RABIGH REFINING AND PETROCHEMICAL COMPANY
(A Saudi Joint Stock Company)

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

RABIGH REFINING AND PETROCHEMICAL COMPANY
(A Saudi Joint Stock Company)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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Headquarters in Riyadh

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المملكة العربية السعودية
سجل تجاري رقم 4030290792

المركز الرئيسي في الرياض

Independent Auditor's Report

To the Shareholders of Rabigh Refining and Petrochemical Company

Opinion

We have audited the financial statements of Rabigh Refining and Petrochemical Company ("the Company"), which comprise the statement of financial position as at December 31, 2023, the statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising material accounting policies and other explanatory information.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), that is endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with the Code's 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 period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

To the Shareholders of Rabigh Refining and Petrochemical Company (continued)

Carrying value of property, plant and equipment

The key audit matter

As at December 31, 2023, the Company's statement of financial position includes property, plant and equipment amounting to Saudi Riyals 41,225 million. Management performs a formal assessment at each reporting period-end to consider whether there is any indication that items of property, plant and equipment may be impaired.

Based on the valuation model prepared to determine the recoverable amount of the relevant Cash Generating Unit ("CGU"), management ensures that the property, plant and equipment are not carried at more than their recoverable amount. The key estimates and assumptions underlying the valuation model included:

- Forecast product prices;
- Usage and economic conditions which may affect the expected remaining useful lives and terminal values;
- Future operating costs; and
- Discount rate.

The recoverable amount computed using the valuation model is in excess of carrying value of the CGU.

We considered this a key audit matter given the complexity inherent in the key estimates and assumptions underlying the valuation model.

Refer to note 2.2 and 12 to the financial statements for further information.

How the matter was addressed in our audit

We performed the following procedures to address the key audit matter:

- obtained an understanding of the management's process of identifying the impairment indicators, performing impairment assessment and method to determine the recoverable amount of the property, plant and equipment;

- performed multiple risk assessment procedures including and not limited to inquiries with management and internal audit, inspection of minutes of meetings;

- obtained and evaluated the impairment assessment performed by management and involved our internal valuation specialists to check the mathematical accuracy and the assumptions used by management in the valuation model, compared relevant data to the latest production plans and projections and approved business plans by the Board of Directors, discount rate used for impairment assessment and inputs used to determine terminal values;

- performed sensitivity analysis over key assumptions in the calculation of value in use to assess the potential impact on recoverable amounts of a range of possible outcomes;

- considered the appropriateness of the related accounting policies and disclosures in the financial statements for the year ended December 31, 2023.

Independent Auditor's Report

To the Shareholders of Rabigh Refining and Petrochemical Company (continued)

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 auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies and Company's By-laws and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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Independent Auditor's Report

To the Shareholders of Rabigh Refining and Petrochemical Company (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

- 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, then 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 of **Rabigh Refining and Petrochemical Company** ("the Company").

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG Professional Services

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Nasser Ahmed Al Shutairy
License No. 454

Jeddah, March 24, 2024
Corresponding to Ramadan 14, 1445H

STATEMENT OF PROFIT OR LOSS
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Notes	For the year ended December 31, 2023	2022
Sales	5,25	**44,603,993**	55,952,481
Cost of sales	6,25	**(45,182,492)**	(54,268,748)
Gross (loss) profit		**(578,499)**	1,683,733
Other income, net	7	**92,513**	101,164
Selling and marketing expenses	8	**(1,093,315)**	(962,990)
General and administrative expenses	9	**(1,023,652)**	(809,679)
Operating (loss) profit		**(2,602,953)**	12,228
Financial charges	10	**(2,217,061)**	(1,359,448)
Financial income		**27,036**	280,293
Loss before Zakat and tax		**(4,792,978)**	(1,066,927)
Zakat	23	**(5,341)**	(42,896)
Tax	23	**105,586**	(5,058)
Loss after Zakat and tax		**(4,692,733)**	(1,114,881)
Loss per share (Saudi Riyals) - Basic and diluted	11	**(2.81)**	(0.79)

Abdullah Jaber Al Faifi
Board Member and Chairman
of the Board Audit Committee

Othman A. Al Ghamdi
President and Chief Executive Officer

Akihiko Hiraoka
Chief Financial Officer

The accompanying notes 1 to 27 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Notes	For the year ended December 31, 2023	2022
Loss after Zakat and tax		**(4,692,733)**	(1,114,881)
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurement (loss) gain on defined benefit plan	21	**(12,345)**	154,406
Tax effect	23	**926**	(11,580)
Other comprehensive (loss) income		**(11,419)**	142,826
Total comprehensive loss for the year		**(4,704,152)**	(972,055)

Abdullah Jaber Al Faifi Board Member and Chairman of the Board Audit Committee	Othman A. Al Ghamdi President and Chief Executive Officer	Akihiko Hiraoka Chief Financial Officer

The accompanying notes 1 to 27 form an integral part of these financial statements.

RABIGH REFINING AND PETROCHEMICAL COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Notes	As at December 31, 2023	2022
Assets			
Non-current assets			
Property, plant and equipment	12	**41,225,263**	42,637,598
Right-of-use assets	13	**9,309,306**	10,010,148
Intangible assets	14	**219,735**	291,283
Long-term loans	15	**268,746**	244,540
Investment	15	**10,000**	10,000
Deferred tax asset	24	**230,866**	124,354
		51,263,916	53,317,923
Current assets			
Inventories	17	**3,972,417**	4,028,765
Trade receivables	15	**5,190,684**	5,377,367
Current portion of long-term loans	15	**1,715**	4,151
Prepayments and other receivables	18	**1,402,006**	805,733
Cash and cash equivalents	16	**1,372,141**	2,044,793
		11,938,963	12,260,809
Total assets		**63,202,879**	65,578,732
Equity and liabilities			
Equity			
Share capital	19	**16,710,000**	16,710,000
Statutory reserve	20	**252,134**	252,134
Employees' share ownership plan	21	**(5,305)**	(5,339)
Accumulated losses		**(6,406,148)**	(1,701,934)
Total equity		**10,550,681**	15,254,861
Non-current liabilities			
Loans, borrowings and other long-term liability	15	**19,610,740**	12,577,390
Lease liabilities	13	**9,471,708**	10,095,476
Employees' benefits	21	**813,526**	719,725
		29,895,974	23,392,591
Current liabilities			
Current portion of loans and borrowings	15	**9,082,981**	13,435,306
Current portion of lease liabilities	13	**630,368**	602,365
Trade and other payables	15	**11,856,665**	12,117,925
Accrued expenses and other liabilities	22	**1,186,210**	744,273
Zakat and tax payable	24	**-**	31,411
		22,756,224	26,931,280
Total liabilities		**52,652,198**	50,323,871
Total equity and liabilities		**63,202,879**	65,578,732

Abdullah Jaber Al Faifi Board Member and Chairman of the Board Audit Committee	Othman A. Al Ghamdi President and Chief Executive Officer	Akihiko Hiraoka Chief Financial Officer

The accompanying notes 1 to 27 form an integral part of these financial statements.

RABIGH REFINING AND PETROCHEMICAL COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF CHANGES IN EQUITY
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Note	Share capital	Statutory reserve	Employees' share ownership plan	Accumulated losses	Total
Balance as at January 1, 2023		**16,710,000**	**252,134**	**(5,339)**	**(1,701,934)**	**15,254,861**
Loss after Zakat and tax		**-**	**-**	**-**	**(4,692,733)**	**(4,692,733)**
Other comprehensive loss		**-**	**-**	**-**	**(11,419)**	**(11,419)**
Total comprehensive loss		**-**	**-**	**-**	**(4,704,152)**	**(4,704,152)**
Vesting of shares under employees' share ownership plan		**-**	**-**	**34**	**-**	**34**
Zakat and income tax reimbursement		**-**	**-**	**-**	**(62)**	**(62)**
Balance as at December 31, 2023		**16,710,000**	**252,134**	**(5,305)**	**(6,406,148)**	**10,550,681**
Balance as at January 1, 2022		8,760,000	252,134	(4,510)	(701,713)	8,305,911
Loss after Zakat and tax		-	-	-	(1,114,881)	(1,114,881)
Other comprehensive income		-	-	-	142,826	142,826
Total comprehensive loss		-	-	-	(972,055)	(972,055)
Increase in share capital	19	7,950,000	-	(1,618)	-	7,948,382
Transaction cost on rights issue	19	-	-	-	(47,013)	(47,013)
Vesting of shares under employees' share ownership plan		-	-	789	-	789
Zakat reimbursement		-	-	-	18,847	18,847
Balance as at December 31, 2022		16,710,000	252,134	(5,339)	(1,701,934)	15,254,861

Abdullah Jaber Al Faifi Board Member and Chairman of the Board Audit Committee	Othman A. Al Ghamdi President and Chief Executive Officer	Akihiko Hiraoka Chief Financial Officer

The accompanying notes 1 to 27 form an integral part of these financial statements.

RABIGH REFINING AND PETROCHEMICAL COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF CASH FLOWS
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Notes	For the year ended December 31, 2023	2022
Cash flows from operating activities			
Loss before Zakat and tax		**(4,792,978)**	(1,066,927)
Adjustments for non-cash items:			
Depreciation	12,13	**3,134,457**	2,955,530
Financial charges	10	**2,217,061**	1,359,448
Financial income		**(27,036)**	(280,293)
Amortization	14	**86,166**	83,564
Provision for slow moving inventories	17	**13,260**	53,511
Impairment loss on receivables	9	**96**	-
Provision for claim	26	**342,716**	-
Loss on disposal of property, plant and equipment	7	**10,092**	1,033
Loss (gain) on derecognition of right-of-use assets and lease liabilities	7	**285**	(45)
Provision for deferred employee service		**-**	1,618
		984,119	3,107,439
Changes in:			
Inventories		**43,087**	(275,826)
Trade receivables		**186,587**	2,879,754
Prepayments and other receivables		**(596,333)**	1,067,821
Trade and other payables		**(603,975)**	(326,345)
Accrued expenses and other liabilities		**427,385**	(1,137,137)
Employees' benefits		**81,490**	93,658
		522,360	5,409,364
Zakat and income tax paid	24.1	**(36,752)**	(53,299)
Interest received		**27,036**	280,293
Interest paid		**(2,126,743)**	(1,175,028)
Net cash (used in) from operating activities		**(1,614,099)**	4,461,330
Cash flows from investing activities			
Purchase of property, plant and equipment	12	**(1,036,420)**	(798,374)
Disbursement of long-term loans		**(72,609)**	(132,919)
Recovery of long-term loans		**37,082**	34,948
Reduction in investment	15	**-**	6,412
Net cash used in investing activities		**(1,071,947)**	(889,933)
Cash flows from financing activities			
Proceeds from loans and borrowings		**32,500,228**	3,989,500
Repayments of loans and borrowings		**(29,881,304)**	(10,840,536)
Increase in share capital, net		**-**	1,985,882
Transaction cost on rights issue	19	**-**	(47,013)
Repayment of lease liabilities		**(605,529)**	(586,382)
Dividend paid		**(1)**	(16)
Net cash from (used in) financing activities		**2,013,394**	(5,498,565)
Net decrease in cash and cash equivalents		**(672,652)**	(1,927,168)
Cash and cash equivalents at beginning of the year	16	**2,044,793**	3,971,961
Cash and cash equivalents at end of the year	16	**1,372,141**	2,044,793
Supplemental schedule of non-cash information			
Loans and other liability converted into share capital	19	**-**	5,962,500
Zakat and income tax reimbursable from shareholders		**62**	18,847
Addition to property, plant and equipment through accrued expenses and other liabilities		**90**	91
Addition to intangible assets through property, plant and equipment	14	**14,618**	3,981
Addition to right-of-use assets	13	**9,876**	51,342

Abdullah Jaber Al Faifi Board Member and Chairman of the Board Audit Committee	Othman A. Al Ghamdi President and Chief Executive Officer	Akihiko Hiraoka Chief Financial Officer

The accompanying notes 1 to 27 form an integral part of these financial statements.

1 General information

Rabigh Refining and Petrochemical Company ("the Company" or "PetroRabigh") is a company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4602002161 issued by the Ministry of Commerce and Investment, Jeddah, on Shaaban 15, 1426H (September 19, 2005) subsequently revised by Ministry of Commerce and Investment, Riyadh on Shawal 22, 1428H (November 3, 2007).

The Company is engaged in the development, construction and operation of an integrated refining and petrochemical complex (the Complex), including the manufacturing and sales of refined and petrochemical products.

The Company's registered address is P.O. Box 101, Rabigh 21911, Kingdom of Saudi Arabia.

2 Basis of preparation

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

These financial statements have been prepared on a historical cost basis except for investment, which is measured at fair value through statement of profit or loss and defined benefits obligations which is recognised at the present value of future obligations using the Projected Unit Credit Method. These financial statements are presented in Saudi Arabian Riyals (Saudi Riyals).

The Company has incurred a comprehensive loss of Saudi Riyals 4,704 million for the year ended December 31, 2023 (2022: Saudi Riyals 972 million), and as at that date the accumulated losses reached Saudi Riyals 6,406 million (2022: Saudi Riyals 1,702 million). Furthermore, as at December 31, 2023, the Company's current liabilities exceeded its current assets by Saudi Riyals 10,817 million (2022: Saudi Riyals 14,670 million).

The Directors have performed a going concern assessment to validate the continued application of the going concern basis in the preparation of the financial statements of the Company.

The Directors also evaluated the Company's funding position and liquidity to assess the Company's ability to meet its obligations as they fall due for a period of at least 12 months from the date of signing the Company's financial statements ("Assessment Period").

In evaluating whether the going concern basis of preparation of the Company's financial statements is appropriate, the Directors of the Company reviewed and approved the Company's Business Plan for the years 2024, 2025 and 2026, including cash-flows forecasts for the Assessment Period, reviewed potential sponsors support through payment term adjustments and crude diet changes, reviewed the economics and cashflow projections of two mega projects, Debottlenecking Project (DBN) and Diesel Hydrotreater Project (DHT), and assessed its impact on the Company's profitability and cashflows, which is expected to favorably impact the Company's profitability in the medium and long term. The Directors of the Company have also evaluated several initiatives which were started under the Transformation Program, whereby the Company has implemented 185 initiatives since 2021 with the objective of reducing the Company's operational cost and increase revenue. The Directors have also reviewed 40 new initiatives intended to further reduce the operating losses during the year 2024.

After rigorously evaluating relevant available information, the Directors have concluded that there are no events or conditions that cast significant doubt upon the Company's ability to continue as a going concern during the Assessment Period and the Company is expected to have adequate resources to continue its operations and is expected to be able to discharge its liabilities as and when they fall due. Accordingly, these financial statements are prepared on the basis of going concern assumption.

2.1 New standards, interpretations and amendments

Standards, interpretations and amendments adopted

The Company has applied the following amendments for the first time for the annual reporting period commencing January 1, 2023:

(All amounts in thousands of Saudi Riyals unless otherwise stated)

2 Basis of preparation (continued)

2.1 New standards, interpretations and amendments (continued)

Standards, interpretations and amendments adopted (continued)

Standard / Interpretation	***Description***
IFRS 17	Insurance contracts
IAS 1	Classification of liabilities as current or non-current (amendments to IAS 1)
IAS 8	Definition of Accounting Estimate – Amendment
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
IAS 12	International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12
IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Standards, interpretations and amendments issued but not yet effective

The standards, interpretations and amendments issued, but not yet effective up to the date of issuance of the financial statements are disclosed below. The Company intends to adopt these standards, where applicable, when they become effective.

Standard / Interpretation	***Description***	***Effective from periods beginning on or after the following date***
IFRS 16	Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	January 1, 2024
IAS 1	Classification of liabilities as current or non-current (amendments to IAS 1)	January 1, 2024
IAS 1	Non-current liabilities with covenants (amendments to IAS 1)	January 1, 2024
IAS 7 and IFR 7	Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)	January 1, 2024
IFRS S1 and IFRS S2	IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures (Subject to endorsement of the standards by SOCPA.)	January 1, 2024
IAS 21	Lack of Exchangeability (Amendments to IAS 21)	January 1, 2025
IFRS 10 and IAS 28	Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	Available for optional adoption / effective date deferred indefinitely

2.2 Critical accounting estimates and judgments

The preparation of Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur. Also see Note 26.

2 Basis of preparation (continued)

2.2 Critical accounting estimates and judgments (continued)

Business model for managing financial assets

In making an assessment whether its business model for managing financial assets is to hold assets in order to collect contractual cash flows, the Company considers the following:

- Management's stated policies and objectives for the asset and the operation of those policies in practice;
- how management evaluates the performance of the asset;
- whether management's strategy focuses on earning contractual 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.

Generally, a business model is a matter of fact which can be evidenced by the way the business is managed and the information provided to management.

Contractual cash flows of financial assets

The Company exercises judgment in determining whether the contractual terms of financial assets it originates or acquires give rise on specific dates to cash flows that are solely payments of principal and interest income on the principal outstanding and so may qualify for amortised cost measurement. In making the assessment, the Company considers all contractual terms, including any prepayment terms or provisions to extend the maturity of the assets that change the amount and timing of cash flows and whether the contractual terms contain leverage.

Defined benefit plan

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

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

Useful lives of property, plant and equipment

The Company exercises judgement in determining the estimated useful lives of property, plant and equipment for calculating depreciation. This estimate is determined after considering expected usage of the assets or physical wear and tear. The Company reviews the residual value and useful lives annually and future depreciation charges are adjusted where the Company believes the useful lives differ from previous estimates.

Extension options for leases

In case of lease contracts where extension options are also available to the Company, judgement is applied in evaluating whether it is reasonably certain to exercise the option. The Company reassesses whether it is reasonably certain to exercise the extension options, upon the occurrence of either a significant event or significant change in circumstances that are within the control of the Company.

Impairment of non-financial assets

The Company assesses, at each reporting date or more frequently if events or changes in circumstances indicate, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less cost to sell, and its value in use, and is determined for the individual asset, unless the asset does not generate cash inflows which are largely independent from other assets or groups. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining the fair value less costs to sell, an appropriate source is used, such as observable market prices or, if no observable market prices exist, estimated prices for similar assets or if no estimated prices for similar assets exist, it is based on discounted future cash flow calculations.

2 Basis of preparation (continued)

2.2 Critical accounting estimates and judgments (continued)

Provision for inventory obsolescence

The Company makes a provision for slow moving and obsolete inventory items. Estimates of net realizable value of inventories are based on the most reliable evidence at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly related to events occurring subsequent to the balance sheet date to the extent that such events confirm conditions existing at the end of the year.

3 Material accounting policies

In addition, the Company adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from January 1, 2023. The amendments require the disclosure of 'material' rather than 'significant' accounting policies. Although the amendments did not result in any changes to the accounting policy themselves, they impacted the accounting policy information disclosed in certain instances.

(a) Current versus non-current classification

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

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- It is held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

(b) Fair value measurement

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

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

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

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

3 Material accounting policies (continued)

(b) Fair value measurement (continued)

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

(c) Revenue recognition

Contracts with customers

The Company recognizes revenue from contracts with customers when or as it satisfies a performance obligation by transferring control of promised goods or service to a customer. When, or as, a performance obligation is satisfied, the Company recognizes as revenue, the amount of the transaction price that is allocated to that performance obligation. The transaction price is the amount of consideration to which the Company expects to be entitled after deducting value added taxes, excise duties and similar levies. The transaction price is allocated to the performance obligations in the contract based on standalone selling prices of the goods or services promised.

The transfer of control for refined and petrochemical products usually coincides with title passing to the marketers / off-takers and the marketers/off-takers taking physical possession, while the Company has no effective control or continuing managerial involvement to the degree usually associated with ownership over these products.

Revenue in respect of sales of refined and petrochemical products is recognised over the period as per the related offtake and other agreements with the customers. Transfer of refined and petrochemical products to customers is considered as series of distinct goods and the Company uses output method to measure the progress towards complete satisfaction or performance obligation. The Company has further used IFRS 15 practical expedient of right to invoice, and revenue is booked on monthly basis in respect of goods and services for which the Company has a right to invoice as per the related agreements.

The portion of sales made through marketers / off-takers are recorded at the relevant provisional prices agreed with such marketers / off-takers at the time of delivery of products, which are subsequently adjusted as appropriate based on the actual selling prices, after deducting the costs of shipping and distribution. All revenue from these sales, both that recognized at the time of delivery and that from post-delivery price adjustments, is disclosed as revenue from contracts with customers.

The Company estimates the variable consideration as the most likely amount based on available market information and recently published prices of refined and petrochemical products. The Company includes in the transaction price, some or all of an amount of variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the relevant variable consideration is subsequently resolved.

Dividends

Dividends are recognised when:

- The Company’s right to receive the payment is established, which is generally when shareholders approve the dividend;
- It is probable that the economic benefits associated with the dividend will flow to the entity; and
- The amount of the dividend can be measured reliably.

Interest income

Interest income is calculated using the effective interest (profit) rate method. The effective interest rate is the interest rate that exactly discounts the estimated stream of future cash payment or receipts over the expected life of the financial instrument or when appropriate over the shorter period.

3 Material accounting policies (continued)

(d) Foreign currencies

The Company's financial statements are presented in Saudi Riyals which is also the functional currency of the Company. Transactions in foreign currencies are initially translated by the Company into Saudi Riyals using the exchange rate at the date of the transaction it first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated in the functional currency using the exchange rate ruling at the reporting date. Differences arising on settlement or translation of monetary items are recognized in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary assets measured at fair value is treated in line with the recognition of gain or loss on change in fair value in the item (i.e., the translation differences on items whose fair value gain or loss is recognized in statement of comprehensive income or statement of profit or loss are also recognized in statement of comprehensive income or statement profit or loss, respectively).

(e) Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and impairment loss, if any, except for capital projects-in-progress, which are stated at cost less impairment loss, if any. Cost includes expenditure that is directly attributable to the acquisition or construction of each asset. Finance costs on borrowings to finance the construction of the assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditures are recognized in the statement of profit of loss when incurred. Spare parts that are considered essential to ensure continuous plant operation whose useful lives are more than one year are capitalized and classified as plant, machinery and operating equipment.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Expenditures incurred on testing and inspections, which are carried normally every 5 years, are capitalized as part of the respective items of property, plant and equipment and amortized over the period of five years. All other repair and maintenance costs are recognized in the statement of profit or loss as incurred.

Depreciation is calculated on a straight-line basis to write off the cost of property, plant and equipment over their estimated useful lives which are as follows:

	Number of years
Buildings and infrastructure	12-50
Plant, machinery and operating equipment	2-40
Vehicle and related equipment	6-25
Furniture and IT equipment	5-14

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognized.

(f) Leases

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

3 Material accounting policies (continued)

(f) Leases (continued)

The Company recognizes a right-of-use asset and a lease liability at the commencement date of the lease (i.e., the date the underlying asset is available for use). The right-of-use asset is initially measured at cost, less any accumulated depreciation and impairment losses, if any and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date, any initial direct costs incurred and an estimate of costs to dismantle, less any lease incentive received. The estimated useful life of right-of-use assets are determined on the same basis as those of property, plant and equipment, except for leasehold land for which the estimated useful life is considered to be the lease term.

The lease liability is initially measured at the present value of the lease payments to be made over the lease term, discounted using the Company's incremental borrowing rate (if the interest rate implicit in the lease is not available). Lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. Any such re-measurement in the lease liability is adjusted against the carrying value of the right-of-use asset or charged to profit or loss if carrying value of the related asset is zero.

Short-term leases and leases of low-value assets

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less, and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(g) Intangible assets

Intangible assets, having no physical existence however separately identifiable and providing future economic benefits, are initially recognized at purchase price and directly attributable costs. Intangible assets are stated at cost less accumulated amortization and impairment loss, if any.

Software and licenses

Software and licenses procured for various business use and having finite useful lives are presented as intangible assets. Software and licenses are amortized on a straight-line basis over their estimated useful lives of 5 years and 12-22 years, respectively.

Amortization methods and useful lives are reviewed at each financial year end and adjusted if appropriate.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

(h) Borrowing costs

Borrowing costs attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds.

(i) Financial instruments

The Company applied the following classification and measurement requirements for financial instruments.

Recognition and derecognition of financial instruments

A financial asset or financial liability is recognised when the Company becomes a party to the contractual provisions of the instrument, which is generally on trade date. The Company derecognizes a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

A financial liability is derecognized from the statement of financial position when the Company has discharged its obligation or the contract is cancelled or expires.

3 Material accounting policies (continued)

(i) Financial instruments (continued)

Classification of financial instruments

The Company classified its financial assets into the following measurement categories:

(i) Those to be measured subsequently at amortised cost; or

(ii) Fair value through profit or loss.

The classification depends on the Company's business model for managing financial assets and the contractual terms of the financial assets cash flows.

The Company classifies its financial liabilities as those measured at amortized cost. The classification of financial assets is defined in Note 15.

Measurement

Financial instruments at fair value through profit or loss are recognised initially at fair value with transaction costs recognised in the statement of profit or loss as incurred. All other financial instruments are recognised initially at fair value plus directly attributable transaction costs. The Company initially measures trade receivables at the transaction price as trade receivables do not contain a significant financing component.

Financial instruments measured at amortized cost

A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms represent contractual cash flows that are solely payments of principal and interest.

Financial instruments measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss comprise items specifically designated as fair value through profit or loss on initial recognition and financial assets held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms represent contractual cash flows that are not solely payments of principal and interest. Where a financial liability is designated at fair value through profit or loss, the movement in fair value attributable to changes in the Company's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income.

Upon initial recognition, financial instruments may be designated as fair value through profit or loss. Restrictions are placed on the use of the designated fair value option and the classification can only be used:

- In respect of an entire contract if a host contract contains one or more embedded derivatives;
- If designating the financial instruments eliminates or significantly reduces measurement or recognition inconsistencies (i.e. eliminates an accounting mismatch) that would otherwise arise from measuring financial assets or liabilities on a different basis.
- If financial assets and liabilities are both managed and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

On initial recognition, for a financial asset the fair value option is only applied if it eliminates an accounting mismatch that would otherwise arise from measuring items on a different basis. The above fair value option criteria remains unchanged for a financial liability.

Offsetting

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when the Company has a legal right to offset the amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

3 Material accounting policies (continued)

(j) Impairment

Financial assets

At each reporting date, the Company applies a three-stage approach to measuring expected credit losses (ECL) on financial assets accounted for at amortized cost. Assets migrate through the following three stages based on the change in credit quality since initial recognition:

(i) Stage 1: 12-months ECL

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognized.

(ii) Stage 2: Lifetime ECL – not credit impaired

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognized.

(iii) Stage 3: Lifetime ECL – credit impaired

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that have become credit impaired, a lifetime ECL is recognized and interest revenue is calculated by applying the effective interest rate to the amortized cost (net of provision) rather than the gross carrying amount.

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower, default or delinquency by a borrower, restructuring of a loan or advance by the entity on terms that the entity would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a Company such as adverse changes in the payment status of borrowers or issuers in the Company, or economic conditions that correlate with defaults in the Company.

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

The Company considers evidence of impairment at both a specific asset and collective level. All individually significant financial instruments found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

Impairment losses for a financial instrument are recognised in the statement of profit or loss and reflected in impairment for credit losses. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statement of profit or loss.

When an asset is uncollectible, it is written off against the related provision. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off reduce the amount of the expense in the statement of profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the provision. The amount of the reversal is recognised in the statement of profit or loss.

The Company has adopted the simplified approach as allowed by IFRS 9 and measures the loss allowance at an amount equal to lifetime expected credit losses for all trade receivables.

Non-financial assets

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

3 Material accounting policies (continued)

(j) Impairment (continued)

External valuers are involved for valuation of significant assets. The involvement of external valuers is decided by the Company after discussion with the Company's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Company decides, after discussions with the external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the Company analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Company's policies. For this analysis, the Company verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Company also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

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

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

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

(k) Trade receivables

Trade receivables are amounts due from customers for sale of goods in the ordinary course of business. Trade receivables are recognized initially at fair value and subsequently carried at amortized cost using effective interest rate method, less provision for impairment, if any. Subsequent recoveries of amounts previously written-off are credited to profit or loss against general and administrative expenses.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost is determined using the weighted average basis and includes all cost incurred in the normal course of business in bringing each product to its present condition and location. In the case of work in progress and finished goods, cost include the purchase cost, the cost of refining and processing including an appropriate proportion of depreciation and production overheads based on normal operating capacity.

The net realisable value of inventories is based on the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash with banks and other short-term highly liquid investments, if any, with original maturities of three months or less from the purchase date.

(n) Zakat and tax

Zakat and income tax are provided for in accordance with the Saudi Arabian fiscal regulations. Zakat and income taxes are charged to the statement of profit or loss. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined. The Zakat and income tax paid by the Company are reimbursed by the respective founding shareholders except for general public shareholders and are accordingly adjusted in their respective equity accounts.

Deferred tax is calculated using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

3 Material accounting policies (continued)

(n) Zakat and tax (continued)

Deferred tax liabilities are recognized for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

Deferred tax relating to items recognised outside statement of profit or loss is recognised either in statement of comprehensive income or directly in equity.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

(o) Employees’ benefits

End of service benefits

The Company operates an unfunded post-employment defined benefit plan. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Actuarial gains and losses are recognized in full in the period in which they occur in statement of comprehensive income. Re-measurements are not reclassified to statement of profit or loss in subsequent periods.

Past service costs are recognized in statement of profit or loss on the earlier of:

- the date of the plan amendment or curtailment; and
- the date on which the Company recognizes related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability. The Company recognizes the following changes in the net defined benefit obligation under cost of sales and general and administrative expenses in the statement of profit or loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income.

The defined benefit liability comprises the present value of the defined benefit obligation, less past service costs.

Employees’ savings program

The Company operates a thrift savings program (the "program") on behalf of its employees and the Company matches the employee contribution with an equal, or lesser, contribution towards the program that is commensurate with the employee’s participation seniority in the program. Participation in the program by the regular employees who have completed their probationary period is optional and employees may choose the option to invest or not to invest in the program. The contributions from the Company are recognized as employees’ expenses and are charged to the statement of profit or loss. The Company has arranged with the local bank, being the custodian bank, to manage the program on behalf of the Company in accordance with Islamic Shari’ah Law.

Employees’ Share Ownership Plan (ESOP)

The employees’ service cost of share options granted to employees under the Employees’ Share Ownership Plan (ESOP) is measured by reference to the fair value of the Company’s shares on the date on which the options are granted. This cost is recognized as an employee expense, over the period in which the performance and / or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (‘the vesting date’). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of shares that will ultimately vest. The charge in the statement of profit or loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

3 Material accounting policies (continued)

(o) Employees' benefits (continued)

Shares purchased are kept with a bank acting as trustee for the ESOP and are carried at cost as a deduction from equity until the options vest and the underlying shares are transferred to the employees. On the vesting date of an individual option, the difference between the employee service cost and the purchase cost of the shares is taken directly to retained earnings (accumulated losses) as an equity adjustment.

(p) Segment reporting

Operating segment

An operating segment is group of assets and operations:

(i) engaged in revenue producing activities;

(ii) results of its operations are continuously analyzed by management in order to make decisions related to resource allocation and performance assessment; and

(iii) financial information is separately available.

(q) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

(r) Investment property

Investment properties are lands and buildings held for purposes rental income or capital appreciation or both. Investment properties are measured in accordance with the cost model and depreciation is calculated on straight line basis over their useful lives. Investment properties are derecognized when they are sold or when they are occupied by the Company or if they are not held to increase their value.

4 Agreements with founding shareholders

The founding shareholders of the Company are Saudi Arabian Oil Company ("Saudi Aramco") and Sumitomo Chemical Company Limited ("Sumitomo Chemical"), each having 37.5% equity interest in the share capital of the Company. The Company has entered into various agreements with founding shareholders and their affiliates including among others some of the key agreements which are relevant to the financial reporting are summarised below:

4.1 Crude oil feedstock supply agreement

On January 28, 2006, the Company entered into a Crude Oil Feedstock Supply Agreement (COSA) with Saudi Aramco for the supply to the Company of its crude oil feedstock requirements in respect of the Complex, up to a maximum supply of 400,000 barrels per day (bpd). The price at which Saudi Aramco sells the crude oil feedstock to the Company is based, amongst other variable market factors, on international crude oil prices. The COSA is valid for 30 years commencing from October 1, 2008.

4.2 Ethane feedstock supply agreements

The Company entered into Ethane Feedstock Supply Agreements on January 28, 2006 and March 16, 2015 with Saudi Aramco for the supply to the Company of its ethane feedstock requirements in respect of the Complex, up to a maximum aggregate supply of 125 million standard cubic feet per day (MMSCFD). The price at which Saudi Aramco sells the ethane feedstock to the Company is the price commonly applied by Saudi Aramco to industrial customers in the Kingdom. The Ethane Feedstock Supply Agreements are valid for 20 years commencing from the respective effective dates stated in the Agreements.

4 Agreements with founding shareholders (continued)

4.3 Butane feedstock supply agreement

On January 28, 2006, the Company entered into a Butane Feedstock Supply Agreement with Saudi Aramco for the supply to the Company of its butane feedstock requirements in respect of the Complex, up to a maximum supply of 12,000 bpd. The price at which Saudi Aramco sells the butane feedstock to the Company is the price commonly applied by Saudi Aramco to its industrial customers in the Kingdom. The Butane Feedstock Supply Agreement is valid for 20 years commencing from December 1, 2008.

4.4 Petroleum product sales agreement

On July 3, 2006, the Company entered into a Petroleum Product Sales Agreement with Saudi Aramco for the supply of fuel oil up to a maximum of 32 MBD monthly which the Company would, in turn, supply to Rabigh Arabian Water and Electricity Company (RAWEC) for use as fuel for the provision of certain utilities to the Company. The price at which Saudi Aramco sells the fuel oil to the Company is the government established price prevailing on the date of product delivery to the Company. The agreement is valid for 25 years commencing from June 1, 2008.

4.5 Fuel oil supply agreement

On March 16, 2015, the Company entered into a Fuel Oil Supply Agreement with Saudi Aramco for the supply of fuel oil up to a maximum of 20 MBD monthly which the Company would, in turn, supply to RAWEC for use as fuel for the provision of certain utilities to the Company. The price at which Saudi Aramco sells the fuel oil to the Company is the government established price prevailing on the date of product delivery to the Company. The agreement is valid for 25 years commencing from February 15, 2018.

4.6 Allocated Sales gas supply agreement

On July 1, 2020, the Company entered into an Allocated Sales Gas Supply Agreement with Saudi Aramco for the supply of Sales Gas up to a maximum of 50 MMSCF per day. The price at which Saudi Aramco sells the Sales Gas to the Company is the prevailing domestic market price in the Kingdom of Saudi Arabia, as established by the relevant Governmental entity from time to time. The Allocated Sales Gas Supply Agreement is valid for 20 years commencing from July 1, 2020.

4.7 Phase I Refined products offtake agreement

On June 13, 2019, the Company entered into a Phase I Refined Products Offtake Agreement (RPOA) with Saudi Aramco as a “Buyer” of certain refined products listed therein produced by the Complex. The RPOA is valid for 5 years commencing from May 1, 2019, and is further extendable for another 5 year period.

4.8 Sulphur and Refined Products lifting and marketing agreement

On June 13, 2019, the Company entered into a Sulphur and Refined Products Lifting and Marketing Agreement (SRPLMA) with Saudi Aramco as a global “marketer” of certain refined products listed therein produced by the Complex. The SRPLMA is valid for 5 years commencing from May 1, 2019, and is further extendable for an additional 5 year period.

4.9 Liquefied Petroleum Gas and Light Naphtha lifting and marketing agreements

On March 16, 2015, the Company entered into Liquefied Petroleum Gas and Light Naphtha Lifting & Marketing Agreements with the founding shareholders as global “Marketers” of liquefied petroleum gas and light naphtha from the Complex. The agreements are valid for 10 years commencing from November 30, 2018 and are further extendable for an additional 5 year period. However, on November 22, 2021, the Company entered into a Phase 2 Light Naphtha Offtake Agreement (Note 4.10) with Saudi Aramco pursuant to which, effective from September 1, 2021, Saudi Aramco will purchase and offtake Light Naphtha from the Company in accordance with the terms and conditions mentioned in the Phase 2 Light Naphtha Offtake Agreement and whereas Liquefied Petroleum Gas shall continue to be lifted and marketed in accordance with the Liquefied Petroleum Gas and Light Naphtha Lifting & Marketing Agreements.

4.10 Phase 2 Light Naphtha Offtake Agreement

On November 22, 2021, the Company entered into a Phase 2 Light Naphtha Offtake Agreement with Saudi Aramco as “Buyer” of Light Naphtha produced by the Complex. This Agreement is effective from September 1, 2021 and is valid upto November 30, 2028, and is further extendable for another 5 year period.

4 Agreements with founding shareholders (continued)

4.11 Phase I Petrochemical products marketing agreements

On March 11, 2006 as amended on April 1, 2014, the Company entered into the Petrochemical Products Marketing Agreements (PPMA) with Saudi Aramco and Sumitomo Chemical Asia PTE Limited as global "Marketers" of Phase I petrochemical products produced by the Complex. The PPMAs are valid for 10 years commencing from April 1, 2014, and are further extendable for another two consecutive 5 year periods. Pursuant to Assignment and Assumption Agreements dated March 28, 2017, Saudi Aramco assigned its rights and obligations under its respective PPMAs to its affiliate, Saudi Aramco Products Trading Company (ATC). Further, pursuant to Assignment and Assumption Agreements dated February 11, 2020, ATC assigned its rights and obligations under: (i) the Propylene Oxide PPMA, to Aramco Trading Singapore PTE. Ltd (ATS) and (ii) remaining respective PPMAs, to Aramco Chemicals Company (ACC). During the year ended December 31, 2021, both ATS and ACC transferred their rights and obligations under their respective PPMAs to Saudi Basic Industries Corporation (SABIC) pursuant to Transfer Agreements effective from October 5, 2021.

4.12 Phase II Petrochemical products marketing agreements

On March 16, 2015, the Company entered into Petrochemical Products Marketing Agreements with Saudi Aramco and Sumitomo Chemical Asia PTE Limited as global "Marketers" of Phase II petrochemical products produced by the Complex. The agreements are valid for 10 years commencing from the accumulated production date and are further extendable for another 5 years. Pursuant to Assignment and Assumption Agreements dated February 11, 2020, Saudi Aramco assigned its rights and obligations under its PPMAs to its affiliates; Aramco Chemicals Company (ACC) and Aramco Trading Singapore PTE Ltd. (ATS). During the year ended December 31, 2021,

ACC transferred its rights and obligations under its PPMAs to Saudi Basic Industries Corporation (SABIC), Aramco Trading Company (ATC) and Arlanxeo Netherlands B.V and ATS transferred its rights and obligations under its respective PPMAs to Saudi Basic Industries Corporation (SABIC) pursuant to Transfer Agreements effective from October 5, 2021.

4.13 Domestic distribution agreement

On October 3, 2018, the Company entered into a Domestic Distribution Agreement (DDA) with ATC as local "Distributor". Pursuant to the terms of the DDA, the Company supplies certain petrochemical products to ATC for onward sale and distribution within the Kingdom. Pursuant to an Assignment and Assumption Agreement dated February 11, 2020 ATC transferred its rights and obligations under the DDA to ACC. During the year ended December 31, 2021, ACC transferred its rights and obligations under the DDA to SABIC pursuant to a Transfer Agreement effective from October 5, 2021. The supply and distribution obligations of each party with respect to a given product will terminate upon the expiration or termination of the global product lifting and marketing agreement corresponding to the same product.

4.14 Technology license agreements

The Company has entered into certain technology licence agreements with Sumitomo Chemical as "Licensor". Pursuant to these agreements, the Company licenses the relevant technologies to be used in the process units for particular products. The agreements will remain valid for a period of 15 years commencing on the license grant effective date (as so notified to the Company by Sumitomo Chemical).

4.15 Credit facility agreement

The Company entered into a Credit Facility Agreement (CFA) with its founding shareholders effective March 18, 2006. Pursuant to the terms of the CFA, the founding shareholders have made a loan facility of up to a maximum aggregate amount of Saudi Riyals 6,206 million available to the Company, for the purposes of developing, designing and constructing the Complex.

4.16 Revolving corporate facilities agreements

The Company has entered into revolving corporate facilities agreements with Saudi Aramco and Sumika Finance Company Limited, a wholly owned subsidiary of Sumitomo Chemical on September 30, 2020. Pursuant to the terms of these facilities agreements, each lender has made a corporate facility of Saudi Riyals 2,812.5 million (collectively Saudi Riyals 5,625 million) available to the Company.

4.17 Corporate facility agreement

The Company has entered into a corporate facility agreement with Saudi Aramco on September 30, 2020. Pursuant to the terms of this agreement, Saudi Aramco has made available a facility of Saudi Riyals 1,875 million to the Company.

4 Agreements with founding shareholders (continued)

4.18 Land lease agreement

On November 1, 2005 as amended and restated on March 16, 2015, the Company entered into a Land Lease Agreement with Saudi Aramco. Pursuant to the terms of the Land Lease Agreement, Saudi Aramco leases approximately 20 million square meters of land to the Company at a rate of Saudi Riyal 1 per square meter per annum, for a period of 99 years, subject to extension for additional consecutive periods as may be agreed between the parties.

4.19 Rabigh Plustech Park Land Lease Agreement

On November 21, 2021, the Company entered into Rabigh Plustech Park Land Lease Agreement with Saudi Aramco. Pursuant to the Agreement, Saudi Aramco leases approximately 2.4 million square meters of land at Plustech Park Site to the Company at a rate of Saudi Riyal 1 per square meter per annum, for a period of 35 years effective from October 1, 2021 and subject to extension for additional consecutive periods as may be agreed between the parties.

4.20 Terminal lease agreement

On March 2, 2006, the Company entered into a Terminal Lease Agreement with Saudi Aramco in respect of the existing Rabigh Marine Terminal. Pursuant to the terms of this agreement, Saudi Aramco grants to the Company an exclusive right to use and operate the Rabigh Terminal Facilities and the Rabigh Terminal Site for a period of 30 years.

4.21 Rabigh community agreement

The Company has entered into a Rabigh community agreement with Saudi Aramco, effective October 1, 2014 for a term of 25 years, in respect of leases of land and infrastructure facilities at an annual rate of Saudi Riyals 16.5 million and Saudi Riyals 18.2 million, respectively.

4.22 Secondment agreements

On June 12, 2006 and July 1, 2006, the Company entered into Secondment Agreements with Saudi Aramco and Sumitomo Chemical respectively pursuant to which, the founding shareholders may, from time to time, second certain personnel to the Company to assist in the conduct of its business and operations. Each agreement will remain valid until such time as the relevant founding shareholder ceases to be a shareholder of the Company.

4.23 Services agreements

The Company has entered into certain services agreements with the founding shareholders and their affiliates in respect of various operational and logistical support services. These agreements cover the provision of support services to and by the Company such as human resources, training and recruitment, legal, utilities, information technology, general management, technical and pre-marketing support. These agreements also cover the ongoing technical support needed for continuous operations, being provided by Saudi Aramco, the ongoing enhancements (such as refining and petrochemical process know-how) being provided by Sumitomo Chemical and the marketing technical services, engineering and safety best practices and training being provided by both founding shareholders. The Company pays for these services at the mutually agreed prices specified in each agreement.

5 Segment information

5.1 Operating segment

The Company operates an integrated refinery and petrochemical complex. The primary format for segment reporting is based on operating segments and is determined on the basis of management's internal reporting structure. The Management Committee (collectively considered to be the Chief Operating Decision Maker) monitors the operating results of its operating segments for the purpose of making decisions about resource allocation and performance assessment. The Company's segment profit measure is operating profit (loss).

The Company's operating segments comprise of refined products and petrochemicals. Information as of and for the year ended December 31, is summarized below:

(All amounts in thousands of Saudi Riyals unless otherwise stated)

5 Segment information (continued)

5.1 Operating segment (continued)

2023	Refined products	Petrochemicals	Unallocated	Total
Sales – external customers	**32,253,586**	**12,350,407**	**-**	**44,603,993**
Depreciation and amortization	**611,918**	**2,608,705**	**-**	**3,220,623**
Operating loss	**(1,806,517)**	**(796,436)**	**-**	**(2,602,953)**
Total assets	**19,241,954**	**42,357,918**	**1,603,007**	**63,202,879**
Total liabilities	**16,892,843**	**32,496,855**	**3,262,500**	**52,652,198**
Capital expenditure	**271,404**	**779,724**	**-**	**1,051,128**

2022	Refined products	Petrochemicals	Unallocated	Total
Sales – external customers	40,576,066	15,376,415	-	55,952,481
Depreciation and amortization	556,585	2,482,509	-	3,039,094
Operating profit (loss)	1,466,407	(1,454,179)	-	12,228
Total assets	20,120,408	43,270,330	2,187,994	65,578,732
Total liabilities	16,212,813	33,432,648	678,410	50,323,871
Capital expenditure	124,248	678,198	-	802,446

The Company's revenue from external customers amounts to Saudi Riyals 44,121 million (December 31, 2022: Saudi Riyals 55,351 million) generated from 5 customers in the year ended December 31, 2023 (December 31, 2022: 5 customers).

Geographical information for the year ended December 31, is as follows:

2023	Middle East	Asia Pacific	Others	Total
Sales				
Refined products	**27,583,853**	**4,669,733**	**-**	**32,253,586**
Petrochemicals	**3,285,797**	**8,862,694**	**201,916**	**12,350,407**
Total	**30,869,650**	**13,532,427**	**201,916**	**44,603,993**
2022				
Sales				
Refined products	35,489,542	5,071,353	15,171	40,576,066
Petrochemicals	3,994,407	10,955,714	426,294	15,376,415
Total	39,483,949	16,027,067	441,465	55,952,481

Middle East market primarily includes Kingdom of Saudi Arabia whereas Asia Pacific primarily includes Singapore and China.

5.2 Adjustments

Financial charges, financial income, Zakat and tax, cash and cash equivalents, loans and borrowings and certain assets and liabilities are not allocated to operating segments as they are managed on a Company-wide basis.

Capital expenditure consists of additions to property, plant and equipment and intangible assets.

5.3 Reconciliation of net loss

	Notes	2023	2022
Operating (loss) profit		**(2,602,953)**	12,228
Financial charges	10	**(2,217,061)**	(1,359,448)
Financial income		**27,036**	280,293
Loss before Zakat and tax		**(4,792,978)**	(1,066,927)
Zakat	23	**(5,341)**	(42,896)
Tax	23	**105,586**	(5,058)
Loss after Zakat and tax		**(4,692,733)**	(1,114,881)

(All amounts in thousands of Saudi Riyals unless otherwise stated)

6 Cost of sales

	Notes	2023	2022
Raw materials, crude oil and spare parts consumed		**40,283,535**	49,926,517
Depreciation	12,13	**2,954,931**	2,790,501
Utilities consumed		**458,840**	341,729
Personnel costs		**885,940**	842,547
Repair and maintenance		**316,663**	329,022
Contracted services		**84,539**	111,140
Amortization	14	**45,027**	45,104
Insurance		**77,240**	80,136
Provision for slow moving spare parts and consumables	17	**13,260**	53,511
Other overheads		**19,429**	24,367
		45,139,404	54,544,574
Changes in inventories of finished goods, raw materials and spare parts and consumables used		**43,088**	(275,826)
		45,182,492	54,268,748

Utilities consumed includes a charge of Saudi Riyals 183 million paid to Saudi Electricity Company (SEC) pursuant to a claim raised against the Company. During the year ended December 31, 2023, the Administrative Court of Appeal ruled the decision of the case in favour of SEC, as a result of which the Company paid Saudi Riyals 365.7 million inclusive of value added tax (VAT) to the Enforcement Court (also see Note 9 and Note 26).

7 Other income, net

	2023	2022
Port services	**19,436**	43,829
Gain on sale of scrap sales	**69,348**	45,276
Miscellaneous income	**14,106**	16,406
Loss on disposal of property, plant and equipment	**(10,092)**	(1,033)
(Loss) gain on derecognition of right-of-use assets and lease liabilities	**(285)**	45
Other expenses	**-**	(3,359)
	92,513	101,164

8 Selling and marketing expenses

	2023	2022
Freight charges	**78,876**	107,350
Deductibles (see below)	**1,011,506**	851,261
Others	**2,933**	4,379
	1,093,315	962,990

Deductibles mainly comprise of handling charges, insurance, customs and storage charges for inventories.

9 General and administrative expenses

	Notes	2023	2022
Personnel costs		**398,001**	385,047
Depreciation	12,13	**179,526**	165,029
Repairs and maintenance		**101,013**	87,194
Impairment loss on receivables		**96**	-
IT, networking and data communication		**76,090**	65,189
Amortization	14	**41,139**	38,460
Travelling		**5,165**	11,842
Rent		**1,863**	688
Professional fees		**20,171**	20,814
Insurance		**1,669**	3,813
Stationery, telex and telephone		**6,865**	7,128
Others		**192,054**	24,475
		1,023,652	809,679

9 General and administrative expenses (continued)

Others includes a charge of Saudi Riyals 160 million paid to Saudi Electricity Company (SEC) pursuant to a claim raised against the Company. During the year ended December 31, 2023, the Administrative Court of Appeal ruled the decision of the case in favour of SEC, as a result of which the Company paid Saudi Riyals 365.7 million inclusive of VAT to the Enforcement Court (also see Note 6 and Note 26).

10 Financial charges

	2023	**2022**
Interest on loans and borrowings	**1,819,411**	923,992
Interest on leases	**361,138**	379,094
Others	**36,512**	56,362
	2,217,061	1,359,448

11 Loss per share

Basic loss per share is calculated by dividing the net loss for the year by the weighted average number of ordinary shares outstanding during the year.

Diluted loss per share is calculated by dividing the net loss for the year by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The weighted average number of shares has been retrospectively adjusted for the prior year to reflect the element of the rights issue as required by IAS 33, “Earnings per share” as follows:

	2023	**2022**
Issued ordinary shares at January 1	**1,671,000**	876,000
Rights issue adjustment	**-**	528,699
Weighted average number of shares (thousands)	**1,671,000**	1,404,699

The weighted average number of shares for the prior year is computed using an adjustment factor of 1.31, which is a ratio of the theoretical ex-right price of Saudi Riyals 15.29 and the closing price per share of Saudi Riyals 20.10 per share on June 13, 2022, the last day on which the shares were traded before the rights issue.

The basic and diluted loss per share is calculated as follows:

	2023	**2022**
Loss for the year for basic and diluted earnings per share	**(4,692,733)**	(1,114,881)
Weighted average number of shares outstanding during the year (number of shares in thousands)	**1,671,000**	1,404,699
Adjustment for the effect of dilution in weighted average number of shares outstanding during the year due to ESOP (number of shares in thousands)	**335**	337
Basic and diluted loss per share (Saudi Riyals)	**(2.81)**	(0.79)

(All amounts in thousands of Saudi Riyals unless otherwise stated)

12 Property, plant and equipment

	Notes	Buildings and infrastructure	Plant, machinery and operating equipment	Vehicles and related equipment	Furniture and IT equipment	Capital projects in progress	Total
Cost							
January 1, 2022		11,124,396	58,049,074	46,970	600,896	1,002,022	70,823,358
Additions		-	241,365	-	-	557,100	798,465
Transfers							
- Within property, plant and equipment		69,286	648,489	40	15,083	(732,898)	-
- Intangible assets	14	-	-	-	-	(3,981)	(3,981)
Disposals		(385)	(4,030)	(408)	(6,129)	-	(10,952)
December 31, 2022		**11,193,297**	**58,934,898**	**46,602**	**609,850**	**822,243**	**71,606,890**
Additions		-	212,135	-	-	824,375	1,036,510
Transfers							
- Within property, plant and equipment		27,672	872,717	-	4,360	(904,749)	-
- Intangible assets	14	-	-	-	-	(14,618)	(14,618)
Disposals		(28,905)	(55,787)	(156)	(1,708)	-	(86,556)
December 31, 2023		**11,192,064**	**59,963,963**	**46,446**	**612,502**	**727,251**	**72,542,226**
Accumulated depreciation							
January 1, 2022		3,093,868	23,282,183	37,347	319,728	-	26,733,126
Charge for the year		242,747	1,955,500	1,481	46,357	-	2,246,085
Released on disposals		(185)	(3,584)	(408)	(5,742)	-	(9,919)
December 31, 2022		**3,336,430**	**25,234,099**	**38,420**	**360,343**	**-**	**28,969,292**
Charge for the year		245,023	2,136,281	1,481	41,350	-	2,424,135
Released on disposals		(28,892)	(45,751)	(156)	(1,665)	-	(76,464)
December 31, 2023		**3,552,561**	**27,324,629**	**39,745**	**400,028**	**-**	**31,316,963**
Carrying Value:							
At December 31, 2023		**7,639,503**	**32,639,334**	**6,701**	**212,474**	**727,251**	**41,225,263**
At December 31, 2022		7,856,867	33,700,799	8,182	249,507	822,243	42,637,598

12.1 Planned periodic maintenance

The Company conducted planned periodic maintenance activity for its Phase - 2 operational facilities and production plants that required shutdown of the Phase – 2 operational facilities and production plants from December 1, 2022 to January 23, 2023. The net book value of such periodic maintenance costs as at December 31, 2023 amounted to Saudi Riyals 551 million, which is included in plant, machinery and operating equipment.

(All amounts in thousands of Saudi Riyals unless otherwise stated)

12 Property, plant and equipment (continued)

Depreciation for the year has been allocated as follows:

	Notes	2023	2022
Cost of sales	6	**2,296,551**	2,132,121
General and administrative expenses	9	**127,584**	113,964
		2,424,135	2,246,085

12.2 During the year ended December 31, 2023, the Company has performed an impairment assessment for its property, plant and equipment mainly due to changed market conditions. The management assessed the value in use amount of the cash generating unit (CGU). The cash flow projections are based on detailed budgets and discounted forecast calculations. As a result of such assessment, management concluded that as at December 31, 2023, the recoverable amount of the CGU was higher than the carrying amount of property, plant and equipment.

13 Leases

13.1 Right-of-use assets

	Land, buildings and infrastructure	Plant and machinery	Vehicles	Total
Cost				
January 1, 2022	1,260,813	11,660,838	109,434	13,031,085
Additions	-	-	51,342	51,342
Derecognition	-	-	(1,972)	(1,972)
December 31, 2022	**1,260,813**	**11,660,838**	**158,804**	**13,080,455**
Additions	-	-	9,876	9,876
Derecognition	-	-	(878)	(878)
December 31, 2023	**1,260,813**	**11,660,838**	**167,802**	**13,089,453**
Accumulated depreciation				
January 1, 2022	265,987	2,022,868	73,272	2,362,127
Charge for the year	35,537	652,980	20,928	709,445
Released on derecognition	-	-	(1,265)	(1,265)
December 31, 2022	**301,524**	**2,675,848**	**92,935**	**3,070,307**
Charge for the year	35,537	652,980	21,805	710,322
Released on derecognition	-	-	(482)	(482)
December 31, 2023	**337,061**	**3,328,828**	**114,258**	**3,780,147**
Carrying value				
At December 31, 2023	**923,752**	**8,332,010**	**53,544**	**9,309,306**
At December 31, 2022	959,289	8,984,990	65,869	10,010,148

Depreciation for the year has been allocated as follows:

	Notes	2023	2022
Cost of sales	6	**658,380**	658,380
General and administrative expenses	9	**51,942**	51,065
		710,322	709,445

(All amounts in thousands of Saudi Riyals unless otherwise stated)

13 Leases (continued)

13.2 Lease liabilities

Lease liabilities as at December 31, are as follows:

	2023			**2022**		
	Minimum lease payments	**Interest**	**Present value of minimum lease payments**	**Minimum lease payments**	**Interest**	**Present value of minimum lease payments**
Land, buildings and infrastructure	**2,545,167**	**1,479,650**	**1,065,517**	2,622,391	1,532,332	1,090,059
Plant and machinery	**11,287,679**	**2,306,797**	**8,980,882**	12,153,276	2,612,544	9,540,732
Vehicles	**59,099**	**3,422**	**55,677**	72,762	5,712	67,050
	13,891,945	**3,789,869**	**10,102,076**	14,848,429	4,150,588	10,697,841

Lease liabilities as at December 31, are presented in the statement of financial position as follows:

	2023	**2022**
Current portion	**630,368**	602,365
Non-current portion	**9,471,708**	10,095,476
	10,102,076	10,697,841

The minimum lease payments together with the present value of minimum lease payments as at December 31 are as follows:

	2023		**2022**	
	Minimum lease payments	**Present value of minimum lease payments**	Minimum lease payments	Present value of minimum lease payments
Within twelve months	**969,110**	**630,368**	961,665	602,365
One to five years	**3,777,773**	**2,623,085**	3,788,082	2,565,374
More than five years	**9,145,062**	**6,848,623**	10,098,682	7,530,102
Total minimum lease payments	**13,891,945**	**10,102,076**	14,848,429	10,697,841
Less: finance charges	**(3,789,869)**	**-**	(4,150,588)	-
Present value of minimum lease payments	**10,102,076**	**10,102,076**	10,697,841	10,697,841

Details of major classes of leases is as follows:

(a) Land, building and infrastructure

(i) **Community:** The land and facilities lease for community is with Saudi Aramco for a period of 25 years (see Note 4.21).

(ii) **Marine Terminal:** The land and facilities lease for marine terminal is with Saudi Aramco for a period of 30 years (see Note 4.20).

(iii) **Complex Land:** The Complex land lease is with Saudi Aramco for a period of 99 years (see Note 4.18).

(iv) **Rabigh Plus Tech Park Land:** The Rabigh Plus Tech Park land lease is with Saudi Aramco for a period of 35 years (see Note 4.19).

(All amounts in thousands of Saudi Riyals unless otherwise stated)

13 Leases (continued)

13.2 Lease liabilities (continued)

(b) Plant and machinery

(i) **Power, steam and water:** The lease is with Rabigh Arabian Water and Electricity Company (RAWEC) for a period of 25 years.

(ii) **Desalination plant:** The Company has taken over the interest and obligations of Saudi Aramco in respect of the Desalination plant for the Refinery Complex, with a remaining term of 17 years.

(c) Vehicles

The Company has leases with Eradat Transport LLC and Al Jomaih Automotive Company for leases of buses and vehicles for a period of 5 years.

13.3 During the year ended December 31, 2023, the Company's expenses relating to short-term leases and low value assets are Saudi Riyals Nil (December 31, 2022: Saudi Riyals 1,974 thousands) and Saudi Riyals 1,120 thousands (December 31, 2022: Saudi Riyals 1,764 thousands), respectively.

14 Intangible assets

	Notes	Software	Licenses	Other	Total
Cost					
January 1, 2022		457,217	430,326	5,154	892,697
Additions	12	3,981	-	-	3,981
December 31, 2022		461,198	430,326	5,154	896,678
Additions	12	14,618	-	-	14,618
December 31, 2023		**475,816**	**430,326**	**5,154**	**911,296**
Amortization					
January 1, 2022		322,329	197,905	1,597	521,831
Amortization for the year		45,070	37,759	735	83,564
December 31, 2022		367,399	235,664	2,332	605,395
Amortization for the year		47,672	37,759	735	86,166
December 31, 2023		**415,071**	**273,423**	**3,067**	**691,561**
Carrying value:					
December 31, 2023		**60,745**	**156,903**	**2,087**	**219,735**
December 31, 2022		93,799	194,662	2,822	291,283

Amortization for the year has been allocated as follows:

	Notes	2023	2022
Cost of sales	6	**45,027**	45,104
General and administrative expenses	9	**41,139**	38,460
		86,166	83,564

(All amounts in thousands of Saudi Riyals unless otherwise stated)

15 Financial assets and financial liabilities

15.1 Financial assets measured at amortized cost

Long-term loans:	**Notes**	**2023**	**2022**
Loans to employees	15.1.1	**270,461**	248,691
Less: current portion of long-term loans		**(1,715)**	(4,151)
Non-current portion of long-term loans		**268,746**	244,540
Trade receivables	15.1.2	**5,190,684**	5,377,367

15.1.1 The Company's eligible employees are provided with loans under an employees' home ownership program upon completion of four years of service with the Company. The cost of the land is advanced to employees free of interest cost while the construction cost of the house is amortized and repayable free of interest to the Company to the extent of 90% over a period of seventeen years provided the employee completes ten years of service from the date of first disbursement of the loan. The remaining 10% is amortized over the term of the loan (seventeen years). These loans are secured by mortgages on the related housing units. Ownership of the housing unit is transferred to the employee upon full payment of the loan.

15.1.2 Trade receivables of the Company are as follows:

	Note	**2023**	**2022**
Trade receivables – related parties	25	**5,185,181**	5,344,931
Trade receivables – others		**5,503**	32,436
		5,190,684	5,377,367

Following is the ageing matrix used by the Company for analysis of trade receivables:

			Past due but not impaired					
	Total	**Neither past due nor impaired**	**Less than 6 months**	**6 to 12 months**	**12 to 18 months**	**18 to 24 months**	**More than 24 months**	**More than 24 months impaired**
2023	**5,190,684**	**5,174,556**	**14,986**	**-**	**-**	**-**	**1,142**	**-**
2022	5,377,367	5,231,094	94,399	50,388	318	-	1,168	-

Financial assets also include cash and cash equivalents amounting to Saudi Riyals 1,372 million (December 31, 2022: Saudi Riyals 2,045 million) and other receivables amounting to Saudi Riyals 31 million (December 31, 2022: Saudi Riyals 59 million) that are measured at amortized cost.

15.2 Financial assets measured at fair value through profit and loss

	2023	**2022**
Investment in RAWEC	**10,000**	10,000

The Company holds 1% shares in the capital of RAWEC, a Saudi limited liability company.

15.3 Financial liabilities measured at amortized cost

Loans, borrowings and other liability	**Notes**	**2023**	2022
Loans and facilities from banks, financial institutions, founding shareholders and their affiliates	15.3.1	**22,417,798**	22,217,212
Loan from Saudi Industrial Development Fund (SIDF)	15.3.2	**3,006,741**	3,145,908
Other facilities	15.3.3	**3,269,182**	649,576
		28,693,721	26,012,696
Less: current portion		**(9,082,981)**	(13,435,306)
Non-current portion		**19,610,740**	12,577,390
Trade and other payables	15.3.4	**11,856,665**	12,117,925

15 Financial assets and financial liabilities (continued)

15.3 Financial liabilities measured at amortized cost (continued)

15.3.1 Loans and facilities from banks, financial institutions, founding shareholders and their affiliates

15.3.1 (a) During the year 2015, the Company had entered into Consortium Loan Agreements with commercial banks and financial institutions for Phase II Expansion Project. The facilities available under these loan agreements amounted to Saudi Riyals 30,630 million which have been utilized in full by the Company. The loan amounting to Saudi Riyals 19,380 million is repayable in semi-annual instalments from June 2019 to June 2031. During the year ended December 2020, a portion of loans amounting to Saudi Riyals 3,312 million has been repaid from the proceeds of loan from SIDF (Note 15.3.2). During the year ended December 31, 2022, the equity bridge loans guaranteed by founding shareholders amounting to Saudi Riyals 11,250 million were partially repaid to an extent of Saudi Riyals 1,940 million out of the proceeds of the rights issue carried out by the Company in the year 2022. The equity bridge loans had an initial maturity of July 1, 2019, which during the year ended December 31, 2023, have been restructured (the “restructured EBLs”) and are now repayable in unequal annual instalments commencing from December 2024 to December 2027 whilst continuing to be guaranteed by founding shareholders. An Extension fee amounting to Saudi Riyals 135 million is payable in two instalments and is amortised over the term of restructured EBLs. The restructured EBLs are financed by commercial banks and a related party (Aramco Overseas Company, a wholly owned subsidiary of Saudi Aramco, a founding shareholder), to an extent of Saudi Riyals 6,310 million and Saudi Riyals 3,000 million respectively.

The aforementioned loans are denominated in US Dollars and bear financial charges based on prevailing market rates and certain covenants requirements. The loans are secured by property, plant and equipment (Note 12) and cash and cash equivalents (Note 16) of the Company with a carrying value of Saudi Riyals 41,225 million and Saudi Riyals 1,372 million, respectively.

15.3.1 (b) During the year 2020, the Company entered into Revolving corporate facilities with Saudi Aramco and Sumika Finance Company Limited, a wholly owned subsidiary of Sumitomo Chemical. The facilities available under each of these agreements amount to Saudi Riyals 2,812.5 million (collectively Saudi Riyals 5,625 million) and are utilized to the extent of Saudi Riyals 3,525 million as at December 31, 2023.

Further, the Company entered into a corporate facility agreement with Saudi Aramco during 2020. The facility available under this agreement amounts to Saudi Riyals 1,875 million and is unutilized as at December 31, 2023.

The aforementioned facilities bear financial charges based on prevailing market rates and are secured by promissory notes issued by the Company in favour of the lenders to the extent of drawdowns made.

15.3.2 Loan from SIDF

During the year ended December 31, 2019, the Company entered into a loan agreement with SIDF to replace a portion of the loans for Phase II Expansion Project (see Note 8.3.1). The facility available under this loan agreement amounts to Saudi Riyals 3,600 million and is fully utilized as at December 31, 2023. The loan is repayable in unequal semi-annual instalments commencing from Rabi Aakhir 1443H (corresponding to November 2021) to Shawwal 1453H (corresponding to January 2032). Upfront fee amounting to Saudi Riyals 288 million was deducted at the time of receipt of the loan and is amortised over the loan term. The loan also bears a follow up fee to be paid on semi-annual basis. The loan has certain covenants, which among other things requires certain financial ratios to be maintained. The loan facility is secured by a mortgage on the property, plant and equipment of the Company amounting to Saudi Riyals 7,200 million.

15.3.3 Other facilities

(a) The Company has working capital facilities of Saudi Riyals 3,375 million with local commercial banks on prevailing market rates. During the year ended December 31, 2023, drawdowns and repayments amounting to Saudi Riyals 31,150 million and Saudi Riyals 28,535 million, respectively have been made by the Company with a closing balance of Saudi Riyals 3,262 million as at December 31, 2023 (December 31, 2022: Saudi Riyals 647 million).

(b) The Company has a credit facility of Saudi Riyals 375 million with a local commercial bank on prevailing market rates. As at December 31, 2023, the facility has been unutilized (December 31, 2022: Saudi Riyals Nil).

(All amounts in thousands of Saudi Riyals unless otherwise stated)

15 Financial assets and financial liabilities (continued)

15.3 Financial liabilities measured at amortized cost (continued)

15.3.4 Trade and other payables

	2023	2022
Trade payables:		
- Related parties	**10,777,474**	10,865,318
- Others	**1,000,340**	1,152,886
	11,777,814	12,018,204
Other payables – related parties (see below)	**78,851**	99,721
	11,856,665	12,117,925

Other payables principally relate to payments made by founding shareholders on behalf of the Company in respect of seconded employees and other charges, remaining accumulated interest on shareholders loans amounting to Saudi Riyals 45.1 million and withholding tax on the remaining unpaid accumulated interest on loan from Sumitomo Chemical amounting to Saudi Riyals 1.2 million.

15.4 Financial instruments risk management objectives and policies

Financial risk is inherent in the Company's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing operations and each individual within the Company is accountable for the risk exposures relating to respective responsibilities. The Company's policy is to monitor business risks through strategic planning process.

Risk management structure

Board of Directors
The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles.

Board audit committee
The audit committee assists the Board in carrying out its responsibilities with respect to assessing the quality and integrity of financial reporting and risk management, the internal audit thereof and the soundness of the internal controls of the Company.

Internal audit
All key operational, financial and risk management processes are audited by internal audit. Internal audit examines the adequacy of the relevant policies and procedures and the Company's compliance with internal policies and regulatory guidelines. Internal audit discusses the results of all assessment with management and reports its findings and recommendations to audit committee.

The risks faced by the Company and the way these risks are mitigated are summarized below:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Credit risk principally arises from cash and cash equivalents, trade receivables, long-term loans and other receivables. The Company's gross maximum exposure to credit risk at the reporting date is as follows:

	2023	2022
Cash and cash equivalents	**1,372,066**	2,044,718
Trade receivables	**5,190,684**	5,377,367
Long-term loans	**270,461**	248,691
Other receivables	**31,053**	59,093
	6,864,264	7,729,869

15 Financial assets and financial liabilities (continued)

Credit risk (continued)

Cash and cash equivalents are placed with banks with sound credit ratings. The majority of trade receivables representing 99.8% (December 31, 2022: 99.4%) is from founding shareholders and their affiliates with historically strong credit ratings and is stated at respective fair values. In the event of disagreement on any invoice, the marketer is required to pay the full value of the invoice prior to resolution of the disagreement. The Company does not obtain collaterals over receivables. As at December 31, 2023, there were overdue debts equivalent to 0.3% (December 31, 2022: 3%) of trade receivables of Company's allowed credit periods. The loans receivable from employees are secured by mortgages on the related housing units. The Company is not exposed to significant credit risk on other receivables.

Commodity price risk

The Company is exposed to the risk of fluctuations in the prevailing market prices on the refined and petrochemical products it produces. The Company's policy is to manage these risks through the use of contract-based prices with major customers, based on the agreements entered by the Company (Note 4). The Company does not enter into commodity price hedging arrangements.

Fair value and cash flow interest rate risks

Fair value and cash flow interest rate risks are the exposures associated with the effect of fluctuations in the prevailing interest rates on the Company's financial positions and cash flows. The Company's interest rate risks arise mainly from its short-term deposits, loans from banks and financial institutions and loans from founding shareholders and their affiliates, which are at floating rate of interest and are subject to re-pricing on a regular basis.

Fair value of financial assets and liabilities carried at amortized cost approximate their carrying amounts.

Interest rate sensitivity

As at December 31, 2023, it is estimated that a general increase / decrease of 50 basis points in floating interest rates on loans and borrowings, with all other variables held constant, would increase / decrease the Company's profit (loss) for the year by approximately Saudi Riyals 128.2 million (December 31, 2022: Saudi Riyals 114.1 million).

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are principally in Saudi Riyals and US Dollars. The Company monitors the fluctuation in currency exchange rates and believes that currency risk is not significant to the Company.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its commitments associated with financial liabilities when they fall due.

Liquidity requirements are monitored on regular basis and the Company ensures that sufficient liquid funds are available to meet any commitments as they arise. The Company aims to maintain sufficient level of its cash and cash equivalents to meet expected cash outflows of financial liabilities.

The Company's financial liabilities consist of trade and other payables (Note 15.3.6), loans and borrowings (Note 15.3.1, 15.3.2, 15.3.3, 15.3.4 and 15.3.5), lease liabilities (Note 13.2) and accrued expenses and other liabilities (Note 22). All financial liabilities except for loans and borrowings, lease liabilities, are non-commission bearing and expected to be settled within 12 months from the date of statement of financial position.

The following analysis provides the Company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant, except for lease liabilities, which are stated at minimum lease payments.

(All amounts in thousands of Saudi Riyals unless otherwise stated)

15 Financial assets and financial liabilities (continued)

Liquidity risk (continued)

2023	Less than three months	Three to twelve months	One to five years	Over five years
Loans and borrowings	**3,269,182**	**7,178,470**	**18,472,058**	**5,314,569**
Lease liabilities	**236,551**	**732,559**	**3,777,773**	**9,145,062**
Trade and other payables	**10,813,358**	**1,043,307**	**-**	**-**
Accrued expenses and other liabilities	**397,734**	**-**	**-**	**-**
	14,716,825	**5,429,336**	**25,774,831**	**14,459,631**

2022	Less than three months	Three to twelve months	One to five years	Over five years
Loans and borrowings	10,108,939	2,094,893	8,249,743	9,607,747
Lease liabilities	232,911	728,754	3,788,082	10,098,682
Trade and other payables	10,912,983	1,204,942	-	-
Accrued expenses and other liabilities	298,868	-	-	-
	21,553,701	4,028,589	12,037,825	19,706,429

Capital management

The primary objective of the Company's capital management is to ensure that it maintains strong credit worthiness and capital ratios in order to support its business and maximize shareholders' value.

The Company's Board of Directors considers share capital, retained earnings (accumulated losses) and statutory reserve as Company's capital. The Company manages its capital and makes adjustments to it in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company is not subject to externally imposed capital requirements.

16 Cash and cash equivalents

	2023	2022
Cash in hand	**75**	75
Cash at banks - current accounts	**1,372,066**	2,044,718
	1,372,141	2,044,793

17 Inventories

	2023	2022
Raw materials (at cost)	**432,841**	520,616
Work-in-progress (at net realizable value)	**1,201,825**	1,150,901
Finished goods (at net realizable value)	**1,176,703**	1,172,287
Goods-in-transit (at cost)	**363**	1,816
Spare parts and consumables (net of provision)	**1,160,685**	1,183,145
	3,972,417	4,028,765

During the year ended December 31, 2023, in order to carry the inventory at net realizable value, the net movement in provision for inventory except for spare parts and consumables has resulted in Saudi Riyals Nil (December 31, 2022: Saudi Riyals 332.2) expense under cost of sales.

Movement in provision for slow moving spare parts and consumables is as follows:

	Note	2023	2022
January 1		**168,425**	115,807
Additions	6	**13,260**	53,511
Utilised		**(58)**	(893)
December 31		**181,627**	168,425

(All amounts in thousands of Saudi Riyals unless otherwise stated)

18 Prepayments and other receivables

	Note	2023	2022
Prepayments		**93,329**	109,049
Advances to suppliers		**67,342**	79,445
Advance tax and value added tax		**1,208,889**	541,411
Other receivables		**23,834**	25,112
		1,393,394	755,017
Due from related parties	25	**8,612**	50,716
		1,402,006	805,733

19 Share capital

The Company's authorised and issued share capital of Saudi Riyals 16.71 billion at December 31, 2023 and December 31, 2022 consists of 16,710 million fully paid shares of Saudi Riyals 10 each. The founding shareholders of the Company are Saudi Aramco and Sumitomo Chemical and each of them hold 37.5% of the shares.

The cost of rights issue carried out during the previous year ended December 31, 2022 amounted to Saudi Riyals 47.01 million was recognized in statement of changes in equity.

20 Statutory reserve

In accordance with the Regulation for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer each year at least 10% of its net income, after absorbing accumulated losses, to a statutory reserve until such reserve equal 30% of its share capital. This reserve is not available for distribution to shareholders.

21 Employees' benefits

	Notes	2023	2022
End of service benefits	21.1	**585,458**	522,089
Employees' share ownership plan	21.2	**5,305**	5,339
Employees' savings program	21.3	**227,809**	197,765
Total employees' benefits		**818,572**	725,193
Less: Current portion of employees' benefits under accrued expenses and other liabilities		**(5,047)**	(5,468)
Non-current portion of employees' benefits		**813,525**	719,725

21.1 End of service benefits

	2023	2022
Company's employees	**580,837**	517,044
Founding shareholders' seconded employees	**4,621**	5,045
	585,458	522,089

The Company has a post-employment defined benefit plan for its employees. The benefits are required by Saudi Arabian Labor and Workman Law (labor law). The benefit is based on employees' final salaries and allowances and their cumulative years of service, as stated in the labor law.

The following table summarizes the components of the net benefit expense recognized in the statement of profit or loss, statement of comprehensive income and movement in present value of defined benefit obligation in the statement of financial position.

Net benefit expense recognised in statement of profit or loss:	2023	2022
Current service cost	**47,530**	61,558
Interest cost on benefit obligation	**26,193**	16,249
	73,723	77,807

(All amounts in thousands of Saudi Riyals unless otherwise stated)

21 Employees' benefits (continued)

21.1 End of service benefits (continued)

Net benefit expense recognised in statement of comprehensive income:	**2023**	**2022**
Actuarial gain arising from experience	**(1,089)**	(523)
Actuarial loss (gain) arising from changes in financial assumptions	**13,434**	(153,883)
	12,345	(154,406)

Movement in present value of defined benefit obligation:	**2023**	**2022**
January 1	**517,044**	605,754
Current service cost	**47,530**	61,558
Interest cost on benefit obligation	**26,193**	16,249
Actuarial gain arising from experience	**(1,089)**	(523)
Actuarial loss (gain) arising from changes in financial assumptions	**13,434**	(153,883)
Benefits paid during the year	**(22,275)**	(12,111)
December 31	**580,837**	517,044

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

	2023	**2022**
Discount rate	**5.00%**	5.25%
Salary escalation rate	**4%**	4%
In service mortality	**SOA RP14 Total Dataset mortality with scale MP-14**	SOA RP14 Total Dataset mortality with scale MP-14
Withdrawal before normal retirement age	**Age-wise**	Age-wise

The weighted average duration of the defined benefit obligation as at December 31, 2023 is 9.5 years (December 31, 2022: 9.7 years).

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

Discount rate:

	2023	**2022**
1% increase in discount rate	**530,046**	470,962
1% decrease in discount rate	**640,174**	571,042

Salary escalation rate:

	2023	**2022**
1% increase in salary escalation rate	**640,234**	571,238
1% decrease in salary escalation rate	**529,090**	469,992

Voluntary exit rate:

	2023	**2022**
5% increase at each age	**585,775**	523,514
5% decrease at each age	**566,088**	498,611

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

(All amounts in thousands of Saudi Riyals unless otherwise stated)

21 Employees' benefits (continued)

21.2 Employees' share ownership plan

During the year ended December 31, 2008, the Board of Directors approved the implementation and operation of an Employees' share ownership plan ("ESOP"), which provides 5 years' service awards to certain levels of staff.

The Company arranged with a commercial bank to subscribe for 1.5 million shares during the IPO at the offer price of Saudi Riyals 21 per share. These ESOP shares are held by the bank in trust for the Company's eligible employees that will become eligible for an award under the plan. Any of the ESOP shares that do not become issuable to eligible employees will be dealt with by the bank in accordance with the Company's instructions, and any disposal proceeds will be for the account of the Company. The Company recognized the liability through provision by amortizing the total cost of the ESOP shares on a straight-line basis over a period of 5 years.

Until the ESOP shares become vested and are transferred to the eligible employees, they are accounted for as a deduction from shareholders' equity. During the year ended December 31, 2023, the Company has vested 1,600 shares to eligible employees due for entitlement (December 31, 2022: 6,400 shares).

The carrying amount of the ESOP at December 31, 2023 is Saudi Riyals 5.3 million (December 31, 2022: Saudi Riyals 5.3 million).

21.3 Employees' savings program

The Company operates a thrift savings program (the "Program") on behalf of its employees and the Company matches the employee contribution with an equal, or lesser, contribution towards the Program that is commensurate with the employee's participation seniority in the Program.

Balance in employees' savings program is presented in the statement of financial position as follows:

	2023	2022
Current portion (included in accrued expenses and other liabilities)	**516**	613
Non-current portion	**227,293**	197,152
	227,809	197,765

22 Accrued expenses and other liabilities

	Note	2023	2022
Accrued bonus		**28,702**	28,119
Customer advances		**15,123**	29,751
Social security payable		**8,691**	8,538
Withholding tax and value added tax (VAT) payable		**773,353**	415,654
Accrued expenses		**378**	395
Dividend payable		**1,028**	1,029
Others		**38,500**	9,557
		865,775	493,043
Due to related parties	25	**320,435**	251,230
		1,186,210	744,273

23 Zakat and tax

23.1 Charge for the year

Zakat and tax for the year ended December 31, is as follows:

	Note	2023	2022
Zakat for the year		**-**	-
Income tax for the year		**-**	-
Deferred tax (income) charge for the year (see below)		**(106,512)**	16,638
Zakat for the preceding years	23.3	**5,341**	42,896
		(101,171)	59,534

(All amounts in thousands of Saudi Riyals unless otherwise stated)

23 Zakat and tax (continued)

23.1 Charge for the year (continued)

Income tax and deferred tax for the year ended December 31, has been recognised as follows:

	Note	2023	2022
Statement of profit or loss:			
- Income tax		**-**	-
- Deferred tax income (charge)		**(105,586)**	5,058
Tax (income) expense for the year	23.2	**(105,586)**	5,058
Statement of comprehensive income – Deferred tax (income) expense		**(926)**	11,580

23.2 Zakat base and tax expense reconciliation

Zakat for the year ended December 31, is attributable to the following components:

	2023	2022
Share capital, reserves and carried forward losses	**11,139,466**	15,546,824
Liabilities and provisions	**26,156,515**	26,474,614
Assets	**(42,998,270)**	(44,513,632)
Zakat base	**(5,702,288)**	(2,492,194)
Zakat base attributable to Saudi founding shareholder and general public shareholding (2023 and 2022: 62.5%)	**(3,563,930)**	(1,557,621)
Zakat for the year	**-**	-

Some of the above-mentioned amounts have been adjusted in arriving at the Zakat charge for the year. Since Zakat base is negative for the year ended December 31, 2023, Zakat charge is Nil.

Reconciliation between (loss) profit before Zakat and tax at applicable tax rate and tax expense for the year ended December 31, is as follows:

	2023	2022
Loss before Zakat and tax	**(4,792,978)**	(1,066,927)
Loss subject to tax (2023 and 2022: 37.5%)	**(1,797,367)**	(400,098)
Tax at applicable tax rate (20%)	**(359,473)**	(80,020)
Tax effect of non-deductible expenses:		
Interest expense in excess of allowable limit	**138,236**	71,180
Withholding tax	**6,397**	4,078
Effect of previous years' tax assessments on brought forward losses	**100,540**	-
Educational assistance	**199**	186
Others	**8,515**	9,634
Tax (income) expense for the year	**(105,586)**	5,058

23.3 Status of assessments

The Company has filed its Zakat and income tax returns with the Zakat, Tax and Customs Authority (ZATCA) up to 2022 and obtained the Zakat certificate, valid until April 30, 2024. The Company has finalized Zakat and income tax assessments with ZATCA up to 2020.

During the year ended December 31, 2023, ZATCA requested certain information regarding the returns filed for the years 2021 and 2022, which the Company has already provided to the ZATCA.

(All amounts in thousands of Saudi Riyals unless otherwise stated)

24 Zakat and tax asset and liability

24.1 The movement of Zakat and income tax payable is as follows:

	Notes	2023	2022
January 1		**31,411**	41,814
Charge for the current year	23.1	**-**	-
Adjustment for preceding years	23.3	**5,341**	42,896
Payments during the year		**(36,752)**	(53,299)
December 31		**-**	31,411

24.2 The component wise movement of deferred tax asset is as follows:

	Property, plant and equipment	Tax losses carried forward	Employees' benefits	Trade receivables and inventories	Others	Total
2023						
January 1	**(1,715,291)**	**1,782,522**	**39,157**	**12,632**	**5,334**	**124,354**
Tax (expense) income recognised in statement of profit or loss	**(82,190)**	**179,980**	**3,826**	**990**	**2,980**	**105,586**
Tax income recognised in statement of comprehensive income	**-**	**-**	**926**	**-**	**-**	**926**
December 31	**(1,797,481)**	**1,962,502**	**43,909**	**13,622**	**8,314**	**230,866**

	Property, plant and equipment	Tax losses carried forward	Employees' benefits	Trade receivables and inventories	Others	Total
2022						
January 1	(1,562,591)	1,646,274	45,872	8,685	2,752	140,992
Tax (expense) income recognised in statement of profit or loss	(152,700)	136,248	4,865	3,947	2,582	(5,058)
Tax expense recognised in statement of comprehensive income	-	-	(11,580)	-	-	(11,580)
December 31	(1,715,291)	1,782,522	39,157	12,632	5,334	124,354

The ultimate realisation of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible.

25 Related party transactions and balances

Related parties comprise of founding shareholders of the Company being Saudi Aramco and Sumitomo Chemical, (having significant influence on the Company) entities controlled, jointly controlled or significantly influenced by such parties (associated companies) and key management personnel.

25.1 Transactions with related parties

Transactions with related parties arise mainly from purchases, sales of refined and petrochemical products, credit facilities, secondments and various lease arrangements and are undertaken at approved contractual terms (See note 4). Significant related party transactions for the year ended December 31, are summarized as follows:

(All amounts in thousands of Saudi Riyals unless otherwise stated)

25 Related party transactions and balances (continued)

25.1 Transactions with related parties (continued)

	2023	2022
Saudi Aramco and its associated companies		
Purchase of goods	**39,289,907**	48,714,149
Sale of refined products and petrochemical products	**38,055,923**	48,121,386
Financial charges	**317,948**	134,790
Rentals	**24,649**	23,372
Secondees' costs	**11,837**	14,149
Service and other cost charges, net	**18,212**	20,841
Sumitomo Chemical and its associated companies		
Purchase of goods	**69,117**	71,771
Sale of petrochemical products	**5,074,367**	6,405,992
Financial charges	**98,494**	75,294
Secondees' costs	**4,564**	6,144
Service and other cost charges, net	**260**	108

25.2 Balances with related parties

Significant balances as at December 31, arising from transactions with related parties are as follows:

	Notes	2023	2022
Saudi Aramco and its associated companies			
Due to related parties:			
Loans and borrowings	15	**1,766,290**	1,089,616
Trade and other payables	15	**10,828,385**	10,924,407
Employees' benefits		**47**	156
Accrued expenses and other liabilities	22	**256,474**	233,385
Due from related parties:			
Trade and other receivables	15,18	**4,670,939**	4,885,978

The Company has borrowing arrangements with governmental agencies at market terms (Notes 15.3.1 and 15.3.2) having an ending balance of Saudi Riyals 6,030 million as at December 31, 2023 (December 31, 2022: Saudi Riyals 6,518 million).

	Notes	2023	2022
Sumitomo Chemical and its associated companies			
Due to related parties:			
Loans and borrowings	15	**1,766,290**	1,089,616
Trade and other payables	15	**27,941**	40,632
Accrued expenses and other liabilities	22	**63,961**	17,845
Employees' benefits		**43**	33
Due from related parties:			
Trade and other receivables	15,18	**522,854**	509,669

25.3 Transactions with key management personnel

Transactions with key management personnel on account of short-term benefits amounted to Saudi Riyals 13.7 million (December 31, 2022: Saudi Riyals 15.3 million) of which Saudi Riyals 7.7 million (December 31, 2022: Saudi Riyals 7.6 million) are included in secondees' costs above (see Note 25.1). The remuneration paid to directors amounted to Saudi Riyals 1.05 million (December 31, 2022: Saudi Riyals 1.05 million).

26 Contingencies and commitments

(i) In addition to the amounts disclosed in note 15.3.3, bank guarantees and letters of credit issued on behalf of the Company as at December 31, 2023 amounted to Saudi Riyals 1,683 million (December 31, 2022: Saudi Riyals 1,828 million).

(ii) In addition to the amounts disclosed in note 13.2, capital commitments contracted for but not incurred as at December 31, 2023 amounted to Saudi Riyals 466 million (December 31, 2022: Saudi Riyals 194 million).

(iii) During the year ended December 31, 2021, Saudi Electricity Company ("SEC") raised a claim against the Company alleging that the Company breached the Power Supply Agreement (the "Agreement") by importing power in excess of the 130MWs threshold set in the Agreement. After payment of an undisputed amount of Saudi Riyals 56.4 million, the remaining disputed amount was Saudi Riyals 317.98 million which consisted of penalty on Grid Utilization Fee for 2018 and higher Grid Utilization Fee for 2019 and 2020 compared to the threshold stated as per the Agreement. In addition, SEC increased the claim amount to Saudi Riyals 365.7 million by adding Saudi Riyals 47.7 million as Grid Utilization Fee for 2021 which was the subject of a new Grid Utilization Agreement negotiated by the Company and SEC (National Grid), and not part of the above dispute. On December 19, 2021, the Dispute Resolution Committee (the "Committee") issued an administrative decision ordering the Company to pay SEC the claim amount of Saudi Riyals 365.7 million. The Company filed an appeal against the Committee's decision on several grounds with the Jeddah Administrative Court at the Board of Grievances which held the appeal hearing on February 8, 2023 and ruled the decision in favor of the Company. SEC had filed an appeal against the Court's decision with the Administrative Court of Appeal which ruled the decision in favor of SEC. The Company has also filed an appeal against this decision of the Administrative Court of Appeal at the Supreme Court of Cessation to revoke the judgement issued by the Administrative Court of Appeal. The Company's appeal has been accepted and the hearing date is awaited.

On October 24, 2023, the Company received an enforcement notice to pay the claim amount of Saudi Riyals 365.7 million inclusive of VAT, which the Company has duly paid to the Enforcement Court. Further, the Company has filed an appeal with the Enforcement Court against the above notice. Accordingly, the Company's management took a prudent view of the matter and has made a provision amounting to Saudi Riyals 343 million exclusive of VAT in these financial statements.

27 Approval and authorization for issue

These financial statements were approved and authorized for issue by the Board of Directors of the Company on Ramadan 10, 1445H (March 20, 2024).