

SAUDI ARABIAN REFINERIES COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
AND INDEPENDENT AUDITORS' REPORT

SAUDI ARABIAN REFINERIES COMPANY

(A SAUDI JOINT STOCK COMPANY)

Consolidated financial statements for the year ended December 31, 2023

CONTENTS	PAGE
INDEPENDENT AUDITORS' REPORT	1-4
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	5
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	6
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	7
CONSOLIDATED STATEMENT OF CASH FLOWS	8
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	9 - 29

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 consolidated financial statements of Saudi Arabian Refineries Company ("the Company"), which comprise the consolidated statement of financial position as at December 31, 2023, the consolidated statement of profit or loss and comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and the notes (1) to (22) thereon, including a summary of significant accounting policies and other explanatory notes.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) adopted in Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated financial statements section of our report. We are independent of the Company in accordance with the International Code of Conduct and Ethics for Professional Accountants (including International Independence Standards), as endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the consolidated financial statements, and we have also fulfilled our other ethical responsibilities in accordance with that Code. We believe that the audit evidences 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, 2023. 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
 (A SAUDI JOINT STOCK COMPANY)
 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, 2023, the company has investments in equity instruments in listed companies amounting to SR 343.9 million (2022: SR 341.4 million), 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 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"> - Review the design and effectiveness of the internal control systems related to the evaluation of these investments for the company. - We considered fluctuations / changes in prices during the acquisition period to ensure whether the impairment met the criteria for impairment. - Verify ownership of the company's investments. - Evaluate the adequacy of the related disclosures in the financial statements.

Other information included in the company's annual report for the year ending December 31, 2023

Other information includes information included in the company's annual report for the year ending December 31, 2023, other than the consolidated financial statements and the auditor's report thereon. The company's management is responsible for the other information mentioned in its annual report. It is expected that the annual report will be available to us after the date of this auditor's report.

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

**TO THE SHAREHOLDERS
SAUDI ARABIAN REFINERIES COMPANY
(A SAUDI JOINT STOCK COMPANY)
JEDDAH - SAUDI ARABIA**

Responsibilities of Management and those charged with Governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 consolidated financial statements

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

**TO THE SHAREHOLDERS
SAUDI ARABIAN REFINERIES COMPANY
(A SAUDI JOINT STOCK COMPANY)
JEDDAH - SAUDI ARABIA**

Auditors' Responsibilities for the Audit of the consolidated financial statements (Continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

FOR EL SAYED EL AYOUTY & CO.

JEDDAH: Ramadan 7, 1445 H
March 17, 2024



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

SAUDI ARABIAN REFINERIES COMPANY
(A SAUDI JOINT STOCK COMPANY)

Consolidated statement of financial position as at December 31, 2023

(All amounts in Saudi Riyals unless otherwise stated)

	Notes	As at December 31,	
		2023	2022
Assets			
Non-current assets			
Investments in equity instruments at fair value through other comprehensive income	4.A	343,908,353	341,405,027
Investments in associates	5	49,610,118	49,352,494
Property and equipment- net		37,830	46,775
Intangible assets - Net		38,829	57,031
Total non-current assets		393,595,128	390,861,327
Total assets			
Prepaid expenses and other receivables	7	7,736,516	367,385
Cash and cash equivalents	9	39,882,410	54,005,474
Total current assets		47,618,926	54,372,859
Total assets		441,214,054	445,234,186
Shareholders' Equity and liabilities			
Shareholders' Equity			
Share capital	1	150,000,000	150,000,000
Statutory reserve	18	31,693,154	30,922,990
Reserve for valuation of investments in equity instruments at FVOCI	4.B	217,162,331	214,659,006
Retained earnings		35,155,847	43,238,857
Total shareholders' equity		434,011,332	438,820,853
Non-current liabilities			
Employees' defined benefits obligations	10.A	122,492	47,509
Total non-Current liabilities		122,492	47,509
Current liabilities			
Due to shareholders		2,279,917	2,838,155
Accruals and other current liabilities	11	3,921,983	2,089,782
Zakat provision	12.B	878,330	1,437,887
Total current liabilities		7,080,230	6,365,824
Total liabilities		7,202,722	6,413,333
Total shareholders' equity and liabilities		441,214,054	445,234,186

The consolidated financial statements appearing on pages (5) to (29) have been approved by the Board of Directors and signed on their behalf by:


Osama Bajaj
Finance Manager


Chief Executive Officer


Chairman of the Board of Directors

The accompanying notes from (1) to (22) form an integral part of these consolidated financial statements.

SAUDI ARABIAN REFINERIES COMPANY

(A SAUDI JOINT STOCK COMPANY)

Consolidated statement of profits or losses and other comprehensive income for the year ended December 31, 2023

(All amounts in Saudi Riyals unless otherwise stated)

	Note	2023	2022
Investment income	13	15,362,270	34,478,958
Company's share from results of investment in associate	14	236,855	(124,784)
		<u>15,599,125</u>	<u>34,354,174</u>
General and administrative expenses	15	(6,544,470)	(4,737,272)
Expected credit losses	7	-	(304,570)
Net profit of the activity		<u>9,054,655</u>	<u>29,312,332</u>
Other income		324,449	372,268
Net profit of the year before zakat		<u>9,379,104</u>	<u>29,684,600</u>
Zakat	12.B	(1,677,461)	(1,454,538)
Net profit for the year		<u>7,701,643</u>	<u>28,230,062</u>
<u>Items of other comprehensive income</u>			
Items that will not be re-classified subsequently within profits or losses:			
Actuarial (losses) / gains from re-measurement of employees' defined benefit obligations	10	(35,256)	101,938
Share of company in Actuarial gains from re-measurement of employees' defined benefit obligations of an associate	5.A	20,787	98,986
Gains / (losses) from changes in the fair value of investments in equity instruments	4.B	2,503,325	(141,644,951)
Total other comprehensive income for the year		<u>2,488,836</u>	<u>(141,444,027)</u>
Total comprehensive income / (loss) for the year		<u>10,190,479</u>	<u>(113,213,965)</u>
Basic and diluted earnings per share of net profit for the year	16	0.51	1.88

The consolidated financial statements appearing on pages (5) to (29) have been approved by the Board of Directors and signed on their behalf by:


Osama Badj
Finance Manager


Chief Executive Officer


Chairman of the Board of Directors

The accompanying notes from (1) to (22) form an integral part of these consolidated financial statements.

SAUDI ARABIAN REFINERIES COMPANY
(A SAUDI JOINT STOCK COMPANY)

Consolidated statement of changes in shareholders' equity for the year ended December 31, 2023
(All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Reserve for valuation of investments in equity instruments at FVOCI	Retained earnings	Total shareholders' equity
Balance as at January 01, 2022	150,000,000	28,099,984	356,303,957	25,130,877	559,534,818
Net profit for the year	-	-	-	28,230,062	28,230,062
Change in items of other comprehensive (loss) for the year	-	-	(141,644,951)	200,924	(141,444,027)
Total comprehensive (loss) for the year	-	-	(141,644,951)	28,430,986	(113,213,965)
Transferred to statutory reserve	-	2,823,006	-	(2,823,006)	-
Dividends (Note 17)	-	-	-	(7,500,000)	(7,500,000)
Balance as at December 31, 2022	150,000,000	30,922,990	214,659,006	43,238,857	438,820,853
Balance as at January 01, 2023	150,000,000	30,922,990	214,659,006	43,238,857	438,820,853
Net profit for the year	-	-	-	7,701,643	7,701,643
Change in items of other comprehensive income for the year	-	-	2,503,325	(14,489)	2,488,836
Total comprehensive income for the year	-	-	2,503,325	7,687,154	10,190,479
Transferred to statutory reserve	-	770,164	-	(770,164)	-
Dividends (Note 17)	-	-	-	(15,000,000)	(15,000,000)
Balance as at December 31, 2,023	150,000,000	31,693,154	217,162,331	35,155,847	434,011,332

The consolidated financial statements appearing on pages (5) to (29) have been approved by the Board of Directors and signed on their behalf by:


Finance Manager


Chairman of the Board of Directors


Chief Executive Officer

The accompanying notes from (1) to (22) form an integral part of these consolidated financial statements.

SAUDI ARABIAN REFINERIES COMPANY

(A SAUDI JOINT STOCK COMPANY)

Consolidated statement of cash flows for the year ended December 31, 2023

(All amounts in Saudi Riyals unless otherwise stated)

	<u>2023</u>	<u>2022</u>
<u>Cash flows from operating activities:</u>		
Net profit for the year before zakat	9,379,104	29,684,600
<u>Adjustments for net profit for the year before zakat to net cash flows from operating activities:</u>		
Depreciation of property and equipment	25,600	19,118
Amortization of intangible assets	18,202	14,561
Provided for employees' defined benefit obligations	36,724	71,139
Interest expense of employees' defined benefit obligations	3,003	17,333
Company's share from results of investment in associate	(236,855)	124,784
Expected credit losses for receivables and other current assets	-	304,570
<u>Changes in items of operating assets and liabilities:</u>		
Prepaid expenses and other receivables	(7,369,132)	(176,269)
Due to shareholders	(558,238)	422,683
Accruals and other current liabilities	1,832,201	1,693,590
Cash provided by operating activities	3,130,609	32,176,109
Employees' defined benefit obligations - paid	-	(619,789)
Zakat paid	(2,237,018)	(467,151)
Net Cash flows provided by operating activities	893,591	31,089,169
<u>Cash flows from investing activities:</u>		
Addition to property and equipment	(16,655)	(9,563)
Net cash flows (used in) by investing activities	(16,655)	(9,563)
<u>Cash flows from financing activities:</u>		
Dividends paid	(15,000,000)	(7,500,000)
Cash flows (used in) financing activities	(15,000,000)	(7,500,000)
(Decrease) / increase in cash and cash equivalents	(14,123,064)	23,579,606
Cash and cash equivalents at the beginning of the year	54,005,474	30,425,868
Cash and cash equivalents at the end of the year	39,882,410	54,005,474
<u>Non-cash transactions:</u>		
Unrealized gains / (losses) from investments in equity instruments	2,503,325	(141,644,951)
Actuarial (losses) / gains from re-measurement of employees' defined benefit obligations	(35,256)	101,938
Share of company in Actuarial gains from re-measurement of employees' defined benefit obligations of an associate	20,767	98,986

The consolidated financial statements appearing on pages (5) to (29) have been approved by the Board of Directors and signed on their behalf by:


Osama Baig
Finance Manager


Chief Executive Officer


Chairman of the Board of Directors

The accompanying notes from (1) to (22) form an integral part of these consolidated financial statements.

SAUDI ARABIAN REFINERIES COMPANY

(A SAUDI JOINT STOCK COMPANY)

Notes to the consolidated financial statements for the year ended December 31, 2023

(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, 2023, the company's share capital amounted to SR150 million (December 31, 2022: 150 million) divided into 15 million shares (December 31, 2022: 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 consolidated financial statements include the financial statements of the company and its subsidiary mentioned below, which is headquartered in Jeddah (together referred to as the "Group"):

<u>Company</u>	<u>Country of incorporation</u>	<u>Ownership percentage</u>	
		<u>2023</u>	<u>2022</u>
Al Sadu Company for Investment	KSA	100%	100%

The company is engaged in real estate activities, financial activities, financial technology, tourism services, general construction activities, mining and quarrying activities.

The company has not started its activity until December 31, 2023 (note 6).

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 consolidated financial statements have been prepared in accordance with the accrual accounting principle, using the going concern concept and on the basis of historical cost, 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 measured at present value of future obligations in accordance with the projected credit unit method.

2.3. Basics of consolidation of financial statements

The group's consolidated financial statements include the financial statements of the company and its subsidiary, as shown in note (1). Control is achieved when the Group is exposed, or has rights, to the returns from its involvement with the investee and when the Group has the ability to affect those returns through its power over the investee.

SAUDI ARABIAN REFINERIES COMPANY

(A SAUDI JOINT STOCK COMPANY)

Notes to the consolidated financial statements for the year ended December 31, 2023

(All amounts in Saudi Riyals unless otherwise stated)

2. Basis of preparation... (Continued)

2.3. Basics of consolidation of financial statements... (Continued)

The Group considers controlling an investee when the Group has:

- Control of the investee company (existing rights that give it the current ability to direct the activities of the investee).
- Exposure to risks and rights to various returns from its overlap with the investee company.
- The ability to use its power over the investee company to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one of the elements of control described above. The process of consolidation of a subsidiary begins when the group obtains control of the subsidiary and ceases when the group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired during the period are included in the consolidated financial statements from the date the Group acquires control of the subsidiary until the date it ceases.

Profits and losses and all components of other comprehensive income are attributable to the equity holders of the Group's parent company and to the holders of the non-controlling interests, even if this results in a deficit balance in favor of the non-controlling interests. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

Eliminations

Intra-group balances and transactions, as well as any unrealized gains or losses arising from intra- group transactions, are eliminated in full when preparing these financial statements. Unrealized gains arising from transactions with equity investees are eliminated to the extent of the Group's interest in the investee. Note that the subsidiary company has not started its activity yet, so there are no eliminated operations and that all transactions are attributed to the parent company.

Non-controlling interests

There are no non-controlling interest, as the subsidiary has not yet begun its activity, so there are no eliminated operations, and all transactions are attributed to the parent company.

2.4. 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.

2.5. 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:

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.

SAUDI ARABIAN REFINERIES COMPANY

(A SAUDI JOINT STOCK COMPANY)

Notes to the consolidated financial statements for the year ended December 31, 2023

(All amounts in Saudi Riyals unless otherwise stated)

2. Basis of preparation... (Continued)

2.5. Significant accounting estimates, assumptions and judgments... (Continued)

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.

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.

SAUDI ARABIAN REFINERIES COMPANY

(A SAUDI JOINT STOCK COMPANY)

Notes to the consolidated financial statements for the year ended December 31, 2023

(All amounts in Saudi Riyals unless otherwise stated)

2. Basis of preparation... (Continued)

2.5. Significant accounting estimates, assumptions and judgments... (Continued)

Fair value measurement... (Continued)

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, 2023 (December 31, 2022), 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 consolidated 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
- 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

SAUDI ARABIAN REFINERIES COMPANY

(A SAUDI JOINT STOCK COMPANY)

Notes to the consolidated financial statements for the year ended December 31, 2023

(All amounts in Saudi Riyals unless otherwise stated)

3. Significant accounting policies... (Continued)

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

- 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:

<u>Item</u>	<u>Years</u>
Furniture and fixtures	5 years
Transportation means	5 years

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).

3.3. 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.

SAUDI ARABIAN REFINERIES COMPANY

(A SAUDI JOINT STOCK COMPANY)

Notes to the consolidated financial statements for the year ended December 31, 2023

(All amounts in Saudi Riyals unless otherwise stated)

3. Significant accounting policies... (Continued)

3.3. Intangible assets... (Continued)

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.

3.4. Impairment of non-financial assets

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.

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.

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.

SAUDI ARABIAN REFINERIES COMPANY

(A SAUDI JOINT STOCK COMPANY)

Notes to the consolidated financial statements for the year ended December 31, 2023

(All amounts in Saudi Riyals unless otherwise stated)

3. Significant accounting policies... (Continued)

3.5. Financial instruments... (Continued)

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.

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 instrument investments)

The company has elected to recognize changes in the fair value of equity investments in other comprehensive income. These changes are collected within equity under the heading of the valuation reserve for 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 relevant shares.

These assets are subsequently measured 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 gains are recognized in the statement of other comprehensive income and are not reclassified to the statement of profit or loss.

SAUDI ARABIAN REFINERIES COMPANY

(A SAUDI JOINT STOCK COMPANY)

Notes to the consolidated financial statements for the year ended December 31, 2023

(All amounts in Saudi Riyals unless otherwise stated)

3. Significant accounting policies... (Continued)

3.5. Financial instruments... (Continued)

Financial assets at fair value through profit or loss

These assets are subsequently measured at fair value. Net profits or losses, including any interests or dividends, are recognized in the profit or loss statement.

The Company does not have any investments at fair value through 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.

The company, based on a forward-looking view, assesses 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 receivables, the Company applies the simplified approach, which requires expected losses to be recorded on a lifetime basis from the date of initial recognition of the trade receivables. To measure expected credit losses, trade receivables have been grouped based on common credit risk characteristics and the number of days past due.

Expected loss rates have been inferred from the Company's historical information and adjusted to reflect the expected future outcome.

Measure expected credit loss

Expected credit loss is a weighted estimate of credit losses that are measured as the present value of the cash shortfalls (i.e. the difference between the cash flows due to the company and 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 gross 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.

SAUDI ARABIAN REFINERIES COMPANY

(A SAUDI JOINT STOCK COMPANY)

Notes to the consolidated financial statements for the year ended December 31, 2023

(All amounts in Saudi Riyals unless otherwise stated)

3. Significant accounting policies... (Continued)

3.5. Financial instruments... (Continued)

Financial liabilities... (Continued)

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. 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.

3.8. 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.

SAUDI ARABIAN REFINERIES COMPANY

(A SAUDI JOINT STOCK COMPANY)

Notes to the consolidated financial statements for the year ended December 31, 2023

(All amounts in Saudi Riyals unless otherwise stated)

3. Significant accounting policies... (Continued)

3.9. 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

3.10. Provisions

A provision is recognized if the Company has a present (legal or constructive) obligations arising from previous events and it is probable that an outflow of economic benefit will be required to settle the obligations, and can be measured reliably. 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 this liability.

3.11. 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.

3.12. 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.

3.13. 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.

3.14. 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.

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.

SAUDI ARABIAN REFINERIES COMPANY

(A SAUDI JOINT STOCK COMPANY)

Notes to the consolidated financial statements for the year ended December 31, 2023

(All amounts in Saudi Riyals unless otherwise stated)

3. Significant accounting policies... (Continued)

3.14. Revenue recognition... (Continued)

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.

3.15. Revenue from investments

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. The company's activity is investing in local companies.

3.16. 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.

3.17. 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.

3.18. 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.

3.19. 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

3.20. New standards, amendments and interpretations:

The new standards, amendments and appropriate interpretations are disclosed below as follows:

SAUDI ARABIAN REFINERIES COMPANY

(A SAUDI JOINT STOCK COMPANY)

Notes to the consolidated financial statements for the year ended December 31, 2023

(All amounts in Saudi Riyals unless otherwise stated)

3. Significant accounting policies... (Continued)

3.20. New standards, amendments and interpretations... (Continued)

A. New and amended standards applied

The Company has applied the following standards and amendments for the first time for its annual reporting period beginning January 1, 2023:

- Amendments to IAS 1: Classification of liabilities into current or non-current
- Amendments to IAS 8: Definition of Accounting Estimates
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies
- Amendments to IAS 12: Deferred tax relating to assets and liabilities arising from a single transaction

The above amendments had no impact on the amounts recognized in the prior and current periods and are not expected to have a material impact on future reporting periods.

- Other accounting standards relevant to the reporting period do not apply to the Company.

B. The new and amended standards are not effective or applied:

Below are disclosed the new and amended standards and interpretations that have been issued but have not become effective until the date of issuance of the Company's financial statements.

<u>Standard - interpretation</u>	<u>Amendment</u>	<u>Effective date</u>
IAS 1	Amendments to the "Presentation of Financial Statements" standard related to the classification of liabilities as current and non-current.	1 January 2024
IFRS 16	Amendments to the lease standard relating to sale and leaseback transactions and assessing whether an asset transfer is a sale.	1 January 2024
Supplier financing arrangements	Amendments to IAS 7 and IFRS 7	1 January 2024

The Company is currently evaluating the impact of these amendments.

SAUDI ARABIAN REFINERIES COMPANY

(A SAUDI JOINT STOCK COMPANY)

Notes to the consolidated financial statements for the year ended December 31, 2023

(All amounts in Saudi Riyals unless otherwise stated)

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

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

<u>Company name</u>	<u>No. of shares as at</u>		<u>share market value as at</u>		<u>Balance as at December 31</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Saudi Industrial Investment Group	15,194,480	15,194,480	22,20	21,98	337,317,456	333,974,670
Saudi Arabian Oil Company (Saudi Aramco)	42,931	39,029	33,00	32,10	1,416,723	1,252,831
Southern region cement company	120,666	120,666	42,55	51,00	5,134,339	6,153,966
Aqua Power Co.	155	155	257,0	152,00	39,835	23,560
					<u>343,908,353</u>	<u>341,405,027</u>

4.B. The Company recorded unrealized profits from investments in equity instruments at fair value through other comprehensive income as follows:

	<u>As at December</u> <u>31, 2023</u>	<u>As at December</u> <u>31, 2022</u>
Balance at beginning of the year	214,659,006	356,303,957
Unrealized gains / (losses) during the year	2,503,325	(141,644,951)
	<u>217,162,331</u>	<u>214,659,006</u>

5. Investments in associates

Investments in associates represent the followings:

<u>Name of the company</u>	<u>Main business sector</u>	<u>Country of incorporation</u>	<u>Shareholding %</u>	<u>As at December 31, 2023</u>	<u>As at December 31, 2022</u>
A- Arab Company for Tanks Ltd.	Services	KSA	27%		
Balance at beginning of the year				49,352,494	49,378,292
Company's share from the results of investment in associate				236,855	(124,784)
Company's share of the associate's other comprehensive income				20,767	98,986
Balance at end of the year				<u>49,610,116</u>	<u>49,352,494</u>
B- Arab Company for Sulfonates Ltd	Industrial	KSA	34%		
Balance at beginning of the year				363,006	363,006
Provision for impairment of investment				(363,006)	(363,006)
Balance at end of the year (note 5.B)				<u>-</u>	<u>-</u>
				<u>49,610,116</u>	<u>49,352,494</u>

SAUDI ARABIAN REFINERIES COMPANY

(A SAUDI JOINT STOCK COMPANY)

Notes to the consolidated financial statements for the year ended December 31, 2023

(All amounts in Saudi Riyals unless otherwise stated)

5. Investments in associates...(Continued)

5.B. 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.

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 from the judicial liquidator of the Arab Company for Sulfonates Ltd. to assess the investment or 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 30/6/2019, 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, 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.

The company's management did not obtain the audited financial statements for the financial years ending on December 31, 2021, 2022 and 2023, from the judicial liquidator of the Arab Sulfonate Company Limited (Edrak International Company).

6. Investment in a subsidiary

The company has established a subsidiary company under the name of Al-Sadu Investment Company (a limited liability company owned 100% by the Saudi Arabian Refineries Company) with a capital amounted to SR. 5 million and CR. No. 4030475999 dated June 19, 2022 (corresponding to Dhu al-Qa'dah 20, 1443 H) and its head office in Jeddah. The company's activity is to carry out real estate activities, financial activities, financial technology, tourism services, public construction activities, mining and quarrying activities. The company will start providing its services after completing all the establishment work in terms of administrative and technical terms and the necessary licenses. The company has not started its activities yet, and its capital has not been collected until the date of the financial position on December 31, 2023.

SAUDI ARABIAN REFINERIES COMPANY

(A SAUDI JOINT STOCK COMPANY)

Notes to the consolidated financial statements for the year ended December 31, 2023

(All amounts in Saudi Riyals unless otherwise stated)

7. Prepaid expenses and other receivables

Prepaid expenses and other receivables are as follows:

	<u>As at December 31,</u>	
	<u>2023</u>	<u>2022</u>
Dividends payable*	7,597,240	-
Prepaid expenses	134,269	125,152
Other receivables	5,007	546,803
	<u>7,736,516</u>	<u>671,955</u>
Less: expected credit losses (note 7.A)	-	(304,570)
	<u>7,736,516</u>	<u>367,385</u>

* Represents the dividends payable from investment in the Saudi Industrial Investment Group Company.

7.A. Movements in expected credit losses during the year is as follows:

	<u>2023</u>	<u>2022</u>
The balance on January 1	304,570	-
Provided during the year	-	304,570
Used during the year	(304,570)	-
The balance at December 31	<u>-</u>	<u>304,570</u>

8. 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>2023</u>	<u>2022</u>
Arab Company for Tanks Ltd.	Associate	Administrative services fees	301,500	301,500
Board of directors members and committees (note 15)	-	Members Rewards	768,159	1,870,834
Board of directors members and committees (note15)		Allowances for attending sessions	167,333	215,750

B) Due from associates:

	<u>As at December 31,</u>	
	<u>2023</u>	<u>2022</u>
Arab Company for Sulfonates Limited	2,639,014	2,639,014
Less: Provision for expected credit losses	(2,639,014)	(2,639,014)
	<u>-</u>	<u>-</u>

9. Cash and cash equivalents

	<u>As at December 31,</u>	
	<u>2023</u>	<u>2022</u>
Cash at banks	<u>39,882,410</u>	<u>54,005,474</u>

Cash at banks include cash in an investment portfolio amounting to SR. 28.4 million.

SAUDI ARABIAN REFINERIES COMPANY
(A SAUDI JOINT STOCK COMPANY)

Notes to the consolidated financial statements for the year ended December 31, 2023

(All amounts in Saudi Riyals unless otherwise stated)

10. Employees' defined benefits obligations

10. A. Amounts recognized in the consolidated financial statements:

	<u>As at December 31,</u>	
	<u>2023</u>	<u>2022</u>
Opening balance	47,509	680,764
Cost of current service	36,724	71,139
Finance cost	3,003	17,333
Employee benefits - paid	-	(619,789)
Actuarial losses / (gains)	35,256	(101,938)
	<u>122,492</u>	<u>47,509</u>

10. 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>2023</u>	<u>2022</u>
Discount rate	4,9%	4,85%
Salaries increment rate	10,0%	4,85%

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, 2023</u>	<u>December 31, 2022</u>
Discount rate	Increase in assumptions by .,5%	115,823	45,428
	Decrease in assumptions by .,5%	129,696	49,722
Salaries increment rate	Increase in assumptions by .,5%	128,753	49,363
	Decrease in assumptions by .,5%	116,612	45,740

11. Accruals and other current liabilities

Other accruals and current liabilities are as follows:

	<u>As at December 31,</u>	
	<u>2023</u>	<u>2022</u>
Accrued expenses *	2,089,983	2,089,782
Provision for claims	1,832,000	-
	<u>3,921,983</u>	<u>2,089,782</u>

* Accrued expenses include remuneration of members of the Board of Directors, amounting to SR. 1.5 million (2022: amounting to SR. 1.9 million).

SAUDI ARABIAN REFINERIES COMPANY

(A SAUDI JOINT STOCK COMPANY)

Notes to the consolidated financial statements for the year ended December 31, 2023

(All amounts in Saudi Riyals unless otherwise stated)

12. Zakat

12. A. The Zakat calculation are as follows:

	As at December 31,	
	2023	2022
Net adjusted (loss)	(4,107,903)	(4,276,532)
Total added items	440,958,687	424,950,082
Total deducted items	(405,825,485)	(367,585,059)
Zakat base	35,133,202	57,365,023
Zakat payable at 2,5% of zakat base	878,330	1,434,126

12. B. Movement of zakat Provision

	As at December 31,	
	2023	2022
Balance at beginning of the year	1,437,887	450,500
Additions during the year	1,677,461	1,454,538
Payments during the year	(2,237,018)	(467,151)
	878,330	1,437,887

12. C. Zakat status

The company filed its zakat returns until the years up to December 31, 2022, and obtained zakat certificate for the year ended December 31, 2022.

The company finalized its zakat status until the year 2020 and paid the zakat payable differences.

The Zakat, Tax and Customs Authority ("ZATCA") issued zakat assessments for the years 2021 and 2022, resulting in an additional zakat obligation for the company amounting to SR. 829,677. The amount was settled during the third quarter of 2023.

13. Investment income

	As at December 31,	
	2023	2022
Saudi Industrial Investment Group	15,194,480	34,187,580
Saudi Arabian Oil Company (Aramco Saudi Arabia)	65,095	49,927
Southern Region Cement Company	102,566	241,332
Aqua Power Co.	129	119
	15,362,270	34,478,958

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

	As at December 31,	
	2023	2022
Arab Company for Tanks Ltd	236,855	(124,784)

SAUDI ARABIAN REFINERIES COMPANY
(A SAUDI JOINT STOCK COMPANY)

Notes to the consolidated financial statements for the year ended December 31, 2023

(All amounts in Saudi Riyals unless otherwise stated)

15. General and administrative expenses

	<u>As at December 31,</u>	
	<u>2023</u>	<u>2022</u>
Salaries , wages and equivalents	1,397,920	865,595
Board of directors and follow-up committees remuneration (note 8)	768,159	1,870,834
Professional and legal fees	1,076,899	581,831
Capital market authority fees	348,751	387,303
Fines and compensation	1,832,000	-
Employees' bonuses	115,500	133,770
Newspapers advertisements	19,550	19,550
Allowance for attending meetings of the Board of Directors and related committees (note 8)	167,333	215,750
Rents	141,947	131,675
Social insurance	94,794	74,434
Donations	100,000	-
Bank charges	143,405	121,077
Medical expenses	126,601	106,269
Others	211,611	229,184
	<u>6,544,470</u>	<u>4,737,272</u>

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

	<u>For the year ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Net profit for the year	7,701,643	28,230,062
Weighted average number of shares	15,000,000	15,000,000
Basic and diluted earnings per share of net profit for the year	<u>0,51</u>	<u>1,88</u>

17. Dividends

The Ordinary General Assembly of Shareholders on June 22, 2023 corresponding to Dhu al-Qa'dah 4, 1444H had approved the Board of Directors' recommendation on March 29, 2023 corresponding to Ramadan 8, 1444H to distribute dividends for the fiscal year 2022 amounting to SR. 15 million, equivalent to (10%) of the company's capital at SR. 1 per share (2021: SR. 7.5 million, at halalas 50 per share), The profits were distributed on Wednesday, July 19, 2023, corresponding to Muharram 1, 1445H.

18. Statutory reserve

Pursuant to the provisions of the Companies Act in the Kingdom of Saudi Arabia, the company is required to set aside 10% of the net annual income as a statutory reserve until it amounts to 30% of the share capital, This reserve is not available for distribution.

19. 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

SAUDI ARABIAN REFINERIES COMPANY

(A SAUDI JOINT STOCK COMPANY)

Notes to the consolidated financial statements for the year ended December 31, 2023

(All amounts in Saudi Riyals unless otherwise stated)

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

20. A. Classification of financial instruments

	<u>As at December 31,</u>	
	<u>2023</u>	<u>2022</u>
Financial assets:		
Financial assets at amortization cost:		
Cash and cash equivalents	39,882,410	54,005,474
Prepaid expenses and other receivables	7,736,516	367,385
Financial assets at fair value through other comprehensive income:		
Investments in equity instruments through other comprehensive income	343,908,353	341,405,027
Financial liabilities:		
Financial liabilities at amortized cost:		
Shareholders' payables	2,279,917	2,838,155
Accruals and other current liabilities	3,921,983	2,089,782

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>2023</u>	<u>2022</u>
	<u>First level</u>	<u>First level</u>
Investments in equity instruments at fair value through other comprehensive	<u>343,908,353</u>	<u>341,405,027</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

(A SAUDI JOINT STOCK COMPANY)

Notes to the consolidated financial statements for the year ended December 31, 2023

(All amounts in Saudi Riyals unless otherwise stated)

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

20. C. Financial 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.

SAUDI ARABIAN REFINERIES COMPANY

(A SAUDI JOINT STOCK COMPANY)

Notes to the consolidated financial statements for the year ended December 31, 2023

(All amounts in Saudi Riyals unless otherwise stated)

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

20. C. Financial risk management... (Continued)

Liquidity risk

Liquidity risk is the risk that the company will encounter difficulties in obtaining the necessary finance 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. As the company has sufficient liquidity to pay its liabilities.

Capital management

For the purpose of managing the company's capital risk, the company's capital structure consists of shareholders' equity (consist of share capital, statutory reserve, retained earnings and equity instruments valuation reserve at FVOCI). The main objective of capital management is to maximize shareholders' 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 objectives or rates to be achieved in connection with managing capital risk. The overall strategy of the company remains unchanged from the previous year.

21. Subsequent events

The management believes that there are no significant subsequent events from the consolidated statements of financial position date on December 31, 2023 until the date of preparing these consolidated financial statements that may have a material impact on the financial position of the company.

22. Approval of the financial statements

The consolidated financial statements were approved by the Board of Directors on Ramadan 7, 1445 H (corresponding to March 17, 2024).