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

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

Amro Mahmoud Abouelmaaty Siam
FM

Hamad Mohammad Aldrees
Chairman

Eng. Abdulelah Saad Aldrees
CEO

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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 2022, 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 2022 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by 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.

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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**
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 company provides different types of products, and a huge number of transactions are carried out On a daily basis, revenue is recognized through automated systems.	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.
Refer to note (3) for the accounting policy and note (21) for related disclosures.	

Key Audit Matters *(continued)*

Lease contracts	
Key audit matter	**How the matter was addressed in our audit**
The company has a large volume of lease agreements, in terms of number and value, and the agreements are primarily related to renting stations. IFRS 16 essentially clarifies the accounting treatment for operating leases at inception, recognizing a right-of-use of the leased assets and a corresponding liability for the amount deducted from the lease payments over the lease term. As of December 31, 2022, the value of the right to use the assets of the company is an amount of 3,422 million Saudi riyals, and the lease liabilities are 3,219 million Saudi riyals. We considered this as a key audit matter due to its nature and significance to the Company's financial statements. And you need to apply substantial complex provisions and rules by the management related to the terms contained in the contracts.	We have evaluated the procedures and controls related to monitoring lease contracts. We also assessed the appropriateness of significant judgments, estimates and assumptions made by management. Evaluate the accuracy of the lease contract data by testing the lease contract data obtained by the management by examining the lease contract documents. We tested lease schedules, on a sample basis, by recalculating the amounts relating to right-of-use assets and lease liabilities based on the terms of the leases. We checked whether all necessary information has been disclosed in the notes to the financial statements, in accordance with IFRS 16.
Refer to note (3) for the accounting policy and note (6) for related disclosures.	

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

Key Audit Matters *(continued)*

Lease contracts	
Key audit matter	**How the matter was addressed in our audit**
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Refer to note (3) for the accounting policy and note (6) for related disclosures.	

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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.

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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.

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AlAzem, AlSudairy, AlShaikh & Partners
For Professional Consulting

Abdullah M. AlAzem
License No, 335

29 Jumada AlThani 1444H (22 January 2023)
Riyadh, Kingdom of Saudi Arabia

Aldrees Petroleum and Transport Services Company
(A Saudi Joint Stock Company)
FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	31 December 2022 SR	31 December 2021 SR
ASSETS			
NON CURRENT ASSETS			
Property and equipment, net	5	1,558,537,572	1,297,099,068
Right-of-use assets, net	6-1	3,422,292,974	3,026,862,518
Deferred costs, net	7	17,786,886	18,383,404
Investment in joint ventures	8	15,693,748	14,216,933
Investment at amortised cost	9-1	145,000,000	-
TOTAL NON CURRENT ASSETS		5,159,311,180	4,356,561,923
CURRENT ASSETS			
Due from a related party	27	2,193,242	2,229,230
Iinvestment at fair value through profit or loss	9-2	-	19,956,843
Other assets	10	208,474,705	172,510,537
Prepaid expenses	11	168,895,372	127,210,096
Inventories, net	12	143,627,283	112,397,567
Contract assets	21-3	75,119,084	37,039,437
Trade receivable, net	13	409,794,354	333,522,920
Cash and cash equivalents	14	148,166,876	273,964,384
TOTAL CURRENT ASSETS		1,156,270,916	1,078,831,014
TOTAL ASSETS		6,315,582,096	5,435,392,937
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	15	750,000,000	750,000,000
Statutory reserve		119,532,881	95,350,189
Retained earnings		239,811,445	149,799,650
TOTAL SHAREHOLDERS' EQUITY		1,109,344,326	995,149,839
LIABILITIES			
NON CURRENT LIABILITES			
Long term loans	16	10,285,714	48,500,000
Non-current portion of lease liabilities	6-2	2,906,055,383	2,598,029,680
Employees' defined benefits liabilities	17	111,383,995	91,313,728
TOTAL NON CURRENT LIABILITIES		3,027,725,092	2,737,843,408
CURRENT LIABILITIES			
Provision for zakat payable	18	11,880,835	9,978,098
Current portion of lease liabilities	6-2	313,414,859	332,676,161
Accrued expenses and other liabilities	19	435,261,759	408,567,231
Due to a related party	27	2,100,922	1,822,077
Trade payables	20	1,175,282,874	916,284,694
Current portion of long term loans	16	20,571,429	33,071,429
Short term loans	16	220,000,000	-
TOTAL CURRENT LIABILITIES		2,178,512,678	1,702,399,690
TOTAL LIABILITIES		5,206,237,770	4,440,243,098
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		6,315,582,096	5,435,392,937

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 2022

	Note	2022 SR	2021 SR
Revenue	21	12,356,078,987	9,109,614,772
Cost of revenue	22	(11,761,517,340)	(8,658,172,120)
GROSS PROFIT		594,561,647	451,442,652
EXPENSES			
Selling and marketing	23	(7,417,453)	(4,896,450)
General and administration	24	(224,122,445)	(163,189,363)
Other income, net	26	7,820,173	1,446,034
INCOME FROM OPERATIONS		370,841,922	284,802,873
Financial charges	25	(124,399,561)	(106,029,436)
Company share in gains of investment in joint venture	8	1,476,815	3,911,529
Interest income from investment at amortised cost	9-1	1,548,958	-
INCOME BEFORE ZAKAT ESTIMATED		249,468,134	182,684,966
Zakat estimated	18	(7,641,216)	(5,880,000)
NET INCOME FOR THE YEAR		241,826,918	176,804,966
OTHER COMPREHENSIVE INCOME:			
ITEMS NOT TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS:			
Re-measurement for employees' defined benefits	17	(15,132,431)	(14,137,498)
TOTAL COMPREHENSIVE INCOME		226,694,487	162,667,468
Earnings per share from:			
Income from operations	28	4.94	3.80
Net income for the year	28	3.22	2.36

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 2022

	Share Capital SR	*Statutory Reserve* SR	*Retained Earnings* SR	*Total* SR
Balance at 1 January 2022	750,000,000	95,350,189	149,799,650	995,149,839
Dividends (note 29)	-	-	(112,500,000)	(112,500,000)
Net income for the year	-	-	241,826,918	241,826,918
Other comprehensive losses for the year	-	-	(15,132,431)	(15,132,431)
Total comprehensive income for the year	-	-	226,694,487	226,694,487
Transfer to statutory reserve	-	24,182,692	(24,182,692)	-
Balance at 31 December 2022	750,000,000	119,532,881	239,811,445	1,109,344,326
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	-	-	(60,000,000)	(60,000,000)
Net income for the year	-	-	176,804,966	176,804,966
Other comprehensive losses 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	750,000,000	95,350,189	149,799,650	995,149,839

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 2022

	2022 SR	2021 SR
OPERATING ACTIVITIES		
Income before estimated zakat	249,468,134	182,684,966
Adjustment for:		
Depreciation	130,896,767	113,607,840
Depreciation of right of use asset	275,274,821	267,277,951
Amortization of deferred costs	1,526,319	1,960,926
Company share in gains of investment in joint venture	(1,476,815)	(3,911,529)
Realized and unrealized profit from investment at fair value through profit and loss	(353,233)	(449,858)
Provision for expected credit losses	9,663,762	2,586,680
Reversal of Provision for expected credit losses	-	(1,821,674)
Dividends from investments at fair value through profit or loss	(1,022,648)	-
Loss on sale of property and equipment	251,759	826,010
Provision for employees' defined benefits	17,553,182	12,080,928
	681,782,048	574,842,240
Changes in operating assets and liabilities:		
Trade receivable	(85,935,196)	40,636,385
Contract Assets	(38,079,647)	(14,940,350)
Inventories	(31,229,716)	(44,671,978)
Prepaid expenses	(41,685,276)	(19,890,497)
Other assets	(35,964,168)	(121,273,915)
Trade payables	258,998,180	410,485,164
Net related parties transaction	314,833	(73,910)
Accrued expenses and other liabilities	26,694,528	87,397,498
Net cash flows generated from operations	734,895,586	912,510,637
Employees' defined benefits paid	(12,615,346)	(9,344,489)
Zakat paid	(5,738,479)	(3,878,218)
Net cash from operating activities	716,541,761	899,287,930
INVESTING ACTIVITIES		
Additions to investments at amortised cost	(145,000,000)	-
Additions to investments at fair value through profit or loss	(217,640,102)	(75,263,485)
Proceeds from investments at fair value through profit or loss	237,950,178	76,050,700
Deferred costs	(929,801)	(8,514,486)
Dividends received	1,022,648	-
Purchase of property and equipment	(403,322,485)	(239,802,230)
Proceeds from sale of property and equipment	10,735,455	5,798,926
Net cash used in investing activities	(517,184,107)	(241,730,575)
FINANCING ACTIVITIES		
Proceeds from short term loans	2,445,000,000	2,429,000,000
Repayment of short term loans	(2,225,000,000)	(2,506,747,819)
Repayment of long term loans	(50,714,286)	(47,633,636)
Repayment of lease liabilities	(381,940,876)	(275,170,471)
Dividends paid	(112,500,000)	(60,000,000)
Net cash used in financing activities	(325,155,162)	(460,551,926)
CHANGE IN CASH AND CASH EQUIVALENTS	(125,797,508)	197,005,429
Cash and cash equivalents at beginning of the year	273,964,384	76,958,955
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	148,166,876	273,964,384
<u>Non cash item:</u>		
Re-measurement for employees' defined benefits	(15,132,431)	(14,137,498)
Transferred from work in progress to property and equipment	57,905,060	27,969,236
Change of right of use	670,705,277	753,565,685
Capital increase	-	150,000,000

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

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" 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 SR1,022,241,762 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. 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.
- Investments at amortised cost.
- 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.

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 based on the general condition of these assets and the expectation for their useful economic lives in the future.

- 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 incurred 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 it selling price to fall below cost or any other factors that causes the recoverable amount to be lower than its carrying amount.

- 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.

- The company determines the impairment in the value of non-financial assets that arises when the carrying value of an asset or cash-generating unit exceeds its recoverable amount measured at fair value less costs of disposal or its value in use, whichever is greater. The fair value less costs of disposal calculation is based on available data from binding, arm's length sales of similar assets or observable market prices less incremental costs to dispose of the assets. The value in use calculation is based on the discounted cash flow model. The cash flows are derived from the next five years budget and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset performance of the cash-generating unit under review. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected cash inflows and the growth rate used for extrapolation purposes.

- The company determines the allowance for expected credit losses by reference to a group of factors to ensure that financial assets are not exaggerated as a result of the possibility of non-collectability, including their quality, age, credit evaluation and guarantees. Economic data and indicators are also taken into account.

2) BASIS OF PREPARATION (Continued)

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

- The company can easily determine the commission rate implicit in lease contracts, and accordingly it uses the incremental borrowing rate to measure lease obligations. The incremental borrowing rate is the rate of commission that a company would have to pay to borrow funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment, over a similar period and with a similar security. Thus, the incremental borrowing rate reflects what the company has to pay, which requires estimation when observable rates are not available or when they need to be adjusted to reflect the terms and conditions of the lease. The company estimates the incremental borrowing rate using observable inputs such as commission rates prevailing in the market when available, and it has to make some estimates specific to the entity

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 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.

3) SIGNIFICANT ACCOUNTING POLICIES

The Company has adopted the International Financial Reporting Standards in the preparation of the financial statements as of December 31, 2022 in accordance with the instructions of the Saudi Organization for Chartered and Professional Accountants ("SOCPA"). The mandatory implementation of International Financial Reporting Standards is effective from 1 January 2017.

(a) Financial instruments

The Company recognizes a financial asset or a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument, At initial recognition, the Company recognizes a financial instrument at its fair value plus or minus, in the case of a financial instrument not at fair value through profit or loss.

Financial assets

IFRS 9 requires all financial assets to be classified and subsequently measured at either amortized cost or fair value. The classification depends on the business model for managing the financial asset and the contractual cash flow characteristics of financial asset, determined at the time of initial recognition Financial assets are classified into the following specified categories under IFRS 9:

- Debt instruments at amortized cost;
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition;
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition; and
- Financial assets at fair value through profit and loss (FVPL).

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 of time relative to their contractual maturity or are sold shortly after acquisition or an extended time before maturity.

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 profit or loss statement. Debt instruments that are subsequently measured at amortized cost are subject to impairment.

3) SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Financial instruments (Continued)

Financial assets designated as FVOCI with recycling to profit or loss

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 profit or loss 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 profit or loss.

Investment in equity instruments designated as FVTPL

Equity investment instruments are designated at fair value through profit or loss, unless the company designates that investment as held for non-trading and at fair value through other comprehensive income on initial recognition.

Debt instruments that do not meet the amortized cost criteria of fair value through other comprehensive income are measured at fair value through profit or loss. In addition, debt instruments that meet the amortized cost criteria, which have been designated at fair value through profit or loss to avoid account mismatches, are measured at fair value through profit or loss.

Debt instruments may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognizing gains and losses on different basis. The company has not designated any debt instrument at fair value through profit or loss since the date of initial application of IFRS No. (9) as of January 1, 2018.

Debt instruments are reclassified from amortized cost to fair value through profit or loss when the business model is changed such that it no longer meets the exhaustive cost criteria. Reclassification of debt instruments designated at fair value through profit or loss is not permitted upon initial recognition.

Financial assets are measured at fair value at the end of each review period, with any gain or loss arising on re-measurement recognized in profit or loss.

Commission income on debt instruments at fair value is included in the statement of profit or loss.

Dividend income on investments in equity instruments at fair value through profit or loss is recognized in the statement of profit or loss.

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 and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other reserves. Gain and 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 profit or loss 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, 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.

Impairment of financial assets

The company determines the provision for expected credit losses for debt instruments that are measured at amortized cost or at the fair value of other comprehensive income, such as lease contracts receivable, trade receivables, in addition to loan liabilities and financial guarantee contracts.

No impairment losses are recognized for investments in equity instruments. The amount of ECL reflects the changes in credit risk since the initial recognition of the financial instrument.

The company applies the simplified method or approach to calculating the impairment for trade receivables, taking into consideration the expected credit losses over the life of the estimated cash flows. Expected credit losses on financial assets are estimated using a flow rate based on the company's historical credit loss experience, adjusted for factors specific to the debtors, general economic conditions and an assessment of both current and future conditions at the reporting date, including the time value of money if appropriate.

For all other financial instruments, the Company applies the general method or approach for calculating the amount of impairment. Lifetime ECL is recorded when there has been a significant increase in credit risk since initial recognition and 12-month ECL is recorded if the credit risk on the financial instrument has not increased significantly since initial recognition. An assessment of whether the credit risk of a financial instrument has increased significantly since initial recognition by considering the change in the risk of default over the remaining life of the financial instrument.

3) SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Financial instruments (Continued)

Measuring and estimating expected credit losses

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.

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 companyed on the following basis:

- Nature of financial instruments (i.e. the Company's trade and other receivables, finance lease receivables and amounts due from customers are each assessed as a separate company. 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.

Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset or substantially all the risk and rewards of ownership to another entity. If the Company neither transfer nor retains substantially all the risks and reward of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

3) SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Financial instruments (Continued)

Financial liabilities

Financial liabilities carried at amortized cost have been classified and measured at amortized cost using the effective yield method. For financial liabilities that are designated as at FVPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in statement of profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to the statement of profit or loss. The liability credit reserve includes the cumulative changes in the fair value of the financial liabilities designated as at fair value through profit or loss that are attributable to changes in the credit risk of these liabilities and which would not create or enlarge accounting mismatch in statement of profit or loss. Amount presented in liability credit reserve are not subsequently transferred to statement of profit or loss. When such investments are derecognized, the related cumulative amount in the liability credit reserve is transferred to retained earnings. Since the date of initial application of IFRS 9 (i.e. 1 January 2018), the Company has also not designated any financial liability as at FVPL. The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Impairment Non - Financial assets

At each reporting date, the Company assesses whether there are indications that an asset may be impaired. In the event of any indication, or when there is a need to conduct an annual impairment test for an asset, the company estimates the recoverable value of the assets. An asset's recoverable amount is the higher fair value of that asset or cash-generating unit less costs of disposal and its value in use. For individual assets, unless they do not generate cash inflows, they are determined to be largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. When determining the fair value less costs of disposal, recent market transactions are taken into account. If any of these transactions cannot be determined, an appropriate valuation model is used. These calculations are confirmed by valuation multiples, quoted share prices of publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognized in the statement of profit or loss in the expense-related categories that are consistent with the function of the impaired assets, except for property that previously underwent revaluation that was included in the statement of comprehensive income. Also, in this case, the impairment is recognized in other comprehensive income up to the amount related to any previous revaluation.

With regard to assets other than goodwill, an assessment is made at each reporting date to determine the possibility of disappearance or diminishing of any indication of previously recognized impairment losses, and the company, if such indication exists, estimates the value of the assets or the recoverable cash-generating unit, and it is not reversed A previously recognized impairment loss, unless there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised, and 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. If no impairment loss has been recognized for the assets in previous years, the reversal is recognized in the statement of profit or loss unless the assets are carried at a revalued value, in which case the reversal is treated as a revaluation increase.

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:

	Depreciation rate
Buildings	3
Leasehold improvements	Shorter of lease contract term or useful life
Machinery and equipment	10
Trucks	7,14 with 20% salvage value
Vehicles	20-25
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.

3) SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Revenue recognition

The Company recognizes revenue mainly from sales of petroleum and diesel, transportation services and leasing upon delivery of goods and rendering of services to 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.

3) **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(f) **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.

(g) **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.

(h) **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.

(i) **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.

(j) **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.

(k) **Investment in jointly controlled entity**

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

The results and assets and liabilities of associates or joint ventures are incorporated in these Financial Statements using the equity method of accounting. Under the equity method, a joint venture is initially recognised in the Statement of Financial Position at cost and adjusted thereafter to recognise the Company's share of the profit or loss and other comprehensive income of the joint venture. When the Company's share of losses of an associate or a joint venture exceeds the Company's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Company's net investment in the joint venture), the Company discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. If the joint venture subsequently reports profits, the Company resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

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

3) SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) 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.

(m) Contract balances

- Contract Assets

A contract asset is the Group's right to consideration in exchange for goods and services transferred by the company to the customer. If the company transfers goods or services to a customer before the customer pays any consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

- Contract Liabilities

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

It represents advance payments received against prepaid fuel cards issued by the company that have not yet been used by customers as at the statement of financial position date, in addition to the unearned interest received in advance on rentals.

(n) Zakat

Zakat is provided on accrual basis in accordance with the Regulations of the General Authority for Zakat and Income ("GAZT") 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

(o) 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	4.45%
Discount rate of cash flow	4.45%

(p) 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.

3) SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Finance income and finance costs

Finance costs directly attributable to the acquisition, construction or production of qualifying assets (which are assets that need a significant period of time, more than one year, to get these assets ready for their intended use) are added to the cost of these assets until these assets are ready for their intended use. No financing cost was capitalized during the standstill period.

To the extent that the floating rate financing is used to fund and hedge qualifying assets in an effective cash flow hedge of interest rate risk. The effective portion of the derivative is recognized in the statement of other comprehensive income and transferred to the statement of profit or loss when the qualifying assets affect profit or loss, and to the extent that the fixed rate funding is used to fund and hedge the qualifying assets in an effective cash flow hedge for interest rate risk, it reflects the costs of Financing that is capitalized is the interest rate that is covered.

Investment income earned on the temporary investment of specific borrowings whose costs depend on the qualifying assets is deducted from the financing expenses eligible for capitalization.
All other financing expenses are recognized in the statement of profit or loss in the period in which they are incurred.

Finance revenue
For all financial instruments measured at amortized cost and interest bearing financial assets classified as FVTOCI equity investments, financing income is recorded using the effective commission rate. The effective commission rate is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument, or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

(r) 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.

(s) 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.

(t) 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.

3) SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

The company recognized new assets and liabilities for its operating lease contracts, which were fuel stations. Each lease payment is allocated between the liability and the finance cost. The financing cost is charged to the statement of comprehensive income over the lease period so that a fixed periodic rate of interest is achieved on the remaining balance of the liability for each period. Right-of-use assets are depreciated over the shorter of the useful life of the asset and the lease term, on a straight-line basis.

(u) 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.

4) *New and amendments to standards and interpretations*

In the current year, the Company has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Standard	Description
Amendments to IFRS 3 Reference to the Conceptual Framework	The Company has adopted the amendments to IFRS 3 Business Combinations for the first time in the current year. The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.
Amendments to IAS 16 Property ,Plant and Equipment— Proceeds before Intended Use	The Company has adopted the amendments to IAS 16 Property, Plant and Equipment for the first time in the current year. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.
	The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.
	If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost
Amendments to IAS 37 Onerous Contracts—Cost of Fulfilling a Contract	The Company has adopted the amendments to IAS 37 for the first time in the current year. The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

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

Standard	Description
Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle	The Company has adopted the amendments included in the Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle for the first time in the current year. The Annual Improvements include amendments to four standards. - IFRS 1 First-time Adoption of International Financial Reporting Standards - IFRS 9 Financial Instruments - IFRS 16 Leases - IAS 41 Agriculture

Standards issued but not yet effective

Standard	Description
IFRS 17 (including the June 2020 and December 2021 amendments to IFRS 17)	Insurance Contracts
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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.

5) PROPERTY AND EQUIPMENT, NET

2022	Land SR	Buildings SR	Leasehold improvements SR	Machinery and equipment SR	Trucks and vehicles SR	Computers SR	Tools SR	Furniture and fixtures SR	Work in* progress SR	Total 2022 SR
Cost:										
At the beginning of the year	197,421,904	182,792,776	791,386,544	101,145,905	800,348,305	16,284,074	15,549,301	27,053,393	18,813,121	2,150,795,323
Additions	40,432,054	15,447,578	137,562,458	24,215,497	107,028,740	3,061,456	2,579,449	4,706,184	68,289,069	403,322,485
Disposals	-	-	(2,346,354)	(212,942)	(41,979,197)	-	-	-	-	(44,538,493)
Transfers	-	10,513,833	41,836,037	1,598,922	3,670,208	7,340	28,734	249,986	(57,905,060)	-
At the end of the year	237,853,958	208,754,187	968,438,685	126,747,382	869,068,056	19,352,870	18,157,484	32,009,563	29,197,130	2,509,579,315
Accumulated Depreciation:										
At the beginning of the year	-	54,918,243	241,743,319	62,207,775	450,719,773	11,729,965	12,942,565	19,434,615	-	853,696,255
Charge for the year	-	7,935,025	63,881,867	12,712,005	41,151,532	1,760,419	1,205,488	2,250,431	-	130,896,767
Disposals	-	-	(861,077)	(212,926)	(32,477,276)	-	-	-	-	(33,551,279)
At the end of the year	-	62,853,268	304,764,109	74,706,854	459,394,029	13,490,384	14,148,053	21,685,046	-	951,041,743
Net book value:										
December 31, 2022	237,853,958	145,900,919	663,674,576	52,040,528	409,674,027	5,862,486	4,009,431	10,324,517	29,197,130	1,558,537,572

5) PROPERTY AND EQUIPMENT, NET (Continued)

2021	*Land* SR	*Buildings* SR	*Leasehold improvements* SR	*Machinery and equipment* SR	*Trucks and vehicles* SR	*Computers* SR	*Tools* SR	*Furniture and fixtures* SR	*Work in* progress* SR	*Total 2021* SR
Cost:										
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	1,297,099,068

*Work in progress as at December 31, 2022 and 2021 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 2022 SR 122,686,208 (2021: SR 105,793,562) and to general and administrative expenses SR 8,210,559 (2021: SR 7,814,278).

6) RIGHT OF USE ASSETS, NET

6/1 The following table shows the movement in the right of use assets during the year represented in renting gas stations:

	2022 SR	2021 SR
At the beginning of the year	3,026,862,518	2,540,574,784
Additions	816,111,708	823,052,678
Disposal	(145,406,431)	(69,486,993)
Amortization	(275,274,821)	(267,277,951)
At the end of the year	3,422,292,974	3,026,862,518

6/2 Lease Liabilities

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

	December 31, 2022 SR	December 31, 2021 SR
Non-current portion of lease liabilities	2,906,055,383	2,598,029,680
Current portion of lease liabilities	313,414,859	332,676,161
Total lease liabilities	3,219,470,242	2,930,705,841

The total interest expense on lease liabilities recognized during the year ended December 31, 2022 is 107.6 million Saudi Riyals (31 December 2021: 93 million Saudi Riyals).(Note 25)
Expenses related to short-term and low-value lease contracts amounted to 47 million Saudi and 35.1 million Saudi respectively.

7) DEFERRED COSTS, NET

	2022 SR	2021 SR
Cost:		
At the beginning of the year	39,049,910	30,744,767
Additions	929,801	8,514,486
Written off (*)	(1,666,331)	(209,343)
At the end of the year	38,313,380	39,049,910
Amortization:		
At the beginning of the year	20,666,506	18,914,923
Amortization for the year	1,526,319	1,960,926
Written off (*)	(1,666,331)	(209,343)
At the end of the year	20,526,494	20,666,506
Net book value:	17,786,886	18,383,404

(*) 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.

	2022 SR	2021 SR
At the beginning of the year	14,216,933	10,305,404
The company's share of investment	1,476,815	3,911,529
At the end of the year	15,693,748	14,216,933

9) INVESTMENT IN FINANCIAL ASSETS

Investments in financial assets consist of the following:

9-1) Investment at amortised cost

During the year ending on December 31, 2022, the company invested in sukuk inside the Kingdom of Saudi Arabia with an amount of 145 million Saudi riyals, and these sukuk carry fixed interest returns of 5.25%, 5.5% annually.

The company's management classified those investments in sukuk at amortized cost by passing these sukuk test "representing only solely payments of principal and interest on the principal amount outstanding" based on the business model prepared by the company's management.

	December 31, 2022 SR	December 31, 2021 SR
Investment at amortised cost:		
Investments in Sukuk Riyadh Bank	100,000,000	-
Investments in Sukuk Al-Rajhi Bank	45,000,000	-
Total investment at amortised cost	145,000,000	-

The movement in investments at amortised cost during the year was as follows:

	2022 SR	2021 SR
Balance at the beginning of the year	-	-
Addition during the year	145,000,000	-
Balance at the end of the year	145,000,000	-

9-2) Investment at fair value through profit or loss

	December 31, 2022 SR	December 31, 2021 SR
Investment at fair value through profit or loss:		
Investments in traded securities	-	19,876,843
Investments in real estate funds	-	80,000
Total investment at fair value through profit or loss	-	19,956,843

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

	December 31, 2022 SR	December 31, 2021 SR
Balance at the beginning of the year	19,956,843	20,294,200
Addition during the year	217,640,102	75,263,485
Selling investments during the year	(237,950,178)	(76,050,700)
Unrealized gains on revaluation of investments at fair value through profit or loss	-	47,914
Realized gains on revaluation of investments at fair value through profit or loss	353,233	401,944
Balance at the end of the year	-	19,956,843

10) OTHER ASSETS

	December 31, 2022 SR	December 31, 2021 SR
Vat	110,683,840	103,641,626
Advance payments to suppliers	61,604,496	44,800,210
Receivables from employees	32,629,411	23,758,891
Miscellaneous	3,556,958	309,810
	208,474,705	172,510,537

11) PREPAID EXPENSES

	December 31, 2022 SR	December 31, 2021 SR
Prepaid rent	64,597,760	45,352,507
Prepaid government expenses	64,820,641	45,838,311
Others	39,476,971	36,019,278
	168,895,372	127,210,096

12) INVENTORIES, NET

	December 31, 2022 SR	December 31, 2021 SR
Fuel	93,767,552	76,196,827
Spare parts, lubricants and filters	50,401,592	36,742,601
	144,169,144	112,939,428
Provision for slow moving and obsolete inventory	(541,861)	(541,861)
	143,627,283	112,397,567

13) TRADE RECEIVABLE, NET

	December 31, 2022 SR	December 31, 2021 SR
Trade accounts receivable	427,714,940	341,779,744
Provision for expected credit losses	(17,920,586)	(8,256,824)
	409,794,354	333,522,920

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

	December 31, 2022 SR	December 31, 2021 SR
Balance at 1 January	8,256,824	7,491,818
Charge during the year (Note 24)	9,663,762	2,586,680
Written off and recovered during the year	-	(1,821,674)
Balance at 31 December	17,920,586	8,256,824

13) TRADE RECEIVABLE, NET(Continued)

Ageing analysis of trade receivables as follows (*):

	December 31, 2022			December 31, 2021		
	Gross Amounts	Allowance for impairment loss	ECL Rate	Gross Amounts	Allowance for impairment loss	ECL Rate
1 – 90 days	320,556,451	915,102	0,29%	251,070,309	23,711	0.01%
90 – 180 days	65,975,462	936,154	1.42%	20,353,656	12,312	0.06%
180 – 270 days	12,895,961	621,181	4.82%	16,557,748	98,680	0.60%
270 – 360 days	8,117,106	646,005	7.96%	12,981,883	153,447	1.18%
360 – 450 days	6,343,740	975,924	15.38%	5,623,532	72,780	1.29%
> 450 days	13,826,220	13,826,220	100%	35,192,616	7,895,894	22.44%
	427,714,940	17,920,586		341,779,744	8,256,824	

(*) The amounts above include balances with government and government related entities.

14) CASH AND CASH EQUVILANTE

	December 31, 2022 SR	December 31, 2021 SR
Banks Balances	148,166,876	193,337,016
cash in the investment portfolio	-	80,627,368
	148,166,876	273,964,384

15) SHARE CAPITAL

The Company's share capital at 31 December 2022 amounted to SR 750 million (31 December 2021: SR 750 million) of 75 million shares (2021: 75 million shares) fully paid with a nominal value of SR 10 per share.

16) 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, 2022 amounting to SR 5,510 million (31 December 2021: SR 4,440 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 2022 SR 1,925 million (31 December 2021: SR 1,750 million). The following is the details of outstanding balance as of:

a) Short term financing outstanding were amounting as at 31 December 2022 SR 220,000,000 (31 December 2021: SR zero).
b) ng 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, 2022	*December 31, 2021*	*December 31, 2022*	*December 31, 2021*	*December 31, 2022*	*December 31, 2021*			*Starting date*	*Ending date*
Saudi National Bank	Revolving Long term tawarruq financing	75,000,000	75,000,000	72,000,000	72,000,000	30,857,143	56,571,429	Finance the working capital and acquisition of property and equipment	Quarterly	06 Jun 2020	19 May 2024
Al Bilad Bank	Revolving long term tawarruq financing	38,000,000	50,000,000	38,000,000	50,000,000	-	25,000,000	Acquisition of trucks and fuel stations	Monthly	12 Dec 2019	12 Dec 2022
		113,000,000	125,000,000	110,000,000	122,000,000	30,857,143	81,571,429				

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

17) **Employees' defined benefits liabilities**

Employee benefits expense:

	2022 SR	2021 SR
Current service cost	14,692,873	10,234,417
Commission cost on employees' defined benefits liabilities	2,860,309	1,846,511
Total employee benefits expense	17,553,182	12,080,928

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

	2022 SR	2021 SR
At the beginning of the year	91,313,728	74,439,791
Charge during the year	17,553,182	12,080,928
Re-measurement for employees' defined benefits	15,132,431	14,137,498
Payments during the year	(12,615,346)	(9,344,489)
At the ending of the year	111,383,995	91,313,728

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:

	2022	2021
Employee turn over	Moderate	Moderate
Long term salary increase rate	4.45%	2.40%
Discount rate of cash flow	4.45%	2.40%

A quantitative sensitivity analysis for significant assumption on the employees' terminal benefits liabilities as at 31 December 2022, 31 December 2021 is shown below:

	Salary increase rate		*Discount rate*	
Assumptions	*0,5% Increase*	*0,5% Decrease*	*0,5% Increase*	*0,5% Decrease*
31 December 2022	148,310,910	139,861,842	139,602,871	148,629,199
31 December 2021	122,853,934	113,832,716	113,622,427	123,128,394

18) ZAKAT PAYABLE

a) The zakat charge consists of:

The charged zakat consists of the following:

	December 31, 2022 SR	December 31, 2021 SR
Provision for the year	7,641,216	5,880,000
Charged during the year by an increase	-	-
Adjustment for previous years	-	-
Charge for the year	7,641,216	5,880,000

b) The calculation of zakat base is as follows:

	December 31, 2022 SR	December 31, 2021 SR
Shareholders' equity — beginning of the year	995,149,839	832,482,371
Employees' defined benefits	85,709,707	74,305,882
Long term financing / Credit balances	3,520,376,224	3,427,114,675
Adjusted net income for the year	305,648,625	235,204,148
Deductions:		
Book value of long term assets, net	(5,160,860,138)	(4,356,561,923)
Dividends and Board of Directors' remunerations	(112,500,000)	(60,000,000)
Zakat base(*)	(366,475,743)	152,545,153

c) Adjusted net income for the year:

	December 31, 2022 SR	December 31, 2021 SR
Net income for the year	249,468,134	182,684,966
provisions during the year	56,180,491	52,519,182
Adjusted net income for the year:	305,648,625	235,204,148

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

The zakat charge for the years ending on December 31, 2022 and 2021 has been calculated based on adjusted profit.

18) ZAKAT PAYABLE (Continued)

d) Movements in provision during the year

The movement in zakat provision is as follows:

	2022 SR	2021 SR
At the beginning of the year	9,978,098	7,976,316
Charge during the year	7,641,216	5,880,000
Paid during the year	(5,738,479)	(3,878,218)
At end of the year	11,880,835	9,978,098

e) Status of assessment

The Company has filed its zakat declaration for all years up to 31 December 2021. 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 - 2021 have not been raised by the ZATCA, yet.

19) ACCRUED EXPENSES AND OTHER LIABILITIES

	December 31, 2022 SR	December 31, 2021 SR
Contract liabilities (Note 21-3)	249,535,114	244,721,646
Accrued expenses	123,966,781	145,298,727
Advances from customers	61,759,864	18,546,858
	435,261,759	408,567,231

20) TRADE PAYABLES

	December 31, 2022 SR	December 31, 2021 SR
Saudi Arabian Oil Company ("Aramco")	1,110,835,951	877,135,719
Other trade payables	64,446,923	39,148,975
	1,175,282,874	916,284,694

21) Revenue

21-1 Revenue source

Below is a breakdown of the company's revenues from contracts with customers:-

	2022 SR	2021 SR
Petrol revenue	11,722,899,468	8,555,047,742
Transport revenue	308,350,589	267,477,705
Lease revenue	250,582,907	224,861,769
Revenue from car services and oils	74,246,023	62,227,556
	12,356,078,987	9,109,614,772

21-2 Timing of revenue recognition

	2022 SR	2021 SR
Services transferred at point in time	12,105,496,080	8,884,753,003
Services transferred over time	250,582,907	224,861,769
	12,356,078,987	9,109,614,772

21-3 Contract balances

Contract assets are represented in the revenues of goods or services provided by the company to the customer and have not been invoiced yet, and the movement on them during the year ending on December 31 was as follows.

	2022	2021
Balance at 1 January	37,039,437	22,099,087
Contract assets during the year	1,177,701,966	1,089,810,835
Transfer from contract assets to trade receivable	(1,139,622,319)	(1,074,870,485)
	75,119,084	37,039,437

Contract Liabilities

The contract liabilities are represented in advance payments received for prepaid fuel cards issued by the company that have not yet been used by customers as at the date of the statement of financial position, in addition to the unearned return received in advance on rents. The movement on them during the year ended December 31 was as follows:

	2022	2021
Balance at 1 January	244,721,646	201,027,547
Contract liabilities during the year	1,792,293,602	1,329,298,647
Transfer to revenue	(1,787,480,134)	(1,285,604,548)
	249,535,114	244,721,646

22) COST OF REVENUE

	2022 SR	2021 SR
Inventory at the beginning of the year	112,397,567	67,725,589
purchases during the year	10,899,572,083	7,954,299,036
Operating expenses during the year (Note 2-22)	893,174,973	748,545,062
Inventory at the end of the year	(143,627,283)	(112,397,567)
	11,761,517,340	8,658,172,120

22-1 OPERATING EXPENSES

	2022 SR	2021 SR
Employees' salaries and benefits	331,918,288	250,542,459
Depreciation (note 5 & 7)	124,212,527	107,754,488
Amortization Right of use (note 6)	275,274,821	267,277,951
Rent	47,009,448	35,115,628
Car expense	40,476,006	29,146,651
Electricity and water	23,886,313	16,208,475
Insurance	9,280,137	8,286,903
Maintenance	9,471,637	6,396,758
Other	31,645,796	27,815,749
	893,174,973	748,545,062

23) SELLING AND MARKETING EXPENSES

	2022 SR	2021 SR
Commissions, bonus and sales incentives	4,994,970	4,030,404
Advertising and publicity	2,422,483	866,046
	7,417,453	4,896,450

24) GENERAL AND ADMINISTRATIVE EXPENSES

	2022 SR	2021 SR
Employees' salaries and benefits	178,947,987	128,292,014
Depreciation (note 5)	8,210,559	7,814,278
Provision for expected credit losses (note 13)	9,663,762	2,586,680
Maintenance	3,558,456	2,597,450
Printing and stationery	2,251,898	1,347,290
Travel expense	2,849,223	2,352,126
Donations for social services	2,662,020	3,595,124
Utilities	2,380,811	1,760,295
Rent	1,326,330	1,107,486
Professional fees	1,885,075	1,491,829
Governmental expenses	1,272,095	1,207,215
Saudi Stock Market expenses ("Tadawul")	770,771	841,308
Insurance	888,936	791,364
Other	7,454,522	7,404,904
	224,122,445	163,189,363

25) FINANCIAL CHARGES

	2022 SR	2021 SR
Bank charges (Note 16)	16,819,961	13,017,533
Interest on lease liabilities (Note 6-2)	107,579,600	93,011,903
	124,399,561	106,029,436

26) OTHER INCOME, NET

	2022 SR	2021 SR
Losses from disposal of property and equipment	(251,759)	(826,010)
Realized gain from selling investment at fair value through profit or loss (Note 9-2)	353,233	401,994
Unrealized gain from revaluation of investment at fair value through profit or loss	-	47,914
Dividend received from investment at fair value through profit or loss	1,022,648	-
Lease claims	4,714,000	-
Others	1,982,051	1,822,186
	7,820,173	1,446,034

27) RELATED PARTIES TRANSACTIONS AND BALANCES

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.

Name	*Relationship*
Mr. Hamad Mohammad Aldrees	Member of the Board of Directors
Mr. Abdul Mohsin Mohammad Aldrees	Member of the Board of Directors
Aldrees Industrial and Trading Company	One of the partners is a member of the Board of Directors
Seven Orbits Company for Trading	One of the partners is a member of the Board of Directors
Aldrees Bertschi Logistic Services	Joint venture

The significant transactions are as follows:

Nature of transaction	2022 SR	2021 SR
Purchase of machinery, equipment and spare parts	8,410,386	4,829,642
Rental expenses (depreciation of the right to use the assets)	2,782,014	2,803,694
Non-interest bearing funding	2,193,242	2,229,230

The related party balances are as follows:

	December 31, 2022 SR	December 31, 2021 SR
Due from a related party		
Aldrees Bertschi	2,193,242	2,229,230
Due to a related party:		
Aldrees Industrial and Trading Company	2,100,922	1,822,077

27) RELATED PARTIES TRANSACTIONS AND BALANCES (Continued)

Rewards for members and other committees and related expenses

	2022 SR	2021 SR
Compensation for members and senior executives	17,175,677	11,851,005
Board remuneration	3,299,000	3,200,000
Expenses and fees to attend the meetings of the Board of Directors and the relevant committees	1,001,000	995,000

Senior management compensation (senior executives)

	2022 SR	2021 SR
Short-term employee benefits	9,675,408	8,804,196
Defined employee benefit liabilities	1,168,344	1,069,090

28) 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 2022 (31 December 2021: 75 million shares).

29) DIVIDENDS AND BOARD OF DIRECTORS' REMUNERATIONS

The general assembly in its meeting on 27 Rajab 1443H (corresponding to 28 February 2022) has approved to distribute cash dividends amounting to SR 112.5 million representing SR 1.5 per share representing 15% of the Company's share capital. and 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.

30) COMMITMENTS AND CONTINGENCIES

a) At December 31, 2022, the Company had outstanding contingent liabilities in the form of letters of guarantee amounting to SR 3,334.6 million (2021 SR 2,689.8 million).

b) The company has capital commitments as at December 31, 2022 amounting to SR117.1 million (2021: SR 68.4 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

31) SEGMENTAL INFORMATION (Continued)

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

	Petroleum service	*Transport Services*	*Intercompany eliminations*	*Total*
	SR	*SR*	*SR*	*SR*
As of / for year ended 31 December 2022				
Total assets	5,821,568,653	740,657,782	(246,644,339)	6,315,582,096
Total liabilities	5,102,565,986	350,316,123	(246,644,339)	5,206,237,770
Revenue	12,080,185,919	416,906,544	(141,013,476)	12,356,078,987
Cost of Revenue	11,602,282,054	300,248,762	(141,013,476)	11,761,517,340
Gross profit	477,903,865	116,657,782	-	594,561,647
Depreciation and amortization	360,909,457	46,788,450	-	407,697,907
Income from operations	317,254,284	53,587,638	-	370,841,922
Net income	195,853,438	45,973,480	-	241,826,918
Deferred cost additions	929,801	-	-	929,801
Capital expenditure additions	281,833,722	121,488,763	-	403,322,485
As of / for year ended 31December 2021				
Total assets	4,918,515,400	671,645,038	(154,767,501)	5,435,392,937
Total liabilities	4,293,232,915	301,777,684	(154,767,501)	4,440,243,098
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	334,000,592	48,846,125	-	382,846,717
Income from operations	248,888,771	35,914,102	-	284,802,873
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

32) SUBSEQUENT EVENTS

The Company's Board of Directors in their meeting held on 29 Jumada AlThani 1444 H (corresponding to 22 January, 2023) recommended the following:

- Distribution of cash dividends of SR 2 per share totalling SR 150 million representing 20% 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 2022. 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.

In the opinion of management, there have been no significant subsequent events since the end of the year that would require disclosure or amendment in these financial statements.

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
- Currency risk
- Concentration 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 Note (13) due to its diverse customer base operating in various industries and located in many regions.

The credit risk assessment of receivables requires additional estimates of credit risk using expected credit loss derived from the probability of default, exposure at default, and loss given default.

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:

In Saudi Riyal	Requested value	
	As of December 31, 2022	As of December 31, 2021
Trade accounts receivable, net	409,794,354	333,522,920
Investment at fair value through profit or loss	-	19,956,843
Cash and cash equivalents	148,166,876	273,964,384
Contract assets	75,119,084	37,039,437
Other assets	208,474,705	172,510,537
Due from related parties	2,193,242	2,229,230
	843,748,261	839,223,351

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 (16). 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, 2022

In Saudi Riyal	Carrying Amount	Contractual Cash Flows	Less than a year	More than a year
Loans	250,857,143	(250,857,143)	(240,571,429)	(10,285,714)
Lease Liabilities	3,219,470,242	(3,219,470,242)	(313,414,859)	(2,906,055,383)
Trade payables	1,175,282,874	(1,175,282,874)	(1,175,282,874)	-
Due to related party	2,100,922	(2,100,922)	(2,100,922)	-
Accrued expenses and other liabilities	435,261,759	(435,261,759)	(435,261,759)	-
Zakat payable	11,880,835	(11,880,835)	(11,880,835)	-
Employees' defined benefits liabilities	111,383,995	(111,383,995)	-	(111,383,995)
	5,206,237,770	(5,206,237,770)	(2,178,512,678)	(3,027,725,092)

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	916,284,694	(916,284,694)	(916,284,694)	-
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)
	4,440,243,098	(4,440,243,098)	(1,702,399,690)	(2,737,843,408)

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.

Increase/(decrease) in basis points	*Effect on income for the year*	
	2022 SR	2021 SR
+5	(125,429)	(40,786)
+10	(250,857)	(81,571)
-5	125,429	40,786
-10	250,857	81,571

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.

Concentration risk
The company's purchases from a major supplier (Saudi Arabian Oil Company - Aramco) during the year amounting to 10.724 million Saudi riyals represent 98% of the company's total purchases (2021: 7.796 million Saudi riyals, 98% of the company's total purchases). The company expects to maintain the relationship with this supplier.

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).

33) FINANCIAL RISK MANAGEMENT (Continued)

Fair Value (Continued)

December 31, 2022	*Value* *SR*	*Level (1)* *SR*	*Level (2)* *SR*	*Level (3)* *SR*
Financial assets				
Investment at amortised cost	145,000,000	45,000,000	100,000,000	-
Financial liabilities				
Loans	250,857,143	-	250,857,143	-

December 31, 2021	*Value* *SR*	*Level (1)* *SR*	*Level (2)* *SR*	*Level (3)* *SR*
Financial assets				
Investment at fair value through profit and loss	19,956,843	19,956,843	-	-
Financial liabilities				
Loans	81,571,429	-	81,571,429	-

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.

When measuring ECL, the Company uses reasonable and supportable forward-looking information that is based on assumptions for the future movement of various economic drivers and how these drivers affect each other.

The possibility of default

The probability of default is a key input in measuring expected credit loss. The probability of default is an estimate of the probability of default over a certain period of time, which includes the calculation of historical data, assumptions and expectations regarding future conditions.

Loss given default

Loss given default is an estimate of the loss given default. It is based on the difference between the contractual cash flows due and those that the financier expects to collect, taking into account cash flows from collateral and integrated credit adjustments.

At the balance sheet date, gross trade accounts receivables were 427,714,940 SR (2021: SR 341,779,744), and the Provision for credit losses was SR (17,920,586) (2021: SR (8,256,824) Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of income.

34) KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

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 29 Jumada AlThani, 1444 H (corresponding to January 22 2023).