

**SAUDI ARABIAN REFINERIES COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
**AND INDEPENDENT AUDITORS' REPORT**

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**SAUDI ARABIAN REFINERIES COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

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**Financial statements for the year ended December 31, 2021**

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**INDEPENDENT AUDITOR'S REPORT****TO THE SHAREHOLDERS  
SAUDI ARABIAN REFINERIES COMPANY  
(A SAUDI JOINT STOCK COMPANY)  
JEDDAH - SAUDI ARABIA  
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS****Opinion**

We have audited the accompanying financial statements of Saudi Arabian Refineries Company ("the Company"), which comprise the statement of financial position as at December 31, 2021, the statement of profit or loss and comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and the notes (1) to (24) thereon, including a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2021, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards that are endorsed in the Kingdom Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for certified Public 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 professional code of conducts and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidences that we have obtained are sufficient and appropriate to provide a basis for our opinion.

**Key audit matters**

Key audit matters are those matters that, according to our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2021. 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. Key audit matters include the following:

INDEPENDENT AUDITOR'S REPORT... (Continued)

TO THE SHAREHOLDERS  
SAUDI ARABIAN REFINERIES COMPANY  
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JEDDAH - SAUDI ARABIA

Investments in equity instruments at fair value through other comprehensive income:	
The key audit matter	How our audit addressed the key audit matter
<p>As at December 31, 2021, the company has investments in equity instruments in listed companies amounting to SR 483,049,979 (2020: SR 429,933,581), where these investments are measured at fair value in the statement of the financial position. The changes in fair value are included in the statement of profit or loss and other comprehensive income.</p> <p>In order to assess the objective evidence of impairment of investments in equity instruments in listed companies, management monitors fluctuations in prices and uses impairment criteria.</p> <p>Determining whether the quoted prices of securities held by the company do not reflect their fair value requires judgment and the use of estimates by management.</p>	<p>We performed the following procedures as part of our audit of investments in equity instruments through other comprehensive income:</p> <ul style="list-style-type: none"> <li>- Review the design and effectiveness of the internal control systems related to the evaluation of these investments for the company.</li> <li>- We considered fluctuations / changes in prices during the acquisition period to ensure whether the impairment met the criteria for impairment.</li> <li>- Verify ownership of the company's investments.</li> <li>- Evaluate the adequacy of the related disclosures.</li> </ul>

Investments in associates:	
The key audit matter	How our audit addressed the key audit matter
<p>As at December 31, 2021, the company has investments in associates amounting to SR 49,378,292 (2020: SR 49,359,105).</p> <p>At each reporting date, the company evaluates whether there is any indication of impairment of these investments, and in the event that occurs, the company calculates the amount of the impairment as the difference between the recoverable value of the associate and its carrying amount. The loss is included as impairment in the statement of profit or loss and other comprehensive income.</p> <p>The impairment of investments in associates considered a key audit matter as the valuation inputs are largely subject to judgment.</p>	<p>We performed the following procedures as part of our audit :</p> <ul style="list-style-type: none"> <li>- Verify ownership of the company's investments and disclose any obligations related to these investments.</li> <li>- Consider the adequacy of the company's policies related to testing the impairment of investments in associates and assessing compliance with the applied accounting standards.</li> <li>- Evaluate the management procedures in the impairment test and evaluate the design and application of the main controls over these procedures.</li> <li>- Evaluate the adequacy of the related disclosures.</li> </ul>

**INDEPENDENT AUDITOR'S REPORT... (Continued)**

**TO THE SHAREHOLDERS  
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**Other information**

Management is responsible for the other information. The other information include the information included in the annual report but do not include the financial statements and the auditor's report. Our opinion on the financial statements does not include the other information, nor does it express any form of conclusion in this regard.

With regard to our audit of the financial statements, it is our responsibility to read the other information, and in doing so, we consider whether the other information are materially inconsistent with the financial statements or our knowledge obtained during the audit process, or otherwise appears to be material error. During our audit, if we conclude that, there are significant errors within this other information, and then we are required to report this fact. We have nothing to mention in this regard.

**Responsibilities of Management and those charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as endorsed in the Kingdom Saudi Arabia and other standards and pronouncements that are issued by SOCPA, and the provisions of Companies' Law and company's Articles of Association 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, the 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 realistic appropriate alternative but to do so.

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

**Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International standards on auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

**INDEPENDENT AUDITOR'S REPORT... (Continued)**

**TO THE SHAREHOLDERS  
SAUDI ARABIAN REFINERIES COMPANY  
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JEDDAH - SAUDI ARABIA**

**Auditors' Responsibilities for the Audit of the Financial Statements (Continued)**

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' 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 a fair presentation.

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

We have also provided those charged with governance with a statement which states that we have complied with the relevant ethical requirements relating to independence. Furthermore, they have been informed with all relations and other matters that we believe reasonably affect our independence and, as appropriate, the relevant safeguard measures.

From the matters communicated to 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, accordingly, are considered the key matters for the audit. We describe these matters in our auditor's report unless the law or regulation precludes public disclosure of such matter, or when, in extremely rare circumstances, we determine that matter should not be reported because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

FOR EL SAYED EL AYOUTY &amp; CO.

JEDDAH: Sha'aban 20, 1443 H  
March 23, 2022



**Abdullah A. Balamesh**  
Certified Public Accountant  
License No. (345)

# SAUDI ARABIAN REFINERIES COMPANY

(A SAUDI JOINT STOCK COMPANY)

## Statement of financial position

(All amounts in Saudi Riyals unless otherwise stated)

Assets	Notes	As at December 31,	
		2021	2020
<b>Non-current assets</b>			
Property and equipment- net		56,330	57,203
Investments in equity instruments at fair value through other comprehensive income	4.A	483,049,979	429,933,581
Investments in associates	5	49,378,292	49,359,105
Intangible assets - Net		71,592	-
<b>Total non-current assets</b>		<b>532,556,193</b>	<b>479,349,889</b>
<b>Total assets</b>			
Prepaid expenses and other debit balances	6	495,685	8,587,390
Cash and cash equivalents	8	30,425,868	30,657,331
<b>Total current assets</b>		<b>30,921,553</b>	<b>39,244,721</b>
<b>Total assets</b>		<b>563,477,746</b>	<b>518,594,610</b>
<b>Shareholders' Equity and liabilities</b>			
<b>Shareholders' Equity</b>			
Share capital	1	150,000,000	150,000,000
Statutory reserve	17	28,099,984	27,440,761
Reserve for valuation of investments in equity instruments at FVOCI	4.B	356,303,957	301,906,348
Retained earnings		25,130,877	28,977,168
<b>Total shareholders' equity</b>		<b>559,534,818</b>	<b>508,324,277</b>
<b>Non-current liabilities</b>			
Employees' defined benefits obligations	9.A	680,764	612,259
<b>Total non-Current liabilities</b>		<b>680,764</b>	<b>612,259</b>
<b>Current liabilities</b>			
Due to shareholders		2,415,472	3,860,902
Accruals and other current liabilities	10	396,192	5,462,974
Zakat provision	11.B	450,500	334,198
<b>Total current liabilities</b>		<b>3,262,164</b>	<b>9,658,074</b>
<b>Total liabilities</b>		<b>3,942,928</b>	<b>10,270,333</b>
<b>Total shareholders' equity and liabilities</b>		<b>563,477,746</b>	<b>518,594,610</b>



Accounts Officer



Managing Director



Chairman of the Board of Directors

The accompanying notes from (1) to (24) form an integral part of these financial statements.

# SAUDI ARABIAN REFINERIES COMPANY

(A SAUDI JOINT STOCK COMPANY)

## Statement of profits or losses and other comprehensive income

(All amounts in Saudi Riyals unless otherwise stated)

		<u>For the year ended December 31,</u>	
	<u>Note</u>	<u>2021</u>	<u>2020</u>
Investment income	12	8,099,667	15,777,542
Company's share from results of investment in associate	13	78,784	1,047,918
		<u>8,178,451</u>	<u>16,825,460</u>
General and administrative expenses	14	(2,858,781)	(2,789,658)
<b>Net profit of the activity</b>		<b>5,319,670</b>	<b>14,035,802</b>
Provisions no longer required	10.A	1,529,119	-
Other income		310,367	303,060
<b>Net profit of the year before zakat</b>		<b>7,159,156</b>	<b>14,338,862</b>
Zakat for the year	11.B	(450,500)	(334,198)
Zakat for previous years	11.B	(116,423)	(624,401)
<b>Net profit for the year</b>		<b>6,592,233</b>	<b>13,380,263</b>

### Items of other comprehensive income

Items that will not be re-classified subsequently within profits or losses:

Profits of re-measurement of employees' defined benefit obligations	9	5,444	6,250
Share of company in profit (losses) from re-measurement of employees' defined benefit obligations of an associate	5.A	(59,597)	1,828
Unrealized profits in equity investments at fair value through other comprehensive income	4.B	55,922,461	55,973,965
<b>Total comprehensive income for the year</b>		<b>62,460,541</b>	<b>69,362,306</b>
Basic and diluted earnings per share of net profit for the year	15	0,44	0,89



Accounts Officer



Managing Director



Chairman of the Board of Directors

The accompanying notes from (1) to (24) form an integral part of these financial statements.



# SAUDI ARABIAN REFINERIES COMPANY

(A SAUDI JOINT STOCK COMPANY)

## Statement of changes in shareholders' equity for the year ended December 31, 2021

(All amounts in Saudi Riyals unless otherwise stated)

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Reserve for valuation of investments in equity instruments at FVOCI</u>	<u>Retained earnings</u>	<u>Total shareholders' equity</u>
Balance as at January 01, 2020	150,000,000	26,102,735	245,932,383	31,926,853	453,961,971
Net profit for the year	-	-	-	13,380,263	13,380,263
Change in items of other comprehensive income for the year	-	-	55,973,965	8,078	55,982,043
<b>Total comprehensive income for the year</b>	-	-	<b>55,973,965</b>	<b>13,388,341</b>	<b>69,362,306</b>
Transferred to statutory reserve	-	1,338,026	-	(1,338,026)	-
Dividends (Note 16)	-	-	-	(15,000,000)	(15,000,000)
<b>Balance as at December 31, 2020</b>	<b>150,000,000</b>	<b>27,440,761</b>	<b>301,906,348</b>	<b>28,977,168</b>	<b>508,324,277</b>
Balance as at January 01, 2021	150,000,000	27,440,761	301,906,348	28,977,168	508,324,277
Net profit for the year	-	-	-	6,592,233	6,592,233
Change in items of other comprehensive income for the year	-	-	55,922,461	(54,153)	55,868,308
<b>Total comprehensive income for the year</b>	-	-	<b>55,922,461</b>	<b>6,538,080</b>	<b>62,460,541</b>
Transferred to statutory reserve	-	659,223	-	(659,223)	-
Gains on sale of investments in equity instruments at FVOCI	-	-	(1,524,852)	1,524,852	-
Dividends (Note 16)	-	-	-	(11,250,000)	(11,250,000)
<b>Balance as at December 31, 2021</b>	<b>150,000,000</b>	<b>28,099,984</b>	<b>356,303,957</b>	<b>25,130,877</b>	<b>559,534,818</b>



Accounts Officer



Managing Director



Chairman of the Board of Directors

The accompanying notes from (1) to (24) form an integral part of these financial statements.

# SAUDI ARABIAN REFINERIES COMPANY

(A SAUDI JOINT STOCK COMPANY)

## Statement of cash flows

(All amounts in Saudi Riyals unless otherwise stated)

	<u>For the year ended December 31</u>	
	<u>2021</u>	<u>2020</u>
<b><u>Cash flows from operating activities:</u></b>		
Net profit for the year before zakat	7,159,156	14,338,862
<b><u>Adjustments for Net profit for the year before zakat to net cash flows from operating activities:</u></b>		
Depreciation of property and equipment	15,989	13,294
Amortization of intangible assets	1,213	-
Provided for employees' defined benefit obligations	61,555	60,574
Interest expense of employees' defined benefit obligations	12,394	16,389
Company's share from results of investment in associate	(78,784)	(1,047,918)
<b>Changes in items of operating assets and liabilities:</b>		
Prepaid expenses and other debit balances	8,091,705	3,805,925
Due to shareholders	(1,445,430)	(124,358)
Accruals and other current liabilities	(5,066,782)	73,415
<b>Cash generated by operating activities</b>	<b>8,751,016</b>	<b>17,136,183</b>
Zakat paid	(450,621)	(1,767,834)
<b>Net Cash flows generated by operating activities</b>	<b>8,300,395</b>	<b>15,368,349</b>
<b><u>Cash flows from investing activities:</u></b>		
Addition to property and equipment	(15,116)	(11,187)
Purchase of investments in equity instruments at FVOCI	(8,680)	(6,009,969)
Addition to intangible assets	(72,805)	-
Proceeds from sale of investments in equity instruments at FVOCI	2,814,743	-
<b>Net cash flows provided from (used in ) investing activities</b>	<b>2,718,142</b>	<b>(6,021,156)</b>
<b><u>Cash flows from financing activities:</u></b>		
Dividends paid	(11,250,000)	(15,000,000)
<b>Cash flows (used in ) financing activities</b>	<b>(11,250,000)</b>	<b>(15,000,000)</b>
(Decrease) in cash and cash equivalents	(231,463)	(5,652,807)
Cash and cash equivalents at the beginning of the year	30,657,331	36,310,138
<b>Cash and cash equivalents at the end of the year</b>	<b>30,425,868</b>	<b>30,657,331</b>
<b>Non-cash transactions:</b>		
Unrealized gain from investments in equity instruments at FVOCI	55,922,461	55,973,965

  
Accounts Officer

  
Managing Director

  
Chairman of the Board of Directors

The accompanying notes from (1) to (24) form an integral part of these financial statements.

# SAUDI ARABIAN REFINERIES COMPANY

## (A SAUDI JOINT STOCK COMPANY)

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### Notes to the financial statements for the year ended December 31, 2021

(All amounts in Saudi Riyals unless otherwise stated)

#### 1. General

Saudi Arabian Refineries Company - SARCO ("the company") is a Saudi joint stock company registered under the commercial registration issued at Jeddah with the number 4030003334 dated September 14, 1960 (corresponding to Dhul -Hijjah 19, 1379 H)

As at December 31, 2021, the company's share capital amounted to SR150 million (December 31, 2020: 150 million) divided into 15 million shares (December 31, 2020: 15 million shares) with a par value of SR 10 per share.

The company is engaged in extracting crude oil, establishing refining and petrochemical plants and refineries, dealing in securities as principal, buying and selling land and real estate, dividing them and selling activities off-plan, managing and leasing owned or leased properties (non-residential).

The present activity of the company is investing in local companies, and therefore its activity is limited to the investment sector, and it has no other business sectors.

#### The company's registered office is located at the following address:

Adham Commercial Center, Jeddah  
Madinah Road  
P. O. Box 1113, Jeddah 21431, Kingdom of Saudi Arabia

The company's fiscal year starts from the beginning of January of each calendar year and ends at the end of December of the same year

#### 2. Basis of preparation

##### 2.1. Statement of compliance

These annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS) adopted in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by SOCPA.

##### 2.2. Basis of measurement

These financial statements are prepared under the historical cost basis using accrual basis of accounting except for:

- Investments in equity instruments, which are measured at fair value through other comprehensive income.
- Investments in associates are accounted for using the equity method.
- Employees' defined benefit obligations, which are calculated on the basis of the present value of future obligations in accordance with the projected credit unit method.

##### 2.3. Functional and presentation currency

These financial statements are presented in Saudi Arabian Riyals ("SR") which is the functional and presentation currency of the company. All figures are rounded to nearest Saudi Riyal unless otherwise stated.

##### 2.4. Significant accounting estimates, assumptions and judgments

The preparation of these financial statements requires management to make judgment, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and disclosure of contingent liabilities at the reporting date.

Estimates and judgments are reviewed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The company makes estimates and assumptions concerning the future. Management believes that the actual results may not substantially differ from these estimates.

The underlying estimates and assumptions that may cause material adjustments to the carrying amounts of assets and liabilities during the next financial year have been explained as follows:

# SAUDI ARABIAN REFINERIES COMPANY

## (A SAUDI JOINT STOCK COMPANY)

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### Notes to the financial statements for the year ended December 31, 2021

(All amounts in Saudi Riyals unless otherwise stated)

#### 2. Basis of preparation... (Continued)

#### 2.4 Significant accounting estimates, assumptions and judgments... (Continued)

##### Useful lives of property and equipment

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

##### Impairment of non-financial assets

Non-financial assets are reviewed to ascertain whether there are any losses as a result of the impairment whenever events or changes in circumstances indicate that the book value may not be recoverable. The impairment loss is recognized in the value by finding the difference between the book value of the asset and the recoverable amount.

The recoverable amount is the higher fair value of the asset less costs of sale and the residual value for use. For assessing impairment, assets are grouped to the lowest level where there are independent cash flows (CGU) that are identifiable

Non-financial assets other than goodwill (if any) and those that have experienced impairment are reviewed for the possibility of reversing the impairment at each reporting date. When the impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable value, provided that it does not exceed the carrying value that would have been determined had no impairment loss been recorded in the asset value or cash generating unit in previous years.

The reversal of an impairment loss is recognized as direct income in the statement of profits or losses and no impairment loss is reversed in goodwill.

##### Provision for expected credit losses

The company applies the expected credit loss (ECL) model to determine the losses of impairment of trade and other receivables. The provision is determined by reference to a set of factors to ensure that the balances of receivables are not overestimated as a result of the possibility of their un-collectability, on the basis of ageing from the date of initial recognition of receivables to measure ECL. Receivables are grouped based on characteristics of shared credit risk and number of ageing days.

The expected loss rates are generated from the company's historical information and adjusted to reflect the expected future outcome which includes any future information on macroeconomic factors such as inflation and GDP growth rate.

##### The measurement of employee s' defined benefits obligations

The cost of employees' end of service benefits is determined under the unfunded defined benefit program measured by using the actuarial valuation. An actuarial valuation includes many assumptions that may differ from actual developments in the future. These assumptions include determining the discount rate, future salary increases, employee behavior, and employee turnover. Due to the complexity of the evaluation and its long-term nature, the unfunded defined reward obligation is very sensitive to changes in these assumptions. Therefore, all assumptions are reviewed once or more in one year when necessary.

##### Fair value measurement

The company measures financial instruments at fair value as at the reporting date. The fair value is the price to sell an asset or transfer a liability in an orderly process between two parties in the market at the measurement date. The fair value measurement is based on the presumption that the sale of the asset or the transfer of the liability takes place either:

- In the principal market for the asset or liability.
- In the most favorable market for assets and liabilities in the non-existence of a primary market.

# SAUDI ARABIAN REFINERIES COMPANY

## (A SAUDI JOINT STOCK COMPANY)

### Notes to the financial statements for the year ended December 31, 2021

(All amounts in Saudi Riyals unless otherwise stated)

#### 2. Basis of preparation... (Continued)

##### 2.4 Significant accounting estimates, assumptions and judgments... (Continued)

###### Fair value measurement... (Continued)

The most favorable market should be available for the company.

The fair value of the asset or liability is measured using assumptions that market participants would use when pricing the asset or liability and assuming that the participants act in their best interests.

When measuring the fair value of a non-financial asset, the ability of a market participant to generate economic benefits resulting from the best use of the asset or its sale to another market participant who may use it in the best use is taken into consideration.

The company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair the value, and it recognizes the increased use of relevant observable inputs and the reduction of the use of unobservable inputs.

All assets and liabilities for which fair values are measured or disclosed in the financial statements are categorized within the fair value hierarchy, which is explained below, on the basis of the minimum inputs that is significant to the fair values measurement as a whole:

**Level 1:** Quoted (unadjusted) prices in an active market for identical assets or liabilities.

**Level 2:** Valuation techniques such that the minimum quantifiable inputs that are significant to the fair value measurement can be directly or indirectly observable.

**Level 3:** Valuation techniques where the minimum quantifiable inputs that are significant to the fair value measurement are not observable.

If the inputs used to measure the fair value of an asset or liability are located at different levels of the fair value hierarchy, then the measurement is completely categorized under the lowest level of input that is significant to the measurement as a whole.

The company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period in which the change has occurred. As of December 31, 2021 (December 31, 2020), there are no shifts between levels.

###### Going concern concept

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

#### 3. Significant accounting policies

The significant accounting policies set of below have been applied consistently to all periods presented in these financial statements .

##### 3.1. Current versus non-current classification

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

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading

# SAUDI ARABIAN REFINERIES COMPANY

## (A SAUDI JOINT STOCK COMPANY)

### Notes to the financial statements for the year ended December 31, 2021

(All amounts in Saudi Riyals unless otherwise stated)

#### 3. Significant accounting policies... (Continued)

##### 3.1. Current versus non-current classification... (Continued)

- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when: it is

- 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.

All other liabilities are classified as non-current.

##### 3.2. Property and equipment

###### A) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. The cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes costs of materials, direct labor and any other costs directly attributable to preparing the asset for its intended use and the costs of dismantling, removing, and reinstalling the asset on site.

When the useful lives of some items of property and equipment are different, they are accounted for as separate components (major components) of property and equipment.

Profits or losses are determined upon disposal of any item of property and equipment by comparing the amount obtained from disposal with the book value of the asset and is recognized at net within other income in the statement of profits or losses.

###### B) Subsequent costs

The cost of replacing any item of property and equipment is recognized in the carrying amount of the asset if it is probable that economic benefits will flow from that asset to the company. These benefits can be measured reliably and the carrying amount of the replaced part is de-recognized. The daily cost of servicing property and equipment is recognized within the profits or losses as incurred.

###### C) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of the asset or another alternative amount of cost value less the residual value.

Depreciation is recognized in the statement of profit or loss using the straight-line method over the estimated useful lives of each item of property and equipment, as this is the closest method that reflects the expected pattern of depreciation of the economic benefits embodied in the asset.

The estimated useful lives for the current year and the comparative year are as follows:

	%
Furniture and fixtures	20
Transportation means	20

The company reviews the methods of depreciation, useful lives and the residual values of property and equipment at the end of each financial year to ensure that they reflect the benefit obtained, and if there is a difference, it is treated as changes in the accounting estimates (in the year of change and subsequent years).

# SAUDI ARABIAN REFINERIES COMPANY

## (A SAUDI JOINT STOCK COMPANY)

### Notes to the financial statements for the year ended December 31, 2021

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#### 3. Significant accounting policies... (Continued)

##### 3.3. Right-of-use assets and obligations of leases

###### A) right-of-use assets

The lease is recognized as a right-of-use asset with its corresponding obligations on the date on which the leased asset becomes ready for use by the company. Each payment of the lease is allocated between the obligations and the cost of financing. The cost of financing is recognized in the statement of profits or losses over the term of the lease. Right-of-use assets are depreciated over shorter the useful life of the asset and the term of the lease, on a straight- line basis.

Right-to-use assets are initially measured at cost and consist of the followings:

- The initial measurement amount for the lease obligation,
- Any lease payments made on or before the lease commencement date less any lease incentives received,
- Any initial direct costs, and
- Costs of recovery, where applicable.

It is subsequently measured at cost less accumulated depreciation and accumulated impairment losses

Right-of-use assets are presented in a separate line item in the statement of financial position.

###### B) Obligations of leases

On the commencement date of the lease, the company records the rental obligations measured at the present value of lease payments made over the term of the lease. Rent payments include fixed payments (including fixed payments in substance) less any receivable rental incentives, variable rental payments that are index or rate based, and amounts expected to be paid under residual value guarantees. Lease payments include the price of exercising a purchase option when there is reasonable certainty that the company will exercise this right in addition to the lease termination fines payments in the event that the terms of the lease stipulate that the company exercises the option to cancel. Regarding, variable rent payments that are not dependent on an indication or rate, are recorded as an expense in the period in which the payment is made. Lease payments are deducted using the interest rate included in the lease agreement or the company's incremental borrowing rate.

The rental obligation is presented in a separate line item in the statement of financial position.

###### C) Short-term leases and impaired assets

Short-term leases are contracts with a lease term of 12 months or less. Impaired assets are items that do not meet the company's capitalization limits and are not material to the company's statement of financial position as a whole. Payments for short-term leases and leases with impaired assets are recognized on a straight line basis in the statement of profits or losses.

###### D) Variable lease payments

Certain leases include variable payments related to the use / performance of the leased asset. These assets are recognized in the statement of profits or losses

##### 3.4. Impairment

###### Non-financial assets

At the end of each reporting period, the company reviews the carrying amounts of its non-financial assets to determine whether there is any indication that these assets have suffered impairment losses. If any such indication exists, the recoverable amount of the asset is estimated in order to determine impairment losses (if any).

In the event that it is not possible to estimate the recoverable value of a specific asset, the company estimates the recoverable amount of the cash-generating unit to which the asset itself belongs. When a reasonable and consistent basis of allocation can be identified, joint assets are also allocated to cash generating units, or they are allocated to the smallest group of cash generating units for which a reasonable and consistent basis of allocation can be identified.

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### Notes to the financial statements for the year ended December 31, 2021

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#### 3. Significant accounting policies... (Continued)

##### 3.4. Impairment... (Continued)

###### Non-financial assets... (Continued)

The cash-generating unit to which the goodwill has been allocated is tested to determine the annual impairment, whenever there is an indication of impairment of the unit by comparing the book value of the unit, including goodwill, with the recoverable amount of the unit.

Intangible assets with indefinite useful life are not amortized. Instead, the asset is tested for impairment annually, whenever there is an indication that the asset is impaired.

The recoverable amount is the higher of the fair value of the asset less disposal costs or use value. 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 for which the future cash flow assessment has not been adjusted.

If the recoverable amount of the asset (or cash-generating unit) is estimated to be less than the carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to the recoverable value. Impairment losses are recognized directly in profit or loss.

When the impairment loss is subsequently reversed, the carrying amount of the asset (or cash-generating unit) is increased to the recoverable reassessment, so that the revised carrying amount does not exceed the value of the asset (or cash-generating unit) if the impairment loss is not accounted for in the previous years.

The reversal of an impairment loss is recognized directly in profit or loss. An impairment loss recognized in previous periods is not reversed for goodwill in a subsequent period.

##### 3.5. Financial instruments

###### Recognition of financial assets

The financial asset and liability are recognized when the company becomes a party to the contractual obligations of the instrument, and this is generally done at the trading date. The company derecognizes financial assets when the contractual cash flows of those assets expire or when the company transfers the right to obtain contractual cash flows from the financial asset in a transaction in which all the risks and rewards of ownership of the financial assets are transferred substantially.

###### Financial assets

International Financial Reporting Standard) IFRS 9) requires that all financial assets to be classified and subsequently measured at amortized cost or fair value. The classification is based on the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets as shown below, which are determined at the time of initial recognition.

All financial assets not classified as measured at amortized cost or at fair value through other comprehensive income as explained below are measured at FVTPL.

Net gains and losses, including any interest or dividend income, are recognized within profit or loss.

###### Financial assets at amortized cost

Financial assets are measured at amortized cost using the effective interest method, if both of the following conditions are met:

- That the objective of holding financial assets within the business model is to collect contractual cash flows, and
- It arises from the contractual terms of the financial asset, on specific dates cash flows from the principal amount and the interest on principal outstanding only.



# SAUDI ARABIAN REFINERIES COMPANY

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## Notes to the financial statements for the year ended December 31, 2021

(All amounts in Saudi Riyals unless otherwise stated)

### 3. Significant accounting policies... (Continued)

#### 3.5. Financial instruments... (Continued)

##### Financial assets... (Continued)

##### Financial assets at amortized cost...(continued)

When making an assessment of whether assets are held within a business model that aims to hold assets to collect contractual cash flows, the company takes into consideration the followings:

- Management policies, company objectives, and performance of those policies in practice.
- The risks that affect the performance of the business model (and the financial assets held within the business model), and in particular, the manner in which those risks are managed.
- How does management assesses the portfolio's performance
- Whether the management strategy focuses on earning contractual commission income.
- The degree of frequency of any sales of the expected assets.
- The reason behind any sales of the assets.

Interest income and gains and losses from foreign currency translation and impairment are recognized within the profit or loss. Any gain or loss arising from de-recognition is recognized within the profit or loss.

Financial assets classified as loans and receivables that measured at amortized cost were measured under IFRS 9 "Financial Instruments" as they are held in the business model to collect contractual cash flows and these cash flows consist of only principal and interest payments.

##### Equity instruments at fair value through other comprehensive income (equity instruments investments)

The company elected to recognize the changes in the fair value of equity investments in other comprehensive income. These changes are collected within equity within the reserve item valuation of equity instruments at fair value through other comprehensive income. The company may transfer this amount from the reserve to retained earnings upon de-recognition of the related shares.

Subsequent measurement of these assets at fair value. Dividends are recognized as income in the statement of profit or loss, except if these dividends represent a recovery of part of the investment cost.

Any other losses or profits that are recognized in the statement of other comprehensive income and are not reclassified to the statement of profit or loss.

##### Financial assets at fair value through profit or loss

Subsequent measurement of these assets is carried out at fair value. The net profit or loss, including any interests or dividends, is recognized in the statement of profit or loss.

##### Impairment of financial assets

A model is followed for expected credit losses from impairment of financial assets. The expected credit loss model requires that the company account for expected credit losses and changes in those expected credit losses at each reporting date in order to demonstrate changes in credit risk from the date of initial registration

IFRS 9 uses the "expected credit loss" (ECL) model. The model is applied to financial assets that are measured at amortized cost and to debt instruments that are measured at fair value through other comprehensive income, not to investments in equity instruments.

In accordance with the International Financial Reporting Standard No. (9). Measurement of ECL is considered as an indication of the probability of default, or the given default loss (meaning the size of the loss if there is a default). The assessment of the probability of default is based on historical data, which is adjusted by information that forecasts the future.

# SAUDI ARABIAN REFINERIES COMPANY

(A SAUDI JOINT STOCK COMPANY)

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## Notes to the financial statements for the year ended December 31, 2021

(All amounts in Saudi Riyals unless otherwise stated)

### 3. Significant accounting policies... (Continued)

#### 3.5. Financial instruments... (Continued)

##### Financial assets... (Continued)

##### Impairment of financial assets... (Continued)

The company assesses, based on the future outlook, the expected credit losses associated with its debt instruments as part of its financial assets carried at amortized cost and fair value through other comprehensive income.

For trade receivable, the company applies the simplified approach, which requires recording expected losses on the basis of age from the date of first recognition of the receivable. To measure expected credit losses, receivables have been grouped based on common credit risk characteristics and number of days that are past due.

Expected loss rates are derived from the company's historical information and adjusted to reflect the expected future result.

##### Measurement of expected credit loss

The expected credit loss is a weighted estimate of credit loss. Credit losses are measured as the present value of cash deficits (that is, the difference between the entity's cash flows according to the cash flows that the Company expects to receive). Provisions for impairment losses on financial assets measured at amortized cost are presented as a deduction from the total carrying amount of the assets.

##### Disposal of financial assets

The company derecognizes the financial assets only when the contractual rights to cash flows from the assets expire or it transfers the financial assets and the risks and rewards of ownership to another party. If the company does not transfer or retain substantially all the risks and benefits of ownership of the assets, then it continues to recognize its retained share in the assets and liabilities associated with the financial assets to the amounts that it may have to pay.

##### Financial liabilities

Financial liabilities are classified either at amortized cost or at fair value through profit or loss.

All financial liabilities of the company have been classified and measured at amortized cost using the actual return method. The company has no financial liabilities at fair value through profit or loss.

##### De-recognition of financial liabilities

The company derecognizes financial liabilities only when they are fulfilled, canceled or expired.

Offsetting between financial assets and liabilities and the net amounts determined in the financial statements takes place when there is a legally enforceable right to set off those included amounts, as well as when the company has an intention to settle them on a net basis or sell the assets to pay the liabilities simultaneously.

#### 3.6. Investments in associates

Investments in associates are accounted for using the equity method. In accordance with the equity method, investment in associates is initially recognized at cost and is subsequently adjusted by recognizing the company's share in the associate's statement of profit or loss and other comprehensive income less any impairment of net investment.

#### 3.7. Trade receivables

Trade receivables are stated at the invoice amount less the provision for the expected credit losses and are established mainly by providing goods and services to customers (such as trade receivables). They are recognized initially at fair value plus the direct costs associated with obtaining them, and are subsequently recognized at amortized cost using the effective interest method less provision for impairment.

# SAUDI ARABIAN REFINERIES COMPANY

## (A SAUDI JOINT STOCK COMPANY)

### Notes to the financial statements for the year ended December 31, 2021

(All amounts in Saudi Riyals unless otherwise stated)

#### 3. Significant accounting policies... (Continued)

##### 3.8. Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at banks, demand deposits at banks and other short-term, highly liquid investments with maturities of three months or less.

##### 3.9. Employees' benefits

The company contributes to the retirement pension and social insurance for its employees in accordance with the Saudi Labor Law.

###### A) Employees' defined benefits obligations

Employees' defined benefits obligations are due for all working employees in accordance with the terms and provisions of the company's work regulation, upon the termination of their service contracts.

The company's obligation related to defined benefit plans is calculated by estimating the value of future benefits that are due to employees in the current and future periods and discounting the value to arrive to the present value.

The company sets assumptions that are used when determining the main components of costs for the purpose of meeting these future obligations. These assumptions are made after consulting the company's actuarial expert and include those assumptions that are used to determine normal service cost as well as the financing component of the related liabilities. The qualified actuarial expert calculates the defined benefit obligation using the unit accruals method.

The reassessment of defined benefits obligations which consist of actuarial profits and losses is recognized directly in the statement of other comprehensive income. The company determines the net interest expense on the defined benefit obligation for the year by applying the discount rate that is used to measure the defined benefit obligation at the beginning of the year and the net specified liability, after taking into account any change in the net defined benefit obligations during the year as a result of contributions and payments of obligations. The net interest expense and other expenses related to defined benefit plans are recognized in the statement of profits or losses.

###### B) Short-term employees' benefits

Short-term employee benefit obligations are measured on a non-discounted basis and are expensed when the related service is provided.

A liability is recognized for the amount expected to be paid under a short-term cash bonus payment plan or profit share plan if the company has a legal or contractual obligation to pay that amount as a result of a prior service provided by the employee, and if the value of the obligation can be estimated reliably.

##### 3.10. Accounts payable and due amounts

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

##### 3.11. Provisions

A provision is recognized if, as a result of past events, the company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The discount is recognized within finance costs.

When a recovery is expected (by a third party) for some or all of the expenditure required to settle a provision (through an insurance contract for example), the recovered amount is recognized only when it is certain that the refund will be received, if the entity settles the liability. This recoverable amount is recognized as a separate asset.

The expense relating to the provision is presented in the statement of profit or loss and other comprehensive income, net of the amount recovered.

# SAUDI ARABIAN REFINERIES COMPANY

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### Notes to the financial statements for the year ended December 31, 2021

(All amounts in Saudi Riyals unless otherwise stated)

#### 3. Significant accounting policies... (Continued)

##### 3.12. Zakat

The company is subject to zakat in accordance with the regulations issued by the Zakat, Tax and Customs Authority ("ZATCA") in the Kingdom of Saudi Arabia. A provision for zakat is made on an accrual basis, and this provision is charged to the statement of profit or loss and other comprehensive income. The zakat provision is calculated according to the zakat base or the adjusted net profit, whichever is higher, and any differences between the calculated zakat and the final assessment (if any) are recognized within the profit or loss in the year in which the assessment is finalized. Zakat is calculated based on 2.5% of the zakat base or adjusted net income, whichever is higher.

##### 3.13. Value added tax (VAT)

The company is subject to the value-added tax regulation, and the tax is calculated as soon as the invoice is issued, the commodity is delivered or the price or part thereof is received, and the VAT return is submitted on a quarterly basis.

##### 3.14. Withholding tax

The management withholds taxes on non-resident parties - if any - according to the Authority's regulations, which are not recognized as expenses because the amounts of the obligations on the counterparty are deducted on its behalf.

##### 3.15. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss when incurred.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets. The intangible assets of the company are amortized over a period of 5 years.

The company does not own any intangible and identifiable assets.

##### 3.16. Revenue recognition

Revenue is recognized when the company fulfills its obligations in contracts with clients at an amount that reflects the material compensation for the goods sold. The company establishes contracts with clients based on a five-step model as defined in IFRS 15:

###### Step 1. Determine the contract (s) with a client:

A contract is an agreement concluded between two or more parties that establishes rights and undertakings and sets out the criteria that must be fulfilled for each contract.

###### Step 2. Determine the performance obligations in the contract:

A performance commitment is a promise in the contract with the client to transfer goods or provide services to the client.

###### Step 3. Determine the transaction price:

The transaction price is the amount of the consideration that the company expects to receive in exchange for transferring the goods or services promised to the client, excluding the amounts collected on behalf of third parties.

# SAUDI ARABIAN REFINERIES COMPANY

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## Notes to the financial statements for the year ended December 31, 2021

(All amounts in Saudi Riyals unless otherwise stated)

### 3. Significant accounting policies... (Continued)

#### 3.16. Revenue recognition... (Continued)

##### **Step 4. Allocation of the transaction price to the performance obligations in the contract:**

In a contract that contains more than one performance obligation, the company will distribute the transaction price to each performance obligation in an amount that determines the amount of the consideration that the company expects to receive in exchange for fulfilling each performance obligation.

##### **Step 5. Recognition of revenue when (or where) the entity fulfills a performance obligation.**

If the amount intended to be paid in the contract includes a variable amount, the company shall estimate the amount that the company is entitled to in exchange for transporting the goods and services committed to be provided to the client.

#### 3.17. Revenue Recognition

The company recognizes revenue from investments in companies that have less than 20% ownership when due. Income from investments in associates is recognized according to the equity method. Bank deposit income is recorded on the accrual basis..

#### 3.18. Dividends income

Dividend income is recognized in the statement of profits or losses when the company's right to receive dividends is established in accordance with International Financial Reporting Standard No. (15), unless the dividends clearly represent a recovery of part of the investment cost. The proposed dividends are recorded after the date of the financial statements in the accounts of the year in which the general assembly approves those dividends, provided that the annual report of the board of directors includes all the dividends referred to.

#### 3.19. Foreign currency transactions

The value of transactions carried out in foreign currencies is translated into the Saudi Riyal according to the exchange rates prevailing at the time of those transactions. The balances of assets and liabilities of a monetary nature and recorded in foreign currencies at the date of the financial statements are translated into Saudi riyals at the exchange rates prevailing on that date. For non-monetary assets and liabilities recorded in foreign currencies which are translated into Saudi Riyals at the prevailing exchange rates on that date. The gains or losses from exchange rate differences are included in the statement of profits or losses and other comprehensive income.

#### 3.20. General and administrative expenses

General and administrative expenses are recognized as period expenses according to the accrual basis, and these expenses are charged to the accounting period in which they occurred. General and administrative expenses that benefit from more than one accounting period are allocated on a timely basis and by using their historical cost.

#### 3.21. Earnings per share

Basic earnings per share and diluted earnings per share (if any) are presented for ordinary shares, where basic earnings per share is calculated by dividing the profit or loss of the ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the year, adjusted for the number of ordinary shares repurchased or issued during the year. Diluted earnings per share is calculated by adjusting the profit or loss of the ordinary shareholders of the company and the weighted average number of shares outstanding during the year for the effects of all the diluted ordinary shares that are likely to be issued during the year

#### 3.22. Changes in significant accounting policies

The accounting policies applied by the company in preparing the financial statements are conform with those used in the preparation of the company's annual financial statements for the year ending on December 31, 2021.

## SAUDI ARABIAN REFINERIES COMPANY (A SAUDI JOINT STOCK COMPANY)

### Notes to the financial statements for the year ended December 31, 2021

(All amounts in Saudi Riyals unless otherwise stated)

#### 3. Significant accounting policies... (Continued)

##### 3.22. Changes in significant accounting policies... (Continued)

##### New standards, interpretations and amendments

The accounting policies adopted by the company in preparing the financial statements are consistent with those followed in preparing the financial statements for the year ended 31 December 2021, and there are no new standards that were issued, however, there are a number of amendments to the standards which are effective as of 1 January 2021, Which did not have a material impact on the financial statements,

Effective as of	Amendments to Standards
1 January 2021	Amendments to IFRS 9, IAS 39 and IFRS 16 and IFRS 4 - Phase II (Interest Rate Correction)

##### Standards issued and not yet effective

Standards and amendments issued but not yet effective up to the date of issuance of the financial statements are listed below. The company does not expect a material impact on the financial statements if the below standards and amendments are applied,

Effective for annual periods Starting from or after	New standards or amendments
1 January 2022	Onerous contracts - Cost of contract completion (Amendments to IAS37)
	Annual changes to IFRS standards
	Property, plant and equipment: Proceeds before Intended Use (Amendments to IAS 16)
	Reference to the conceptual framework (amendment to IFRS 3)
1 January 2023	Amendments to IAS 1 "Presentation of Financial Statements" on the classification of liabilities
	IFRS 17 - Insurance contracts and amendment to IFRS 17 - Insurance contracts
Available for optional adoption / effective date deferred indefinitely	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

#### 4. Investments in equity instruments at fair value through other comprehensive income

##### 4. A. Investments in equity instruments at FVOCI represent the following:

Company name	No. of shares as of December 31		share market value	Balance as at December 31	
	2021	2020		2021	2020
Saudi Industrial Investment Group	15,194,480	15,194,480	31,15	473,308,052	416,328,752
Tabuk Cement Company *	-	128,571	-	-	2,190,850
Saudi Arabian Oil Company (Saudi Aramco)	35,481	35,481	35,80	1,270,220	1,241,835
Southern region cement company	120,666	120,666	70,10	8,458,687	10,172,144
Aqua Power Co.	155	-	84,00	13,020	-
				<b>483,049,979</b>	<b>429,933,581</b>

\* On August 12, 2021, the company's board of directors resolved to sell the shares of Tabuk Cement Company at a value of SR. 2,814,743 and a profit of SR. 1,524,852 was achieved from this sale, and the purchase cost was 1,289,891.

**SAUDI ARABIAN REFINERIES COMPANY**  
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**Notes to the financial statements for the year ended December 31, 2021**

(All amounts in Saudi Riyals unless otherwise stated)

**4. Investments in equity instruments at fair value through other comprehensive income... (Continued)**

**4.B. The Company recorded unrealized profits from investments in equity instruments at FVTOCI as follows:**

	<u>As at December</u> <u>31, 2021</u>	<u>As at December</u> <u>31, 2020</u>
Balance at beginning of the year	301,906,348	245,932,383
Unrealized gains during the year	55,922,461	55,973,965
Unrealized gains during the period	(1,524,852)	-
	<u>356,303,957</u>	<u>301,906,348</u>

**5. Investments in associates**

Investments in associates represent the followings:

<u>Name of the company</u>	<u>Main</u> <u>business</u> <u>sector</u>	<u>Country of</u> <u>incorporation</u>	<u>Shareholding</u> <u>%</u>	<u>As at</u> <u>December</u> <u>31, 2021</u>	<u>As at</u> <u>December</u> <u>31, 2020</u>
<b>A- Arab Company for Tanks Ltd.</b>	Services	KSA	27%		
Balance at beginning of the year				49,359,105	48,309,359
Company's share from the results of investment in associate				78,784	1,047,918
Company's share of the associate's other comprehensive income				(59,597)	1,828
<b>Balance at end of the year</b>				<u>49,378,292</u>	<u>49,359,105</u>
<b>B- Arab Company for Sulfonates Ltd</b>	Industrial	KSA	34%		
Balance at beginning of the year				363,006	363,006
Provision for impairment of investment				(363,006)	(363,006)
<b>Balance at end of the year *</b>				<u>-</u>	<u>-</u>
				<u>49,378,292</u>	<u>49,359,105</u>

- The company's board of directors resolved, in its meeting held on October 10, 2016 (corresponding to Muharram 9, 1438 H,) to authorized the legal advisor of the company to file a lawsuit against the management of the Arab Sulfonate Company Ltd. for the unfavorable results of the aforementioned company, which resulted in losses of more than half of its share capital. The lawsuit No. (1574/2/S) for the year 1438 H filed on November 21, 2016 (corresponding to Safar 21 1438H) and claimed the Arab Company for Sulfonates Ltd. to pay a compensation of SR 26,268,133 representing all the losses incurred by the company as a result of its mismanagement and claimed for compensation for the losses described in the lawsuit against the Arab Company for Sulfonates Ltd.
- On December 8, 2016 ( corresponding to 9 Rabi' Awal 1438 H), the company received a notification of a lawsuit at the Administrative Court in Jeddah at the Second Commercial Department No(1659/2/S) raised by Mr/Sultan M. Qusai Waly Al Deen Assad (partner) in Arab Company for Sulfonates Ltd. against Saudi Arabian Refineries Company, requesting to dissolve and liquidate the Arab Company for Sulfonates Ltd. in accordance with the provisions of Article 181 of the Companies Act. due to the company's exposure to losses exceeding half of its share capital.
- On March 14, 2018 (corresponding to 26 Jumada Al-Thani 1439 H, the company informed by the office of the legal advisor in charge of follow up the law suit that in this session the department judged and resolved to liquidate the Arab Company for Sulfonates Ltd. and appoint the Office of Saleh Abdullah Al Naeem - certified public accountant , as a liquidator to Arab Company for Sulfonates Ltd. to verify the losses and the responsibility of the company thereon.

# SAUDI ARABIAN REFINERIES COMPANY

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## Notes to the financial statements for the year ended December 31, 2021

(All amounts in Saudi Riyals unless otherwise stated)

### 5. Investments in associates...(Continued)

- We have been provided with the first follow-up report from the judicial liquidator of the liquidation of the Arab Company for Sulfonates Ltd. (an associate) for the period from 22/07/2018 to 31/12/2018, which includes his inability to prepare the financial statements of the associate for the year, ended 31/12/2018. Also, the management of the company has not been provided with the audited financial statements for the financial year ended December 31, 2018 and 2019 from the judicial liquidator of the Arab Company for Sulfonates Ltd. to assess the level of contingent liabilities of the company.
- Also, we have been provided with the second follow-up report from the judicial liquidator for the liquidation of the Arab Company for Sulfonates Ltd. (an associate) for the period from 1/1/2019 to 30/12/2019, which includes his inability to prepare the financial statements for the associate for the year ended 31/12/2019, and the company's management has not obtained the audited financial statements for the financial years ended December 31, 2018, 2019 and 2020 from the judicial liquidator of the Arab Company for Sulfonates Limited.
- On June 21, 2020, the legal liquidator and the certified public accountant, Saleh Abdullah Al-Naim passed away.
- On April 20, 2021 (corresponding to Ramadan 8, 1442 H), the Second Circuit of the Commercial Court in Jeddah resolved to appoint Edrak International Company as liquidator to succeed the Office of Certified Public Accountant Saleh Abdullah Al-Naeem in the liquidation of the Arab Company for Sulfonates Ltd.

### 6. Prepaid expenses and other receivables

Other current assets represent the followings:

	<u>As at December 31,</u>	
	<u>2021</u>	<u>2020</u>
Dividends payable*	-	7,597,240
Prepaid expenses **	231,019	33,739
Other receivables	264,666	180,599
Due from Arab Company for Tanks Ltd. (Note 7.B)	-	775,812
	<u>495,685</u>	<u>8,587,390</u>

\*This represents dividends payable from investment in Saudi Industrial Investment Group.

\*\* The Prepaid expenses include the Board of Directors' remunerations amounted to SR. 188,334.

### 7. Transactions with related parties

- A) Related parties are the shareholders of the company and the companies in which they directly or indirectly own shares / stakes that entitle them to control these companies. The following is a summary of the main transactions concluded and signed by these parties during the year:

	<u>Relationship</u>	<u>Nature of transaction</u>	<u>Size of transaction during</u>	
			<u>2021</u>	<u>2020</u>
Arab Company for Tanks Ltd.	Associate	Administrative services fees	310,367	301,500
Board of directors members and committees (note 14)	-	Members Rewards	392,751	434,022
Board of directors members and committees (note 6)		Members Rewards	188,334	-
		Allowances for attending meetings	169,500	43,500



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7. Transactions with related parties....(Continued)

B) Due from associates:

	<u>As at December 31,</u>	
	<u>2021</u>	<u>2020</u>
Arab Company for Sulfonates Limited	2,639,014	2,639,014
Arab Company for Tanks Ltd. (Note 6)	-	775,812
	<u>2,639,014</u>	<u>3,414,826</u>
Less: Provision for expected credit losses	<u>(2,639,014)</u>	<u>(2,639,014)</u>
	<u>-</u>	<u>775,812</u>

8. Cash and cash equivalents

	<u>As at December 31,</u>	
	<u>2021</u>	<u>2020</u>
Cash on hand	3,853	2,041
Cash at banks	30,422,015	30,655,290
	<u>30,425,868</u>	<u>30,657,331</u>

9. Employees' defined benefits obligations

9. A. Amounts recognized in the financial statements:

	<u>As at December 31,</u>	
	<u>2021</u>	<u>2020</u>
Opening balance	612,259	541,546
<b>Included within the statement of profits or losses</b>		
Cost of current service	61,555	60,574
Finance cost	12,394	16,389
<b>Included within the statement of other comprehensive income</b>		
Actuarial (profits)	(5,444)	(6,250)
<b>Closing balance</b>	<u>680,764</u>	<u>612,259</u>

9. B. Main actuarial assumptions

The significant actuarial assumptions used to assess the employees' end-of-Service obligations are as follows:

	<u>As at December 31,</u>	
	<u>2021</u>	<u>2020</u>
Discount rate	2,45%	1,95%
Salaries increment rate	2,45%	1,95%

The sensitivity of the defined benefits obligation to changes in the weighted main assumptions is as follows:

<u>Discount rate</u>	<u>Change in assumptions</u>	<u>Impact on defined</u>	<u>Impact on defined</u>
		<u>benefits obligations</u>	<u>benefits obligations</u>
		<u>December 31, 2021</u>	<u>December 31, 2020</u>
Discount rate	Increase in assumptions by .,5%	654,746	588,137
	Decrease in assumptions by .,5%	708,929	638,497
Salaries increment rate	Increase in assumptions by .,5%	707,350	637,064
	Decrease in assumptions by .,5%	655,959	589,229

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**10. Accruals and other current liabilities**

	<u>As at December 31,</u>	
	<u>2021</u>	<u>2020</u>
Accrued expenses	396,192	363,855
Provision against bank guarantee (10.1)	-	5,099,119
	<u>396,192</u>	<u>5,462,974</u>

(10.1) The company provided a bank guarantee to the Saudi British Bank (SABB) against the bank facilities granted to the Arab Company for Sulfonates Ltd. (an associate) with sum of SR 5.1 million, which represents 34% of the total value of the bank facilities granted to the associate according to the company's share capital.

Due to the default of the associate and its inability to pay the bank facilities according to their due date, the bank submitted a claim to the company to pay the indebtedness of the Arab Company for Sulfonates Ltd., in addition to any fees not yet due after October 21, 2015.

On April 12, 2017, the Saudi British Bank (SABB) filed a lawsuit against the Arab Company for Sulfonates Ltd. and the company by its capacity as guarantor of the facilities and claimed payment of the amounts due. On February 03, 2019, the judgment of the Fourteenth Executive Circuit of the Execution Court in Jeddah was issued demanding the Arab Sulfonate Company Ltd. to pay the amount of the claim.

Therefore, the management, as a hedge, made a provision for the value of the company's share of the bank guarantee and did not make any additional provision for fees resulting from default to pay the value of the bank guarantee.

On September 9, 2021, the Saudi British Bank (SABB) agreed to deduct 30% of the bank guarantee value that amounted to SR. 5.1 million, and accordingly, only SR. 3.57 million was paid, provided that the bank absolves the Saudi Arabian Refineries Company from any future claims, therefore, the amount of SR. 1.52 million was refunded to the profit or loss statement.

On October 19, 2021, an agreement was signed between the Saudi British Bank (SABB) and the company, accordingly, the bank absolved the Saudi Arabian Refineries Company from any future claims related to the bank guarantee for the Arab Company for Sulfonates Ltd.

**11. Zakat**

**11. A. The Zakat calculation are as follows:**

	<u>As at December 31,</u>	
	<u>2021</u>	<u>2020</u>
Net adjusted (Loss) profit	(2,474,465)	13,367,907
Total added items	515,888,453	483,745,341
Total deducted items	(540,671,966)	(493,164,462)
Zakat base	(24,783,813)	(9,419,121)
Zakat payable at 2.5% of net adjusted profit / zakat base	-	334,198

**11. B. Movement of zakat Provision**

	<u>As at December 31,</u>	
	<u>2021</u>	<u>2020</u>
Balance at beginning of the year	334,198	1,143,433
Amendment of Zakat Return for 2020 / 2019	3,159	190,343
Zakat differences for prior years	113,264	434,058
Payments during the year	(450,621)	(1,767,834)
Additions during the year	450,500	334,198
	<u>450,500</u>	<u>334,198</u>

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**11. Zakat ....(Continued)**

**11. C. Zakat status**

The company filed its zakat returns for the years up to December 31, 2020, and obtained zakat certificate.

**The years from 2019 to 2020**

The Zakat, Tax and Customs Authority ("ZATCA") issued zakat assessments and an additional zakat obligation resulted on the company with sum of SR 113,264 and the amount was settled during the fourth quarter of 2021.

**The years from 2017 to 2018**

The Zakat, Tax and Customs Authority ("ZATCA") issued zakat assessments and an additional zakat obligation resulted on the company with sum of SR 901,209 out of which sum of SR 434,058 was settled during the fourth quarter of 2020. The company objected to the remaining amounting to SR 467,151.

**12. Investment income**

	<u>As at December 31,</u>	
	<u>2021</u>	<u>2020</u>
Saudi Industrial Investment Group	7,597,240	15,194,480
Saudi Arabian Oil Company (Aramco Saudi Arabia)	49,929	40,065
Southern Region Cement Company	452,498	542,997
	<u>8,099,667</u>	<u>15,777,542</u>

**13. The company's share from the results of the business of associates**

	<u>As at December 31,</u>	
	<u>2021</u>	<u>2020</u>
Arab Company for Tanks Ltd	<u>78,784</u>	<u>1,047,918</u>

**14. General and administrative expenses**

	<u>As at December 31,</u>	
	<u>2021</u>	<u>2020</u>
Salaries , wages and equivalents	1,038,747	1,022,496
Board of directors and follow-up committees remuneration (Note 7)	392,751	434,022
Professional and legal fees	208,119	386,775
Capital market authority fees	373,632	265,492
Employees' bonuses	123,324	161,864
Newspapers advertisements	18,975	16,500
Board of directors allowance and related committees (Note 7)	169,500	43,500
Rents	130,244	114,500
Social insurance	56,274	46,587
Bank charges	48,815	178
Medical expenses	137,443	101,628
Others	160,957	196,116
	<u>2,858,781</u>	<u>2,789,658</u>

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**15. Basic and diluted earnings per share of net profit for the year**

	<u>For the year ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Net profit for the year	6,592,233	13,380,263
Number of shares' weighted average	15,000,000	15,000,000
<b>Basic and diluted earnings per share of net profit for the year</b>	<b>0,44</b>	<b>0,89</b>

**16. Dividends**

The Fiftieth General Assembly meeting dated April 21, 2021 (corresponding to 9 Ramadan 1442 H) approved the Board of Directors' recommendation on March 03, 2021 (corresponding to 19 Ragab 1442 H) to distribute dividends for the financial year 2020 amounting to SR 11,250,000 equivalent to (7.5%) of the company's share capital at SR 0.75 per share (2019: SR 15,000,000 at SR 1 per share). with dividends to be distributed on Monday 28 Ramadan 1442H corresponding to May 10, 2021.

**17. Statutory reserve**

According to the provisions of the Companies Law in the Kingdom of Saudi Arabia, the company is required to set aside 10% of the net annual income as a statutory reserve until the percentage reaches 30% of the company's share capital. This reserve is not available for distribution.

**18. Segment information**

The current activity of the company is represented in investing in local companies, and therefore its activity is limited to the investment sector and it has no other business sectors. Therefore, it does not report on operating segments in multiple products or in different geographies

**19. The status of the lawsuits**

On 28 Rajab 1428 H, the company filed a lawsuit with the Grievances bureau against the Saudi Arabian Oil Company (Saudi Aramco) claiming revenues payable from prior years with sum of SR 2.03 billion.

On July 14, 2014 (corresponding to 17 Shaaban 1435 H), a judgment was issued by the Administrative Court in Dammam (the Grievances bureau), and on Muharram 17, 1436H, this judgment was supported by the Dammam Court of appeal and stamped as final judgment, that Saudi Aramco must pay an amount of SR 137.1 million to the company.

The company filed a grievance appeal to the Royal Highness on February 18, 2016 (corresponding to Jumada Al-Awwal 9, 1437H), requesting the implementation of the aforementioned judgment and to oblige Saudi Aramco to pay. The law suit was referred to the Supreme Administrative Court in Riyadh for reconsideration and to issue a final judgment thereof.

The company was notified on February 11, 2020 (corresponding to 17 Jumada al-Akhir 1441H) by the legal advisor in charge of following up with the cassation of judgment along with the supporting judgment, and judged again to reject the lawsuit against the Saudi Arabian Oil Company (Saudi Aramco).

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**Notes to the financial statements for the year ended December 31, 2021**

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**20. Classification of financial instruments, fair value measurement and risk management**

**20. A. Classification of financial instruments**

	<u>For the year ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
<b>Financial assets</b>		
<b>Financial assets at amortization cost</b>		
Cash and cash equivalents	30,425,868	30,657,331
Prepaid expenses and other debit balances	495,685	8,587,390
<b>Financial assets at fair value through other comprehensive income</b>		
Investments in equity instruments through other comprehensive income	483,049,979	429,933,581
<b>Financial liabilities</b>		
<b>Financial liabilities at amortized cost:</b>		
Shareholders' payables	2,415,472	3,860,902
Accruals and other current liabilities	396,192	5,462,974

**20. B. Fair value measurement**

The company measures financial instruments such as equity instruments at fair value through other comprehensive income at each statement of financial position date.

The fair value represents the price 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 assets or liabilities
- In the non-existence of the principle market, in the most advantageous market for the assets or liabilities.

The main or most beneficial market must be available to the company.

The fair value of the assets or liabilities is measured using assumptions that market participants will use them when pricing the assets or liabilities and on the assumption that market participants seek to achieve the best economic benefits.

The fair value measurement of a non-financial asset takes into account the ability of market participants to achieve economic benefits by using the asset in the best possible way and the highest possible interest, or by selling it to another market participant, who will use the asset in the best and highest possible interest.

The following table shows the analysis of items recorded at fair value according to the level of the fair value hierarchy measurement:

	<u>2021</u>	<u>2020</u>
	<u>First level</u>	<u>First level</u>
Investments in equity instruments at fair value through other comprehensive	<u>483,049,979</u>	<u>429,933,581</u>

**20. C. Financial risk management**

The Company's activities are exposed to a variety of financial risks: market risk (including currency risk, fair value, and price risk), credit risk and liquidity risk.

The company's overall risk management program focuses on the fluctuations of the financial markets and the company's management attempts to minimize potential negative impacts on the company's financial performance.

# SAUDI ARABIAN REFINERIES COMPANY

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### Notes to the financial statements for the year ended December 31, 2021

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#### 20. Classification of financial instruments, fair value measurement and risk management... (Continued)

##### Financial risk management framework

The risk management policy is implemented by the senior management in accordance with the policies approved by the Board of Directors. The senior management identifies, assesses and hedges financial risks in close cooperation with the operating units of the company. The most important types of risk are credit risk, currency risk or fair value and interest rates for cash flows.

The Board of Directors has an overall responsibility for establishing and overseeing the Company's risk management framework. The executive management is responsible for developing and monitoring the company's risk management policies. Any changes or matters related to compliance with policies are reported to the Board of Directors through the Audit Committee.

The risk management regulations are reviewed regularly by the executive management to reflect changes in market conditions and the company's activities. The company aims, through training, management standards and procedures, to develop a responsible and constructive control environment so that all employees are aware of their roles and obligations.

The audit committee oversees the management's compliance with the company's risk management policies and procedures, and reviews the appropriateness of the risk management framework in relation to the risks encountered by the company.

Financial instruments included in the statement of financial position consist of receivables and other current assets, due from associates, accruals and other current liabilities. The methods of evidence used are disclosed in the policy statement relating to each item.

##### Exchange rate risk

Exchange rate risk arises from changes and fluctuations in the value of financial instruments as a result of changes in foreign exchange rates.

The company did not carry out any operations of materiality in currencies other than the Saudi Riyal and the US dollar. Since the Saudi Riyal exchange rate is fixed against the US dollar, it does not represent a significant currency risk. The Company's management monitors the currency exchange rates and believes that the exchange rate risk is immaterial.

##### Share price risk

The company is exposed to market price risks on its investments in traded shares arising from uncertainties surrounding the future value of traded shares. Reports on investment in traded shares are reported to the senior management on a regular basis.

##### Credit risk

Credit risk is the risk that one party in a financial instrument will fail to fulfill an obligation and causes the company to incur a financial loss. The Company's financial instruments that are subject to credit risk are primarily including of cash and cash equivalents, receivables and other current assets. The company monitors credit risk related to receivable and related party balances and establishes provision for doubtful balances. The company deposits its funds in banks with high reliability and creditworthiness. The company also has a policy regarding the amount of funds deposited in each bank, and the management does not expect the existence of significant credit risks resulting from this.

##### Liquidity risk

Liquidity risk is the risk that the company will encounter difficulties in obtaining the necessary financing to meet obligations related to financial instruments. Liquidity risk may arise when the inability to sell a financial asset quickly at a value approximate to its fair value. Liquidity risk is managed through regular monitoring of the adequacy of the available liquidity to meet the financial obligations of the company where the company has sufficient liquidity to pay its obligations and for the liabilities owed by the company for more than a year, they represent a bank guarantee for a local bank as the guarantor of the associate, and it will be paid after the conclusion of the liquidation result of the associate.

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## Notes to the financial statements for the year ended December 31, 2021

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### 20. Classification of financial instruments, fair value measurement and risk management...(continued)

#### Financial risk management framework...(continued)

##### Capital management

For managing the company's capital, the company's share capital structure consists of shareholders' equity (consisting of capital, statutory reserve, retained earnings and valuation reserve for investments in equity instruments at fair value through other comprehensive income). The main objective of share capital management is to maximize shareholder equity. The company manages and adjusts its share capital structure in view of changes in economic conditions and financial commitment requirements. In order to maintain or adjust the share capital structure, the company may adjust dividends to shareholders or issue new shares. The company has no capital structure with specific targets or rates to be achieved in connection with managing capital. The overall strategy of the company remains unchanged from the previous year.

### 21. Covid-19 updates

At the beginning of the year 2020, the new Corona pandemic (Covid-19) spread, causing disruption to business and economic activities around the world, including the Kingdom of Saudi Arabia, and the Kingdom took many Precautionary measures to confront all the negative consequences of that pandemic.

This required the company's management to reassess the main assumptions, estimates and sources applicable to the company's financial statements for the year ended December 31, 2021.

During the year, and with the discovery of vaccines for this pandemic and the retreat of the effects resulting from that pandemic, the management assessed all the effects on the operations and activities of the company, and based on this evaluation there was no need to make any substantial adjustments to the company's financial statements for the year ending on December 31, 2021. The company continues to closely monitor the developments of this pandemic, although the management at this time is not aware of expected factors that it may change the impact pandemic on the operations of the company during or after 2021.

### 22. Significant events

22.1. On Ramadan 8, 1442H (corresponding to April 20, 2021), the Second Circuit of the Jeddah Commercial Court issued its judgment to appoint Edraak International Company as a liquidator to succeed Saleh Al-Naim's office in the liquidation of the Arab for Sulfonates Company Ltd.

22.2. On Ramadan 9, 1442H (corresponding to April 21, 2021), the fiftieth ordinary general assembly of the shareholders of the company held its meeting and resolved the following:

- Non-approval of the Board of Directors' report for the financial year ended December 31, 2020.
- Non-approval of the financial statements for the financial year ended December 31, 2020.
- Non-approval of the auditor's report for the financial year ended December 31, 2020.
- And also non-approval to exonerate the members of the Board of Directors from liability for the financial year ended December 31, 2020.
- Approved to elect a new board of directors among the candidates for the next term, which begins on May 1, 2021 for the period of three years ending April 30, 2024.

### 23. Subsequent events

The Board of Directors provide a recommendation to the General Assembly to distribute dividends of 7.5 million Saudi riyals (50 halala per share) for the year ending on December 31, 2021.

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### **Notes to the financial statements for the year ended December 31, 2021**

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#### **23. Subsequent events...(Continued)**

The management believes that there are no other significant subsequent events from the statement of financial position date on December 31, 2021 until the date of preparing these financial statements that may have a material impact on the financial position of the company.

#### **24. Approval of the financial statements**

These financial statements were approved by the Board of Directors on Sha'aban 20, 1443 H (corresponding to March 23, 2021).