

**ALDREES PETROLEUM AND TRANSPORT  
SERVICES COMPANY (ALDREES)  
(A Saudi Joint Stock Company)**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT  
31 DECEMBER 2023**

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Aldrees Petroleum and Transport Services Company (ALDREES)  
(A Saudi Joint Stock Company)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

As at 31 December 2023

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Ernst & Young Professional Services (Professional LLC)  
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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Aldrees Petroleum and Transport Services Company Aldrees  
(A Saudi Joint Stock Company)

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Aldrees Petroleum and Transport Services Company Aldrees (the "Company"), which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants.

#### 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 are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia that is relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with that Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

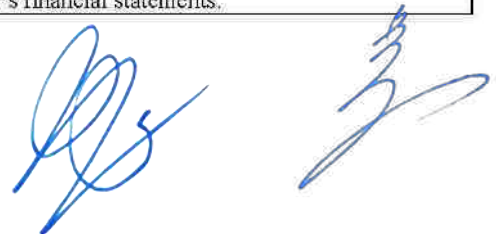
We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

**INDEPENDENT AUDITOR'S REPORT**

**To the Shareholders of Aldrees Petroleum and Transport Services Company Aldrees  
(A Saudi Joint Stock Company) (continued)**

**Key Audit Matters (continued)**

Key audit matter	How our audit addressed the key audit matter
<p><b>Revenue recognition</b></p> <p>For the year ended 31 December 2023, the Company recognized revenue primarily from sales of fuel, transport service and rental income amounting to SR 14.8 billion. The revenue from sale of fuel and transport service are recognized at a point in time when control of the fuel is transferred, and service rendered to the customer while revenue from rent is recognized over the lease term.</p> <p>We considered revenue recognition as a key audit matter because of the risk that the Company's management focuses on revenue as one of key measures of their performance. Further, since majority of the Company's revenue is directly generated through cash sales, combined with the materiality of the amounts involved, these factors present an inherent risk of improper revenue recognition.</p> <p><i>Refer to note (4) to the financial statements for the material accounting policy information of revenue recognition and note (25) for the disclosure of revenue.</i></p>	<p>Our audit procedures included, among others, the following:</p> <ul style="list-style-type: none"> <li>• Evaluated the Company's revenue recognition policy for compliance with IFRS 15;</li> <li>• Tested, on a sample basis, transactions taking place before and after the reporting date to evaluate whether revenue was recognized in the proper accounting period;</li> <li>• Tested, on a sample basis, journal entries posted to the revenue accounts to identify unusual or irregular transactions;</li> <li>• Tested, on a sample basis, daily cash deposits back to the daily sales report;</li> <li>• Tested settled transactions from source to receipt of payment by using computer assisted auditing techniques;</li> <li>• Performed correlation between revenue, receivables and cash by using computer assisted auditing techniques;</li> <li>• Performed recalculation of revenue recorded from rental income to evaluate whether revenue was recognized in the proper accounting period;</li> <li>• Performed substantive analytical reviews to understand how the revenue has trended over the year; and</li> <li>• Assessed the adequacy of the relevant disclosures in the Company's financial statements.</li> </ul>



## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Aldrees Petroleum and Transport Services Company Aldrees  
(A Saudi Joint Stock Company) (continued)

### Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
<b>Allowance for impairment of trade receivables</b>	
<p>As at 31 December 2023, the Company's gross trade receivables amounted to SR 528 million against which allowance for expected credit losses amounted to SR 16 million is maintained.</p> <p>The Company uses the expected credit loss model (ECL) to determine and record expected credit losses based on what is required by IFRS 9 as endorsed by SOCPA.</p> <p>We considered this as a key audit matter as it involves complex calculations and use of assumptions by management, in addition to the materiality of the amounts involved.</p> <p><i>Refer to notes (4) and (5) to the financial statements for the material accounting policy information and significant assumptions, estimates and judgements policies related to allowance for impairment of trade receivables and note (15) for the related disclosure.</i></p>	<p>Our audit procedures included, among others, the following:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of management's assessment of ECL and compared the accounting policy with the requirements IFRS 9.</li> <li>• Assessed the design, implementation, and operating effectiveness of the key controls related to: <ul style="list-style-type: none"> <li>- Recording of trade receivables and settlements.</li> <li>- Trade receivables aging reports.</li> </ul> </li> <li>• Assessed significant assumptions, including collection rates, impairment ratios and those relating to future economic events that are used to calculate the expected credit loss.</li> <li>• Involved our specialists to assess the reasonableness of significant judgments, estimates and assumptions made by the management with reference to the calculation of ECL including the Company's assessment of the probability of default, incorporation of forward-looking information and the loss given default parameter.</li> <li>• Tested the completeness of data and the mathematical accuracy of the ECL model, and</li> <li>• Assessed the adequacy of the relevant disclosures included in the financial statements.</li> </ul>

### Other Matter

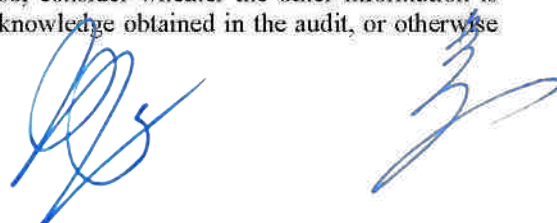
The financial statements for the year ended 31 December 2022 were audited by another auditor who expressed an unmodified opinion on those financial statements on 29 Jumada Al-Akhirah 1444H (corresponding to 22 January 2023).

### Other information included in the Company's 2023 Annual Report

Other information consists of the information included in the Company's 2023 annual report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report. The Company's 2023 annual report 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 when it becomes available 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.



## **INDEPENDENT AUDITOR'S REPORT**

**To the Shareholders of Aldrees Petroleum and Transport Services Company Aldrees  
(A Saudi Joint Stock Company) (continued)**

### **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 that are endorsed by the Saudi Organization for Chartered and Professional Accountants and the provisions of Companies' Law and 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.

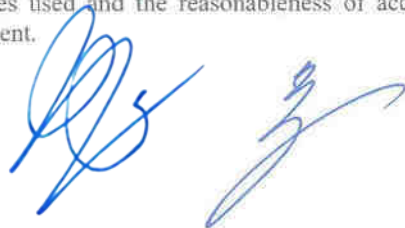
Those charged with governance are responsible for overseeing the Company's financial reporting process.

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

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



## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Aldrees Petroleum and Transport Services Company Aldrees  
(A Saudi Joint Stock Company) (continued)

### Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- 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.

For Ernst & Young Professional Services



Hesham A Alatiqi  
Certified Public Accountant  
License No. (523)



Riyadh: 23 Rajab1445H  
(4 February 2024)

Aldrees Petroleum and Transport Services Company (ALDREES)  
(A Saudi Joint Stock Company)


STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	<u>Note</u>	<u>2023</u> <u>SR</u>	<u>2022</u> <u>SR</u>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property and equipment	6	1,889,638,446	1,557,277,624
Intangible assets	7	1,530,000	1,259,948
Right-of-use assets	8	3,852,528,263	3,422,292,974
Investment in joint venture	9	16,668,969	15,693,748
Investments at amortised cost	10	245,000,000	145,000,000
Deferred costs	11	21,103,385	17,786,886
<b>TOTAL NON-CURRENT ASSETS</b>		<u>6,026,469,063</u>	<u>5,159,311,180</u>
<b>CURRENT ASSETS</b>			
Inventories, net	12	194,778,060	143,627,283
Trade receivables, net	13	511,971,836	452,905,957
Contract assets	25-3	99,264,690	75,119,084
Prepayments and other assets	14	436,392,219	377,223,848
Due from related parties	16	5,403,609	2,339,471
Cash and bank balances	15	231,850,682	148,166,876
<b>TOTAL CURRENT ASSETS</b>		<u>1,479,661,096</u>	<u>1,199,382,519</u>
<b>TOTAL ASSETS</b>		<u>7,506,130,159</u>	<u>6,358,693,699</u>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	17	750,000,000	750,000,000
Statutory reserve	18	147,614,328	119,532,881
Retained earnings		338,305,451	239,811,445
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<u>1,235,919,779</u>	<u>1,109,344,326</u>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Long term facilities	24-2	75,000,000	10,285,714
Non-current portion of lease liabilities	19	3,464,121,964	2,900,062,128
Employees' defined benefits liabilities	20	124,206,841	111,383,995
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>3,663,328,805</u>	<u>3,021,731,837</u>
<b>CURRENT LIABILITIES</b>			
Trade payables	21	1,402,867,222	1,175,282,874
Accrued expenses and other liabilities	22	568,804,301	484,366,617
Current portion of long-term facilities	24-2	35,285,714	20,571,429
Short term facilities	24-1	360,000,000	220,000,000
Current portion of lease liabilities	19	229,369,488	313,414,859
Due to a related party	16	1,462,353	2,100,922
Zakat payable	23-d	9,092,497	11,880,835
<b>TOTAL CURRENT LIABILITIES</b>		<u>2,606,881,575</u>	<u>2,227,617,536</u>
<b>TOTAL LIABILITIES</b>		<u>6,270,210,380</u>	<u>5,249,349,373</u>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<u>7,506,130,159</u>	<u>6,358,693,699</u>

  
Eng. Abdulelah Saad Aldrees  
Chief Executive Offices

  
Hamad Mohammed Aldrees  
Chairman of Board of Directors

  
Amro Mahmoud Abouelmaaty Siam  
Finance Manager

The accompanying notes from (1) to (39) are integrated part of these financial statements.



Aldrees Petroleum and Transport Services Company (ALDREES)  
(A Saudi Joint Stock Company)

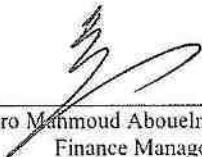
STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	<i>Note</i>	2023 SR	2022 SR
Revenue	25	14,834,059,328	12,356,078,987
Cost of revenue	26	<u>(14,153,205,822)</u>	<u>(11,761,517,340)</u>
<b>GROSS PROFIT</b>		<b>680,853,506</b>	<b>594,561,647</b>
Selling and marketing expenses	27	(4,981,201)	(7,417,453)
General and administrative expenses	28	<u>(254,716,563)</u>	<u>(224,122,445)</u>
<b>INCOME FROM OPERATIONS</b>		<b>421,155,742</b>	<b>363,021,749</b>
Finance costs	29	(161,109,146)	(124,399,561)
Finance income		9,020,109	850,091
Other income, net	30	6,790,381	6,970,082
Share in results of investment in a joint venture	9	975,221	1,476,815
Interest income from investment at amortised cost	10	<u>8,982,166</u>	<u>1,548,958</u>
<b>INCOME BEFORE ZAKAT</b>		<b>285,814,473</b>	<b>249,468,134</b>
Zakat	23-a	<u>(5,000,000)</u>	<u>(7,641,216)</u>
<b>NET INCOME FOR THE YEAR</b>		<b>280,814,473</b>	<b>241,826,918</b>
<b>OTHER COMPREHENSIVE LOSS</b>			
<i>Items that will not subsequently be reclassified to profit or loss</i>			
Loss on measurement of employees' defined benefit obligations	20	<u>(4,239,020)</u>	<u>(15,132,431)</u>
<b>TOTAL OTHER COMPREHENSIVE LOSS FOR THE YEAR</b>		<b>(4,239,020)</b>	<b>(15,132,431)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>276,575,453</b>	<b>226,694,487</b>
<b>Earnings per share:</b>			
Basic and diluted earnings per share for the year	34	<u>3.74</u>	<u>3.22</u>

  
Eng. Abdulrah Saad Aldrees  
Chief Executive Offices

  
Hamad Mohammed Aldrees  
Chairman of Board of Directors

  
Amro Mahmoud Abouelmaaty Siam  
Finance Manager

The accompanying notes from (1) to (39) are integrated part of these financial statements.


Aldrees Petroleum and Transport Services Company (ALDREES)  
(A Saudi Joint Stock Company)

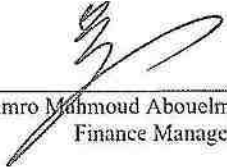
STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Share capital SR	Statutory reserve SR	Retained earnings SR	Total SR
<b>Balance at 1 January 2023</b>	<b>750,000,000</b>	<b>119,532,881</b>	<b>239,811,445</b>	<b>1,109,344,326</b>
Net income for the year	-	-	280,814,473	280,814,473
Other comprehensive loss for the year	-	-	(4,239,020)	(4,239,020)
Total comprehensive income for the year	-	-	276,575,453	276,575,453
Dividends (Note 33)	-	-	(150,000,000)	(150,000,000)
Transfer of statutory reserve	-	28,081,447	(28,081,447)	-
<b>Balance as at 31 December 2023</b>	<b>750,000,000</b>	<b>147,614,328</b>	<b>338,305,451</b>	<b>1,235,919,779</b>
<b>Balance at 1 January 2022</b>	<b>750,000,000</b>	<b>95,350,189</b>	<b>149,799,650</b>	<b>995,149,839</b>
Net income for the year	-	-	241,826,918	241,826,918
Other comprehensive loss for the year	-	-	(15,132,431)	(15,132,431)
Total comprehensive income for the year	-	-	226,694,487	226,694,487
Dividends (Note 33)	-	-	(112,500,000)	(112,500,000)
Transfer of statutory reserve	-	24,182,692	(24,182,692)	-
<b>Balance as at 31 December 2022</b>	<b>750,000,000</b>	<b>119,532,881</b>	<b>239,811,445</b>	<b>1,109,344,326</b>

  
Eng. Abdulkh Saad Aldrees  
Chief Executive Offices

  
Hamad Mohammed Aldrees  
Chairman of Board of Directors

  
Amro Mahmoud Abouelmaaty Siam  
Finance Manager

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Aldrees Petroleum and Transport Services Company (ALDREES)  
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STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	<i>Note</i>	2023 SR	2022 SR
<b>OPERATING ACTIVITIES</b>			
Income before zakat		285,814,473	249,468,134
<b>Adjustment for:</b>			
Depreciation of property and equipment	6	152,767,893	129,997,238
Amortisation of right of use assets	8	349,834,026	275,274,821
Amortization of intangible assets	7	915,553	899,533
Amortization of deferred costs	11	1,577,364	1,526,319
(Gains) losses on disposal of property and equipment	30	(5,172,337)	251,759
Interest income from investment at amortised cost	10	(8,982,166)	(1,548,958)
Financial charges on term facilities		22,219,119	16,819,960
Financial charges on lease liabilities	19	138,890,027	107,579,601
Dividends from investments at fair value through profit or loss	30	-	(1,022,648)
Gain from investment at FVPL	30	-	(353,233)
Share in results of a joint venture	9	(975,221)	(1,476,815)
(Reversal of) provision for expected credit losses, net	13	(1,465,499)	9,663,762
Provision for employees' defined benefits	20	19,549,419	17,553,182
Provision for obsolete and slow-moving inventory	12	2,307,627	-
		<u>957,280,278</u>	<u>804,632,655</u>
<b>Changes in operating assets and liabilities:</b>			
Trade receivable		(57,600,380)	(129,046,799)
Contract assets		(24,145,606)	(38,079,647)
Inventories		(53,458,404)	(31,229,716)
Prepayments and other assets		(132,661,738)	(149,199,973)
Net change in related parties balances		(3,702,707)	168,604
Trade payables		227,584,348	258,998,180
Accrued expenses and other liabilities		84,437,684	75,799,386
Deferred costs		(4,893,863)	(929,801)
<b>Cash from operations</b>		<u>992,839,612</u>	<u>791,112,889</u>
Employees' defined benefits paid		(10,965,593)	(12,615,346)
Zakat paid	23-d	(7,788,338)	(5,738,479)
Net cash from operating activities		<u>974,085,681</u>	<u>772,759,064</u>
<b>INVESTING ACTIVITIES</b>			
Proceeds from sale of property and equipment		33,379,996	10,735,455
Purchase of property and equipment	6	(513,336,374)	(402,581,445)
Purchase of intangible assets	7	(1,185,605)	(741,044)
Purchase of investments at amortised cost	10	(100,000,000)	(145,000,000)
Purchase of investments at FVPL		-	(217,640,102)
Interest income received from investment at amortised cost	10	7,725,298	-
Proceeds from sale of investments at FVPL		-	237,950,178
Dividend received from investment at FVPL	30	-	1,022,648
Net cash used in investing activities		<u>(573,416,685)</u>	<u>(516,254,310)</u>
<b>FINANCING ACTIVITIES</b>			
Repayment of lease liabilities	19	(364,194,642)	(422,268,016)
Proceeds from short term facilities	24-1	4,944,996,838	2,445,000,000
Proceeds from long term loans	24-2	100,000,000	-
Repayment of short term facilities	24-1	(4,804,996,838)	(2,225,000,000)
Repayment of long term facilities	24-2	(20,571,429)	(50,714,286)
Payment of financing costs		(22,219,119)	(16,819,960)
Dividends paid	33	(150,000,000)	(112,500,000)
Net cash used in financing activities		<u>(316,985,190)</u>	<u>(382,302,262)</u>

The accompanying notes from (1) to (39) are integrated part of these financial statements.

Aldrees Petroleum and Transport Services Company (ALDREES)  
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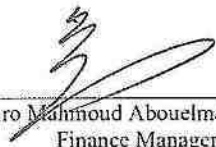
STATEMENT OF CASH FLOWS (continued)

For the year ended 31 December 2023

	<u>Note</u>	<u>2023</u> <u>SR</u>	<u>2022</u> <u>SR</u>
<b>CHANGE IN CASH AND BANK BALANCES</b>		<b>83,683,806</b>	<b>(125,797,508)</b>
CASH AND BANK BALANCES AT BEGINNING OF YEAR		<u>148,166,876</u>	<u>273,964,384</u>
<b>CASH AND BANK BALANCES AT END OF YEAR</b>	<b>15</b>	<b><u>231,850,682</u></b>	<b><u>148,166,876</u></b>
<b>SIGNIFICANT NON-CASH TRANSACTIONS</b>			
Re-measurement of employees' defined benefit obligations	20	(4,239,020)	(15,132,431)
Transferred from prepaid expenses to the right of use assets		73,493,367	71,696,758
Transferred from work in progress to property and equipment	6	73,918,138	57,905,060
Additions to right-of-use assets	8	912,621,540	816,111,708
Additions to lease liabilities	19	760,724,791	667,212,190

  
Eng. Abdulrahman Saad Aldrees  
Chief Executive Officer

  
Hamad Mohammed Aldrees  
Chairman of Board of Directors

  
Amro Mahmoud Abouelmaaty Siam  
Finance Manager

The accompanying notes from (1) to (39) are integrated part of these financial statements.

**Aldrees Petroleum and Transport Services Company (ALDREES)**  
**(A Saudi Joint Stock Company)**

**NOTES TO THE FINANCIAL STATEMENTS**

As at 31 December 2023

**1) ACTIVITIES**

Aldrees Petroleum and Transport Services Company (the "Company") is a Saudi Joint Stock Company registered in Riyadh, the Kingdom of Saudi Arabia ("KSA") under commercial registration number 1010002475 issued in Riyadh on 13 Rabi Al-Thani 1382H (corresponding to 12 September 1962). The registered office of the Company is: P.O. Box 609, Riyadh 11421, Kingdom of Saudi Arabia.

The Company's activities as per its commercial registration, include retail and wholesale trading of fuel, lubricants, catering services and the transportation of goods using highways in the Kingdom of Saudi Arabia in accordance with license number 11/00001327, establishment of vehicle workshops and car washes and acquisition of land to construct buildings for sale or lease for the interest of the Company and construction, managing, operating and renting take away centres for hot and cold beverages and food.

The accompanying financial statements include the assets, liabilities, and operating results of the main commercial registration of the Company and all the following sub-commercial registrations:

Branch	Commercial Registration	Commercial Registration Date	City
Aldrees Petroleum and Transport Services Company	1131037235	4 Duh Al-Qi'dah 1432H (Corresponding to 1 October 2011)	Buraydah
Aldrees Petroleum and Transport Services Company	3350028917	4 Duh Al-Qi'dah 1432H (Corresponding to 1 October 2011)	Hail
Aldrees Petroleum and Transport Services Company	1010646273	21 Dhu Al-Hijjah 1441H (Corresponding to 11 August 2020)	Riyadh
Aldrees Petroleum and Transport Services Company	1010442918	14 Jumada Al-Akhirah 1437H (Corresponding to 22 March 2016)	Riyadh
Aldrees Petroleum and Transport Services Company	4601104015	25 Rajab 1444H (Corresponding to 16 February 2023)	Al Lith
Aldrees Petroleum and Transport Services Company	1010433029	7 Rajab 1436H (Corresponding to 25 April 2015)	Riyadh
Aldrees Petroleum and Transport Services Company	2055128314	21 Dhu Al-Hijjah 1441H (Corresponding to 11 August 2020)	Al Jubail
Aldrees Petroleum and Transport Services Company	2055018169	6 Sa'ar 1434H (Corresponding to 18 December 2012)	Al Jubail
Aldrees Petroleum and Transport Services Company	3550027114	6 Duh Al-Qi'dah 1432H (Corresponding to 3 October 2011)	Tabuk
Aldrees Petroleum and Transport Services Company	3400014150	4 Duh Al-Qi'dah 1432H (Corresponding to 1 October 2011)	Sakaka
Aldrees Petroleum and Transport Services Company	3452006822	12 Duh Al-Qi'dah 1432H (Corresponding to 9 October 2011)	Al Qurayyat
Aldrees Petroleum and Transport Services Company	1010316830	29 Shawwal 1432H (Corresponding to 26 September 2011)	Riyadh
Aldrees Petroleum and Transport Services Company	5900016677	12 Duh Al-Qi'dah 1432H (Corresponding to 9 October 2011)	Jazan
Aldrees Petroleum and Transport Services Company	5900016676	12 Duh Al-Qi'dah 1432H (Corresponding to 9 October 2011)	Jazan
Aldrees Petroleum and Transport Services Company	5850033358	29 Dhu Al-Hijjah 1430H (Corresponding to 15 December 2009)	Abha
Aldrees Petroleum and Transport Services Company	4030386880	21 Dhu Al-Hijjah 1441H (Corresponding to 11 August 2020)	Jeddah
Aldrees Petroleum and Transport Services Company	4650041756	21 Jumada Al-Ula 1429H (Corresponding to 25 May 2008)	Madinah
Aldrees Petroleum and Transport Services Company	4030217139	4 Duh Al-Qi'dah 1432H (Corresponding to 1 October 2011)	Jeddah
Aldrees Petroleum and Transport Services Company	4700013390	4 Duh Al-Qi'dah 1432H (Corresponding to 1 October 2011)	Yanbu
Aldrees Petroleum and Transport Services Company	2050078258	4 Duh Al-Qi'dah 1432H (Corresponding to 1 October 2011)	Dammam
Aldrees Petroleum and Transport Services Company	5950019860	19 Duh Al-Qi'dah 1432H (Corresponding to 16 October 2011)	Najran
Aldrees Petroleum and Transport Services Company	2050136259	21 Dhu Al-Hijjah 1441H (Corresponding to 11 August 2020)	Dammam
Aldrees Petroleum and Transport Services Company	5800107437	8 Jumada Al-Ula 1442H (Corresponding to 12 December 2021)	Al Bahah

**Aldrees Petroleum and Transport Services Company (ALDREES)**  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

As at 31 December 2023

**1) ACTIVITIES (continued)**

Branch	Commercial Registration	Commercial Registration Date	City
Aldrees Petroleum and Transport Services Company	1010598494	11 Safar 1441H (Corresponding to 9 December 2019)	Riyadh
Aldrees Petroleum and Transport Services Company	4031231946	11 Safar 1441H (Corresponding to 9 December 2019)	Makkah
Aldrees Petroleum and Transport Services Company	1010285971	27 Rabi Al-Thani 1431H (Corresponding to 11 April 2010)	Riyadh
Aldrees Petroleum and Transport Services Company	2055135415	20 Jumada Al-Ula 1444H (Corresponding to 14 December 2022)	Al Jubail
Aldrees Petroleum and Transport Services Company	4603157939	25 Jumada Al-Ula 1444H (Corresponding to 19 December 2022)	Al Qunfudhah
Aldrees Petroleum and Transport Services Company	1010302261	29 Safar 1432H (Corresponding to 1 February 2011)	Riyadh
Aldrees Petroleum and Transport Services Company	2055124188	26 Safar 1440H (Corresponding to 3 November 2018)	Al Jubail
Aldrees Petroleum and Transport Services Company	1010327966	16 Rabi Al-Awwal 1433H (Corresponding to 7 February 2012)	Riyadh
Aldrees Petroleum and Transport Services Company	3452146758	10 Safar 1442H (Corresponding to 27 September 2020)	Al Qurayyat
Aldrees Petroleum and Transport Services Company	3450015765	24 Rabi Al-Thani 1439H (Corresponding to 10 January 2018)	Arar
Aldrees Petroleum and Transport Services Company	2050048736	5 Jumada Al-Alkhirah 1426H (Corresponding to 10 July 2005)	Dammam
Aldrees Petroleum and Transport Services Company	4030154384	11 Safar 1426H (Corresponding to 20 March 2005)	Jeddah
Aldrees Petroleum and Transport Services Company	1010612931	29 Rabi Al-Awwal 1441H (Corresponding to 26 November 2019)	Riyadh

**2) BASIS OF PREPARATION**

***Statement of compliance***

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

***Basis of preparation***

The financial statements have been prepared on a historical cost basis, except for certain financial assets, such as "investments carried at fair value through profit or loss" which are measured at fair value, and investment in a joint venture which is accounted for using the equity method. Employee defined benefit obligations are recognized at the present value of the future obligations using the projected unit credit method. The financial statements are presented in Saudi Riyals ("SR") and all monetary values are presented in actual numbers, except when otherwise indicated.

The Company has prepared the financial statements on the basis that it will continue to operate as a going concern.

**3) STANDARDS, INTERPRETATIONS AND AMENDMENTS**

***New and amended standards and interpretations***

Following are the standards and amendments effective on 1 January 2023 or after (unless otherwise stated) and do not have a material impact on the Company's financial statements. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

***IFRS 17 Insurance Contracts***

IFRS 17 Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects.

Aldrees Petroleum and Transport Services Company (ALDREES)  
(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2023

3) STANDARDS, INTERPRETATIONS AND AMENDMENTS (continued)

New and amended standards and interpretations (continued)

IFRS 17 Insurance Contracts (continued)

IFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

The new standard had no impact on the Company's financial statements.

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Company's financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Company's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Company's financial statements.

New and amended standards and interpretations not yet effective

The new amended, issued standards and interpretations, which are not effective yet have not been adopted early by the Company and will be adopted on their effective date as applicable. The adoption of these standards and interpretations is not expected to have any material impact on the Company on the effective date.

Standard, Amendment or Interpretation

- Amendments to IAS (1): Classification of Liabilities as Current or Non-current
- Amendments to IFRS (16): lease liabilities from sale and leaseback
- Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7
- Lack of exchangeability - Amendments to IAS 21

Effective date

1 January 2024  
1 January 2024  
1 January 2024  
1 January 2025



Aldrees Petroleum and Transport Services Company (ALDREES)  
(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2023

4) MATERIAL ACCOUNTING POLICY INFORMATION

**Current versus non-current classification**

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

- Expected to be realized or intended to be sold or consumed in the normal operating cycle.
- Held primarily for the purpose of trading.
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

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

**Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**Financial assets**

The Company's financial assets include cash and bank balances, trade receivables and other receivables, investment in a joint venture, investments at amortized cost and amounts due from related parties.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model.

The Company classifies its financial assets under the following categories:

Classification

- Financial assets designated at amortised cost.
- Fair value through other comprehensive income (FVOCI).
- Financial assets designated at fair value through profit or loss (FVTPL).

Trade receivables are initially recognised when they are originated. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. All other financial assets are initially recognised when the Company becomes party to the contractual provisions of the instrument at fair value plus or minus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met:

- a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- b) the 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.

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income. However, an entity may make an irrevocable election on initial recognition of certain investments in equity instruments that they will be measured at fair value unless otherwise made through profit or loss to present subsequent changes in fair value in other comprehensive income.

The Company reclassifies financial assets only when its business model for managing those financial assets change.



Aldrees Petroleum and Transport Services Company (ALDREES)  
(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2023

4) MATERIAL ACCOUNTING POLICY INFORMATION (continued)

**Financial assets (continued)**

Initial measurement

Except for trade receivables, at initial recognition, an entity shall measure a financial asset at its fair value plus or minus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset.

Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS (15).

Subsequent measurement

Financial assets at amortized cost

The Company measures financial assets at amortized cost when the financial asset is held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows, and the contractual terms of the financial

asset give rise, on specified dates, to cash flows that are solely payments of the principal amount and interest on the principal amount outstanding.

Financial assets carried at amortized cost are subsequently measured using the Effective Interest ("EIR") method and are subject to impairment testing. Interest received is recognised as part of finance income in profit or loss in the statement of comprehensive income. Gains and losses are recognised in profit or loss in the statement of comprehensive income when the asset is derecognized, modified or its value is impaired.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company may irrevocably classify its equity investments as equity instruments carried at FVOCI when they meet the definition of equity under IAS (32) Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains or losses on these financial assets are never recycled back to profit or loss in the statement of comprehensive income. Dividends are recognised as other income in profit or loss in the statement of comprehensive income when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Derecognition

A financial asset (or, where applicable, any part of it or a group similar financial assets) is primarily derecognized (i.e., removed from the Company's statement of financial position) when:

- Expiration of rights to receive cash flows from assets; or
- The Company has transferred its right to receive cash flows from the asset or has assumed an obligation to fully pay it to a third party under a 'pass-through' arrangement and either:
  - a) The Company has transferred substantially all the risks and rewards of the asset, or
  - b) The Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Impairment

The Company considers the probability of default upon initial recognition of assets and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. The Company considers available reasonable and supportive forward-looking information.

For trade receivables only, the Company recognizes expected credit losses for trade receivables based on the simplified approach under IFRS (9). The simplified approach to the recognition of expected losses does not require the Company to track the changes in credit risk; rather, the Company recognizes a loss allowance based on lifetime expected credit losses at each reporting date from the date of the trade receivable. The Company has recognized provisions based on historical credit losses, adjusted for forecast factors specific to the debtors and the economic environment.

Aldrees Petroleum and Transport Services Company (ALDREES)  
(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2023

4) MATERIAL ACCOUNTING POLICY INFORMATION (continued)

**Financial assets (continued)**

**Impairment (continued)**

Evidence that financial assets are impaired may include indications that a debtor (or a group of debtors) is experiencing significant financial difficulty, default or delinquency in profit or principal payments, the probability that they will enter bankruptcy or other financial restructuring and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes economic conditions that correlate with a default.

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

**Financial liabilities**

The Company's financial liabilities include lease liabilities, trade payables, accruals, short-term loans and long-term loans and amounts due to related parties.

**Classification**

An entity shall classify all financial liabilities as subsequently measured at amortised cost, except for:

- a) financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value.
- b) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.

**Initial measurement**

At initial recognition, an entity shall measure a financial liability at its fair value plus or minus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial liability.

**Subsequent measurement**

After initial recognition, all financial liabilities, including the short-term loan, and Murabaha from various financial institutions are measured at amortised cost. In case of long-term interest-bearing loans, EIR method will be applied.

**Derecognition**

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of comprehensive income.

**Offsetting of financial instruments**

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

**Property and equipment**

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing costs (if any) for long-term projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Conversely, when a major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are met. All other repairs and maintenance costs are recognized in profit or loss in the statement of comprehensive income when incurred.

Aldrees Petroleum and Transport Services Company (ALDREES)  
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NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2023

4) MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Property and equipment (continued)

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

<u>Asset Class</u>	<u>Depreciation Rate</u>
Buildings	3% and 8%
Leasehold improvements	Shorter of the estimated useful life or term of the lease
Machinery and equipment	10% and 50%
Trucks	7.14% with 20% salvage value
Vehicles	12.5% and 50%
Computers	12.5%
Tools	20%
Furniture & fixture	10% and 50%

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gains or losses arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is reported in the profit or loss in the statement of comprehensive income when the asset is derecognized. The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial yearend and adjusted prospectively, if appropriate.

**Projects under construction**

Projects under construction are stated at cost and are not depreciated. Depreciation of projects under construction begins when the assets are ready for their intended use and have been transferred to property and equipment.

**Intangible assets**

Intangible assets represent purchased computer software that are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. The amortisation expense on intangible assets is recognised in profit or loss in the statement of comprehensive income as part of general and administrative expenses.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the statement of comprehensive income.

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

<u>Asset Class</u>	<u>Amortization Rate</u>
Software	12.5% and 20%

**Borrowing costs**

All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**Impairment of non-financial assets**

At each reporting date, the Company reviews the carrying amount of its non-financial assets to ensure that there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use or its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-zakat discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (cash-generating units). If there is an indication that an asset may be impaired, then the recoverable amount is determined for the CGU to which the asset belongs. An impairment loss is recognized if the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount. Impairment losses are recognized in profit or loss in the statement of comprehensive income. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Aldrees Petroleum and Transport Services Company (ALDREES)  
(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2023

4) MATERIAL ACCOUNTING POLICY INFORMATION (continued)

**Impairment of non-financial assets (continued)**

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

**Inventories**

Inventories are measured at lower of cost and net realisable value. Cost is determined using the weighted average cost method. The cost of inventory includes the purchase price plus all expenses incurred in bringing the inventory to its present location and condition. Provision is made for obsolete, slow-moving and damaged inventory when necessary.

**Cash and bank balances**

Cash and bank balances consist of cash on hand and deposits held with banks that have original maturities of no more than three months and are available for use by the Company unless otherwise stated. The deposits are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

**Investment in jointly controlled entity**

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results, assets and liabilities of joint ventures are accounted for using the equity method, under which the investment in the joint venture is initially recognised at cost in the statement of financial position, and the cost is subsequently adjusted to recognize the Company's share of the profit or loss and other comprehensive income of the joint venture.

When the Company's share of losses in the joint venture exceeds the Company's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Company's net investment in the joint venture), the Company ceases to recognize its share of additional losses. Additional losses are recognised only to the extent that the Company has incurred legal or contractual obligations or has made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Company resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognised.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Company's share of the net fair value of the assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Company's share of the net fair value of associate's or joint venture's assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the statement of comprehensive income in the period in which the investment is acquired.

**Deferred costs**

Deferred costs represent key money, which is a one-time upfront fee made by a tenant to a landlord to secure a lease on a commercial property. This fee acts as a means for the Company to gain access to the commercial property and secure the lease. Deferred costs are amortized, using straight-line method, over the period of the related contracts.

**Leases**

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

**The Company as a lessee**

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Aldrees Petroleum and Transport Services Company (ALDREES)  
(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2023

4) MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Leases (continued)

The Company as a lessee (continued)

Right-of-use assets

The Company recognises right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date, less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term or the useful lives of the assets.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated over the estimated useful life of the asset.

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that are based on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liability is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to the option purchase the underlying asset.

The Company has classified the cash payments of principal and finance cost components relating to leases as financing activities.

Short term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of commercial buildings, accommodations and offices (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

The Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease term and

is included in revenue in profit or loss in the statement of comprehensive income due to its operating nature. Initial direct costs incurred during the negotiation and arrangement of an operating lease are added to the carrying amount of the leased asset and are recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

**Zakat**

The Company is subject to the Zakat regulations issued by the Zakat, Tax and Customs Authority ("ZATCA") in the Kingdom of Saudi Arabia, including the interpretations issued by the authority. The management establishes provisions where appropriate based on amounts expected to be paid to the authority, and periodically evaluates positions taken in the Zakat returns with respect to situations in which applicable Zakat regulations are subject to interpretation. The zakat provision is charged to the statement of comprehensive income. Additional zakat liability, if any, related to prior years' assessments arising from the authority are accounted for in the period in which the final assessments are finalized.

Aldrees Petroleum and Transport Services Company (ALDREES)  
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NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2023

4) MATERIAL ACCOUNTING POLICY INFORMATION (continued)

**Value-Added Tax ("VAT")**

Expenses and assets are recognized after deducting the total value added tax, unless VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and receivables and payables are stated with the amount of VAT included. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

**Accruals and other current liabilities**

Liabilities are recognized for amounts to be paid in the future for goods received or services provided, whether billed by the supplier or not.

**Cash dividend**

The Company recognises a liability to pay a dividend when the distribution is authorised, and the distribution is no longer at the discretion of the Company. A distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

**Provisions**

Provisions are recognized 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.

**Employees' defined benefits**

Short-term employees' benefits

Short-term employee benefits are expensed as the related services are provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past services provided by the employees, and the obligation can be estimated reliably.

Defined contribution plan

Retirement benefit in the form of General Organization of Social Insurance ("GOSI") is a defined contribution scheme. The Company has no obligation, other than the contributions payable to the GOSI. The Company recognizes contributions payable to the GOSI as an expense when due.

Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The net pension liability recognized in the statement of financial position in respect of defined benefit post-employment plans is the present value of the projected defined benefit obligation (DBO) at the statement of financial position date. The defined benefit obligation is calculated annually by qualified actuaries using projected credit unit method. Re-measurements, comprising actuarial gains and losses, are reflected immediately in the statement of changes in equity as a remeasurement reserve with a charge or credit recognized in other comprehensive income in the period in which they occur. Re-measurements recognized in other comprehensive income will not be reclassified to profit or loss in subsequent periods.

**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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal market or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial assets takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2023

4) MATERIAL ACCOUNTING POLICY INFORMATION (continued)

**Fair Value Measurements (continued)**

The Company uses valuation techniques that are appropriate in the circumstances, and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within fair value hierarchy, listed below, and based on the lowest level input that is significant to the fair value measurement as a whole:

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

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

**Revenue**

The Company recognizes revenue based on a five-step model as set out in IFRS (15):

- Step 1. Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and set out the criteria for every contract that must be met.
- Step 2. Identify the performance obligation(s) in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- Step 3. Determine the transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.
- Step 5. Recognize revenue when (or as) the entity satisfies a performance obligation.

**Revenue from Fuel Sales**

Revenue is recognized at a point in time when fuel is sold to the customer at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for the fuel. The Company concluded that in general it is the principal in its sale agreements as it usually controls goods before delivery to the customer.

**Revenue from logistics and transport services**

The company is engaged in logistics and transportation services for various goods and materials. They operate a fleet of trucks and trailers which are utilized to serve both their domestic market and neighbouring countries. The Company offer end-to-end solutions and value-added services such as warehousing and inventory management. Revenue is recognised when services are rendered to the customers (i.e., when performance obligation is fulfilled).

**Rendering of the Services**

The Company is engaged in providing services related to vehicle inspection, transportation and distribution of refined petroleum products, and it recognizes the revenue of these services upon completion of their provision, given that the duration of services is generally short in nature.

**Revenue from Rental**

The Company leases facilities of the gas stations as a lessor and is recognized as rental income over the lease term.

Other income is recognised when earned. Revenue and related expenses on inter-divisional sales are netted-off.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2023

4) MATERIAL ACCOUNTING POLICY INFORMATION (continued)

**Contract balances**

**Contract assets**

A contract asset is the Company's right to consideration in exchange for goods and services transferred by the Company to the customer. If the Company transfers goods or services to a customer before the customer pays any consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional. Contract assets are subject to impairment assessment.

**Contract liabilities**

A contract liability is recognized if an advance payment is received, or a payment is due (whichever is earlier) from a customer before the Company transfers the related goods or services. Contract liabilities are recognized as revenue when the Company performs under the contract (i.e. transfers control of the related goods or services to the customer).

Advance payments represent amounts received for prepaid fuel cards issued by the Company that have not yet been used by customers as at the date of the statement of financial position.

**Expenses**

Expenses are recognised when incurred based on the accrual basis of accounting. Expenses are classified as:

- a) Cost of revenue: this category includes costs directly related to the sale of fuel and transport services that generate the recognized revenue.
- b) Selling and marketing: expenses within this category are incurred in promoting and marketing the company's fuel inventories or transport services.
- c) General and administrative: all other expenses, other than direct costs, are classified as general and administrative expenses.

Allocations between cost of revenue, selling and marketing and general and administrative expenses, when required, are made on a consistent basis.

**Segmental reporting**

An operating segment is a component of a Company that engages in business activities from which the Company may generate revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Company's other components. The results of operations for all operating segments are regularly reviewed by the Company's Chief Operating Decision Maker to make decisions about resources to be allocated to the segments and to assess their performance, and for which discrete financial information is available.

5) SIGNIFICANT ASSUMPTIONS, ESTIMATES AND JUDGEMENTS

The preparation of financial statements in accordance with IFRSs that are endorsed in the Kingdom of Saudi Arabia requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and underlying assumptions are reviewed on an ongoing basis. The differences arising on revisions to estimates are recognized prospectively.

a) Significant assumptions and estimates

**Fair value measurement**

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

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



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NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2023

5) SIGNIFICANT ASSUMPTIONS, ESTIMATES AND JUDGEMENTS (continued)

a) *Significant assumptions and estimates (continued)*

*Fair value measurement (continued)*

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

*Provision for expected credit losses of trade receivables and contract assets*

The Company uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., customer type and rating).

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables and contract assets is disclosed in Note (13) and Note (25-3).

*Impairment on non-financial assets*

An impairment exists when the carrying value of an asset or cash generating units (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use is based on a Discounted Cash Flow ("DCF") model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

*Employee' defined benefits liabilities*

Defined benefit obligations to employees are determined using actuarial valuation processes. 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, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation ("DBO") is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

*Useful lives and residual values of property and equipment*

The useful life of each item of the Company's property and equipment is estimated based on the period during which the asset is expected to be available for use. This estimate is based on a collective evaluation of practices in similar businesses, internal technical evaluation, past experience with similar assets and application of judgments when the asset becomes available for use and computation of the depreciation cost.

The estimated useful life of each asset is periodically reviewed and updated in the event that expectations differ from previous estimates as a result of normal depreciation of the asset, technical and commercial obsolescence, legal or other restrictions on the use of the asset. Any change in the estimated useful life or depreciation pattern will be accounted for prospectively.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2023

5) SIGNIFICANT ASSUMPTIONS, ESTIMATES AND JUDGEMENTS (continued)

a) Significant assumptions and estimates (continued)

*Leases – Estimating the incremental borrowing rate*

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

*Going concern*

These financial statements have been prepared under the going concern basis. The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

*Zakat assessments*

Provision for zakat and withholding taxes is determined by the Company in accordance with the requirements of the Zakat, Tax, and Customs Authority ("ZATCA") and is subject to change based on final assessments received from the ZATCA. The Company recognizes liabilities for any anticipated zakat and withholding tax based on management's best estimates of whether additional zakat/taxes will be due. The final outcome of any additional amount assessed by the ZATCA is dependent on the eventual outcome of the appeal process which the Company is entitled to. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences could impact the statement of comprehensive income in the period in which such final determination is made.

b) Significant judgments

*Property lease classification – The Company as a lessor*

The Company has entered into lease agreements for its properties. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property that it retains substantially all the risks and rewards incidental to ownership of these properties and accounts for the contracts as operating leases.

*Determining the lease term of contracts with renewal and termination options – The Company as lessee*

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).



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NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2023

6) PROPERTY AND EQUIPMENT

2023	Land SR	Buildings SR	Leasehold improvements SR	Machinery and equipment SR	Tracks and vehicles	Computers SR	Tools SR	Furniture and fixture SR	Projects under construction* SR	Total 2023 SR
<i>Cost:</i>										
At the beginning of the year	237,853,958	208,379,786	968,438,684	123,746,215	869,442,454	16,358,341	18,157,484	32,009,564	29,197,130	2,503,583,616
Additions	-	11,245,013	158,915,158	48,894,718	174,672,531	2,912,177	4,950,375	5,308,164	106,438,238	513,336,374
Disposals	-	-	(2,889,235)	(192,147)	(123,514,258)	-	(149,382)	(43,292)	-	(126,788,314)
Transfers	-	3,653,193	64,065,691	2,465,558	3,665,182	38,205	3,809	26,500	(73,918,138)	-
At the end of the year	237,853,958	223,277,992	1,188,530,298	174,914,344	924,265,909	19,308,723	22,962,286	37,300,936	61,717,230	2,890,131,676
<i>Accumulated Depreciation:</i>										
At the beginning of the year	-	62,476,308	304,764,117	71,708,062	459,768,412	11,753,428	14,150,727	21,685,038	-	946,305,992
Charge for the year	-	7,194,117	81,286,823	14,376,401	43,945,545	1,500,900	1,681,234	2,782,873	-	152,767,893
Disposals	-	-	(1,761,748)	(247,605)	(96,510,850)	-	(22,938)	(37,514)	-	(98,580,655)
At the end of the year	-	69,670,325	384,289,192	85,836,858	407,203,107	13,254,328	15,809,023	24,430,397	-	1,000,493,230
<i>Net book value:</i>										
At 31 December 2023	237,853,958	153,607,667	804,241,106	89,077,486	517,062,802	6,054,395	7,153,263	12,870,539	61,717,230	1,889,638,446

Aldrees Petroleum and Transport Services Company (ALDREES)  
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NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2023

6) PROPERTY AND EQUIPMENT (continued)

2022	Land SR	Buildings SR	Leasehold improvements SR	Machinery and equipment SR	Trucks and vehicles SR	Computers SR	Tools SR	Furniture and fixture SR	Projects under construction* SR	Total 2022 SR
Cost:										
At the beginning of the year	197,421,904	182,418,375	791,386,539	98,144,738	800,722,703	14,030,589	15,349,301	27,053,394	18,813,121	2,145,540,664
Additions	40,432,054	15,447,578	137,562,462	24,215,497	107,028,740	2,320,412	2,379,449	4,706,184	68,289,069	402,581,445
Disposals	-	-	(2,346,354)	(212,942)	(41,979,197)	-	-	-	-	(44,338,493)
Transfers	-	10,513,833	41,836,037	1,598,922	3,670,208	7,340	28,734	249,986	(57,905,060)	-
At the end of the year	237,853,958	208,379,786	968,438,684	123,746,215	869,442,454	16,358,341	18,157,484	32,009,564	29,197,130	2,303,583,616
Accumulated Depreciation:										
At the beginning of the year	-	54,541,183	241,743,327	59,711,142	451,094,156	10,390,379	12,945,239	19,434,607	-	849,860,033
Charge for the year	-	7,935,025	63,881,867	12,209,846	41,151,532	1,363,049	1,205,488	2,250,431	-	129,997,238
Disposals	-	-	(861,077)	(212,926)	(32,477,276)	-	-	-	-	(33,551,279)
At the end of the year	-	62,476,208	304,764,117	71,708,062	459,768,412	11,753,428	14,150,727	21,685,038	-	946,305,992
Net book value										
At 31 December 2022	237,853,958	145,903,578	663,674,567	52,038,153	409,674,042	4,604,913	4,006,757	10,324,526	29,197,130	1,557,277,624

\* Projects under construction as at 31 December 2023 and 2022 represents cost incurred in connection with buildings and leasehold improvements of fuel stations and workshops, which are not finished yet.

Total depreciation expense of property and equipment was charged as follows in the statement of comprehensive income:

	2023 SR	2022 SR
Cost of revenue (Note 26-1)	144,457,242	121,787,620
General and administrative expense (Note 28)	8,310,651	8,209,618
	<u>152,767,893</u>	<u>129,997,238</u>

Aldrees Petroleum and Transport Services Company (ALDREES)  
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NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2023

7) INTANGIBLE ASSETS

	2023 SR	2022 SR
<i>Cost:</i>		
At the beginning of the year	5,995,698	5,254,654
Additions	1,185,605	741,044
At the end of the year	<u>7,181,303</u>	<u>5,995,698</u>
<i>Accumulated amortization:</i>		
At the beginning of the year	4,735,750	3,836,217
Charge for the year	915,553	899,533
At the end of the year	<u>5,651,303</u>	<u>4,735,750</u>
<i>Net book value</i>	<u>1,530,000</u>	<u>1,259,948</u>

Total amortization expense of intangible assets was charged as follows in the statement of comprehensive income:

	2023 SR	2022 SR
Cost of revenue (Note 26-1)	904,244	898,591
General and administrative expense	11,309	942
	<u>915,553</u>	<u>899,533</u>

8) RIGHT OF USE ASSETS

The Company has leases related to fuel filling stations for which lease terms usually range between 5 years to 30 years. There are several leases that include extension and termination options.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	2023 SR	2022 SR
<i>Cost:</i>		
At the beginning of the year	4,573,448,355	4,116,640,058
Additions	912,621,540	816,111,708
Disposals	(133,378,403)	(302,342,525)
Adjustment to leases modified	(72,888,305)	(56,960,886)
At the end of the year	<u>5,279,803,187</u>	<u>4,573,448,355</u>
<i>Accumulated amortization:</i>		
At the beginning of the year	1,151,155,381	1,089,964,950
Charge for the year (Note 19 and 26-1)	349,834,026	275,274,821
Disposals	(73,714,483)	(214,084,390)
At the end of the year	<u>1,427,274,924</u>	<u>1,151,155,381</u>
<i>Net book value</i>	<u>3,852,528,263</u>	<u>3,422,292,974</u>

There were no leases with residual value guarantees to which the Company is committed.

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

As at 31 December 2023

**9) INVESTMENT IN JOINT VENTURE**

The Company has a 50% interest in the joint venture, Aldrees Bertschi Logistic Services Company. On 21 Sha'aban 1434H (corresponding to 30 June 2013), the Company has signed a joint venture (JV) agreement with Bertschi AG, an entity incorporated in Switzerland, to establish Aldrees Bertschi Logistic Services Company (a jointly controlled entity) to provide logistic services. On 22 March 2015, the Company and co-venturer have made a contribution of SR 500,000 each towards the establishment of the jointly controlled entity. Summarised financial information of the joint venture, based on its IFRS financial statements is set out below:

**Summarised statement of financial position of Aldrees Bertschi Logistic Services Company:**

	2023 SR	2022 SR
Current assets, including cash and cash equivalents SR 13.1 million (2022:SR 13.6 million) and prepayments SR 0.78 million (2022: SR 0.68 million)	21,801,506	19,738,721
Non-current assets	18,850,057	18,466,666
Current Liabilities, zakat payable SR 0.19 million (2022:SR 0.26 million)	2,207,575	1,848,964
Non-current Liabilities	5,106,050	4,968,927
<b>Equity</b>	<b>33,337,938</b>	<b>31,387,496</b>
Company's share in equity – 50% (2022: 50%)	16,668,969	15,693,748
<b>Company's carrying amount of the investment</b>	<b>16,668,969</b>	<b>15,693,748</b>

**Summarised statement of comprehensive income of Aldrees Bertschi Logistic Services Company:**

	2023 SR	2022 SR
Revenue	16,150,324	17,479,555
Cost of revenue	(11,183,199)	(11,413,460)
Selling and marketing expenses	-	(5,500)
General and administrative expenses	(2,505,839)	(2,539,893)
Finance costs, including interest expense SR 95.3 thousand (2022: SR Nil)	(110,060)	(16,429)
<b>Profit before zakat</b>	<b>2,351,226</b>	<b>3,504,273</b>
Zakat	(400,784)	(550,643)
<b>Net income for the year (continuing operations)</b>	<b>1,950,442</b>	<b>2,953,630</b>
Total comprehensive income for the year (continuing operations)	1,950,442	2,953,630
<b>Company's share of net income for the year</b>	<b>975,221</b>	<b>1,476,815</b>

The joint venture had no other contingent liabilities or commitments as at 31 December 2023 and 2022.

**Movement in the Company's investment account:**

	2023 SR	2022 SR
At the beginning of the year	15,693,748	14,216,933
The Company's share of the joint venture results	975,221	1,476,815
At the end of the year	16,668,969	15,693,748

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NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2023

10) INVESTMENTS AT AMORTISED COST

The Company invested in sukuk inside the Kingdom of Saudi Arabia with an amount of SR 245 million (2022: 145 million), and these sukuk carry fixed interest returns of 5.25% , SIBOR + 1.25% , and 5.50% annually.

The Company's management classified investments in sukuk at amortized cost as it passes solely payments of principal and interest (SPPI) based on the business model prepared by the Company's management.

	2023 SR	2022 SR
<b>Investment at amortised cost:</b>		
Investments in Sukuks Riyad Bank (fixed interest return of 5.25%)	100,000,000	100,000,000
Investments in Sukuks SAB (fixed interest return of SIBOR + 1.25%)	100,000,000	-
Investments in Sukuks Al-Rajhi Bank (fixed interest return of 5.50%)	45,000,000	45,000,000
<b>Total investment at amortised cost</b>	<b>245,000,000</b>	<b>145,000,000</b>

The movement in interest receivable from the investment was as follows:

	2023 SR	2022 SR
At the beginning of the year	1,548,958	-
Interest income earned during the year	8,982,166	1,548,958
Amounts received	(7,725,298)	-
At the end of the year (Note 14)	<b>2,805,826</b>	<b>1,548,958</b>

11) DEFERRED COSTS

	2023 SR	2022 SR
<b>Cost:</b>		
At the beginning of the year	38,313,380	39,049,910
Additions	4,893,863	929,801
Written off (*)	(10,000)	(1,666,331)
At the end of the year	<b>43,197,243</b>	<b>38,313,380</b>
<b>Accumulated amortization:</b>		
At the beginning of the year	20,526,494	20,666,506
Charge for the year (Note 26-1)	1,577,364	1,526,319
Written off (*)	(10,000)	(1,666,331)
At the end of the year	<b>22,093,858</b>	<b>20,526,494</b>
<b>Net book value</b>	<b>21,103,385</b>	<b>17,786,886</b>

(\*) Due to the full amortization of the deferred costs relating to certain contracts of petroleum services segment. The management has written off the deferred cost and accumulated amortization of the related contracts.

12) INVENTORIES, NET

	2023 SR	2022 SR
Fuel (Petrol, Diesel, Kerosene)	121,023,152	92,141,099
Spare parts and oil, filter, etc.	76,398,742	52,028,045
Allowance for obsolete and slow-moving inventories	(2,643,834)	(541,861)
	<b>194,778,060</b>	<b>143,627,283</b>

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12) INVENTORIES, NET (continued)

The movement in the provision for obsolete and slow-moving inventories during the year was follows:

	2023 SR	2022 SR
At the beginning of the year	541,861	541,861
Charged during the year (Note 28)	2,307,627	-
Inventory written-off during the year	(205,654)	-
At the end of the year	<u>2,643,834</u>	<u>541,861</u>

13) TRADE RECEIVABLES, NET

	2023 SR	2022 SR
Trade receivables	528,426,923	470,826,543
Allowance for expected credit losses	(16,455,087)	(17,920,586)
	<u>511,971,836</u>	<u>452,905,957</u>

- Trade receivables mature within a period ranging from 30 to 60 days. The carrying value of trade receivables is affected by the change in the credit rating of other parties.
- Trade receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables and the vast majorities are, therefore, unsecured.
- As at 31 December 2023, trade receivables include balances amounting to SR 110.8 million (2022: SR 221.3 million) due from governmental and government related customers. These parties have an extended credit period compared to the other regular customers.

The movement in the provision for expected credit losses during the year was follows:

	2023 SR	2022 SR
At the beginning of the year	17,920,586	8,256,824
Charged during the year (Note 28)	7,064,410	9,663,762
Reversed during the year	(8,529,909)	-
At the end of the year	<u>16,455,087</u>	<u>17,920,586</u>

*Aging analysis of trade receivables*

Following is the provision criteria used for expected credit loss for trade receivables as of 31 December:

	Total SR	0-90 days SR	91-180 days SR	181-270 days SR	271-360 days SR	> 1 years SR
Provision for expected credit loss						
2023	16,455,087	2,903,228	2,593,102	807,073	1,323,814	8,827,870
2022	17,920,586	1,567,866	1,844,427	727,886	384,571	13,395,836
Trade receivables						
2023	528,426,923	392,076,320	69,465,371	17,619,676	16,790,821	32,474,735
2022	470,826,543	363,668,054	65,975,462	12,895,961	8,117,106	20,169,960
Weighted average expected loss rate						
2023	3.11%	0.74%	3.73%	4.58%	7.88%	27.18%
2022	3.81%	0.43%	2.80%	5.64%	4.74%	66.41%

Refer to Note 31 for information about the credit risk exposure on the Company's trade receivables.



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14) PREPAYMENTS AND OTHER ASSETS

	2023 SR	2022 SR
Advance rent payments	167,950,637	64,597,760
Prepaid government expenses	88,392,398	68,690,641
Advance payments to suppliers	80,401,285	53,803,036
Value Added Tax ("VAT")	28,980,231	110,683,840
Receivables from employees	21,329,894	21,388,624
Prepaid tires expense	14,672,922	13,294,963
Letter of Guarantee /Letter of Credit commission	10,002,807	3,785,233
Advance material to technicians	3,259,456	11,240,787
Interest receivable (Note 10)	2,805,826	1,548,958
Insurance claims	1,539,747	4,124,974
Other prepaid expenses	17,057,016	24,065,032
	<u>436,392,219</u>	<u>377,223,848</u>

15) CASH AND BANK BALANCES

	2023 SR	2022 SR
Cash in banks	231,850,682	148,166,876
	<u>231,850,682</u>	<u>148,166,876</u>

As at 31 December 2023, the Company has available cash facilities amounting SR 1,817 million (2022: SR 1,925 million) representing unwithdrawn cash from the cash facility granted from local banks.

16) RELATED PARTY TRANSACTIONS AND BALANCES

Related parties of the Company include the shareholders, the key management personnel and the companies where the Company, the shareholders, the board of directors or key management personnel has control, joint control or significant influence. During its ordinary course of business, the Company transacts with related parties in accordance with the terms approved by management. The transactions represent services exchanged between the entities.

*Key management personnel's benefits and compensation*

The senior management represents the key members of the Company's management who have the powers and responsibilities to plan, direct and control the Company's activities. Key management personnel's benefits & compensation are as follows:

Nature of transaction	Nature of relationship	2023 SR	2022 SR
Salaries and benefits	Key management personnel	29,469,318	26,851,085
Employees' terminal benefits	Key management personnel	1,214,498	1,168,344
Board of Directors' remunerations, attendance allowances and committee's remunerations	Board of Directors members	6,354,000	4,300,000
		<u>37,037,816</u>	<u>32,319,429</u>

A List of the related parties of the Company is as follows:

Name of the Related party

Al - Drees for Industry and Trading (ALITCO)  
Seven Lights Trading Company  
Aldrees Bertschi Logistic Services Company  
Mr. Hamad Mohammed Aldrees  
Mr. Abdulmohsen Mohammad Aldrees

Nature of Relationship

Affiliate  
Affiliate  
Joint venture  
Chairman of Board of Directors  
Member of the Board of Directors

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16) RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Details of significant transactions and resulted balances are as follows:

*Due from related parties*

<u>Related Party</u>	<u>Relation</u>	<u>Nature of transaction</u>	<u>Amount of transactions</u>		<u>Balance</u>	
			<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
			<u>SR</u>	<u>SR</u>	<u>SR</u>	<u>SR</u>
Al – Drees for Industry and Trading	Affiliate	Sales	-	-	3,012,710	146,229
Aldrees Bertschi Logistic Services Company	Joint venture	Repayment of finance (*)	-	2,193,242	2,390,899	2,193,242
					<u>5,403,609</u>	<u>2,339,471</u>

(\*) The balance due from related parties is interest free and is repayable at the discretion of the Company.

*Due to related parties*

<u>Related Party</u>	<u>Relation</u>	<u>Nature of transaction</u>	<u>Amount of transactions</u>		<u>Balance</u>	
			<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
			<u>SR</u>	<u>SR</u>	<u>SR</u>	<u>SR</u>
Al – Drees for Industry and Trading	Affiliate	Purchases	18,490,676	8,410,386	1,462,353	2,100,922
Mr. Hamad Mohammed Aldrees	Chairman of Board of Directors	Station rent	1,250,000	-	-	-
Seven Lights Trading Company	Affiliate	Station rent	1,050,000	-	-	-
Mr. Abdulmohsen Mohammad Aldrees	Member of the Board of Directors	Site rent	200,000	-	-	-
					<u>1,462,353</u>	<u>2,100,922</u>

17) SHARE CAPITAL

The Company's share capital at 31 December 2023 amounted to SR 750 million (31 December 2022: SR 750 million) of 75 million shares as of 31 December 2023 (31 December 2022: 75 million shares) fully paid with a nominal value of SR 10 per share.

18) STATUTORY RESERVE

In accordance with the Company's Bylaws, the Company is required to transfer 10% of its annual net income to a statutory reserve until the reserve equals to 20% of the paid share capital. Thus, the Company is required to transfer 10% of its net income to the statutory reserve. The reserve is not available for distribution.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2023

19) LEASE LIABILITIES

**Company as a lessee**

The Company lease contracts include extension options. This option is negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Company's business needs. Management exercises significant judgement in determining whether this extension option is reasonably certain to be exercised.

Set out below are the carrying amounts of lease liabilities recognised and the movements during the year:

	2023 SR	2022 SR
At the beginning of the year	3,213,476,987	2,934,368,409
Additions	760,724,791	667,212,190
Accretion of interest (Note 29)	138,890,027	107,579,601
Disposals	(55,405,711)	(73,415,197)
Payments	(364,194,642)	(422,268,016)
At the end of the year	<u>3,693,491,452</u>	<u>3,213,476,987</u>
<b>Analysis of total lease liabilities</b>		
Non-current portion of lease liabilities	3,464,121,964	2,900,062,128
Current portion of lease liabilities	229,369,488	313,414,859
	<u>3,693,491,452</u>	<u>3,213,476,987</u>

The maturity analysis of lease liabilities is disclosed in (Note 31).

The following are the amounts recognised in profit or loss in the statement of comprehensive income:

	2023 SR	2022 SR
Depreciation expense of right-of-use assets (Note 8)	349,834,026	275,274,821
Financial cost on lease liabilities (Note 29)	138,890,027	107,579,601
Total amount recognised in profit or loss in the statement of comprehensive income	<u>488,724,053</u>	<u>382,854,422</u>

**Company as a lessor**

The Company has entered into operating leases on its properties. These leases are short term leases. Rental income recognised by the Company during the year is SR 294,515,355 (2022: SR 250,582,907) (Note 25-1).

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are, as follows:

	2023 SR	2022 SR
Within one year	95,140,588	97,916,932
Between 1 and 2 years	84,710,571	46,664,156
Between 2 and 3 years	90,618,128	50,247,979
More than 3 years	44,367,135	70,508,216
	<u>314,836,422</u>	<u>265,337,283</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2023

20) EMPLOYEES' DEFINED BENEFITS LIABILITIES

	2023 SR	2022 SR
Service cost	14,716,191	14,692,874
Interest cost on defined benefit obligation	4,833,228	2,860,308
	<u>19,549,419</u>	<u>17,553,182</u>

The movement for employees' defined benefits liabilities is as follows:

	2023 SR	2022 SR
Net defined benefit liability as at beginning of the year	143,974,789	118,198,445
Service cost	14,716,191	14,692,874
Interest cost on defined benefit obligation	4,833,228	2,860,308
Benefits paid/payable to outgoing members	(8,253,950)	(6,909,269)
Re-measurements: Actuarial loss on obligation	4,239,020	15,132,431
	<u>159,509,278</u>	<u>143,974,789</u>
Advance end of service payments to employees (*)	<u>(35,302,437)</u>	<u>(32,590,794)</u>
	<u>124,206,841</u>	<u>111,383,995</u>

(\*) The company has made advance payments to employees, which are deducted from the End of Service Benefits (EOSB) provision.

The main assumptions used for actuarial valuation were as follows:

	2023	2022
Employee turnover	Moderate	Moderate
Mortality rate	WHO SA19	WHO SA19
Long term salary increase rate	5.00%	4.45%
Discount rate of cash flow	4.60%	4.45%

A quantitative sensitivity analysis for significant assumption on the employees' terminal benefits liabilities:

	<i>Salary increase rate</i>		<i>Discount rate</i>	
	0,5% Increase	0,5% Decrease	0,5% Increase	0,5% Decrease
31 December 2023	164,478,824	154,799,617	154,496,695	164,851,772
31 December 2022	148,310,910	139,861,842	139,602,871	148,629,199

The sensitivity analysis above has been undertaken based on a method that extrapolates the impact on the employee defined benefits obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the employee defined benefits obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

21) TRADE PAYABLES

	2023 SR	2022 SR
Saudi Arabian Oil Company ("Aramco")	1,313,187,408	1,110,835,951
Others	89,679,814	64,446,923
	<u>1,402,867,222</u>	<u>1,175,282,874</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2023

22) ACCRUED EXPENSES AND OTHER LIABILITIES

	2023 SR	2022 SR
Contract liabilities (Note 25-4)	232,251,471	249,535,114
Advances from customers	204,561,320	104,871,467
Accrued expenses	105,663,604	106,465,568
Accrued vacation	14,511,857	12,590,169
Accrued tickets	9,726,145	8,015,066
Accrued bank commission	1,102,131	631,136
Value Added Tax ("VAT")	-	2,258,097
Others	987,773	-
	<u>568,804,301</u>	<u>484,366,617</u>

23) ZAKAT PAYABLE

a) Charge for the year:

Zakat charge for the year comprise of the following:

	2023 SR	2022 SR
Provided during the year	8,674,334	7,641,216
Deduction from previous years provision	(3,674,334)	-
	<u>5,000,000</u>	<u>7,641,216</u>

b) Zakat base

The calculation of zakat base is as follows:

	2023 SR	2022 SR
Shareholders' equity beginning of the year	1,109,334,326	995,149,839
Employees' defined benefits	108,377,955	85,709,707
Long-term financing / Credit balances	4,027,890,258	3,520,376,224
Adjusted net income subject to zakat (Note 23-c)	346,973,362	305,648,625
<b>Deductions:</b>		
Book value of long-term assets, net	(6,027,840,179)	(5,160,860,138)
Dividends and Board of Directors' remunerations	(150,000,000)	(112,500,000)
Zakat base (*)	<u>(585,264,278)</u>	<u>(366,475,743)</u>

\* Zakat is due at 2.5% of the adjusted net income and 2.57768% of the zakat base minus the adjusted income. The zakat charge for the years ending on December 31, 2023 and 2022 has been calculated based on adjusted profit.

c) Adjusted net income for the year:

	2023 SR	2022 SR
Net income for the year	285,814,473	249,468,134
Provisions during the year	61,158,889	56,180,491
Adjusted net income for the year	<u>346,973,362</u>	<u>305,648,625</u>

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23) ZAKAT PAYABLE (continued)

d) Movement in provision during the year:

The movements in provision for zakat during the year was as follows:

	2023	2022
	SR	SR
At the beginning of the year	11,880,835	9,978,098
Provided during the year (Note 23-a)	5,000,000	7,641,216
Payments made during the year	(7,788,338)	(5,738,479)
At the end of the year	<u>9,092,497</u>	<u>11,880,835</u>

e) Zakat status

The Zakat, Tax, and Customs Authority ("ZATCA") has issued final assessments for all years up to 31 December 2018, and the Company has made payments for the zakat differences accordingly. Additionally, preliminary assessments have been issued for the years 2019 and 2020 requiring the Company to pay SR 47,897 and SR 198,848, respectively. The Company has submitted its zakat declaration for the years 2021 and 2022 and has paid the zakat due accordingly. Also, these two years are the subject of assessment by ZATCA and no preliminary or final assessments have been issued yet.

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**24) FACILITIES**

These represent working capital facilities obtained during the year from local banks. These facilities carry variable interest rate at prevailing market rates.

In the normal course of business, the Company has obtained Islamic long term and short-term facilities from various local commercial banks as of 31 December 2023 amounting to SR 6.210 million (31 December 2022: SR 5,510 million). These facilities include advances in the current account, short term and long-term Tawarruq facilities, notes payable, letters of guarantee against the advance payments and contracts performance. The Company has unutilized facilities amounting to SR 1,817 million as at 31 December 2023 (31 December 2022: SR 1,925 million). The following are the details of the outstanding balance:

- a) The short-term facilities outstanding as of 31 December 2023, amounted to 360,000,000 riyals. (31 December 2022: SR 220,000,000).  
 b) Long term facilities consist of the following:

Bank	Type of facilities	Facility amount in SR		Utilized amount in SR		Outstanding Balance in SR		Purpose	Repayment frequency	Repayment	
		2023	2022	2023	2022	2023	2022			Date of first installment payment	Date of last installment payment
Riyad Bank	Revolving Long term tawarruq financing	100,000,000	-	100,000,000	-	100,000,000	-	acquisition of property and equipment	Annually	27 Dec 2023	26 Dec 2027
Saudi National Bank	Revolving Long term tawarruq financing	75,000,000	75,000,000	72,000,000	72,000,000	10,285,714	30,857,143	Finance the working capital and acquisition of property and equipment	Quarterly	06 Jun 2020	19 May 2024
		<b>175,000,000</b>	<b>75,000,000</b>	<b>172,000,000</b>	<b>72,000,000</b>	<b>110,285,714</b>	<b>30,857,143</b>				

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24) FACILITIES (continued)

24-1 The movement of the short-term facilities during the year was as follows:

	2023 SR	2022 SR
At the beginning of the year	220,000,000	-
Borrowings during the year	4,944,996,838	2,445,000,000
Paid during the year	<u>(4,804,996,838)</u>	<u>(2,225,000,000)</u>
At the end of the year	<u>360,000,000</u>	<u>220,000,000</u>

24-2 The movement of the long-facilities during the year was as follows:

	2023 SR	2022 SR
At the beginning of the year	30,857,143	81,571,429
Borrowings during the year	100,000,000	-
Paid during the year	<u>(20,571,429)</u>	<u>(50,714,286)</u>
At the end of the year	<u>110,285,714</u>	<u>30,857,143</u>

Analysis of total facilities:

Non-current portion	75,000,000	10,285,714
Current portion	<u>35,285,714</u>	<u>20,571,429</u>
	<u>110,285,714</u>	<u>30,857,143</u>

The above facilities bear financial charges at the prevailing Saudi Interbank Rates (SIBOR) plus the agreed upon margin and are secured by promissory notes issued by the Company.

The facility agreements referred to above include financial covenants to maintain current ratio, liabilities to total equity ratio, net gearing ratio, debt service coverage ratio and total shareholders' equity.

The Company has facility agreements with the Saudi National Bank amounting to SR 800 million. During the year ended 31 December 2023, the Company has utilized an amount of SR 530 million of the facilities (31 December 2022:SR 499 million). The Bank is charging the facility a commission of (Libor 2.39% per year). These Islamic borrowing facilities are secured by personal and joint guarantees of the partners and promissory notes signed by the partners. The loan facilities are subject to financial covenants regarding leverage ratio for which the Company was not in compliance with for term loans as at 31 December 2023.

25) REVENUE

25-1 Revenue source

Below is a breakdown of the Company's revenue from contracts with customers:

	2023 SR	2022 SR
Petrol revenue	14,020,639,983	11,722,899,468
Transport revenue	395,073,040	308,350,589
Lease revenue (Note 19)	294,515,355	250,582,907
Revenue from car services and oils	123,830,950	74,246,023
	<u>14,834,059,328</u>	<u>12,356,078,987</u>

25-2 Timing of revenue recognition

	2023 SR	2022 SR
Services transferred at point in time	14,539,543,973	12,105,496,080
Services transferred over time	<u>294,515,355</u>	<u>250,582,907</u>
	<u>14,834,059,328</u>	<u>12,356,078,987</u>



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25) REVENUE (continued)

25-3 Contract assets

Contract assets represent revenue from goods, rents, or services provided by the Company to the customer and have not yet been invoiced. The movement of the balance during the year ended on December 31 was as follows:

	2023 SR	2022 SR
Balance at 1 January	75,119,084	37,039,437
Contract assets during the year	1,601,589,728	1,177,701,966
Transfer from contract assets to trade receivable	<u>(1,577,444,122)</u>	<u>(1,139,622,319)</u>
At the end of the year	<u>99,264,690</u>	<u>75,119,084</u>

25-4 Contract Liabilities

Contract liabilities represent amounts received in advance from customers for prepaid fuel cards issued by the Company. These prepaid fuel cards have not been utilized by customers as of the date of the financial statements. Additionally, the contract liabilities also include unearned returns received in advance for rental agreements. The movement of the balance during the year ended December 31 was as follows:

	2023 SR	2022 SR
Balance at 1 January	249,535,114	244,721,646
Contract liabilities during the year	2,119,866,155	1,792,293,602
Transfer to revenue	<u>(2,137,149,798)</u>	<u>(1,787,480,134)</u>
At the end of the year (Note 22)	<u>232,251,471</u>	<u>249,535,114</u>

26) COST OF REVENUE

	2023 SR	2022 SR
Inventories at the beginning of the year	143,627,283	112,397,567
Purchases during the year	13,123,156,208	10,899,572,082
Operating expenses during the year (Note 26-1)	1,081,200,391	893,174,974
Inventories at the end of the year	<u>(194,778,060)</u>	<u>(143,627,283)</u>
	<u>14,153,205,822</u>	<u>11,761,517,340</u>

26-1) OPERATING EXPENSES

	2023 SR	2022 SR
Employees' salaries and benefits	397,226,558	331,788,523
Amortization of right-of-use assets (Note 8)	349,834,026	275,274,821
Depreciation of property and equipment (Note 6)	144,457,242	121,787,620
Rent of stations and offices	64,187,788	45,664,411
Cars fuel and oils	51,435,279	40,476,006
Electricity and water	20,279,778	23,886,313
Maintenance	15,248,371	9,471,637
Insurance	11,686,129	9,280,137
Amortization of deferred costs (Note 11)	1,577,364	1,526,319
Amortization of intangible assets (Note 7)	904,244	898,591
Other	24,363,612	33,120,596
	<u>1,081,200,391</u>	<u>893,174,974</u>

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27) SELLING AND MARKETING EXPENSES

	2023	2022
	SR	SR
Commissions, bonus and sales incentives	4,185,513	4,994,970
Advertising and publicity	795,688	2,422,483
	<u>4,981,201</u>	<u>7,417,453</u>

28) GENERAL AND ADMINISTRATIVE EXPENSES

	2023	2022
	SR	SR
Employees' salaries and benefits	197,278,757	180,474,008
Donations for social services	10,038,545	2,662,020
Depreciation of property and equipment (Note 6)	8,310,651	8,209,618
Provision for expected credit losses (Note 13)	7,064,410	9,663,762
Maintenance	6,341,460	3,558,456
Printing and stationery	2,632,950	2,251,898
Utilities	2,481,204	1,900,212
Provision for obsolete and slow-moving inventory (Note 12)	2,307,627	-
Travel expense	2,245,370	1,803,800
Professional fees	1,899,039	1,885,075
Rent	1,714,884	1,326,330
Governmental expenses	1,607,509	1,272,095
Insurance	1,342,272	888,936
Saudi Stock Market expenses (Tadawul)	659,196	770,771
Other	8,792,689	7,455,464
	<u>254,716,563</u>	<u>224,122,445</u>

29) FINANCIAL COSTS

	2023	2022
	SR	SR
Interest on lease liabilities (Note 19)	138,890,027	107,579,601
Bank charges and guarantee commissions	12,830,940	9,830,344
Interest on loans	9,388,179	6,989,616
	<u>161,109,146</u>	<u>124,399,561</u>

30) OTHER INCOME, NET

	2023	2022
	SR	SR
Gains (losses) on disposal of property and equipment	5,172,337	(251,759)
Realized gain from selling investment at fair value through profit or loss	-	353,233
Dividend income received from investment at fair value through profit or loss	-	1,022,648
Lease claims	-	4,714,000
Others	1,618,044	1,131,960
	<u>6,790,381</u>	<u>6,970,082</u>

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31) FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities include lease liabilities, trade payables, accruals, short-term and long-term loans and amounts due to related parties. The Company's financial assets include cash and bank balances, trade receivables and other receivables, investment in a joint venture, investments at amortized cost and amounts due from related parties which are integral to and are directly derived out of its regular business.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's management oversees the management of these risks. The Senior Management reviews and agrees policies for managing each of these risks, which are summarised below.

**Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company is exposed to interest rate risk. Financial instruments affected by market risk include short term loans. There were no changes in these circumstances from the previous year.

**Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's short-term loans have a short tenure and carry a floating rate of interest and is carried at amortized cost. Accordingly, management believes that the Company is not subject to any significant interest rate risk because it is a practice of the Company to settle all short-term debt obligations at the time of maturity which is generally one months.

At 31 December 2023, if the interest rate were to vary by +/- 1%, there would be a maximum increase or decrease in the interest expense by Saudi Riyals 1.4 million (2022: Saudi Riyals .64 million) effecting the income for the year.

**Credit risk**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables, other current financial assets and related parties' balances) and from its financing activities, including deposits with banks and financial institutions.

**Trade receivables**

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored. At 31 December 2023, the Company had 33 customers (2022: 23 customers) that owed it more than SR 3 million each and accounted for approximately 66% (2022: 54%) of all the receivables outstanding. There were 15 customers (2022: 12 customers) with balances greater than SR 7 million accounting for just over 52% (2022: 43%) of the total amounts of receivable and contract assets. The information about the credit risk exposure on the Company's trade receivables using a provision matrix is set out in (Note 13).

	2023 SR	2022 SR
Cash and bank balances	231,850,682	148,166,876
Trade receivables, net	511,971,836	452,905,957
Due from related parties	5,403,609	2,339,471
	<u>749,226,127</u>	<u>603,412,304</u>

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**31) FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

	<i>Within 3 months SR</i>	<i>3 months to 1 year SR</i>	<i>1 to 5 year SR</i>	<i>More than 5 years SR</i>	<i>Total SR</i>
<b>2023</b>					
Short term loans	360,000,000	-	-	-	360,000,000
Trade payables and other payables	-	1,402,867,222	-	-	1,402,867,222
Zakat payable	-	5,000,000	4,092,497	-	9,092,497
Lease liabilities	-	229,369,488	-	-	229,369,488
Due to related parties	-	1,462,353	-	-	1,462,353
	<u>360,000,000</u>	<u>1,638,699,063</u>	<u>4,092,497</u>	<u>-</u>	<u>2,002,791,560</u>
	<i>Within 3 months SR</i>	<i>3 months to 1 year SR</i>	<i>1 to 5 year SR</i>	<i>More than 5 years SR</i>	<i>Total SR</i>
<b>2022</b>					
Short term loans	220,000,000	-	-	-	220,000,000
Trade payables and other payables	-	1,175,282,874	-	-	1,175,282,874
Zakat payable	-	7,641,216	4,239,619	-	11,880,835
Lease liabilities	-	313,414,859	-	-	313,414,859
Due to related parties	-	2,100,922	-	-	2,100,922
	<u>220,000,000</u>	<u>1,498,439,871</u>	<u>4,239,619</u>	<u>-</u>	<u>1,722,679,490</u>

**32) CAPITAL MANAGEMENT**

The Company's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The Company monitors capital using a ratio of 'net debt' to 'equity'. Net debt is calculated as term loans, lease liabilities, trade payables, due to related parties and accrued expenses and other current liabilities (as shown in the statement of financial position) less cash and bank balances.

Equity comprises all components of equity.

The Company's net debt to equity ratio as at 31 December was as follows:

	<i>2023 SR</i>	<i>2022 SR</i>
Short-term loans	395,285,714	240,571,429
Lease liabilities	229,369,488	313,414,859
Due to related parties	1,462,353	2,100,922
Accrued expenses and other current liabilities	<u>568,804,301</u>	<u>484,366,617</u>
Less: cash and bank balances	<u>(231,850,682)</u>	<u>(148,166,876)</u>
<b>Net debt</b>	<b>963,071,174</b>	<b>892,286,951</b>
<b>Total equity</b>	<b>1,235,919,779</b>	<b>1,109,344,326</b>
<b>Gearing ratio</b>	<b>78%</b>	<b>80%</b>

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**33) DIVIDENDS AND BOARD OF DIRECTORS' REMUNERATIONS**

The General Assembly in its meeting on 11 Shawwal 1444H (corresponding to 1 May 2023) has approved to distribute cash dividends amounting to SR 150 million at a rate of SR 2 per share representing 20% of the Company's share capital (31 December 2022: SR 112.5 million) and disburse an amount of SAR 4 million to all members of the Board of Directors and the secretary of the Board of Directors for the year 2022.

**34) BASIC AND DILUTED EARNINGS PER SHARE**

Earnings per share attributable to equity holders from income was calculated by dividing the net income for the year by the weighted average number of outstanding shares of 75 million as of 31 December 2023 (31 December 2022: 75 million shares).

	<i>2023</i> <i>SR</i>	<i>2022</i> <i>SR</i>
Income for the year attributable to equity holders	<b>280,814,473</b>	241,826,918
Weighted average number of outstanding shares	<b>75,000,000</b>	75,000,000
Basic and diluted earnings per share	<b>3.74</b>	3.22

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As at 31 December 2023

35) SEGMENT INFORMATION

Since the Company carries out its activities entirely in the Kingdom of Saudi Arabia, reporting is provided by business segment only. The Company has determined its business segments on the basis of type of goods supplied and services rendered by the Company's business segments and reported to the Company's executive management for the purposes of resource allocation and assessment of segment performance.

For executive management purposes, the Company is organized in the following business segments:

**Petroleum Service Segment** This segment represents the activities of operating stations from the sale of fuels.  
**Transport Services Segment** This segment represents transportation services of liquid and dry materials.

	<i>Petroleum Service SR</i>	<i>Transport Service SR</i>	<i>Inter-segment eliminations SR</i>	<i>Total SR</i>
<b>2023</b>				
<b>Revenue</b>				
External customers	14,480,059,141	538,216,660	(184,216,473)	14,834,059,328
Inter-segment	(41,072,853)	(143,143,620)	184,216,473	-
<b>Total revenue</b>	<b>14,438,986,288</b>	<b>395,073,040</b>	<b>-</b>	<b>14,834,059,328</b>
<b>Income/(expenses)</b>				
Cost of revenue	13,934,206,126	403,216,169	(184,216,473)	14,153,205,822
Gross profit	545,853,015	135,000,491	-	680,853,506
<b>Segment income</b>	<b>230,515,270</b>	<b>50,299,203</b>	<b>-</b>	<b>280,814,473</b>
<b>Total assets</b>	<b>6,880,179,076</b>	<b>965,085,173</b>	<b>(339,134,090)</b>	<b>7,506,130,159</b>
<b>Total liabilities</b>	<b>6,055,892,279</b>	<b>553,452,191</b>	<b>(339,134,090)</b>	<b>6,270,210,380</b>
<b>Property and equipment</b>	<b>1,230,543,330</b>	<b>659,095,116</b>	<b>-</b>	<b>1,889,638,446</b>
<b>Right of use assets</b>	<b>3,852,528,263</b>	<b>-</b>	<b>-</b>	<b>3,852,528,263</b>
<b>2022</b>				
Revenue	12,080,185,919	416,906,544	(141,013,476)	12,356,078,987
Inter-segment revenue	(32,457,521)	(108,555,955)	141,013,476	-
<b>Total revenue</b>	<b>12,047,728,398</b>	<b>308,350,589</b>	<b>-</b>	<b>12,356,078,987</b>
<b>Income/(expenses)</b>				
Cost of revenue	11,602,282,054	300,248,762	(141,013,476)	11,761,517,340
Gross Profit	477,903,865	116,657,782	-	594,561,647
<b>Segment income</b>	<b>195,853,438</b>	<b>45,973,480</b>	<b>-</b>	<b>241,826,918</b>
<b>Total assets</b>	<b>5,864,680,256</b>	<b>740,657,782</b>	<b>(246,644,339)</b>	<b>6,358,693,699</b>
<b>Total liabilities</b>	<b>5,145,677,589</b>	<b>350,316,123</b>	<b>(246,644,339)</b>	<b>5,249,349,373</b>
<b>Property and equipment</b>	<b>1,014,392,018</b>	<b>542,885,606</b>	<b>-</b>	<b>1,557,277,624</b>
<b>Right of use assets</b>	<b>3,422,292,974</b>	<b>-</b>	<b>-</b>	<b>3,422,292,974</b>

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35) SEGMENT INFORMATION (continued)

Reconciliation of profit

Reconciliation of information on reportable segments to income before zakat of the Company for the two years ended 31 December:

	2023 SR	2022 SR
Gross profit of operating segments	680,853,506	594,561,647
<b>Un-allocated amount:</b>		
Selling and marketing expenses	(4,981,201)	(7,417,453)
General and administrative expenses	(254,716,563)	(224,122,445)
Other (expenses) income, net	6,790,381	6,970,082
Finance cost	(161,109,146)	(124,399,561)
Finance income	9,020,109	850,091
Share in results of investment in a joint venture	975,221	1,476,815
Interest income from investment at amortised cost	8,982,166	1,548,958
<b>Total un-allocated amounts</b>	<b>(395,039,033)</b>	<b>(345,093,513)</b>
<b>Income before zakat</b>	<b>285,814,473</b>	<b>249,468,134</b>

36) CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

*Capital commitments*

The Company has capital commitments of SR 119.8 million (31 December 2022: SR 117.1 million) mainly related to the cost of establishing and developing projects related to gas stations in various regions in the Kingdom of Saudi Arabia.

The Company has various lease contracts that have not yet commenced as at 31 December 2023. The future lease payments for these non-cancellable lease contracts are 26.2 million within one year, 106.4 million within five years and 318.9 million thereafter.

*Contingent Liabilities*

As at 31 December 2023, the Company has outstanding contingent liabilities in the form of letters of guarantee amounting to SR 3,922.9 million (31 December 2022: SR 3,334.6 million). Those have been issued in the normal course of business of the Company.

*Legal claim contingency*

The Company, in its ordinary course of business, is subject to proceedings, lawsuits and other claims. However, these matters are not expected to have any material impact on the Company's financial position or on the results of its operations as reflected in these financial statements.



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**37) SUBSEQUENT EVENTS**

The Board of Directors in its meeting on 13 Rajab 1445H (corresponding to 25 January 2024) has approved to distribute cash dividends amounting to SR 75 million at a rate of SR 1 per share representing 10% of the Company's share capital (31 December 2022: SR 112.5 million) and disburse an amount of SR 6 million to all members of the Board of Directors and the secretary of the Board of Directors for the year 2023.

Further, it was approved to increase the Company's capital by issuing bonus shares to the Company's shareholders as follows:

- The capital before the increase is SR 750 million, while the capital after the increase shall be SR 1 billion.
- The increase percentage is 33.33%.
- The number of shares before the increase is 75 million shares, while the number of shares after the increase shall be 100 million shares.
- One share will be granted for every three shares.
- The Company aims to raise capital to be proportioned with the Company's business volume and future aspirations.
- The increase will be implemented by capitalization of SR 250 million from the retained earnings account.
- The grant is deemed conditional upon obtaining approval from the official authorities and the General Assembly for the increase in capital and the number of shares granted.
- This increase is conditional upon obtaining the approval of the official authorities and the General Assembly to increase the capital and number of shares to be granted.

**38) COMPARATIVE FIGURES**

Certain comparative figures for the previous year have been reclassified in order to conform with the current year's classification. However, there is no material reclassification to report.

**39) APPROVAL OF THE FINANCIAL STATEMENTS**

These financial statements were approved by the Board of Directors on 13 Rajab 1445H (corresponding to 25 January 2024).

