

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

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT



Crowe

Al Azem, Al Sudairy, Al Shaikh & Partners
CPA's & Consultants - Member Crowe Global

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


FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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Amro Mahmoud Abouelmaaty Siam
FM


Hamad Mohammad Aldrees
Chairman


Eng. Abdulsamad Saad Aldrees
CEO





INDEPENDENT AUDITOR'S REPORT

**TO: THE SHAREHOLDERS
ALDREES PETROLEUM AND TRANSPORT SERVICES COMPANY
(A Saudi Joint Stock Company)**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **ALDREES PETROLEUM AND TRANSPORT SERVICES COMPANY (the "Company")**, which comprise the statement of financial position as at 31 December 2021, and the statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

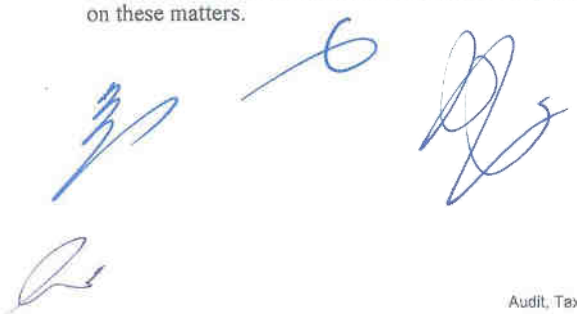
In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") 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 professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Audit, Tax & consultants:

Salman B. AlSudairy
License No. 283

Musab AlShaikh
License No. 658

Abdullah M. AlAzem
License No. 335



INDEPENDENT AUDITOR'S REPORT (continued)
ALDREES PETROLEUM AND TRANSPORT SERVICES COMPANY
(A Saudi Joint Stock Company)

Key Audit Matters (continued)

Recognition of revenue	
Key audit matter	How the matter was addressed in our audit
<p>Revenue was considered one of the main matters for review, given that revenue is the main component of the company's business, and there are potential risks of fraud and error related to the recognition of revenue in accordance with the international standards of auditing approved in the Kingdom of Saudi Arabia, and that the group provides different types of products, and a huge number of transactions are carried out On a daily basis, revenue is recognized through automated systems.</p>	<p>We have designed auditing procedures to deal with this key matter through a preliminary risk assessment procedure that includes identifying risks and related assurances by understanding the nature of the company's activity and its environment and documenting and evaluating the revenue accounting system covering activities, operations and internal revenue control related to performance of monitoring and performance checks, A major control procedure was tested to ensure the design, implementation and enforcement of internal control procedures. Analytical procedures were also applied. Our IT specialist also participated in the understanding and evaluation of the revenue-related IT system and testing the accuracy of data and reports issued by IT systems. Then, our audit controls were designed according to the results of the risk assessment procedures. We have verified on a test basis, of the invoices issued by the company, and we have implemented detailed analytical procedures to understand that the reasons for the variance in revenue compared to the last year had a rationale for the business, that the revenue recognition criteria that the company adopts for all major revenue sources are appropriate and in line with accounting policies The company disclosed in the financial statements.</p>
<p>Refer to note (3) for the accounting policy and note (31) for related disclosures.</p>	



INDEPENDENT AUDITOR'S REPORT (continued)
ALDREES PETROLEUM AND TRANSPORT SERVICES COMPANY
(A Saudi Joint Stock Company)

Key Audit Matters (continued)

Expected Credit Loss	
Key audit matter	How the matter was addressed in our audit
<p>As at 31 December 2021 the carrying value of trade receivables amounted to Saudi Riyals 341 Million (31 December 2020: Saudi Riyals 382 million) and the provision for expected credit losses as on December 31, 2021 amounted to SR 8 million (31 December 2020: Saudi Riyals 7 million).</p> <p>The ability to collect trade receivables is a key component of the Company's management of working capital, which is managed on an ongoing basis.</p> <p>The management determines and records expected credit losses based on what is required by IFRS 9. Significant judgments, estimates and assumptions have been made by management in calculating the impact of the expected credit losses.</p> <p>Due to the determination of impairment of account receivable using expected credit loss models involves significant judgments and estimates that could have a material impact on the financial statements of the Company, including the use of the expected credit loss model was considered as a key audit matter.</p>	<p>We have evaluated procedures and controls for trade receivables and customer credit risk checks.</p> <p>We have also evaluated the appropriateness of judgments, estimates and underlying assumptions made by management..</p> <p>We have verified the general IT controls around the accounting system and found them to be effective. We have performed one test to check the aging accuracy of trade receivables from the system.</p> <p>We also evaluated the methodological methods implemented by the company in the light of the requirements of criterion (9), and specifically evaluated the company's method in assessing the probability of default, and the extent to which information related to future expectations is included in the calculation of expected credit losses and changes in the standard of loss that may lead to failure.</p> <p>We also evaluated the disclosures in the financial statements required under Standard 9 and Standard 7 "Financial Instruments: Disclosures".</p>
<p>Refer to note (3) for the accounting policy and note (14) for related disclosures.</p>	



INDEPENDENT AUDITOR'S REPORT (continued)
ALDREES PETROLEUM AND TRANSPORT SERVICES COMPANY
(A Saudi Joint Stock Company)

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' 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.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants SOCPA, Regulations for Companies 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 ISAs 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 ISAs 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.

INDEPENDENT AUDITOR'S REPORT (continued)
ALDREES PETROLEUM AND TRANSPORT SERVICES COMPANY
(A Saudi Joint Stock Company)

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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, related safeguards.

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 year 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.



AlAzem, AlSudairy, AlShaikh & Partners
Certified Public Accountants



Abdullah M. AlAzem
License No, 335

14 Jumada AlThani 1443H (17 January 2022)
Riyadh, Kingdom of Saudi Arabia



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

FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	<i>Note</i>	31 December 2021 SR	31 December 2020 SR
ASSETS			
NON CURRENT ASSETS			
Property and equipment, net	5	1,297,099,068	1,177,529,614
Right-of-use assets, net	6-1	3,026,862,518	2,540,574,784
Deferred costs, net	7	18,383,404	11,829,844
Investment in joint ventures	8	14,216,933	10,305,404
TOTAL NON CURRENT ASSETS		4,356,561,923	3,740,239,646
CURRENT ASSETS			
Due from a related party	26	2,235,071	1,954,722
Investment at fair value through profit or loss	9	19,956,843	20,294,200
Other assets	10	172,510,537	51,236,622
Prepaid expenses	11	127,210,096	107,319,599
Inventories, net	12	112,397,567	67,725,589
Accrued revenue	13	37,039,437	22,099,087
Trade receivable, net	14	333,554,998	374,924,311
Cash and cash equivalents	15	273,964,384	76,958,955
TOTAL CURRENT ASSETS		1,078,868,933	722,513,085
TOTAL ASSETS		5,435,430,856	4,462,752,731
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	16	750,000,000	600,000,000
Statutory reserve		95,350,189	77,669,693
Retained earnings		149,799,650	214,812,678
TOTAL SHAREHOLDERS' EQUITY		995,149,839	892,482,371
LIABILITIES			
NON CURRENT LIABILITIES			
Long term loans	17	48,500,000	76,428,572
Non-current portion of lease liabilities	6-2	2,598,029,680	2,170,995,781
Employees' defined benefits liabilities	18	91,313,728	74,439,791
TOTAL NON CURRENT LIABILITIES		2,737,843,408	2,321,864,144
CURRENT LIABILITIES			
Provision for zakat payable	19	9,978,098	7,976,316
Current portion of lease liabilities	6-2	332,676,161	281,314,846
Accrued expenses and other liabilities	20	408,567,231	321,169,733
Due to a related party	26	1,822,077	1,621,479
Trade payables	21	916,322,613	505,799,530
Current portion of long term loans	17	33,071,429	52,776,493
Short term loans	17	-	77,747,819
TOTAL CURRENT LIABILITIES		1,702,437,609	1,248,406,216
TOTAL LIABILITIES		4,440,281,017	3,570,270,360
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		5,435,430,856	4,462,752,731

The accompany notes from (1) to (36) are integrated part of these financial statements.

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	<i>Note</i>	2021 SR	2020 SR
Revenue		9,109,614,772	4,974,081,137
Cost of revenue		(8,658,172,120)	(4,648,343,614)
GROSS PROFIT		451,442,652	325,737,523
EXPENSES			
Selling and marketing	22	(4,896,450)	(3,307,819)
General and administration	23	(163,189,363)	(134,116,987)
INCOME FROM OPERATIONS		283,356,839	188,312,717
Financial charges	24	(106,029,436)	(84,248,860)
Company share in gains of investment in joint venture	8	3,911,529	4,527,062
Profit / (Loss) from investment at fair value through profit or loss	9	449,858	(1,103,527)
Other income, net	25	996,176	18,842,131
INCOME BEFORE ZAKAT ESTIMATED		182,684,966	126,329,523
Zakat estimated	19	(5,880,000)	(5,246,701)
NET INCOME FOR THE YEAR		176,804,966	121,082,822
OTHER COMPREHENSIVE INCOME:			
ITEMS NOT TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS:			
Re-measurement for employees' defined benefits	18	(14,137,498)	(10,092,075)
TOTAL COMPREHENSIVE INCOME		162,667,468	110,990,747
Earnings per share from:			
Income from operations	27	3.78	2.51
Net income for the year	27	2.36	1.61





The accompany notes from (1) to (36) are integrated part of these financial statements.

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

STATEMENT OF SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	<i>Share Capital</i> SR	<i>Statutory Reserve</i> SR	<i>Retained Earnings</i> SR	<i>Total</i> SR
Balance at 1 January 2021	600,000,000	77,669,693	214,812,678	892,482,371
Capital Increase	150,000,000	-	(150,000,000)	-
Dividends (note29)	-	-	(60,000,000)	(60,000,000)
Net income for the year	-	-	176,804,966	176,804,966
Other comprehensive income for the year	-	-	(14,137,498)	(14,137,498)
Total comprehensive income for the year	-	-	162,667,468	162,667,468
Transfer to statutory reserve	-	17,680,496	(17,680,496)	-
Balance at 31 December 2021	<u>750,000,000</u>	<u>95,350,189</u>	<u>149,799,650</u>	<u>995,149,839</u>
Balance at 1 January 2020	600,000,000	65,561,411	209,205,213	874,766,624
Dividends	-	-	(90,000,000)	(90,000,000)
Board of directors' remunerations	-	-	(3,275,000)	(3,275,000)
Net income for the year	-	-	121,082,822	121,082,822
Other comprehensive income for the year	-	-	(10,092,075)	(10,092,075)
Total comprehensive income for the year	-	-	110,990,747	110,990,747
Transfer to statutory reserve	-	12,108,282	(12,108,282)	-
Balance at 31 December 2020	<u>600,000,000</u>	<u>77,669,693</u>	<u>214,812,678</u>	<u>892,482,371</u>

The accompany notes from (1) to (36) are integrated part of these financial statements.

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 SR	2020 SR
OPERATING ACTIVITIES		
Income before zakat estimated	182,684,966	126,329,523
Adjustment for:		
Depreciation	113,607,840	101,595,045
Depreciation of right of use asset	267,277,951	199,214,065
Amortization of deferred costs	1,960,926	2,690,789
Company share in gains of investment in joint venture	(3,911,529)	(4,527,062)
(Profit) / Loss from investment at fair value through profit and loss	(449,858)	1,103,527
Provision for expected credit losses	3,630,306	3,298,131
Reversal of Provision for expected credit losses	(2,865,300)	(1,757,356)
Reversal of Provisions no longer intended	-	(17,407,451)
Loss on sale of property and equipment	826,010	443,700
Provision for employees' defined benefits	12,080,928	10,382,147
	574,842,240	421,365,058
Changes in operating assets and liabilities:		
Trade receivable	40,604,307	13,853,073
Accrued revenue	(14,940,350)	540,589
Inventories	(44,671,978)	4,540,123
Prepaid expenses	(19,890,497)	(23,471,118)
Other assets	(121,273,915)	(8,097,724)
Trade payables	410,523,083	279,577,478
Net related parties transaction	(79,751)	457,370
Accrued expenses and other liabilities	87,397,498	44,609,976
	912,510,637	733,374,825
Net cash flows generated from operations	912,510,637	733,374,825
Employees' defined benefits paid	(9,344,489)	(12,102,307)
Zakat paid	(3,878,218)	(10,454,591)
	899,287,930	710,817,927
Net cash from operating activities	899,287,930	710,817,927
INVESTING ACTIVITIES		
Additions to investments at fair value through profit or loss	(75,263,485)	-
Proceeds from investments at fair value through profit or loss	76,050,700	-
Deferred costs	(8,514,486)	(2,792,608)
Purchase of property and equipment	(239,802,230)	(205,105,029)
Proceeds from sale of property and equipment	5,798,926	15,894,903
	(241,730,575)	(192,002,734)
Net cash used in investing activities	(241,730,575)	(192,002,734)
FINANCING ACTIVITIES		
Proceeds from short term loans	2,429,000,000	3,166,000,000
Repayment of short term loans	(2,506,747,819)	(3,423,252,181)
Proceeds from Long term loans	-	72,000,000
Repayment of long term loans	(47,633,636)	(74,029,572)
Repayment of lease liabilities	(275,170,471)	(187,446,568)
Dividends paid	(60,000,000)	(90,000,000)
Board of directors' remunerations	-	(3,275,000)
	(460,551,926)	(540,003,321)
Net cash used in financing activities	(460,551,926)	(540,003,321)
CHANGE IN BANKS BALANCES	197,005,429	(21,188,128)
Change in banks balances, beginning of the year	76,958,955	98,147,083
	273,964,384	76,958,955
BANKS BALANCES, END OF YEAR	273,964,384	76,958,955
Non cash item:		
Re-measurement for employees' defined benefits	(14,137,498)	(10,092,075)
Transferred from work in progress to property and equipment	27,969,236	55,567,577
Capital increase	150,000,000	-

The accompany notes from (1) to (36) are integrated part of these financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 DECEMBER 2021

1) ORGANISATION AND ACTIVITIES

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

The Company's objectives, 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.

2) BASIS OF PREPARATION

(a) Statement of compliance:

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

The Capital Market Authority issued the decision of the Board of Commissioners on (15) Muharram 1438H (16 October 2016) to require listed companies to apply the cost model when measuring the assets of property and equipment, investment properties and intangible assets when adopting the IFRS for a period of 3 years begin from the date of adoption of the International Financial Reporting Standards, On December 31, 2019, it issued a decision including the following:

- Requiring listed companies to continue using the cost model option to measure real estate and investment properties for the financial periods of the fiscal year that begin before 2022.
- Allowing listed companies to use the fair value or revaluation model to measure real estate and investment properties for the financial periods of the fiscal year starting during or after 2022.
- Listed companies will continue to be required to use the cost model option to measure machinery, equipment, and intangible assets for a period of five years, starting from 1/1/2020, and the authority will study the appropriateness of continuing to decide to use this model at the end of this period or the appropriateness to allow the use of the fair value model option or re-evaluation.

The company's current liabilities are in excess of current assets by SR 623,568,676 However, the management and board of directors assumed that the company have the ability to continue as a going concern. It is their assessment that the company will generate sufficient profits and cash flows to meet ongoing liabilities and scheduled repayments. These financial statements have been accordingly prepared on a going concern basis.

(b) Basis of measurement:

The financial statements have been prepared on the historical cost basis using the accrual basis of accounting except for the following.

- Investments at fair value through profit and loss measured at fair value.
- Employee benefits obligations that are recognized at the present value of future liabilities using the expected credit unit method.

(c) Functional and presentation currency:

The financial statements are presented in Saudi Riyal, which is the Company's functional currency.

(d) Use of estimates and judgments:

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 31 DECEMBER 2021

2) BASIS OF PREPARATION (Continued)

(d) Use of estimates and judgments (Continued):

In particular, information about significant areas of estimation uncertainties and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is summarized as follows:

- Management periodically reassesses the economic useful lives of tangible assets and intangible assets based on the general condition of these assets and the expectation for their useful economic lives in the future.
Estimated useful lives of intangible assets for the privilege of providing services is from the period when the company will be able to charge for use of the public infrastructure to the end of the concession period.
- Management frequently reviews the lawsuits raised against the company based on a legal study prepared by the company's legal advisors. This study highlights potential risks that the company may incur in the future.
- Management estimates the provision to decrease inventory to net realizable value if the cost of inventory may not be recoverable, damaged, wholly or partially obsolete, and its selling price to fall below cost or any other factors that causes the recoverable amount to be lower than its carrying amount.
- Management estimates the recoverable amount of the other financial assets to determine whether there was any impairment in its value.
- The management determines the cost of the end of service benefits plans and the present value of the end of service benefits obligations using actuarial valuations. Actuarial valuations include making various assumptions that may differ from actual future developments and include determining a discount rate, future salary increases, death rates and future increases in pension. Given the difficulty and evaluation of the underlying assumptions and their underlying assumptions, which are long-term, the defined benefit obligation is vulnerable to changes in these assumptions. These assumptions are reviewed at each reporting date.
- By their nature, provisions are dependent upon estimates and assessments whether the criteria for recognition have been met, including estimates of the probability of cash outflows. Provisions for uncertain liabilities involve management's best estimate of whether cash outflows are probable.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Fair value measurement

- Fair value represents the amount that may be collected from the asset sale or a boost to convert commitment between knowledgeable parties on the same terms and dealing with others and depends on the fair value measurement of the following conditions:
 - In the principal market for the asset or liability, or the most advantageous market for the asset or liability in the absence of a principal market the company should be able to handle through the most advantageous market.
- When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:
- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
 - Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
 - Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs). If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.
 - The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.
 - Management believes that its estimates and judgments are reasonable and adequate.



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

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 DECEMBER 2021

3) SIGNIFICANT ACCOUNTING POLICIES

The Company has adopted the International Financial Reporting Standards in the preparation of the financial statements as of December 31, 2021 in accordance with the instructions of the Saudi Organization for Certified Public Accountants. The mandatory implementation of International Financial Reporting Standards is effective from 1 January 2017.

(a) Financial instruments

Classification of financial assets

The Company classifies its financial assets under the following categories:

- Fair value through profit or loss (FVTPL);
- Fair value through other comprehensive income (FVTOCI); and
- Amortised cost

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

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

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income.

Initial measurement

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

Financial assets classified as amortized cost

Debt instruments that meet the following conditions are subsequently measured at amortized cost less impairment loss (except for debt investments that are designated as at fair value through profit or loss on initial recognition):

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If a financial asset does not meet both of these conditions, it is measured at fair value.

The Company makes an assessment of a business model at portfolio level as this best reflects the way the business is managed and information is provided to management. In making an assessment of whether an asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, the Company considers:

- Management's stated policies and objectives for the portfolio and the operation of those policies in practice;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How management evaluates the performance of the portfolio;
- Whether the management's strategy focus on earning contractual commission income;
- The degree of frequency of any expected asset sales;
- The reason for any asset sales; and

Whether assets that are sold are held for an extended period relative to their contractual maturity or are sold shortly after acquisition or an extended time before maturity.



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

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 31 DECEMBER 2021

3) SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Financial instruments (Continued)

Financial assets classified as amortized cost (Continued)

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company will consider the contractual terms of the instrument. This will include assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Income is recognized on an effective interest basis for debt instruments measured subsequently at amortized cost. Interest is recognized in the comprehensive income statement.

Debt instruments that are subsequently measured at amortized cost are subject to impairment.

Financial assets designated as FVOCI with recycling

Debt instruments that meet the following conditions are subsequently measured at FVOCI:

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

For debt financial instruments measured at FVOCI, commission income and impairment losses or reversals are recognized in the comprehensive income statement and computed in the same manner as for financial assets measured at amortized cost. All other changes in the carrying amount of these instruments are recognized in the statement of comprehensive income and accumulated under the investment revaluation reserve.

When these instruments are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to the statement of comprehensive income.

Financial assets classified as FVPL

Investments in equity instruments are classified as at FVPL, unless the Company designates an investment that is not held for trading as at FVOCI on initial recognition.

Debt instruments that do not meet the amortized cost or FVOCI criteria are measured at FVPL. In addition, debt instruments that meet the amortized cost criteria but are designated as at FVPL to avoid accounting mismatch are measured at as at FVPL.

Debt instruments may be classified at fair value through profit or loss upon initial recognition if this classification eliminates or significantly reduces the measurement or recognition inconsistency that may arise from the measurement of assets or liabilities or the recognition of gains and losses on various grounds.

Debt instruments are reclassified from amortized cost to FVPL when the business model is changed such that the amortized cost criteria are no longer met. Reclassification of debt instruments that are designated as at FVPL on initial recognition is not allowed.

Financial assets at FVPL are measured at fair value at the end of each reporting period, with any gains or losses arising on re-measurement recognized in the statement of profit or loss.

Commission income on debt instruments as at FVPL is included in the statement of comprehensive income.

Dividend income on investments in equity instruments at FVPL is recognized in statement of profit or loss when the Company's right to receive the dividends is established in accordance with IFRS 15 Revenue from Contracts with Customers.

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**Aldrees Petroleum and Transport Services Company
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NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 DECEMBER 2021

3) SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Financial instruments (Continued)

Investment in equity instruments designated as FVOCI

On initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVOCI. Designation as at FVOCI is not permitted if the equity investment is held for trading.

A financial asset or financial liability is held for trading if:

- It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVOCI are initially measured at fair value plus transaction costs:

Subsequently, they are measured at fair value with gains or losses arising from changes in fair value recognized in other comprehensive income and accumulated in other reserves. Gain or losses on such equity instruments are never reclassified to statement of profit or loss and no impairment is recognized in statement of profit or loss. Investment in unquoted equity instruments which were previously accounted for at cost in accordance with IAS 39, are now measured at fair value. The cumulative gain or loss will not be reclassified to statement of comprehensive income on disposal of the investments.

Dividends on these investments are recognized in statement of profit or loss when the Company's right to receive the dividends is established in accordance with IFRS 9 from Contracts with Customers, unless the dividends clearly represent a recovery of part of the cost of the investment.

Investment revaluation reserve includes the cumulative net change in fair value of equity investment measured at FVOCI. When such equity instruments are derecognized, the related cumulative amount in the fair value reserve is transferred to retained earnings.

Classification of financial liabilities

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

These amounts represent liabilities for goods and services provided to the company prior to the end of the year which are unpaid. The amounts are unsecured and are usually paid within 12 months of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

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

Offsetting financial assets and liabilities

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

Reclassifications

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



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

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 31 DECEMBER 2021

3) SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Financial instruments (continued)

Subsequent measurement

Subsequent measurement of financial assets is as follows:

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

FVTOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains (losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains (losses) and impairment expenses are presented as separate line item in the statement of comprehensive income.

De-recognition

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

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

Impairment

Financial assets

The Company recognizes a loss allowance for expected credit losses (ECL) on debt instruments that are measured at amortized cost or at FVOCI, lease receivables, trade receivables.

No impairment loss is recognized for investments in equity instruments. The amount of expected credit losses reflects changes in credit risk since initial recognition of the respective financial instrument.

The Company applies the simplified approach to calculate impairment on trade receivables and this always recognizes lifetime ECL on such exposures. ECL on these financial assets are estimated using a flow rare based on the Company historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company applies the general approach to calculate impairment. Lifetime ECL is recognized when there has been a significant increase in credit risk since initial recognition and 12 month ECL is recognized the credit risk on the financial instrument has not increased significantly since initial recognition. The assessment of whether credit risk of the financial instrument has increased significantly since initial recognition is made through considering the change in risk of default occurring over the remaining life of the financial instrument.



**Aldrees Petroleum and Transport Services Company
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**NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 31 DECEMBER 2021**

3) SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Financial instruments (continued)

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default for financial assets, this is represented by the assets' gross carrying amount at the reporting date. Exposure at default for off balance sheet items is arrived at by applying a credit conversion factor to the undrawn portion of the exposure.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

Nature of financial instruments (i.e. the Company trade and other receivables, finance lease receivables and amounts due from customers are each assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis);

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The Company recognizes an impairment gain or loss in the statement of profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Non-financial assets

The Company assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations.

Impairment losses are recognized in the statement of profit or loss. 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 asset's 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. Such reversal is recognized in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.



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

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 31 DECEMBER 2021

3) SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset, and any other costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property and equipment have different useful lives, they are accounted for as items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized net within "other expense" in the statement of comprehensive income.

(ii) Subsequent costs

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in statement of comprehensive income as incurred.

(iii) Depreciation

Items of property and equipment are depreciated on a straight-line basis in statement of income over the estimated useful lives of each component. Land is not depreciated.

Items of property and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

Leasehold improvements are amortized over the shorter of the estimated useful life or term of the lease, whichever is shorter.

The depreciations rate of property and equipment for the current and previous year are as follows:

	<u>Depreciation rate</u>
Buildings	3
Leasehold improvements	Shorter of lease contract term or useful life
Machinery and equipment	10
Trucks	7,14 with 20% salvage value
Vehicles	15-25
Computers	12,5-25
Tools	12-20
Furniture & fixture	10

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

(c) Projects under construction

Projects under construction are carried at cost, and when the project is ready for use, it is transferred to its own item of property and equipment.

Aldrees Petroleum and Transport Services Company
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NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 DECEMBER 2021

3) SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Revenue recognition

Revenue from sales is recognized when the goods are delivered and the services rendered to the customers. Revenue from the sale of the goods is recognized based on a five step model as set out in IFRS 15:

- Step 1. Identify the contract with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.
- Step 2. Identify the performance obligations 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.

The Company satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

1. The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs; or
2. The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
3. The Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

For performance obligations, where one of the above conditions are not met, revenue is recognized at the point in time at which the performance obligation is satisfied.

When the Company satisfies a performance obligation by delivering the promised goods or services, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount billed to the customer exceeds the amount of revenue recognized, this gives rise to a contract liability.

Revenue is measured at the fair value of the consideration received or receivable net of discounts and taxes, taking into account contractually defined terms of payment.

Revenue is recognized in the statement of profit or loss to the extent that it is probable that the economic benefits will flow to the Company and the revenue and costs, if applicable, can be measured reliably.

(e) Accounts receivable

Accounts receivable are stated at original invoice amount less appropriate allowance for any doubtful trade accounts receivable, an estimate for allowance for doubtful trade accounts receivable is made by applying the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(f) Accrued income

Accrued income comprise of revenue earned for services provided and goods delivered but not yet billed as at the financial position date.



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

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 DECEMBER 2021

3) SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is determined based on the weighted average principle, and includes expenditure incurred in acquiring the inventories.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Offsetting

Financial liabilities are set off against financial assets, and the net amount is shown in the financial position only when the obliging legal rights are available and when settled on net basis or the realization of assets or settlement of liabilities is done at the same time.

(i) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(j) Prepaid expenses

Prepaid expenses represent amounts paid in advance for renting, offices, employees housing and other services, Prepaid expenses are amortized, using the straight line method, over the period of the related contracts.

(k) Deferred costs

Deferred costs represent key money paid for renting new petrol stations in the Kingdom of Saudi Arabia, Deferred costs are amortized, using the straight line method, over the period of the contracts.

(l) Investment in jointly controlled entity

A joint venture is contractual arrangements whereby the Company and other parties undertake an economic activity that is subject to joint control, i.e the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control, Joint venture arrangements that involve the establishment of a separate entity in which each party has an interest are referred to as "jointly controlled entities", The Company applies the equity method of accounting for its interests in jointly controlled entities.

Under the equity method, the interest in the jointly controlled entity is carried in the financial position at cost as adjusted by post-incorporation changes in the Company's share of the net assets of the jointly controlled entity, less any impairment in the value of individual investment.

(m) Trade payable and accrued expenses

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

(n) Unearned revenue

Unearned revenue represents advances received against prepaid petrol cards issued by the Company that have not been utilized by customers at the financial position date and unearned rental income received in advance.



Aldrees Petroleum and Transport Services Company
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NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 DECEMBER 2021

3) SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Zakat

Zakat is provided on accrual basis in accordance with the Regulations of the General Authority for Zakat and Income ("GAZI") in the Kingdom of Saudi Arabia. The zakat provision is charged to the statement of comprehensive income. Any differences resulting from the final assessments are recorded in the year of their finalization.

(p) Employees' defined benefits liabilities

Provision for employee's end of service benefits is deducted from their periods of service at the financial position date. Provision for employees' end of service benefits is made according to the expected unit method in accordance with IAS 19 Employee Benefits, taking into account Saudi Labor Law. The provision is recognized based on the present value of the defined benefit obligation.

The present value of the defined benefit obligation is calculated using assumptions for the average annual salary increase ratio, the average work period of employees and an appropriate discount rate. The probabilities used are

Calculated on a constant basis for each period and reflect the best management estimates. The discount rate is determined based on the best available market returns estimates available at the reporting date.

The re-measurement of actuarial valuation was performed by the Al Khwarizmi for Actuarial Services and was carried out using the expected credit module.

The main assumptions used for actuarial valuation were as follows:

Employee turn over	Moderate
Long term salary increase rate	2.4%
Discount rate of cash flow	2.4%

(q) Statutory reserve

As required by Saudi Arabian Regulations for Companies, 10% of the net income for the year should be transferred to the statutory reserve. The Company may resolve to discontinue such transfers when the total reserve equals 30% of the capital, the reserve is not available for dividend distribution.

(r) Finance income and finance costs

Finance income comprises interest income from deposits at banks. Interest income is recognized as it accrues, using the effective interest method.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

(s) Foreign currency transactions

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions, at financial position date, monetary assets and liabilities denominated in foreign currencies are translated to Saudi Riyals at the exchange rates prevailing on that date. Gains and losses arising on settlement and translation of foreign currency transactions are recognized in the statement of comprehensive income.



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

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 DECEMBER 2021

3) SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Expenses

Expenses incurred by the Company consist of administrative and general expenses, operating expenses and selling and marketing expenses. Sales costs are charged at full cost of materials, direct labor and indirect costs. Other direct and indirect expenses relating to management that are not related to the production function are classified as administrative and general expenses. Joint expenses are distributed, if necessary, between administrative and general expenses and operating expenses on a consistent basis. The accrual principle is applied in charging the financial period with administrative and general expenses. Sales and marketing expenses consist mainly of costs incurred in marketing the Company's products and services.

(u) Right of use asset and lease liabilities

Assets held under leases that transfer to the Company substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Company's Statement of Financial Position. Rentals in respect of operating leases are charged to the Statement of Profit or Loss over the term of the leases.

The Company has recognized new assets and liabilities for its operating leases of various types of contracts including warehouse and depot facilities, accommodation / office rental premises, etc. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis.

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

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

ii. Lease liabilities include the net present value of the following lease payments:

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

The lease payments are discounted using the incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in Statement of Profit or Loss. Short-term leases are leases with a lease term of 12 months or less.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

(v) Segmental reporting

A segment is a distinguishable component of the Company that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments. Because the Company carries out its activities entirely in the Kingdom of Saudi Arabia, reporting is provided by business segment only.



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

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 DECEMBER 2021

4) *New and amendments to standards and interpretations*

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

• **Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16**

Effective 1 June 2020, IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

- (a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) The reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (c) There is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in accounting for the concession.

Aldrees Petroleum and Transport Services Company has elected to utilize the practical expedient for all rent concessions amendment to IFRS 16 "Leases" COVID-19 that meet the criteria. The practical expedient has been applied retrospectively, meaning it has been applied to all rent concessions that satisfy the criteria, which in the case of Aldrees Petroleum and Transport Services Company, occurred from March 2020 to June 2020.

Accounting for the rent concessions as lease modifications would have resulted in Aldrees Petroleum and Transport Services Company remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, a lessee is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The effect of applying the practical expedient is disclosed in Note (28).

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Company has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

• **Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16**

The amendment includes the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the financial statements of the Company. The Company intends to use the practical expedients in future periods if they become applicable.

**Aldrees Petroleum and Transport Services Company
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NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 DECEMBER 2021

4) New and amendments to standards and interpretations (Continued)

Standards issued but not yet effective

- IFRS 17 Insurance Contracts
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
- IAS 41 Agriculture – Taxation in fair value measurements
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current
- Reference to the Conceptual Framework – Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 In May 2020, the IASB issued
- Definition of Accounting Estimates - Amendments to IAS 8
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The Company does not expect that the adoption of these new and revised standards and interpretations will have a material impact on its financial statements.



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5) PROPERTY AND EQUIPMENT, NET

The depreciation rates for the major classes of assets are as follows:

Buildings	3%	Vehicles	15% - 25
Leasehold improvements	Shorter than lease contract term/useful life	Computers	12.5% - 25%
Machinery and equipment	10%	Tools	12% - 20%
Trucks	7.14% with 20% salvage value	Furniture and fixtures	10%

<u>2021</u>	<u>Land</u>		<u>Buildings</u>		<u>Leasehold improvements</u>		<u>Machinery and equipment</u>		<u>Trucks and vehicles</u>		<u>Computers</u>		<u>Tools</u>		<u>Furniture and fixtures</u>		<u>Work in progress</u>		<u>Total</u>		
	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	
At the beginning of the year	181,394,169	180,728,170	654,279,731	83,165,456	774,210,703	13,921,008	13,613,370	24,689,278	10,315,574	1,936,317,459											
Additions	16,027,735	2,064,606	114,295,153	17,507,865	46,739,990	2,361,996	1,942,648	2,395,454	36,466,783	239,802,230											
Disposals	-	-	(979,188)	(159,044)	(24,141,554)	-	(11,065)	(33,515)	-	(25,324,366)											
Transfers	-	-	23,790,850	631,628	3,539,166	1,070	4,348	2,174	(27,969,236)	-											
At the end of the year	197,421,904	182,792,776	791,386,546	101,145,905	800,348,305	16,284,074	15,549,301	27,053,391	18,813,121	2,150,795,323											
Accumulated Depreciation:																					
At the beginning of the year	-	48,741,508	191,297,004	52,605,601	426,185,695	10,424,197	12,094,094	17,439,746	-	758,787,845											
Charge for the year	-	6,176,735	51,018,447	9,761,013	42,475,280	1,305,768	859,051	2,011,546	-	113,607,840											
Disposals	-	-	(572,130)	(158,839)	(17,941,202)	-	(10,580)	(16,679)	-	(18,699,430)											
At the end of the year	-	54,918,243	241,743,321	62,207,775	450,719,773	11,729,965	12,942,565	19,434,613	-	853,696,255											
Net book value:																					
At December 31, 2021	197,421,904	127,874,533	549,643,225	38,938,130	349,628,532	4,554,109	2,606,736	7,618,778	18,813,121	1,297,095,068											

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5) PROPERTY AND EQUIPMENT, NET (Continued)

2020 Cost:	Land SR	Buildings SR	Leasehold improvements		Machinery and equipment SR	Trucks and vehicles SR	Computers SR	Tools SR	Furniture and fixtures SR	Work in progress SR	Total 2020 SR
			SR	SR							
At the beginning of the year	164,763,495	174,938,452	518,996,206	73,069,575	765,585,801	11,820,001	12,654,074	21,545,487	27,383,518	1,770,666,609	
Additions	16,630,674	4,215,134	98,132,253	10,148,292	31,259,438	2,101,007	1,012,558	3,106,040	38,499,633	205,105,029	
Disposals	-	-	(10,623,127)	(111,761)	(28,664,656)	-	(53,262)	(1,373)	-	(39,454,179)	
Transfers	-	1,574,584	47,864,399	59,350	6,030,120	-	-	39,124	(55,567,577)	-	
At the end of the year	181,394,169	180,728,170	654,279,731	83,165,456	774,210,703	13,921,008	13,613,370	24,689,278	10,315,574	1,936,317,459	
Accumulated Depreciation:											
At the beginning of the year	-	42,413,180	151,035,594	44,312,494	405,904,226	9,418,869	11,467,375	15,756,638	-	680,308,376	
Charge for the year	-	6,328,328	41,437,642	8,404,856	42,072,778	1,005,328	661,635	1,684,478	-	101,595,045	
Disposals	-	-	(1,176,232)	(111,749)	(21,791,309)	-	(34,916)	(1,370)	-	(23,115,576)	
At the end of the year	-	48,741,508	191,297,004	52,605,601	426,185,695	10,424,197	12,094,094	17,439,746	-	758,787,845	
Net book value:											
At December 31, 2020	181,394,169	131,986,662	462,982,727	30,559,855	348,025,008	3,496,811	1,519,276	7,249,532	10,315,574	1,177,529,614	

*Work in progress as at December 31, 2021 and 2020 represents cost incurred in connection with buildings and leasehold improvements of fuel stations and workshops, which is not finished yet.
Depreciation expenses allocated to cost of revenue as at 31 December 2021 SR 105,793,562 (2020: SR 94,191,685) and to general and administrative expenses SR 7,814,278 (2020: SR 7,403,360).

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6) RIGHT OF USE ASSETS, NET

6/1 The movement in the right to use assets for the year is as follows:

	<i>December 31, 2021</i>		<i>December 31, 2020</i>	
	SR		SR	
	<u>Depreciation</u>	<u>Balance</u>	<u>Depreciation</u>	<u>Balance</u>
Land	338,294	187,410	1,103,952	214,065
Building	266,939,657	3,026,675,108	198,110,113	2,540,360,719
Total right of use	<u>267,277,951</u>	<u>3,026,862,518</u>	<u>199,214,065</u>	<u>2,540,574,784</u>

Additions to the right to use assets during the year ended December 31, 2021: SAR 823,1 million (December 31, 2020: SAR 1,065 million)

6/2 Lease Liabilities

The movement in Lease Liabilities for the year is as follows:

-The table below shows the lease obligations based on the contractual maturity date:

	<i>December 31, 2021</i>	<i>December 31, 2020</i>
	SR	SR
Non-current portion of lease liabilities	2,598,029,680	2,170,995,781
Current portion of lease liabilities	332,676,161	281,314,846
Total lease liabilities	<u>2,930,705,841</u>	<u>2,452,310,627</u>

The total interest expense on lease liabilities recognized during the year ended December 31, 2021 is 93 million Saudi Riyals (31 December 2020: 67,5 million Saudi Riyals).

Expenses related to short-term and low-value lease contracts amounted to 35,1 million Saudi and 36,2 million Saudi respectively.

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7) DEFERRED COSTS, NET

	<i>December 31, 2021</i>	<i>December 31, 2020</i>
	<u>SR</u>	<u>SR</u>
<u>Cost:</u>		
At the beginning of the year	30,744,767	38,055,385
Additions	8,514,486	2,792,608
Written off (*)	(209,343)	(10,103,226)
At the end of the year	<u>39,049,910</u>	<u>30,744,767</u>
<u>Accumulated amortization:</u>		
At the beginning of the year	18,914,923	26,327,360
Charge for the year	1,960,926	2,690,789
Written off (*)	(209,343)	(10,103,226)
At the end of the year	<u>20,666,506</u>	<u>18,914,923</u>
<u>Net book value:</u>	<u>18,383,404</u>	<u>11,829,844</u>

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

8) INVESTMENTS IN JOINT VENTURES

On 21 Shaaban 1434 (corresponding to 30 June 2013), the Company has signed a joint venture (JV) agreement with Bertschi AG, an entity incorporated in Switzerland, to establish a jointly controlled entity namely Aldrees Bertschi for logistic services. On 22 March 2015, the Company and co-venture have made a contribution of SR 500,000 each towards the establishment of the jointly controlled entity.

The following is the movement in the investments account.

	<i>December 31, 2021</i>	<i>December 31, 2020</i>
	<u>SR</u>	<u>SR</u>
At the beginning of the year	10,305,404	5,778,342
Investment gain	3,911,529	4,527,062
At the end of the year	<u>14,216,933</u>	<u>10,305,404</u>

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9) INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

		31 December 2021	
Name	Units Cost	Unrealized gains on revaluation of investments	Units Faire value
Investments in traded securities	19,816,629	60,214	19,876,843
Investments in real estate funds	92,300	(12,300)	80,000
	<u>19,908,929</u>	<u>47,914</u>	<u>19,956,843</u>

		31 December 2020	
Name	Units Cost	Unrealized gains on revaluation of investments	Units Faire value
Al-Khair Capital Fund (Aramco)	20,000,000	294,200	20,294,200
	<u>20,000,000</u>	<u>294,200</u>	<u>20,294,200</u>

The investment movement at fair value through profit and loss during the year was as follows:

	December 31, 2021 SR	December 31, 2020 SR
At the beginning of the year	20,294,200	21,397,727
Addition during the year	75,263,485	-
Selling investments during the year	(76,050,700)	-
Unrealized gains /(loss) on revaluation of investments at fair value through profit or loss	47,914	(1,103,527)
Realized gains on revaluation of investments at fair value through profit or loss	401,944	-
At the end of the year	<u>19,956,843</u>	<u>20,294,200</u>

During the year 2021, the company invested in the Al-Khair Capital Fund (Murabaha) with a value of 80 million Saudi riyals in traded shares, and the investment was classified as an investment at fair value through profit or loss. Because the company's management keeps it for sale in the short term, with the inclusion of unrealized profits or losses from re-evaluating the net asset value of the fund in the statement of profit or loss.

10) OTHER ASSETS

	December 31, 2021 SR	December 31, 2020 SR
Vat(*)	103,641,626	-
Advance payments to suppliers	44,800,210	30,653,826
Receivables from employees	23,758,891	20,435,731
Miscellaneous	309,810	147,065
	<u>172,510,537</u>	<u>51,236,622</u>

(*) During the year 2021, the Zakat, Tax and Customs Authority examined the value-added tax of the company even for the years 2018, 2019 and 2020, as a result of which the tax returns were readjusted, as the value-added tax is recorded when the goods are supplied by the supplier instead of the date of issuing the invoice.

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11) PREPAID EXPENSES

	<i>December 31, 2021</i>	<i>December 31, 2020</i>
	<u>SR</u>	<u>SR</u>
Prepaid rent	45,352,507	36,925,643
Prepaid government expenses	45,838,311	43,458,972
Others	36,019,278	26,934,984
	<u>127,210,096</u>	<u>107,319,599</u>

12) INVENTORIES, NET

	<i>December 31, 2021</i>	<i>December 31, 2020</i>
	<u>SR</u>	<u>SR</u>
Fuel	76,196,827	35,062,836
Spare parts, lubricants and filters	36,742,601	33,204,614
	<u>112,939,428</u>	<u>68,267,450</u>
Provision for slow moving and obsolete inventory	(541,861)	(541,861)
	<u>112,397,567</u>	<u>67,725,589</u>

13) ACCRUED REVENUE

Accrued revenue represent revenue earned from services provided and goods delivered to customers but not yet billed at the balance sheet date and are current in nature.

14) TRADE RECEIVABLE, NET

	<i>December 31, 2021</i>	<i>December 31, 2020</i>
	<u>SR</u>	<u>SR</u>
Trade accounts receivable	341,811,822	382,416,129
Provision for expected credit losses	(8,256,824)	(7,491,818)
	<u>333,554,998</u>	<u>374,924,311</u>

Certain of the above trade accounts receivable are past due, more than normal collection cycle, but not impaired and are expected, on the basis of past experience, to be fully recoverable as majority of these receivables are from government or semi government institutions.

The movement on the expected credit losses provision was as follows:

	<u>Special Provision</u>	<u>General Provision</u>	<u>Total</u>
	<u>(Single)</u>	<u>(Collective)</u>	
Balance at 1 January 2020	5,951,043	-	5,951,043
Charge during the year	3,298,131	-	3,298,131
(Reversal) during the year	(1,757,356)	-	(1,757,356)
Balance at 31 December 2020	<u>7,491,818</u>	<u>-</u>	<u>7,491,818</u>
Charge during the year	3,630,306	-	3,630,306
(Reversal) during the year	(2,865,300)	-	(2,865,300)
Balance at 31 December 2021	<u>8,256,824</u>	<u>-</u>	<u>8,256,824</u>

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15) CASH AND CASH EQUIVILANTE

	<i>December 31, 2021</i>	<i>December 31, 2020</i>
	<u>SR</u>	<u>SR</u>
Banks Balances	193,337,016	76,958,955
cash in the investment portfolio	80,627,368	-
	<u>273,964,384</u>	<u>76,958,955</u>

16) SHARE CAPITAL

The Company's share capital at 31 December 2021 amounted to SR 750 million (31 December 2020: SR 600 million) of 75 million shares (2020: 60 million shares) fully paid with a nominal value of SR 10 per share.

On Ramadan 02, 1442 AH (corresponding to April 14, 2021), the shareholders approved the increase of the company's capital from 600 million Saudi riyals to 750 million Saudi riyals by issuing one free share for every 4 shares held.



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17) FINANCING

In the normal course of business, the Company has obtained Islamic long term and short term facilities from various local commercial banks as of December 31, 2021 amounting to SR 4,440 million (31 December 2020: SR 2,780 million). These facilities include advances in the current account, short term and long-term Tawarruq loans, notes payable, letters of guarantee against the advance payments and contracts performance. The Company has unutilized facilities amounting as at 31 December 2021 SR 1,750 million (31 December 2020: SR 1,309 million). The following is the details of outstanding balance as of:

- a) Short term financing outstanding were amounting as at 31 December 2021 SR zero (31 December 2020: SR 77,747,819).
- b) Long term financing consists of the following:

Bank	Type of facilities	Facility amount in SR		Utilized amount in SR		Outstanding Balance in SR		Purpose	Repayment frequency	Repayment	
		December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020			Starting date	Ending date
Riyadh Bank	Revolving long term tawarruq financing	50,000,000	50,000,000	-	50,000,000	-	19,705,065	Finance the operations	Monthly	30 Mar 2013	23 Aug 2021
Samba Financial Group	Revolving Long term tawarruq financing	75,000,000	75,000,000	72,000,000	72,000,000	56,571,429	72,000,000	Finance the working capital and acquisition of property and equipment	Quarterly	06 Jun 2020	09 May 2024
Al Bihad Bank	Revolving long term financing	50,000,000	37,500,000	50,000,000	50,000,000	25,000,000	37,500,000	Acquisition of trucks and fuel stations	Monthly	12 Dec 2019	12 Dec 2023
		<u>175,000,000</u>	<u>162,500,000</u>	<u>122,000,000</u>	<u>172,000,000</u>	<u>81,571,429</u>	<u>129,205,065</u>				

The above facilities bear finance charges at SIBOR plus agreed margins and are secured by promissory notes issued by the Company.

The loan agreements referred to above includes financial covenants relating to current ratio, liabilities to total equity ratio, net gearing ratio, debt service coverage ratio and total shareholders' equity

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NOTES TO THE FINANCIAL STATEMENTS

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- 18) **Employees' defined benefits liabilities**
The movement for end of service indemnity is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	SR	SR
At 1 January	74,439,791	66,067,876
Charge during the year	12,080,928	10,382,147
Re-measurement for employees' defined benefits	14,137,498	10,092,075
Payments during the year	(9,344,489)	(12,102,307)
At 31 December	<u>91,313,728</u>	<u>74,439,791</u>

The actuarial valuation was performed by Al Khwarizmi for Actuarial Services and was carried out using the expected credit module.

The main assumptions used for actuarial valuation were as follows:

	<u>2021</u>	<u>2020</u>
Employee turn over	Moderate	Moderate
Long term salary increase rate	2.40%	1.85%
Discount rate of cash flow	2.40%	1.85%

19) **ZAKAT PAYABLE**

- a) The zakat charge consists of:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	SR	SR
Provision for the year	5,880,000	3,877,416
Charged during the year by an increase	-	1,369,285
Adjustment for previous years	-	-
Charge for the year	<u>5,880,000</u>	<u>5,246,701</u>

The difference between the financial and amounts subject to zakat are due to difference in depreciation rates and treatment of certain allowances and provisions.

Zakat charged for the year ended December 31, 2021 was calculated on the basis of the adjusted income, 2020 on the basis of adjusted income in addition to the Zakat base.

- b) The calculation of zakat base is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	SR	SR
Shareholders' equity — beginning of the year	832,482,371	874,766,624
Employees' defined benefits	74,305,882	60,157,013
Long term financing / Credit balances	3,427,114,675	2,603,033,970
Zakatable income for the year	235,204,148	155,096,646
Deductions:		
Book value of long term assets, net	(4,356,561,923)	(3,735,712,584)
Dividends and Board of Directors' remunerations	(60,000,000)	(93,275,000)
Zakat base(*)	<u>152,545,153</u>	<u>(135,933,331)</u>

* Zakat is due at 2.5% of the adjusted net income and 2.57768% of the zakat base minus the adjusted income

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19) ZAKAT PAYABLE (Continued)

c) Movements in provision during the year

The movement in zakat provision is as follows:

	<i>December 31, 2021</i>	<i>December 31, 2020</i>
	<u>SR</u>	<u>SR</u>
At the beginning of the year	7,976,316	13,184,206
Provided during the year	5,880,000	5,246,701
Payments during the year	<u>(3,878,218)</u>	<u>(10,454,591)</u>
At end of the year	<u>9,978,098</u>	<u>7,976,316</u>

d) Status of assessment

The Company has filed its zakat declaration for all years up to 31 December 2020. The assessments have been finalized with the Zakat, Tax and Customs Authority (The "ZATCA") for all years up to 31 December 2018.

The assessments for the year ended December 31, 2019 & 2020 have not been raised by the ZATCA, yet.

20) ACCRUED EXPENSES AND OTHER LIABILITIES

	<i>December 31, 2021</i>	<i>December 31, 2020</i>
	<u>SR</u>	<u>SR</u>
Unearned revenue	244,721,646	201,027,547
Accrued expenses	145,298,727	106,556,622
Advances from customers	<u>18,546,858</u>	<u>13,585,564</u>
	<u>408,567,231</u>	<u>321,169,733</u>

21) TRADE PAYABLES

	<i>December 31, 2021</i>	<i>December 31, 2020</i>
	<u>SR</u>	<u>SR</u>
Saudi Arabian Oil Company ("Aramco")	877,135,719	474,549,477
Other trade payables	<u>39,186,894</u>	<u>31,250,053</u>
	<u>916,322,613</u>	<u>505,799,530</u>

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NOTES TO THE FINANCIAL STATEMENTS

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22) **SELLING AND MARKETING EXPENSES**

	2021 SR	2020 SR
Commissions, bonus and sales incentives	4,030,404	2,921,041
Advertising and publicity	866,046	386,778
	<u>4,896,450</u>	<u>3,307,819</u>

23) **GENERAL AND ADMINISTRATIVE EXPENSES**

	2021 SR	2020 SR
Employees' salaries and benefits	128,292,014	101,118,564
Depreciation (note 5)	7,814,278	7,403,360
Allowances for doubtful	2,586,680	7,159,314
Maintenance	2,597,450	2,910,324
Printing and stationery	1,347,290	1,877,124
Travel expense	2,352,126	1,849,999
Donations for social services	3,595,124	1,750,132
Utilities	1,760,295	1,491,771
Rent	1,107,486	1,261,049
Professional fees	1,491,829	1,112,292
Governmental expenses	1,207,215	796,878
Saudi Stock Market expenses ("Tadawul")	841,308	632,236
Insurance	791,364	587,488
Other	7,404,904	4,166,456
	<u>163,189,363</u>	<u>134,116,987</u>

24) **FINANCIAL CHARGES**

	2021 SR	2020 SR
Bank charges	13,017,533	16,751,682
Interest on lease liabilities	93,011,903	67,497,178
	<u>106,029,436</u>	<u>84,248,860</u>

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25) OTHER INCOME, NET

	2021 SR	2020 SR
Losses from disposal of property and equipment	(826,010)	(443,700)
Reversal of Provisions no longer intended	-	17,407,451
Others	1,822,186	1,878,380
	996,176	18,842,131

26) RELATED PARTIES TRANSACTIONS AND BALANCES

The share in the joint venture is explained in Note (8)

Senior management compensation (senior executives)

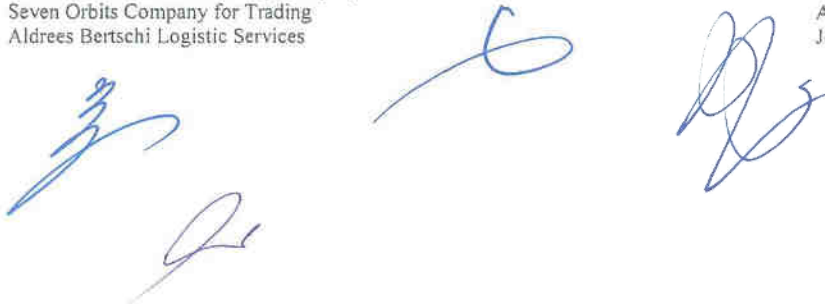
	2021 SR	2020 SR
Short-term employee benefits	8,804,196	8,595,192
Defined employee benefit liabilities	1,069,090	1,041,648

Rewards for members and other committees and related expenses

	2021 SR	2020 SR
Compensation for members and senior executives	11,851,005	8,404,517
Board remuneration	3,200,000	3,275,000
Expenses and fees to attend the meetings of the Board of Directors and the relevant committees	995,000	1,172,000

During the year, the Company transacted with following related parties. The transactions are made in normal course of business and terms of these transactions are approved by the Board of Directors.

<u>Name</u>	<u>Relationship</u>
Mr. Hamad Mohammad Aldrees	Shareholder
Mr. Abdul Mohsin Mohammad Aldrees	Shareholder
Aldrees Industrial and Trading Company	Affiliate
Seven Orbits Company for Trading	Affiliate
Aldrees Bertschi Logistic Services	Joint venture



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NOTES TO THE FINANCIAL STATEMENTS

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26) RELATED PARTIES TRANSACTIONS AND BALANCES (Continued)

The significant transactions are as follows:

<u>Nature of transaction</u>	<u>December 31, 2021</u> SR	<u>December 31, 2020</u> SR
Purchase of machinery, equipment and spare parts	<u>4,829,642</u>	<u>4,354,392</u>
Rental expenses (depreciation of the right to use the assets)	<u>2,603,694</u>	<u>2,655,431</u>
Non-interest bearing funding	<u>2,235,071</u>	<u>1,954,722</u>

The related party balances are as follows:

	<u>December 31, 2021</u> SR	<u>December 31, 2020</u> SR
Due from a related party Aldrees Bertschi	<u>2,235,071</u>	<u>1,954,722</u>
Due to a related party: Aldrees Industrial and Trading Company	<u>1,822,077</u>	<u>1,621,479</u>

27) EARNINGS PER SHARE

Earnings per share attributable to income from operations and net income was calculated by dividing income from operations and net income for the period by the weighted average number of outstanding shares of 75 million as of 31 December 2021 (31 December 2020: 75 million shares).

The number of shares has been retrospectively adjusted for the prior period to reflect the effect of the bonus share issue.

28) IMPORTANT MATTERS

Impact of Covid-19 on the financial statements for the period ending December 31, 2021

Concerning the current events related to the Coronavirus (Covid-19) and the precautionary measures taken by the official authorities, including a 24-hour curfew, which had some negative impact on the company's business. The company's management, since the beginning of the crisis, is constantly following the developments and taking the necessary measures and procedures to face that crisis and reduce its effects on the company and its work, including the support provided by the state to companies to confront these effects. Whereas, the company is one of the companies exempted from the ban due to the company selling strategic goods and providing logistical services represented in transporting hydrocarbons and dry materials, and accordingly, the company's business continues during the pandemic period, the Company has considered whether any adjustments and changes in judgments, estimates and risk management are required to be considered and reported in the financial statement. Below are the key assumptions about the future and other key sources of estimation that may have a significant risk of causing material adjustments to the financial statements.

- Impairment of non-financial assets

The Company has considered any impairment indicators arising and any significant uncertainties around its property, plant and equipment, and right-of-use assets especially arising from any change in lease terms and concluded there is no material impact due to COVID-19 regard to property and equipment As for the right to use, the Company has elected to apply the practical expedient introduced by the amendments to IFRS 16 to all rent concessions that satisfy the criteria. Substantially all of the rent satisfy the criteria to apply the practical expedient. The application of the practical expedient has resulted in the reduction of total lease liabilities as at 31 December 2020 of SAR 50,6 million. The effect of this reduction has been recorded in the statement of profit or loss for the year ending on December 31, 2020.



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28) IMPORTANT MATTERS (Continued)

- Expected Credit Losses ("ECL") and impairment of financial assets

The Company has applied management overlays on the existing ECL models by applying probability weightage scenarios on the relevant macroeconomic factors relative to the economic climate of the respective market in which it operates. The Company has also assessed the exposures in potentially affected sectors for any indicators of impairment and there is no material impact of the Covid-19 epidemic.

- Commitments and contingent liabilities

The Company has assessed the impact of any operational disruptions, including any contractual challenges and changes in business or commercial relationships among customers and suppliers, with a view of potential increase in contingent liabilities and commitments and there is no material impact of the Covid-19 epidemic.

- Going concern

The Company has performed an assessment of whether it is a going concern in the light of current economic conditions and all available information about future risks and uncertainties. The projections have been prepared covering the Company's future performance, capital and liquidity. The impact of COVID-19 may continue to evolve, but at the present time the projections show that the Company has ample resources to continue in operational existence and its going concern position remains largely unaffected and unchanged from 31 December 2020. As a result, this financial statement has been appropriately prepared on a going concern basis.

The company's management continues to monitor the situation closely in light of the changes in the duration and size of precautionary measures, and it is assessing the potential effects on the financial statements.

29) DIVIDENDS AND BOARD OF DIRECTORS' REMUNERATIONS

The general assembly in its meeting on 02 Ramadan 1442H (corresponding to 14 April 2021) has approved to distribute cash dividends amounting to SR 60 million representing SR 1 per share and to disburse remunerations for the Company's Board of Directors amounting to SR 3.5 million.

30) COMMITMENTS AND CONTINGENCIES

- At December 31, 2021, the Company had outstanding contingent liabilities in the form of letters of guarantee amounting to SAR 2,689.8 million (2020 SAR 1,263.8 million).
- In addition, the company has capital commitments as of December 31, 2021 amounting to SR 68.4 million (2020: SR 74 million).

31) SEGMENTAL 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.

Transactions between the business segments are based on an arm length basis. For executive management purposes, the Company is organized in the following business segment:

- Petroleum Services Segment
- Transport Services Segment



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For The Year Ended 31 DECEMBER 2021

31) SEGMENTAL INFORMATION (Continued)

The selected segment information is provided by business segment as follows:

	<i>Petroleum service</i>	<i>Transport Services</i>	<i>Intercompany eliminations</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
<i>As of 31 December 2021</i>				
Total assets	4,918,515,400	671,682,957	(154,767,501)	5,435,430,856
Total liabilities	4,293,232,915	301,815,603	(154,767,501)	4,440,281,017
Revenue	8,865,331,832	350,843,503	(106,560,563)	9,109,614,772
Cost of Revenue	8,502,339,398	262,393,285	(106,560,563)	8,658,172,120
Gross profit	362,992,434	88,450,218	-	451,442,652
Depreciation and amortization	67,060,935	48,507,831	-	115,568,766
Income from operations	247,511,140	35,845,699	-	283,356,839
Net income	141,072,504	35,732,462	-	176,804,966
Deferred cost additions	8,514,486	-	-	8,514,486
Capital expenditure additions	176,383,580	63,418,650	-	239,802,230
<i>Total assets and Liabilities</i>				
<i>As of 31 December 2020</i>				
Total assets	3,905,669,300	610,939,340	(53,855,909)	4,462,752,731
Total liabilities	3,355,964,642	268,161,627	(53,855,909)	3,570,270,360
<i>As of 31 December 2020</i>				
Revenue	4,767,537,597	294,545,033	(88,001,493)	4,974,081,137
Cost of Revenue	4,504,533,940	231,811,167	(88,001,493)	4,648,343,614
Gross profit	263,003,657	62,733,866	-	325,737,523
Depreciation and amortization	56,534,973	47,750,861	-	104,285,834
Income from operations	175,338,965	12,973,752	-	188,312,717
Net income	110,732,123	10,350,699	-	121,082,822
Deferred cost additions	2,792,608	-	-	2,792,608
Capital expenditure additions	163,030,054	42,074,975	-	205,105,029

32) SUBSEQUENT EVENTS

The Company's Board of Directors in their meeting held on 14 Jumada AlThani 1443 H (corresponding to 17 January, 2022) recommended the following:

- Distribution of cash dividends of SR 1.5 per share totalling SR 112.5 million representing 15% of the Company's share capital.
- Disburse an amount of SAR 500,000 to each member of the board of directors and the secretary of the board of directors for the year 2021. The amount distributed as in accordance with the regulations of the ministry of commerce and the Capital Market Authority

The above recommendations are subjected to the general assembly and regulatory approvals.

The management believes there are no material subsequent events for the period ending on December 31, 2021 which may have a significant impact on the Company's statement of financial position as shown in these financial statements, except for what was mentioned above.



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33) FINANCIAL RISK MANAGEMENT

The company has exposure to the following risks from its use of financial instruments.

- Credit risk
- Liquidity risk
- Commission rate risk

This note presents information about the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing risk, and the company's management of capital.

Risk management framework

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

The company's risk management policies are established to identify and analyses the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities.

The company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss, The Company's policy is that all customers who wish to trade on credit terms are subject to credit worthiness evaluation process, Financial instruments that expose the Company to concentrations of credit risk consist primarily of accounts receivable, The Company places its bank balances with a number of financial institutions with sound credit ratings and has a policy of limiting its balances deposited with each institution, The Company does not believe that there is a significant risk of non-performance by these financial institutions, The Company does not consider itself exposed to a concentration of credit risk with respect to accounts receivable due to its diverse customer base operating in various industries and located in many regions.

The carrying amount of the financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the financial position date at 31 December was as follows:

<i>In Saudi Riyal</i>	Requested value	
	As of December 31, 2021	As of December 31, 2020
Trade accounts receivable, net	333,554,998	374,924,311
Investment at fair value through profit or loss	19,956,843	20,294,200
Cash and cash equivalents	273,964,384	76,958,955
Accrued income	37,039,437	22,099,087
Other assets	172,510,537	51,236,622
Due from related parties	2,235,071	1,954,722
	839,261,270	547,467,897

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NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 DECEMBER 2021

33) FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk

It is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Company manages its liquidity risk by ensuring that Islamic bank facilities are available. The terms and conditions of the facilities are disclosed in note (17). The Company's terms of sales require amounts to be paid either on cash on delivery or on terms basis. Trade payables are normally settled within 60 days of the date of purchase.

The following are the contracted maturities of financial liabilities, including estimated interest payments:

December 31, 2021

In Saudi Riyal	Carrying Amount	Contractual Cash Flows	Less than a year	More than a year
Loans	81,571,429	(81,571,429)	(33,071,429)	(48,500,000)
Lease Liabilities	2,930,705,841	(2,930,705,841)	(332,676,161)	(2,598,029,680)
Trade payables	916,322,613	(916,322,613)	(916,322,613)	-
Due to related party	1,822,077	(1,822,077)	(1,822,077)	-
Accrued expenses and other liabilities	408,567,231	(408,567,231)	(408,567,231)	-
Zakat payable	9,978,098	(9,978,098)	(9,978,098)	-
Employees' defined benefits liabilities	91,313,728	(91,313,728)	-	(91,313,728)
	<u>4,440,281,017</u>	<u>(4,440,281,017)</u>	<u>(1,702,437,609)</u>	<u>(2,737,843,408)</u>

December 31, 2020

In Saudi Riyal	Carrying Amount	Contractual Cash Flows	Less than a year	More than a year
Loans	206,952,884	(206,952,884)	(130,524,312)	(76,428,572)
Lease Liabilities	2,452,310,627	(2,452,310,627)	(281,314,846)	(2,170,995,781)
Trade payables	505,799,530	(505,799,530)	(505,799,530)	-
Due to related party	1,621,479	(1,621,479)	(1,621,479)	-
Accrued expenses and other liabilities	321,169,733	(321,169,733)	(321,169,733)	-
Zakat payable	7,976,316	(7,976,316)	(7,976,316)	-
Employees' defined benefits liabilities	74,439,791	(74,439,791)	-	(74,439,791)
	<u>3,570,270,360</u>	<u>(3,570,270,360)</u>	<u>(1,248,406,216)</u>	<u>(2,321,864,144)</u>

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For The Year Ended 31 DECEMBER 2021

33) FINANCIAL RISK MANAGEMENT (Continued)

Commission rate risk

Commission rate risk is the risk that the value of financial instruments will fluctuate due to changes in the prevailing market commission rates. The Company is subject to commission rate risk on its commission bearing Islamic short term and long term facilities.

The following table demonstrates the sensitivity of the income to reasonably possible changes in commission rates, with all other variables held constant. There is no impact on the Company's equity.

The sensitivity of the income is the effect of the assumed changes in commission rates on the Company's profit for one year, based on the floating commission rate financial liabilities held at 31 December:

<i>Increase/(decrease) in basis points</i>	<i>Effect on income for the year</i>	
	<i>2021</i>	<i>2020</i>
	<i>SR</i>	<i>SR</i>
+5	(40,786)	(103,477)
+10	(81,571)	(206,953)
-5	40,786	103,477
-10	81,571	206,953

Currency risk

It is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management monitors fluctuations in foreign currency exchange rates, and believes that the Company is not exposed to significant currency risk since the Company did not undertake significant transactions in currencies other than Saudi Riyal and US Dollars. The Saudi Riyal is pegged to the US Dollar, accordingly, balances and transactions in US Dollars are not considered to represent significant currency risk.

Fair Value

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value, of a liability reflects its non-performance risk.

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

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

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For The Year Ended 31 DECEMBER 2021

33) FINANCIAL RISK MANAGEMENT (Continued)

Fair Value (Continued)

	<i>Value</i> SR	<i>Level (1)</i> SR	<i>Level (2)</i> SR	<i>Level (3)</i> SR
December 31, 2021				
Assets measured at fair value				
Investment at fair value through profit and loss	19,956,843	19,956,843	-	-
December 31, 2020				
Assets measured at fair value				
Investment at fair value through profit and loss	20,294,200	20,294,200	-	-

The company has not disclosed the fair values of financial instruments such as cash and cash equivalents, commercial and debit accounts, commercial credit accounts, amounts payable and other current liabilities, given that their book values are a reasonable approximation of the fair value and that is largely due to the short-term maturity dates for these instruments.

34) KEY SOURCES OF ESTIMATION UNCERTAINTY

Trade receivable "expected credit losses"

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and an allowance applied according to the length of time past due, based on historical recovery rates.

At the balance sheet date, gross trade accounts receivables were SR 341,811,822 (2020: SR 382,416,129), and the Provision for credit losses was SR (8,256,824) (2020: SR (7,491,818)). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of income.

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and an allowance applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

Useful lives of property and equipment

The Company management determines the estimated useful lives of its property and equipment for calculating depreciation. The estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

35) COMPARATIVE FIGURS

Certain of the prior year amounts have been reclassified to conform to the presentation in the current year.

36) APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 14 Jumada AlThani, 1443H (corresponding to January 17 2022).

