**Independent Auditor’s Report**

To the Shareholders and the Board of Directors of Star Petroleum Refining Public Company Limited

**My opinion**

In my opinion, the financial statements present fairly, in all material respects, the financial position of Star Petroleum Refining Public Company Limited (the Company) as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRS).

**What I have audited**

The Company’s financial statements comprise:

* the statement of financial position as at 31 December 2021;
* the statement of comprehensive income for the year then ended;
* the statement of changes in equity for the year then ended;
* the statement of cash flows for the year then ended; and
* the notes to the financial statements, which include significant accounting policies and other explanatory information.

**Basis for opinion**

I conducted my audit in accordance with Thai Standards on Auditing (TSAs). My responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of my report.   
I am independent of the Company in accordance with Code of Ethics for Professional Accountants issued by the Federation of Accounting Professions that are relevant to my audit of the financial statements and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

**My audit approach - overview**

**Materiality**

The overall materiality: US Dollar 9.30 million which represents 5% of Company’s profit before tax.

The overall materiality is determined from profit before tax in   
US Dollar which is the Company’s functional currency as described in the accounting policy in Note 3.3.1.

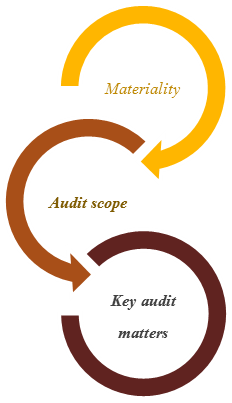
**Audit scope**

I conducted a full scope audit work of the Company which is engaged in the operation of a petroleum refinery in Thailand.

**Key audit matters**

I identified the following key audit matters:

* Revenue recognition
* Recognition of deferred tax assets on tax losses carried forward



**Materiality**

The scope of my audit was influenced by my application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They 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 the financial statements.

Based on my professional judgement, I determined certain quantitative thresholds for overall materiality for the financial statements as set out in the table below. These, together with qualitative considerations, helped me to determine the scope of my audit and the nature, timing and extent of my audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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| --- | --- |
| ***Overall materiality*** | US Dollar 9.30 million (2020: US Dollar 11.76 million) |
| ***How I determined it*** | 5% of profit before tax (2020: 5% of loss before tax) |
| ***Rationale for the materiality benchmark applied*** | I chose profit before tax as the critical measure because, in my view, it is the measure against which the performance of the Company is most commonly assessed. The 5% benchmark is a generally accepted auditing practice and there were no significant unusual elements that merited adjustments to this benchmark. |

I agreed with the audit committee that I would report to them misstatements identified during my audit.

**How I tailored my audit scope**

I tailored the scope of my audit in order to perform sufficient work to enable me to provide an opinion on the financial statements, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

**Key audit matters**

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

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| --- | --- |
| **Key audit matter** | **How my audit addressed the key audit matter** |
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| **Revenue recognition** |  |
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| In 2021, the Company recognized US Dollar 5,283.72 million in revenue under a purchase and sale agreement as described in Note 22 and short-term product sale agreements, most was generated under the purchase and sale agreement with two customers.  The revenue is determined based on the contractual price and volume of petroleum products delivered. The sale price is calculated based on market price with a premium or discount adjusted by a number of factors following the individual agreement for each product. The volume sold is measured using the metre at the refinery when the petroleum products are delivered to customers via pipeline, truck, or vessel.  I identified the accuracy of the revenue as an area of focus for my audit work because the amount is material. Because of the various factors applied to the selling prices per agreements, this required a detailed understanding of the contractual arrangements to ensure that the terms of agreements were correctly applied to determine the amount of revenue, and the source data for the price factors and price adjustment used in the invoice and volumes measured were complete and accurate. | I tested the design and operating effectiveness of  key controls for the recognition of revenue, particularly focussing on controls over the invoicing process.  I determined that testing of these controls provided me with audit evidence that revenue had been recorded appropriately and in the correct period, and the amounts billed to customers were accurate.  I sample tested the revenue recognized against amounts invoiced to customers and the subsequent cash receipts from those customers. I obtained and read the purchase and sale agreement including amendment to agreement and checked it against customer invoices to ensure that the price factors and adjustment were applied in the invoices accurately and completely. This includes assessment for the appropriateness of the revenue recognition in accordance with the financial reporting standards.  I also selected a sample of shipment documents before and after year end to test to the revenue recorded to ensure that the revenue is recognized in the correct period.  In addition, I sent debtor confirmations to the customers to confirm the amount due to the Company at the end of the year.  I found no material issues arising from my work. |
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| **Recognition of deferred tax assets on tax losses carried forward** |  |
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| As of 31 December 2021, the Company has deferred tax assets mainly from tax losses carried forward in amount of US Dollar 44.28 million. The Company recognizes deferred tax assets on tax losses carried forward only to the extent that it is probable that future taxable profit will be available which the temporary differences can be utilized.  Management has performed a financial performance projection which includes the expected future taxable profit to support recoverability of such deferred tax assets. The projection is prepared based on historical data and expected future outcomes. The significant assumptions in the projection include refinery margin, production volumes and crude prices.  I identified the recognition the deferred tax assets on tax losses carried forward as a key audit matter because the assumptions used in the estimates of the Company’s financial performance projection involve management’s judgement in assessing the Company’s future taxable profit. In addition, the balance of the deferred tax assets from loss carried forward is significant to the Company’s financial statements. | I evaluated evidence supporting the recoverability of the deferred tax assets from loss carried forward which is management’s projected future taxable income by evaluating and challenging management’s judgement and assumptions used in forming its five-year financial performance projection, which includes the assumptions for future growth of refinery margin, production volumes and crude prices. The reasonableness of these underlying assumptions was verified against the historical information, external sources and industry benchmarks.  In addition, I tested the reasonableness of the past profit estimates and whether using the tax loss benefits is in line with the actual profit.  Based on procedures I have carried out, I consider that management’s key assumptions underlying the projection of future taxable profit to be within a reasonable range. |
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**Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and my auditor’s report thereon. The annual report is expected to be made available to me after the date of this auditor's report.

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

In connection with my audit of the financial statements, my 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 my knowledge obtained in the audit, or otherwise appears to be materially misstated.

When I read the annual report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to the audit committee.

**Responsibilities of the directors for the financial statements**

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with TFRS, and for such internal control as the directors determine 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, the directors are 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 the directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The audit committee assists the directors in discharging their responsibilities for overseeing the Company’s financial reporting process.

**Auditor’s responsibilities for the audit of the financial statements**

My 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with TSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with TSAs, I exercise professional judgement and maintain professional scepticism throughout the audit. I 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 my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
* Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
* Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
* Conclude on the appropriateness of the directors’ 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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.

I communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the audit committee with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, I 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. I describe these matters in my auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers ABAS Ltd.

**Kan Tanthawirat**

Certified Public Accountant (Thailand) No. 10456

Bangkok

22 February 2022

**STAR PETROLEUM REFINING PUBLIC COMPANY LIMITED**

**FINANCIAL STATEMENTS**

**31 DECEMBER 2021**