

Lease liabilities	**2022**	**2021**
Current	**10,339,938**	5,268,474
Non-current	**97,451,267**	107,534,518
	107,791,205	112,802,992

As at December 31, 2022, potential future cash outflows of Saudi Riyals 109.73 million (undiscounted) have been included in the lease liability because it is reasonably certain that the lease will be extended (December 31, 2021: Saudi Riyals 109.73 million), as the Company have incurred significant capital expenditure on the land. The Company has applied the extension option until financial year 2043.

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 revision of lease terms due to exercising extension and termination options.

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Amounts recognised in the statement of comprehensive income

	For the year ended December 31,	
	2022	**2021**
Depreciation charge on right-of-use assets	**7,236,979**	7,236,979
Interest expense (included in finance costs -Note 28)	**5,067,323**	5,339,900
Expense relating to short-term leases (included in selling and distribution expenses – Note 26)	**9,510,905**	7,960,254

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

	Note	2022	2021
Cost of revenue	25	**5,844,257**	5,837,814
General and administrative expenses	27	**1,392,722**	1,399,165
		7,236,979	7,236,979

Extension option

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).

For leases of land and pipelines, the following factors are normally the most relevant:

- If there are significant penalty payments to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate).
- Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

7 Intangible assets

	2022	2021
Cost		
Opening balance	**32,838,854**	32,838,854
Additions	**3,272,622**	-
Closing balance	**36,111,476**	32,838,854
Accumulated amortization		
Opening balance	**15,455,202**	12,538,161
Charge for the year	**2,541,824**	2,917,041
Closing balance	**17,997,026**	15,455,202
Closing carrying amount	**18,114,450**	17,383,652

Intangible assets comprise of software and its development cost.

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8 Employees' home ownership receivables

(a) Employees' home ownership receivables comprise the following:

	Note	2022	2021
Employees' home ownership receivables		**3,299,551**	4,737,501
Less: current portion	12	**(1,349,536)**	(2,142,528)
		1,950,015	2,594,973

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.

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

(b) The movement in employees' home ownership receivable is as follows:

	2022	2021
Opening balance	**4,737,501**	6,589,329
Deductions from employees' salary during the year	**(1,552,573)**	(2,050,925)
Finance income due to unwinding	**114,623**	199,097
Closing balance	**3,299,551**	4,737,501

(c) The collection schedule of the aggregate employees' home ownership receivables outstanding is summarized as follows:

	2022	2021
2022	**-**	2,309,384
2023	**1,427,000**	918,962
2024	**1,237,901**	766,094
2025	**679,744**	715,521
2026 and thereafter	**580,028**	715,819
Less: Unearned finance income	**(625,122)**	(688,279)
	3,299,551	4,737,501

9 Loans to employees

Loans to employee comprise the following:

	Note	2022	2021
Home loans to employees	9(a)	**17,422,099**	16,899,018
Other loans to employees	9(b)	**1,381,901**	2,276,366
Less: current portion	12	**(2,321,354)**	(7,274,969)
		16,482,646	11,900,415

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(a) Home loans to employees

The movement in home loans to employees' balance is as follows:

	2022	**2021**
Opening balance	**16,899,018**	16,929,064
New loans disbursed during the year	**6,283,025**	2,656,977
Finance income	**1,174,503**	695,381
Discounting effect on new loan	**(1,466,668)**	(629,254)
Deductions including settlement with employees retired during the year	**(5,467,779)**	(2,753,150)
Closing balance	**17,422,099**	16,899,018

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 re-payable by the employee as per the agreement with the employee and the Company have the title of the property until the employee has settled all dues. The fair value of the related collateral property is higher the carrying value of the home loan to employees.

The collection schedule of the aggregate employees' home loan is summarized as follows:

	2022	**2021**
2022	**-**	6,197,469
2023	**1,420,832**	3,398,612
2024	**1,467,199**	3,198,694
2025	**1,497,789**	3,123,699
2026 and thereafter	**16,687,538**	3,948,438
Less: Unearned finance income	**(3,651,259)**	(2,967,894)
	17,422,099	16,899,018

(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 re-payable by the employees over 36 months and are secured against the related employees' end of service benefits.

The movements in other loans to employees are as follows:

	2022	**2021**
Opening balance	**2,276,366**	2,849,446
Loans disbursed during the year	**981,168**	1,409,484
Finance income for the year	**84,529**	90,985
Discounting effect on new loan	**(220,511)**	(44,722)
Deductions from payroll	**(1,739,651)**	(2,028,827)
Closing balance	**1,381,901**	2,276,366

The collection schedule of the aggregate other loans to employees is summarized as follows:

	2022	**2021**
2022	**-**	1,420,140
2023	**1,107,538**	627,997
2024	**345,955**	347,792
2025	**70,183**	-
Less: Unearned finance income	**(141,775)**	(119,563)
	1,381,901	2,276,366

Employees' loans carrying value at each reporting date is considered to be the same as fair value.

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10 Inventories

	2022	2021
Finished goods	**224,504,427**	293,306,011
Production in progress	**200,251,469**	215,477,906
Raw material - feedstock	**89,830,583**	117,400,190
Spare parts and consumables materials	**97,826,949**	98,414,846
	612,413,428	724,598,953
Less: Allowance for inventory obsolescence	**(28,525,051)**	(14,537,079)
	583,888,377	710,061,874

Amounts of inventories recognised as an expense are disclosed in Note 25.

Movement in provision for inventory obsolescence is as follows:

	2022	2021
Opening balance	**14,537,079**	12,937,706
Additions for the year*	**13,987,972**	1,599,373
Closing balance	**28,525,051**	14,537,079

* During the year, the Company has provided for spare parts and consumables materials amounting to Saudi Riyals 11.06 million which were damaged due to heavy rain in Jeddah and the Company has filed an insurance claim related to it.

11 Trade receivables

	Note	2022	2021
Trade receivables		**664,463,277**	454,997,563
Related parties	23	**369,757,463**	413,031,623
		1,034,220,740	868,029,186
Allowance for expected credit losses		**(11,078,724)**	(5,351,541)
		1,023,142,016	862,677,645

Trade receivables amounting to Saudi Riyals 444.37 million (December 31, 2021: Saudi Riyals 632.03 million) have been offset in the statement of financial position. For details, refer Note 21.

Due to the short-term nature of the trade receivables, their carrying amount 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:

	2022	2021
Opening balance	**5,351,541**	505,641
Charge for the year *	**5,727,183**	4,845,900
Closing balance	**11,078,724**	5,351,541

* It includes Saudi Riyals 0.97 million charge for the year ended December 31, 2022, pertaining to related parties' balances (December 31, 2021: Saudi Riyals 2.02 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 30.2.

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12 Prepayment and other assets

	Note	2022	2021
Advances to suppliers		**9,296,864**	3,061,806
Prepaid housing allowance		**8,314,423**	-
Prepaid insurance		**5,032,587**	5,077,023
Loans to employees	9	**2,321,354**	7,274,969
Employees' home ownership receivables	8	**1,349,536**	2,142,528
Net Value Added Tax (VAT) receivables		**-**	16,763,929
Others		**1,239,892**	6,094,976
		27,554,656	40,415,231

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 deposit

The Company deposited Saudi Riyals 146.85 million in a 94-day short-term deposit on November 3, 2022 on which interest income accrued amounts to Saudi Riyals 1.35 million (December 31, 2021: Saudi Riyals 145.73 million in a 100-day short-term deposit on October 10, 2021). This short-term deposit was held by a commercial bank and is due to mature on February 5, 2023. The Company places new short-term deposits upon maturity. The Company had placed short-term deposits on a recurring basis during the year ended December 31, 2022, the last time deposit matured on November 3, 2022.

14 Cash and cash equivalents

	2022	2021
Cash in hand	**110,000**	280,000
Cash at banks	**128,807,946**	29,322,894
Time deposits	**1,783,160,543**	1,319,883,608
	1,912,078,489	1,349,486,502

Cash at banks and time deposits are placed with banks with sound credit ratings (refer to note 29). 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 financial income at prevailing market rates with original maturities of three months or less.

As at December 31, 2022, the Company had deposited Saudi Riyals 1,775.5 million on which interest income accrued amounts to Saudi Riyals 7.66 million (December 31, 2021: Saudi Riyals 1,319.88 million) in short-term deposits having 18 days to 90 days maturity period. These time deposits are held by commercial banks and are due to mature from January 2, 2023 to February 5, 2023. Upon maturity, the Company places time deposits on a recurring basis and the last time deposit matured on December 29, 2022.

15 Share capital

15.1 Issued and paid-up capital

	2022	2021
Ordinary shares of Saudi Riyals 10 each (December 31, 2021: Saudi Riyals 10,000 each)	**1,687,500,000**	441,000,000
Issued share and paid-up capital		
Number of shares	**168,750,000**	44,100

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On June 30, 2022, the shareholders of the Company resolved to increase the share capital of the Company, through transfer from retained earnings amounting to Saudi Riyals 1,246.5 million and revised the par value of each share to Saudi Riyals 10 per share. This has resulted in revised total share capital amounting to Saudi Riyals 1,687.5 million comprising 168.75 million shares. The legal formalities in this respect were completed on August 18, 2022.

15.2 Dividend

On May 9, 2022, the shareholders approved a dividend of Saudi Riyals 1,263.71 million representing Saudi Riyals 28,656 per share (December 31, 2021: Saudi Riyals 1,023.43 million representing Saudi Riyals 23,207 per share). Subsequently, on February 16, 2023, the Board of Directors recommended a final dividend of Saudi Riyals 5 per share amounting to Saudi Riyals 841.29 million.

15.3 Treasury shares

On December 28, 2022, the Company acquired 580,000 ordinary shares from JIIC for cash consideration of Saudi Riyals 57.42 million, which continue to be held at December 31, 2022 (December 31, 2021: Nil). These shares are held by the Company as treasury shares for the purposes of issuing them to the Company’s employees upon the vesting of the grant award (Note 15.4).

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 will be settled with the employees in shares on vesting. 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 will be paid in cash on vesting of the grant. The value of the share-based compensation expense is immaterial for the year ended December 31, 2022 accordingly the management has not recognized the charge to the statement of comprehensive income and has not created the share-based payment reserve.

	2022
Number of shares	87,000
Weighted average fair value (Saudi Riyals per share)	100

16 Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia and 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

	2022	**2021**
Net profit attributable to owners of the Company	**1,978,082,166**	1,502,515,031
Weighted average number of shares *	**168,743,644**	168,750,000
Basic / diluted earnings per share (Saudi Riyals per share)	**11.72**	8.90

* On August 18, 2022, the total share capital was revised to Saudi Riyals 1,687.5 million comprising 168.75 million shares. Since this represents a change in the number of basic shares without a corresponding change in resources (i.e. capitalization effect of retained earnings), the weighted average number of basic shares outstanding during all reported years is adjusted retrospectively. Weighted average number of shares are adjusted to reflect the effect of treasury shares held by the Company.

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Potential ordinary shares during the year ended December 31, 2022 related to employees' share-based compensation in respect of a grant that was awarded to the Company's eligible employees under the plan terms of the grant (Note 15.4). The grant did not have a significant dilution effect on basic earnings per share for the year ended December 31, 2022. There were no issuances involving potential ordinary shares for the year ended December 31, 2021.

18 Borrowings

Long-term borrowings comprise of the following:

	2022	2021
Islamic banking facilities (Murabaha)	**2,104,859,591**	2,250,000,000
Less: current portion of long-term borrowings	**(164,234,591)**	(146,250,000)
	1,940,625,000	2,103,750,000

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

	2022	2021
Saudi Riyals	**1,578,652,410**	1,687,500,000
United States Dollars ("USD")	**526,207,181**	562,500,000
	2,104,859,591	2,250,000,000

On August 19, 2021, the Company entered into a syndicated Islamic loan agreement under Murabaha arrangement with five local banks of Saudi Riyals 1,687.5 million and USD 150 million (equivalent of Saudi Riyals 562.5 million). The principal repayments has begun from June 30, 2022 and will continue on an agreed semi-annual instalment 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 London Interbank Offered Rate ("LIBOR") for USD denominated borrowings. The spread during the year ended December 31, 2022 on these facilities varied between 0.75% - 1 % per annum (year ended December 31, 2021: 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 December 31, 2022 and 2021, the Company was compliant with all the covenants with the lenders.

Fair value of long-term borrowings is approximately equal to their carrying amounts as they are subject to interest at market rates. Finance costs recognized as expense on the above borrowings have been disclosed in Note 27.

As at December 31, 2022, the Company has an short-term bank facility from a local commercial bank for managing its working capital amounting to Saudi Riyals 40 million (December 31, 2021: Saudi Riyals 348.75 million). The facility is denominated in Saudi Riyals and bears finance costs 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 bank facility is within twelve months. Total unused credit facility available to the Company as at December 31, 2022 is approximately Saudi Riyals 40 million (December 31, 2021: Saudi Riyals 348.75 million).

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, 2022 and 2021, the Company's borrowings at variable rate were mainly denominated in Saudi Riyals and USD.

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The breakdown of aggregate maturities of borrowings is as follows:

	2022	**2021**
2022	**-**	146,250,000
2023	**164,234,591**	163,125,000
2024	**196,875,000**	196,875,000
2025	**225,000,000**	225,000,000
2026	**258,750,000**	258,750,000
2027	**270,000,000**	270,000,000
2028	**315,000,000**	315,000,000
2029	**675,000,000**	675,000,000
	2,104,859,591	2,250,000,000

19 Employee benefit obligations

Employee benefit obligations comprise the following:

	Note	**2022**	**2021**
Employees' end of service benefits	19(a)	**135,078,858**	154,834,671
Employees' post-retirement health care benefit	19(b)	**128,047,534**	166,834,910
		263,126,392	321,669,581

(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 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 statement of comprehensive income and amounts recognized in the statement of financial position.

Movement in the present value of defined benefit obligation:

	2022	**2021**
Opening balance	**154,834,671**	170,958,946
Included in profit or loss:		
Current service cost	**10,397,927**	10,798,763
Interest cost	**4,163,905**	3,447,681
	14,561,832	14,246,444
Included in other comprehensive income:		
Actuarial loss on obligation	**1,776,209**	1,707,013
Benefits paid during the year	**(36,093,854)**	(32,077,732)
Closing balance	**135,078,858**	154,834,671

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

	2022	**2021**
Discount rate	**4.80%**	2.65%
Future salary increase rate	**4.80% - 5.00%**	2.65%

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

Discount rate:

	2022	**2021**
0.5% increase in discount rate	**(5,434,079)**	(6,640,896)
0.5% decrease in discount rate	**5,870,272**	7,202,141
Future salary growth rate:		
0.5% increase in future salary growth rate	**4,876,522**	7,559,841
0.5% decrease in future salary growth rate	**(4,564,065)**	(7,033,404)

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

The expected maturity analysis of undiscounted employee benefit obligations as at December 31, 2022 is as follows:

Less than a year	8,427,145
Between 1 – 5 years	66,172,184
Over 5 years	412,317,145

(b) Employees' post-retirement health care benefit

The Company 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 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 amounts recognized in the statement of financial position:

Movement in the present value of defined benefit obligations:

	2022	**2021**
Opening balance	**166,834,910**	122,153,153
Included in profit or loss:		
Current service cost	**6,828,775**	6,317,359
Interest cost	**5,605,233**	4,194,967
	12,434,008	10,512,326
Included in other comprehensive income:		
Actuarial (gain) loss on obligation	**(49,694,457)**	35,619,058
Benefits paid during the year	**(1,526,927)**	(1,449,627)
Closing balance	**128,047,534**	166,834,910

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

	2022	2021
Discount rate	**5.65%**	3.30%
Medical rate (pre-retirement and post-retirement)	**7.65%**	5.30%

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

	2022	2021
Discount rate:		
0.5% increase in discount rate	**(15,762,205)**	(21,506,004)
0.5% decrease in discount rate	**18,957,425**	25,968,090
Medical rate (Pre Retirement):		
0.5% increase in medical rate (Pre Retirement)	**4,672,328**	7,344,226
0.5% decrease in medical rate (Pre Retirement)	**(4,254,923)**	(6,677,806)
Medical rate (Post Retirement):		
0.5% increase in medical rate (Post Retirement)	**13,529,702**	17,518,078
0.5% decrease in medical rate (Post Retirement)	**(11,790,423)**	(15,329,893)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit 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, 2022 is as follows:

Less than a year	768,098
Between 1 – 5 years	7,909,112
Over 5 years	213,080,304

(c) Employees' thrift plan

The movement in employees' thrift plan is as follows:

	2022	2021
Opening balance	**36,623,697**	33,233,298
Contribution for the year	**15,631,226**	14,374,884
Withdrawals during the year	**(14,998,910)**	(10,984,485)
Closing balance	**37,256,013**	36,623,697

	Note	2022	2021
Non-current	20	**4,467,304**	5,524,482
Current	21	**32,788,709**	31,099,215
		37,256,013	36,623,697

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20 Other non-current liabilities

	2022	2021
Provision for decommissioning	**39,080,450**	31,412,804
Employees' thrift plan	**4,467,304**	5,524,482
Chronic Medical Circumstance	**869,131**	1,236,717
	44,416,885	38,174,003

Decommissioning provision is made for the refinery closure, reclamation and dismantling obligation of the Jeddah refinery. These obligations are expected to be incurred in the year in which the 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 license agreements and engineering estimates.

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.

Movement in provision for decommissioning is as follows:

	2022	2021
Opening balance	**31,412,804**	30,733,784
Addition during the year*	**7,013,736**	-
Unwinding of discount	**653,910**	679,020
Closing balance	**39,080,450**	31,412,804

* During the year ended December 31, 2022, the management has reassessed its expected costs for dismantling obligation of the Jeddah refinery is Saudi Riyals 42.69 million in 2026.

21 Trade and other payables

	Note	2022	2021
Related parties	23	**506,405,952**	933,265,292
Third parties		**64,757,755**	45,443,237
Advances from customers		**22,389,736**	8,677,586
Employees' thrift plan		**32,788,709**	31,099,215
Other payables		**48,146,377**	68,185,685
		674,488,529	1,086,671,015

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 and purchase feedstock and sell by-product (marine heavy fuel oil) in Yanbu refinery. The settlement of these transactions takes place after 60 to 90 days and net payment is made to or received from Saudi Aramco.

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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, 2022			
Related party receivables	**814,125,221**	**(444,367,758)**	**369,757,463**
Related party payables	**950,773,710**	**(444,367,758)**	**506,405,952**
December 31, 2021			
Related party receivables	1,045,062,668	(632,031,045)	413,031,623
Related party payables	1,565,296,337	(632,031,045)	933,265,292

22 Accrued expenses and other liabilities

	Note	**2022**	**2021**
Accrued expenses		**112,666,571**	18,146,354
Net VAT payable	22.1	**55,306,385**	-
Accrual for rebates and discounts		**42,955,800**	37,162,681
Accrued bonus		**20,795,081**	38,304,614
Derivative financial instrument measured at fair value through profit or loss	22.2	**-**	6,335,789
Others	22.3	**5,373,065**	5,127,695
		237,096,902	105,077,133

22.1 Due to increase in the local sales during the year ended December 31, 2022, which are subject to 15% VAT rate, the Company has a net VAT payable position as at December 31, 2022.

22.2 The arrangement has not been designated as hedging arrangement since its inception, which is Shariah compliant. The Company relies on the counterparty for the valuation of these derivatives. The valuation techniques applied by the counterparty has been explained in Note 30.1.

The analysis of derivative financial instruments and the related fair values together with the notional amounts classified by the term to maturity is as follows:

	Negative fair value		Notional Amount	
	December 31, 2022	**December 31, 2021**	**December 31, 2022**	**December 31, 2021**
Interest rate swaps	**-**	6,335,789	**67,459,568**	297,135,409

22.3 It pertains to liabilities against unused employees' leaves balance as at December 31, 2022.

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23 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 Ultimate Parent

Saudi Arabian Oil Company ("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

Agreements with Saudi Aramco

1. Purchase and sale contracts at Jeddah and Yanbu refinery

The Company has agreements with Saudi Aramco for purchase of feedstock for its Jeddah and Yanbu refineries. The Company also has an offtake agreement with Saudi Aramco for 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 in Jeddah and pipelines, which are on commercial terms.

Agreement with SAMREF

The Company has an agreement for 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 commercial terms.

Transactions with key management personnel

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

	2022	**2021**
Short-term employee benefits	**28,352,851**	21,564,271
Provision for employee benefit obligations	**2,341,254**	946,519

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.

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23 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,	
		2022	2021	2022	2021
Due from related parties					
Saudi Aramco	Sales of by products	**3,686,719,134**	3,340,092,983	**121,653,295**	141,868,216
SAMREF	Sales of by products	**932,250,283**	629,163,725	**147,221,722**	178,954,086
S-Oil Singapore Pte. Ltd.	Sales of base oil	**1,245,278,582**	810,633,537	**68,819,553**	70,082,112
S-Oil Corporation	Sales of base oil	**25,249,545**	-	**24,647,153**	-
Motiva Trading LLC	Sales of base oil	**19,313,597**	129,381,526	**-**	21,420,870
Aramco Chemical Company	Sales of base oil	**19,254,706**	10,665,037	**6,174,172**	706,339
Aramco Lubricants and Retail Company	Sales of base oil	**11,915,644**	-	**1,241,568**	-
Jadwa Industrial Investment Company (former shareholder)	Acquisition of treasury shares	**57,420,000**	-	**-**	-
	Recovery of IPO related expenses	**25,610,249**	-	**-**	-
				369,757,463	413,031,623
Due to related parties					
Saudi Aramco	Purchase of feedstock, materials and utilities	**6,725,480,901**	5,842,230,305	**468,739,601**	892,587,458
	Technical and management support services	**23,028,674**	22,551,508	**25,972,188**	18,044,753
	Lease rental for Jeddah refinery land and Yanbu refinery pipeline	**2,643,514**	2,643,514	**-**	-
	Dividends	**884,596,752**	716,397,799	**-**	-
SAMREF	Technical and management support services	**1,193,197**	1,136,378	**-**	-
S-Oil Corporation	Purchase of base oil	**328,127,183**	380,099,849	**11,694,163**	22,633,081
Saudi Aramco Technologies Company	Technical and management support services	**300,000**	300,000	**-**	-
				506,405,952	933,265,292

The Company's revenues derived from sales to Saudi Aramco and entities under common control accounted for approximately 35% and 21% (December 31, 2021: 38% and 18%) respectively, of the total revenue.

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24 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:

	2022	2021 (Restated)
Revenue from base oil sales*	**5,769,513,250**	4,743,117,949
Revenue from by-products sales	**4,844,378,939**	4,103,608,888
	10,613,892,189	8,846,726,837

*During the year ended December 31, 2022, the Company has recognized revenue from freight services amounting to Saudi Riyals 78.98 million (December 31, 2021: Saudi Riyals 91.68 million).

The management has categorized its geographical operations as follows:

	2022	2021 (Restated)
Geographic information		
Revenues from local sales		
Kingdom of Saudi Arabia	**6,739,626,387**	5,623,800,635
Revenues from export sales		
United Arab Emirates	**2,093,437,857**	1,824,084,433
India	**980,422,565**	784,718,099
Egypt	**202,198,769**	35,753,499
Singapore	**200,336,167**	250,178,179
Others	**397,870,444**	328,191,992
Total	**10,613,892,189**	8,846,726,837

25 Cost of revenue

	Note	2022	2021 (Restated)
Cost of materials		**7,388,310,545**	6,182,046,079
Depreciation on property, plant and equipment	5	**329,732,693**	329,089,982
Employee related costs		**185,035,981**	187,000,084
Depreciation on right-of-use assets	6	**5,844,257**	5,837,814
Amortization of intangible assets		**527,221**	902,438
Provision for inventory obsolescence	10	**13,987,972**	1,599,373
Others		**186,698,058**	98,474,439
		8,110,136,727	6,804,950,209

26 Selling and distribution expenses

	2022	2021
Freight expenses	**70,068,769**	94,128,690
Tank rents	**9,510,905**	7,960,254
Demurrage charges	**4,090,577**	3,898,087
Export pipeline handing fee	**5,316,528**	4,365,868
Others	**7,997,580**	6,229,868
	96,984,359	116,582,767

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27 General and administrative expenses

	Note	2022	2021
Employee related costs		**141,886,628**	116,926,392
Consultancy charges		**39,047,707**	22,553,768
Telephone and postage		**5,637,371**	4,513,532
Amortization of intangible assets		**2,014,603**	2,014,603
Depreciation on right-of-use assets	6	**1,392,722**	1,399,165
Insurance		**1,433,202**	1,681,810
Depreciation on property, plant and equipment	5	**764,670**	921,773
Impairment loss on financial assets	11	**5,727,183**	4,845,900
Others		**18,775,732**	22,076,939
		216,679,818	176,933,882

27.1 Other expenses majorly pertains to capital work in progress written off related to manufacturing plant due to change in scope for design and specification amounting to Saudi Riyals 24.46 million (December 31, 2021: Nil).

28 Finance cost

	Note	2022	2021
Finance costs with respect to:			
- Murabaha (Islamic)		**68,680,714**	54,872,824
- Public Investment Fund loan (conventional)		**-**	8,968,767
- Interest on lease liabilities	6	**5,067,323**	5,339,900
- Unwinding of decommissioning provision	20	**653,910**	679,020
		74,401,947	69,860,511

29 Zakat and income tax

During the year ended December 31, 2017, pursuant to the Royal Decree A/136, all shares in Kingdom-resident companies held directly or indirectly by Saudi Arabian Oil Company (Saudi Aramco) are subject to Saudi Arabian income tax, rather than to Zakat. Accordingly, income tax has been recognized for Saudi Aramco owned interest in the Company.

The Company is subject to zakat with respect to JIIC's shareholding and income tax with respect to Saudi Aramco's shareholding. During 2020, the shareholders signed an agreement that the shareholders shall bear the economic burden of any zakat and income tax required under applicable law.

On December 28, 2022, the Company was listed on Tadawul, thereafter, the shareholding of Saudi Aramco is subject to zakat only and deferred tax liabilities recorded by the Company have been reversed.

29.1 Charge for the year

The zakat and income tax charge (reversal) for the year ended December 31 consists of the following:

	Note	2022	2021
Zakat charge (reversal)	29.2	**21,449,883**	(1,382,292)
Income tax expense	29.3	**192,219,241**	130,155,317
Deferred tax (reversal) charge	29.6	**(60,141,646)**	60,141,646
		153,527,478	188,914,671

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29.2 Components of zakat base

Zakat 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.

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

	2022	**2021**
Equity at beginning of year	**4,244,546,248**	3,711,562,212
Treasury shares	**(57,420,000)**	-
Provision at beginning of year	**307,003,559**	369,037,173
Borrowings	**2,104,859,591**	826,027,397
Lease liabilities	**107,791,205**	112,802,992
Re-measurement gain (loss) on employee benefit obligations	**47,918,248**	(37,326,071)
Property, plant and equipment	**(4,819,031,974)**	(5,122,445,742)
Right-of-use assets	**(94,374,111)**	(101,611,090)
Intangible assets	**(18,114,450)**	(17,383,652)
Dividend	**(1,125,000,000)**	(937,500,000)
Spare parts and consumables materials	**(97,826,949)**	(98,414,846)
Approximate zakat base	**600,351,367**	(1,295,251,627)
Zakat base (excluding adjusted net income) at specified rate*	**189,271,368**	(388,269,787)
Adjusted net income at specified rate*	**668,723,956**	501,018,720
Approximate zakat at specified rate for year	**21,449,883**	12,525,468

* The Company has calculated zakat on JIIC shareholding up to December 28, 2022, the date of listing on Tadawul, and thereafter the Company is subject to zakat only.

29.3 Provision for zakat and income tax

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

	Income tax	**Zakat**	**Total**
At January 1, 2021	554,559	22,290,590	22,845,149
Prior year reversal	-	(13,907,760)	(13,907,760)
Charge for the year	130,155,317	12,525,468	142,680,785
Payment	-	(1,102,562)	(1,102,562)
At December 31, 2021	130,709,876	19,805,736	150,515,612
Charge for the year	**192,219,241**	**21,449,883**	**213,669,124**
Payment*	**(221,453,432)**	**(12,525,468)**	**(233,978,900)**
At December 31, 2022	**101,475,685**	**28,730,151**	**130,205,836**

*During the year ended December 31, 2022, the Company has paid Saudi Riyals 94.64 million quarterly advance tax as per the income tax regulations, which was based on the previous year's zakat and income tax return.

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29.4 Income tax

Income tax liability is calculated at 20% of the adjusted net income attributable to the Saudi Aramco and JIIC foreign shareholders upto the date of listing.

The following is a summary of significant differences between financial net income and estimated taxable net income for the year ended December 31:

	2022	**2021**
Profit before zakat and income tax	**2,131,609,644**	1,691,429,702
Adjusted for:		
- Depreciation and amortization	**(290,724,488)**	(482,704,832)
- Provisions	**47,423,761**	31,883,062
- Provision utilized	**(39,104,405)**	(34,251,433)
- Lease interest and payments – net	**(5,011,787)**	(4,837,494)
- Others	**(6,335,789)**	21,854,485
	1,837,856,936	1,223,373,490
Foreign shareholding*	**70% - 70.93%**	70.93%
Taxable income	**1,281,551,994**	867,702,115
Adjustment for carried forward losses	**(320,387,999)**	(216,925,529)
Adjusted taxable income	**961,163,995**	650,776,586
Income tax charge for the year @ 20%*	**192,219,241**	130,155,317

* The Company has calculated income tax at the rate 20% up to December 28, 2022, the date of listing on Tadawul, on Saudi Aramco and JIIC's foreign shareholders and thereafter the Company is only subject to zakat.

29.5 Status of certificates and final assessments

The Company has filed its zakat and income tax return up to the year ended December 31, 2021. The Company does not have any open assessment orders with the ZATCA as at December 31, 2022. The zakat and income tax assessments up to December 31, 2016 and for the year ended December 31, 2018 have been finalized by the ZATCA.

During 2022, the ZATCA issued an assessment for the financial year 2016 amounting to Saudi Riyals 0.63 million which was settled.

29.6 Deferred tax asset / (liability)

		(Charged)/credited		
	At January 1, 2022	**to profit or loss**	**to other comprehensive income**	**At December 31, 2022**
Difference in accounting and tax base of property, plant and equipment	(287,212,054)	287,212,054	-	-
Provisions	53,868,811	(48,573,735)	(5,295,076)	-
Carried forward losses	176,908,990	(176,908,990)	-	-
Leases	1,587,683	(1,587,683)	-	-
Total	**(54,846,570)**	**60,141,646**	**(5,295,076)**	**-**

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		(Charged)/credited		
	At January 1, 2021	**to profit or loss**	**to other comprehensive income**	**At December 31, 2021**
Difference in accounting and tax base of property, plant and equipment	-	(287,212,054)	-	(287,212,054)
Provisions	-	48,573,735	5,295,076	53,868,811
Carried forward losses	-	176,908,990	-	176,908,990
Leases	-	1,587,683	-	1,587,683
Total	-	(60,141,646)	5,295,076	(54,846,570)

29.7 Reconciliation of income tax expense and the accounting profit for the years ended:

	2022	**2021**
Profit before zakat and income tax	**2,131,609,644**	1,691,429,702
Income tax at the corporate tax rate of 20% (2021: 20%)	**426,321,929**	338,285,940
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Saudi shareholding not subject to income tax @ 29.07%- 30% (2021: 29.07%)	**(127,896,579)**	(98,349,871)
Property, plant and equipment	**(327,913,482)**	218,738,443
Provisions	**49,738,445**	(48,909,698)
Carried forward losses	**112,835,910**	(220,294,096)
Lease interest and payments – net	**886,033**	(2,273,901)
Others	**(1,894,661)**	3,100,146
At the average effective income tax rate 9% (2021: 16%)	**132,077,595**	190,296,963

30 Financial instruments

30.1 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, 2022 and 2021, all of the Company's financial assets and financial liabilities are currently classified and measured at amortised cost, except for derivative financial instrument measured at fair value through profit or loss. Further, the carrying value of all the financial assets and liabilities, except for derivative financial instrument measured at fair value through profit or loss classified as amortised cost approximates to the fair value on each reporting date.

b) Valuation technique

The valuation techniques applied by the counterparty include the use of forward pricing standard models using the present value of the estimated future cash flows based on observable yield curves.

Interest rate swap transactions usually involve two counterparties, a firm (or other entity) and a financial institution. The most common type of contract requires one counterparty to pay a fixed interest rate for the term of the contract, while the other counterparty pays a variable interest rate for the same term. Therefore, the fair value of the liability shall reflect the non-performance risk, risk adjustments specific to the counterparties (including assumptions about credit default rates) are derived from credit risk grading determined by management. All these contracts have been designated as level 2 in the financial statement.

30.2 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.

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

Credit rating	**2022**	**2021**
A1	**1,876,878,799**	1,314,226,498
A3	**35,089,690**	34,980,004
Total	**1,911,968,489**	1,349,206,502

As at December 31, 2022, the remaining cash and cash equivalents balance, amounting to Saudi Riyals 0.11 million, represents cash on hand (December 31, 2021: Saudi Riyals 0.28 million).

The short-term deposit is held with a bank 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	**2022**	**2021**
Employees' home ownership receivables	8	**3,299,551**	4,737,501
Loans to employees	9	**18,804,000**	19,175,384
Trade receivables – third parties	11	**664,463,277**	454,997,563
Trade receivables – related parties	11	**369,757,463**	413,031,623
Other receivables (included within prepayments and other assets)	12	**1,239,892**	6,094,976
Short-term deposits	13	**148,200,192**	145,726,030
Cash at banks	14	**128,807,946**	29,322,894
Time deposits	14	**1,783,160,543**	1,319,883,608
		3,117,732,864	2,392,969,579

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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.

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:

	2022	**2021**
Impairment loss on trade receivables (Note 11)	**5,727,183**	4,845,900

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, 2022			
Current (not past due)	**819,700,667**	**0.45%**	**3,653,655**
1–90 days past due	**169,513,671**	**0.46%**	**774,740**
91–180 days past due	**40,274,541**	**6.51%**	**2,621,896**
181–360 days past due	**2,380,071**	**75.44%**	**1,795,512**
More than 360 days past due	**2,351,790**	**94.95%-100%**	**2,232,921**
Total	**1,034,220,740**		**11,078,724**
December 31, 2021			
Current (not past due)	759,466,062	0.52%	3,951,742
1–90 days past due	106,899,967	0.53%	569,470
91–180 days past due	713,643	7.58%	54,069
181–360 days past due	949,514	81.75%-100%	776,260
Total	868,029,186		5,351,541

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Trade receivables relate to sales made during the year to corporate customers. As at December 31, 2022, trade receivables balance from related parties' is Saudi Riyals 369.76 million (December 31, 2021: Saudi Riyals 413.03 million). Of this amount Saudi Riyals 362.06 million was 'not past due' and Saudi Riyals 6.53 million was due '91 to 180 days past due' (December 31, 2021: Saudi Riyals 721.06 million was 'not past due') having impairment loss of Saudi Riyals 0.97 million (December 31, 2021: Saudi Riyals 2.02 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.

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 31,2022, five largest customers accounted for 55% (December 31, 2021: 55%) of the outstanding trade receivables.

b) 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, 2022				
Borrowings	293,580,708	1,634,990,920	693,315,560	**2,621,887,188**
Accrued expenses and other liability excluding VAT payable	181,790,517	-	-	**181,790,517**
Trade payables	674,488,529	-	-	**674,488,529**
Lease liabilities	10,339,938	32,352,787	117,226,785	**159,919,510**
	1,160,199,692	**1,667,343,707**	**810,542,345**	**3,638,085,744**
As at December 31, 2021				
Borrowings	199,319,288	1,125,174,571	1,369,744,176	2,694,238,035
Accrued expenses and other liability	105,077,133	-	-	105,077,133
Trade payables	1,086,671,015	-	-	1,086,671,015
Lease liabilities	10,339,938	36,697,182	125,112,691	172,149,811
	1,401,407,374	1,161,871,753	1,494,856,867	4,058,135,994

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.

c) 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.

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:

	2022	**2021**
Financial liabilities, principally borrowings	**2,104,859,591**	2,250,000,000

The Company’s main interest rate risk arises from borrowings with variable rates, which expose the company to cash flow interest rate risk. During 2022 and 2021, the Company’s borrowings at variable rate were mainly denominated in Saudi Riyals and USD.

At December 31, 2022, 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 21.05 million (December 31, 2021: Saudi Riyals 22.50 million).

Transition from LIBOR to risk free rates

Interbank offered rate (IBOR) reform represents the reform and replacement of interest rate benchmarks by global regulators. The Company has a single contract in USD London Interbank offer rates (“USD LIBOR”) for long-term borrowing of Saudi Riyal 526.21 million which is exposed to the impact of LIBOR as at December 31, 2022.

As per the initial transition plan, the USD LIBOR based borrowing contract is under renegotiation with counterparty, to reflect the alternative benchmark i.e., Term Secured Overnight Financing Rate (“Term SOFR”).

As part of the Company’s risk management strategy, the Company uses financial instruments to manage exposures arising from variation of interest rates that could affect statement of comprehensive income. The Company have interest rate swaps which are referenced to USD LIBOR.

The Company has assessed that there will be no impact on the Company’s interest rate swaps due to change in the USD LIBOR.

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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.

d) 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 totalling Saudi Riyals 5,083 million at December 31 ,2022 (December 31, 2021: Saudi Riyals 4,245 million). 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. This ratio is calculated based on the net debt divided by total capital.

	2022	**2021**
Borrowings	**2,104,859,591**	2,250,000,000
Lease liabilities	**107,791,205**	112,802,992
Less: short-term deposits	**(148,200,192)**	(145,726,030)
Less: cash and cash equivalents	**(1,912,078,489)**	(1,349,486,502)
Net debt (A)	**152,372,115**	867,590,460
Shareholders' equity (B)	**5,082,831,586**	4,244,546,248
Total capital (A+B)	**5,235,203,701**	5,112,136,708
Gearing ratio (A / (A+B))	**3%**	17%

e) Net debt

	2022	**2021**
Short-term deposits	**148,200,192**	145,726,030
Cash and cash equivalents	**1,912,078,489**	1,349,486,502
Lease liabilities	**(107,791,205)**	(112,802,992)
Borrowings	**(2,104,859,591)**	(2,250,000,000)
Net debt	**(152,372,115)**	(867,590,460)

Borrowings of the Company carry variable interest rates.

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f) Net debt reconciliation

	Short-term deposits	Cash and cash equivalents	Borrowings	Leases	Total
January 1, 2021	-	672,851,104	(2,154,067,200)	(117,640,486)	(1,598,856,582)
Cash flows	145,726,030	676,635,398	(25,969,443)	10,177,394	806,569,379
Interest on borrowings	-	-	(69,963,357)	-	(69,963,357)
Interest on lease liabilities	-	-	-	(5,339,900)	(5,339,900)
December 31, 2021	145,726,030	1,349,486,502	(2,250,000,000)	(112,802,992)	(867,590,460)
Cash flows	2,474,162	562,591,987	209,395,702	10,079,110	784,540,961
Interest on borrowings	-	-	(64,255,293)	-	(64,255,293)
Interest on lease liabilities	-	-	-	(5,067,323)	(5,067,323)
December 31, 2022	**148,200,192**	**1,912,078,489**	**(2,104,859,591)**	**(107,791,205)**	**(152,372,115)**

31 Commitments and contingencies

31.1 Commitments

a) As at December 31, 2022 the Company had outstanding capital commitments of Saudi Riyals 416.76 million (December 31, 2021: Saudi Riyals 292.35 million) in respect of additions to property, plant and equipment at its Jeddah and Yanbu refineries.

31.2 Contingencies

a) As at December 31, 2022 the letters of guarantees issued by banks on behalf of the Company amounted to Saudi Riyals 2.31 million (December 31, 2021: Saudi Riyals 11.32 million) and letters of credit issued by banks on behalf of the Company is Saudi Riyals 4.41 million (December 31, 2021: Saudi Riyals 4.9 million) for various business needs.

b) 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, the management has rejected these claims and appeals. The Company is expecting a favorable outcome therefore no provision has been recorded in the financial statements.

31.3 Short-term leases

The short-term lease commitment as of December 31, 2022 is Nil (December 31, 2021: Saudi Riyals 10.8 million).

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32 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, EBITDA, net income and return on equity.

Geographical information of Company's revenues is disclosed in Note 24. 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 23.

33 Restatement relating to the annual audited financial statements

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. The Company determined in the current period to account for these transactions with Saudi Aramco separately as purchases of feedstock and sales of by-products. 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. These transactions with Saudi Aramco were previously recorded on a net basis with the sales proceeds of the by-products recorded against the feedstock purchases.

The change does not have any impact on the statement of financial position, statement of changes in equity and statement of cash flows as of and for the year then ended.

The following table sets out the effect of restating revenue and cost of revenue amounts in the statement of comprehensive income for the year ended December 31, 2021:

	As previously reported	Restatement	As restated
Statement of comprehensive income for the year ended December 31, 2021			
Revenue	6,760,398,960	2,086,327,877	8,846,726,837
Cost of revenue	(4,718,622,332)	(2,086,327,877)	(6,804,950,209)
Gross profit	2,041,776,628	-	2,041,776,628