بتــرو رابــغ | تُثري الحياة
Petro Rabigh | Enriching life

Annual Report 2017

Shaping the Future,
Maximizing Potential

The Custodian of the Two Holy Mosques

KING SALMAN BIN ABDULAZIZ AL SAUD

King of the Kingdom of Saudi Arabia

His Royal Highness Prince

MOHAMMED BIN SALMAN BIN ABDULAZIZ

Crown Prince, Vice President of the Council of Ministers
and Minister of Defense

Table of Contents

Independent Auditor's Report

Board of Directors

Board Chairman
ABDULAZIZ M. AL-JUDAIMI
Non-Executive Director

Deputy Chairman
Noriaki Takeshita
Non-Executive Director

Suleman A. Al-Bargan
Non-Executive Director

President & CEO
Nasser D. Al-Mahasher
Executive Director

Takashi Shigemori
Non-Executive Director

Saud A. Al-Ashgar
Independent Director

Saleh F. Al-Nazha
Independent Director

Shigeyuki Yoneda
Non-Executive Director

Waleed A. Bamarouf
Independent Director

Executive Management

NASSER D. AL-MAHASHER
President & CEO

Finance & Accounting
NAOYUKI INOUE
Chief Financial Officer

Market Development
HIROSHI SHIMIZU
General Manager

Manufacturing
SEIJI TAKEUCHI
Senior Vice President

Industrial Relations
HESHAM H. AZZOUZ
Vice President (Acting)

Safety, Health, Environment & Security
ABDULLAH M. AL-QAHTANI
Vice President

Engineering & Support
ADEL M. AL-GHAMDI
Vice President (Acting)

Chairman
Abdulaziz M. Al-Judaimi

Chairman’s message to the Shareholders

Dear Shareholders of Rabigh Refining and Petrochemical Company (Petro Rabigh),

On behalf of the Board of Directors and Petro Rabigh staff, I present to you the Company’s Annual Report for the year ending December 31st, 2017, in addition to the external auditor’s report and the audited financial statements for the same period.

Dear Shareholders,

I am delighted to present the Annual Report for the year 2017, a year which produced the best results the Company has achieved in its relatively brief history.

A year ago we committed to greater focus on profitability and to making it the prime indicator of Petro Rabigh’s success. We are therefore very pleased to see all efforts in that direction pay off. We exceeded the targets we set ourselves for the year, and the Company’s operational income leaped to over one billion riyals. During the year, we also made a number of significant achievements in areas related to reliability and performance that will stand us in good stead going forward. All this was achieved while confronted with a number of significant challenges, principally the start-up of all Phase II core process units and the scheduled shutdown of the Vacuum Gas Oil Hydro Treating Unit (VGO), and I congratulate everyone at the Company for the considerable successes in these areas. We have shown what we are capable of and have set new standards for ourselves that will allow us to aim even higher.

Despite the challenges posed, the Company witnessed continued improvement regarding safety, recording an impressive man-hours of continuous work without lost time injury between February and late October as well as improved recordable case rates. Safety underpins everything we do, and we shall continue to strive to excel in every area.

With regards to Phase II, all core process plants were put into operation at full capacity in 2017, marking a genuine milestone for Petro Rabigh. The products the Company now offers are truly set to shape the future of the downstream industry in the region and drive investment and development in new and diverse areas. This, as emphasized in Saudi Vision 2030, is what will fortify our resilience to the vagaries of the market, create new and secure jobs, and strengthen the wider economy.

As for 2018, the results from the latter three quarters of 2017 only confirm to us that the path we set out on over a year ago is the right one, and we shall continue to pursue it. Profitability, product marketing and the maximization of Petro Rabigh’s value will be our focus, underpinned by the safe, reliable and efficient running of our plants.

It will not be an easy year. We have ahead the Lenders’ Reliability Test, which will pave the way for the full integration of Phase I and Phase II plants. Market forces, meanwhile, suggest even greater competition on global markets. But most of all, we now face the challenge of meeting the new expectations and ambitions we have set for ourselves.

On behalf of Petro Rabigh’s Board of Directors, I would like to thank all shareholders for your continued support and confidence, and everyone at Petro Rabigh for their hard work over the year.

Abdulaziz M. Al-Judaimi
Chairman of the Board

Safety Performance

With safety underpinning every decision and action at Petro Rabigh, the Company was pleased to record in 2017 a number of performance enhancements in the area.

8.16 million man-hours of continuous work without lost time injury were recorded during the period from February 11, 2017 to October 28, 2017. Over the course of the year, there were two recordable fire incidents and one recordable minor leak incident. A Total Recordable Injury Rate (TRIR) of 0.14 was recorded, significantly bettering the previous year's figure of 0.23, and a very low Process Safety Total Incident Rate (PSTIR) of 0.03 was recorded for the year.

2017 saw the safe start-up of all new petrochemical plants under the Phase II expansion, despite the challenges related to the number of construction activities, simultaneous commissioning and start-up of adjoining plants, and workforce numbers which included a peak figure of over 50,000. Engineering, Procurement, and Construction (EPC) companies monitored the construction safety requirements, communicated with a high number of construction workers, and coordinated between various agencies effectively.

Through contractors, Petro Rabigh implemented a robust construction safety management program to enable the successful completion of the project.

Also in 2017, Petro Rabigh established the Process Safety Management Team (PSMT) to develop and monitor the implementation of Process Safety programs, provide leadership, develop proactive programs, and improve and steward Process Safety Management (PSM) performance. PSMT, chaired by a member of senior management, selected key individuals to steer the development and monitoring of the various process safety programs.

During the year the Company also developed and launched the Health, Safety and Environment (HSE) Training Courses to keep the large workforce abreast of safety requirements in refining and petrochemical processes and develop the skills needed for safe operations. The courses, which were developed in line with the guidelines of Occupational Safety and Health Administration (OSHA), Gulf Petrochemicals and Chemicals Association (GPCA), and other international bodies, cover both workplace risk and process risk. Collaborating and networking with global institutions like the National Safety Council of the United States and other industries have helped enhance competencies at every level of line management.

Products to Shape the Future

2017 marked the beginning of a new era for Petro Rabigh with the start-up of Phase II and the coming into production of its range of new high value-added products, some of which are unique to the Kingdom and Middle East.




All core process plants of the US$9-billion expansion and diversification project were successfully started up in 2017, with the first new product to the slate, Thermo Plastic Olefin (TPO), entering into production in May. TPO was followed in the succeeding months by the units for Low Density Polyethylene (LDPE), Methyl Methacrylate (MMA), Poly Methyl Methacrylate (PMMA), Polyamide PA6 (Nylon 6), Ethylene Propylene Rubber (EPR), and Acetone and Phenol. The remaining two products, Benzene and Paraxylene, are scheduled to be launched in the first quarter of 2018.

The new Phase II products have a vast range of applications that offer innovative downstream investors the chance to establish new industries in the region, bringing with them new skills and job opportunities.

To promote this diversification, Petro Rabigh also offers investors unique advantages through Rabigh PlusTech Park and Petro Rabigh Rabigh Industrial Complex.

Rabigh PlusTech Park is the first private industrial park for conversion industries in Saudi Arabia, and is designed to accommodate polymer compounding in third party projects, while at Petro Rabigh Industrial Complex, third party investors can utilize Petro Rabigh-produced alkenes, glycols, aromatic hydrocarbons as feedstocks and have access to chemical compounds such as alcohols, polyols, polymer stabilizers, xylenes and solvents as produced by planned third party investors.






The proximity of Rabigh PlusTech Park and Petro Rabigh Industrial Complex to the Petro Rabigh complex and regional facilities offers numerous advantages, including the consistent supply of economically advantaged feedstocks. Available infrastructure, utilities and many shared services will minimize costs, while transportation is facilitated through excellent highway access to King Abdullah Port at King Abdullah Economic City, as well as Jeddah's Islamic Port and King Abdulaziz International Airport.

By working closely with investors to support and develop industries and market potential, Petro Rabigh and its new product slate aims to help shape the future of the Kingdom's economy.

Optimizing Performance, Maximizing Profitability

In the fourth quarter of 2017, Petro Rabigh introduced a new cutting edge system designed to optimize the efficiency and profitability of the Company's production units.

The Operational Performance Optimization System, or "€kon$", which was specially customized for Petro Rabigh by The Boston Consulting Group, enables operators to optimize daily operations by ensuring that operators concentrate on select Key Performance Indicators (KPIs) that contribute most to the profitability of the unit. The dollar impact of these KPIs is visible instantaneously on screen, and operators can meet and even exceed the daily plan by minimizing the gap between actual daily operations and targets.

€kon$ ultimately maximizes the production planning linear program and pushes it closer towards the design limits of the equipment, or even beyond the design envelope of some units.

The system was first pilot tested at the Crude Distillation Unit (CDU), and soon after introduced at the Vacuum Distillation Unit (VDU), the Vacuum Gas Oil Hydro Treating Unit (VGO), the Alkylation Unit and the High Olefins Fluid Catalytic Cracker (HOFCC).

As the first system of its kind to be used in the Middle East, €kon$ is expected to have a tangible impact on the efficiency, productivity and profitablity of Petro Rabigh's operations.

Setting New Standards

After the start-up of the Phase II plants, the second major challenge of 2017 was the scheduled shutdown in October of the Vacuum Gas Oil Hydro Treating Unit (VGO), a vital component of the complex's integrated processes, as it pretreats feedstock for the High Olefins Fluidized Catalytic Cracking Unit (HOFCC).

The shutdown was required to replace the catalyst in the unit, a procedure which is typically carried out every two years, and maintenance teams took advantage of the time required to perform close to 250 other activities to enhance operations.

On October 26, the teams safely and successfully initiated the restart of the unit, and set new standards in the process by returning the VGO to normal operation on November 2, two full days ahead of schedule.

Preparing the Future, Preparing for the Future

A major focus for Petro Rabigh in 2017 was the development and retention of a workforce equipped with the skills and experience to ensure full readiness for the start-up of Phase II, and in April an extensive vendor-training program was launched in collaboration with vendors. Over 1,920 employees from Phase II operations, maintenance and process engineering attended the courses.

Petro Rabigh's commitment to local interests and developing youth for rewarding careers continued with the Apprenticeship Program for Non-Employees, the College Degree Program for Non-Employees, and the University Fresh Graduates Program (UFGP), in addition to the Operators Skills and Certification Program, the Asset Care Ownership Program, the Professional Development Skills Program and the In-House Leadership and Management Skills Training Program.

As of December 31, 2017, the University Fresh Graduate Development Program had 89 UFGP employees active, with 44 UFGP employees successfully graduating from the program during the year and 26 new employees joining. The focus throughout 2017 was on enhancing the development process by creating a more dynamic development plan and adding development assignments as a cross-functional mix of rotations through varying departments. More rigorous definition of assignment objectives and activities was made a vital part of the development scheme.

To enhance learning opportunities and development assignments, programs such as those organized through Petro Rabigh's partnership with specialist training provider the French Institute of Petroleum (IFP), out-of-Kingdom special assignments, specialized on-job training and training courses, were added to individual development programs. To support the assignments, new administrative procedures that focused on customer service and records management were put in place.

2017 also saw Petro Rabigh launch a new integrated Human Resources system, enabling the Company to work with a one-service platform, consolidate all records, tie performance goals, activities, appraisals and documentation together into a single automated repository, resulting in greater efficiency in UFGP management.

A Catalyst for Development

In order to serve as a catalyst for economic and social development in the region, Petro Rabigh actively promotes the use of local manpower, local manufacturing and the development of local skills through a commitment to Saudization augmented with expertise and experience from abroad.

Our special forums and gatherings with contractors, suppliers, investors and analysts strengthen relationships and highlight future opportunities for all, bringing together hundreds of representatives from several dozen supplier companies and partner organizations in the region.

Through these channels of communication, new and better partnerships have emerged resulting in benefits in terms of investment, financial savings, time, efficiency and quality.

A major boost to local industry and investment is our association with Rabigh PlusTech Park, the first private industrial park for conversion industries in Saudi Arabia, and Petro Rabigh Industrial Complex, which are attracting investment from home and abroad in industries new to the region.

Engagement and Transparency

Petro Rabigh makes every effort to ensure transparency for its shareholders, and through the Company's Investor Relations branch streamlines communication to help promote Petro Rabigh's equity profile..

Investor Relations monitors and oversees adherence to the rules and guidelines set by the regulators of publicly listed companies and answers shareholder inquiries through a dedicated call-line, communicating matters to management when required.

Transparency, as well as quality and quantity, of information provided to stakeholders is managed through the Company's official announcements, Board of Directors reports and Annual Reports.

The team also works to improve year on year the Company's General Assemblies, including the quality of the material provided to shareholders in advance, the logistics and setup of the assemblies, and hospitality measures, with attending shareholders also offered an exclusive tour of Petro Rabigh's refining and petrochemicals complex, including the Phase II site.

Petro Rabigh continues furthermore to hold to meetings with financial analysts to enhance engagement with regional and international investment firms and promote benefits for all parties through discussions between them and the Company's executive management.

ISO Certification

As part of the continuation process to maintain the current International Organization for Standardization (ISO) and Occupational Health and Safety Assessment Series (OHSAS) certifications, an Integrated Management System (IMS) surveillance audit (Phase I QHSE Management Systems) was completed in 2017 by internationally recognized certification body Bureau Veritas (BV).


ISO 9001:2015


ISO 14001:2015


OHSAS 18001:2007

The focus of the audit was to ensure continued compliance with the requirements of international management systems standards ISO 9001:2015 (Quality Management System), ISO 14001:2015 (Environmental Management System), OHSAS 18001:2007 (Occupational Health & Safety Management System) and Petro Rabigh's policies and procedures.

The successful completion of the surveillance audit demonstrates that the Company is capable of sustainable development in our Quality, Environmental, Occupational Health and Safety Management Systems performance and able to attain Operational Excellence.

Safeguarding Health, Guarding the Environment

The health and safety of its employees, contractors and the wider community is a non-negotiable priority for Petro Rabigh, and the Company takes strenuous measures to comply with and exceed best industrial practices, recognized international management standards and applicable regulations.

The Company has adopted the Responsible Care Management System (RCMS), the chemical industry's global Environment, Health, Safety & Security initiative by which signatory companies agree to commit to improving performance in environmental protection, occupational safety and health protection, plant safety, product stewardship and logistics, and continuously improving dialogue with neighbors and the public.

We are also a signatory to the Gulf Petrochemicals and Chemicals Association's CEO Declaration of Support for Gulf Sustainability and Quality Assessment System (SQAS), and maintain certifications in Quality Management, Environmental Management and Occupational Health and Safety Management in line with ISO and OHSAS requirements.

Petro Rabigh's in-house Occupational Health team monitors the health of employees and handles issues related to industrial hygiene and environmental health such as radiation safety, noise hazard, heat stress and exposure to toxic chemicals and dusts. The team runs programs for hearing conservation, vision and pulmonary protection and periodical health examinations to protect the health of the workforce and ensure a healthy work environment.

All such programs undergo continual review and are updated to keep in line with developments, such as the program introduced in 2017 to map noise levels at Phase II facilities, and the program to monitor the bodily functions of employees involved with the new aromatic facilities.

Mirroring the 14 Nuclear Level Gauges (NLGs) previously in place at Phase I facilities, 34 NLGs were installed at Phase II facilities, as itemized by the licensors, and 152 operators received training in the gauges' radiation principles and control measures. In compliance with K.A. CARE (the national regulatory authority for radiation protection), both RSO and Company Practice Licenses were renewed.

Furthermore, Petro Rabigh complies with the international REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) requirements for classification,

labelling and packaging of materials, which include developing and maintaining the safety data sheets required for the promotion and marketing of Company products.

In terms of protection and conservation of the environment, Petro Rabigh has various environmental and occupational health strategies and action plans that ensure corporate sustainable development.

In compliance with national and international regulations, air quality is monitored continuously by mobile and fixed Air Quality Monitoring Stations (AQMS), along with semi-annual emission testing. Water discharges to the marine environment and groundwater quality are monitored and findings reported in accordance with legal requirements.

To ensure we meet and exceed environmental compliance, Petro Rabigh also carries out an Annual Marine Environmental Compliance Survey and Study in collaboration with the Center for Environment and Water Research Institute at King Fahd University of Petroleum and Minerals. The 2017 survey, which covered sensitive ecosystems like coral reef, mangrove and salt marshes, water and sediment quality and bioaccumulation, revealed no significant adverse environmental impact due to the operational activities of Petro Rabigh on Red Sea coastal waters and marine life.

For a Better Society, for a Sustainable Society

Integral to Petro Rabigh's function as a catalyst for economic and social development is its local commitment and resolve to enrich life for the wider community far into the future.

This is evident in the Company's continuous efforts in the area of Corporate Social Responsibility, which in 2017 again extended across the Rabigh and Makkah region. Awareness and donation campaigns targeted schools and universities, and hospitals and care homes for the elderly, while environmental clean-up days were held at local highways, beaches and the refinery port. New campaigns worthy of note included safe-driving training for over 250 high school and university students and Petro Rabigh apprentices, and First Aid training for students in Rabigh.

The promotion of volunteerism is integral to all of Petro Rabigh efforts in the wider community, and the work of the Petro Rabigh Volunteering Team continued apace in 2017, with ever-increasing numbers of young Saudi employees offering their time to help the less fortunate, donating food and clothing to the needy in Ramadan, paying visits to persons in hospital in Rabigh, Jeddah, Makkah and Riyadh, and helping with the organization and execution of many other campaigns. By instilling in the younger generation a sense of ownership, responsibility and initiative, Petro Rabigh aims to help them build the society they want for the future.

To achieve the sustainability of the Rabigh region's social and economic development and work towards a thriving economy and vibrant society, the Sustainable Development Council (SDC) continues to unite local interests and resources. The SDC is a private-private partnership involving Petro Rabigh and 10 other leading regional companies, with the objective of creating social value for the Makkah region and the wider Kingdom.

One Community for All

We make every effort to make life at the Petro Rabigh Community, the Company's self-contained residential compound, as rich, diverse and fulfilling as possible. In addition to the numerous sports and leisure facilities available year round, the Company organizes an array of staple and one-off events that strengthen bonds between nationalities and enriches life for all ages.




Petro Rabigh is always looking to improve life and facilities for residents and visitors, however, and in 2017 a number of significant improvements were made. A new international school was opened, providing high quality education on the doorstep. New recreational facilities included a skate park, a mini-golf course and golf cart rental. The beach area saw the introduction of paddle boats, increased parking space, additional gazebos and shower facilities, and the opening of the "Dewaniya" social gathering area in a reflection of the Arabian tradition of Dewaniya meeting places that form focal points for a community's social life.

Petro Rabigh Community also serves as a focal point for safety awareness, and in 2017 the Safety House hosted more than 1,500 visitors from schools and organizations. The Community also hosted the "Safety At Home" campaign that promoted home safety to employees, dependents and residents of Rabigh, King Abdullah Economic City (KAEC) and Jeddah.

The Community, and its sense of community, has gone from strength to strength in 2017.

Petro Rabigh and Saudi Arabia Vision 2030

In April 2016, the Custodian of the Two Holy Mosques King Salman announced Saudi Arabia's Vision for 2030. The Vision is built around three themes: a vibrant society, a thriving economy and an ambitious nation. These themes are mirrored by Petro Rabigh's approach to serve as a catalyst for sustainable economic and social development.

VISION رؤية 2030
المملكة العربية السعودية
KINGDOM OF SAUDI ARABIA

The strategic partnership between Petro Rabigh founders Saudi Aramco and Sumitomo Chemical brings together the vast know-how and infrastructure of the world's largest integrated energy enterprise and the technological capabilities of one of the most innovative and diverse chemical companies. Together they established Petro Rabigh as the world's largest single-phase integrated refining and petrochemical complex to fully exploit the material and human resources available and become a trade hub at Rabigh's strategic location at the crossroads of three continents.

The project was based on adding value to the Kingdom's principle natural resources – oil and gas - by converting them into high added value petrochemical products, and diversification of products for greater resilience and downstream impact. Along with the partnerships and investment that Petro Rabigh attracts, and the highly skilled local talent that we recruit and train, this is creating a more vibrant and innovative economy.

Saudi Vision 2030 consolidates Petro Rabigh's role as a catalyst for development, built on strong foundations to ensure that future generations of young Saudis are well prepared to manage the Kingdom's energy resources.

With everyone fully committed to the Vision, Petro Rabigh is playing a part in building a thriving country in which all citizens have the opportunity to fulfil their ambitions.

Board of Directors’ Report

1. Implemented and non-implemented provisions of Corporate Governance Regulations and justifications

Article #	Description	Reasons for non-implemented
22 / 2 (c)	Ensuring the implementation of appropriate control procedures for risk assessment and management by generally forecasting the risks that the Company may encounter and creating an environment which is aware of the culture of risk management at the Company level and disclosing such risks transparently to the Stakeholders and parties related to the Company	This article is updated and will be approved by the Board of Directors in June 2018
22 / 3	Setting forth specific and explicit policies, standards and procedures for membership in the Board, without prejudice to the mandatory provisions of these Regulations, and implementing them following approval by the General Assembly	These policies, standards and procedures were approved by the Board of Directors on 13 December 2017 and will be presented to the next General Assembly for approval
54 / a	An audit committee shall be formed by a resolution of the Company's Ordinary General Assembly, and the members of the audit committee shall be from the shareholders or others, provided that at least one of its members is an Independent Director and that no Executive Director is among its members. The number of the members of the audit committee shall not be less than three or more than five, provided that one of its member is specialized in finance and accounting	The item for the formation of the Audit Committee will be presented to the agenda of the next Assembly for approval
60 / b	The Company's General Assembly, as per the Board recommendation, issues a regulation for the remuneration committee including its procedure, duties and rules for selecting its members, the term of their membership and their remunerations	Remuneration Policy was approved by the Board of Directors on 13 December 2017 and will be presented to the next Assembly for approval

2. Names, qualifications, and experience of the Board and committees members and Executive Management

Board Members:

Name	Current position	Previous position	Qualifications	Experience
Abdulaziz M. Al-Judaimi	Chairman (Non-Executive)	Chairman (Non-Executive)	BSc Petroleum Engineering; MBA	35 years
Nasser D. Al-Mahasher	President & CEO (Executive Director)	President & CEO (Executive Director)	Executive MBA; MSc Chemical Engineering; BS Chemistry	27 years
Motaz A. Al-Mashouk*	Non-Executive Director	Non-Executive Director	PhD Fluid Mechanics	23 years
Suleman A. Al-Bargan**	Non-Executive Director	Non-Executive Director	BSc Chemical Engineering; MBA	36 years
Noriaki Takeshita	Deputy Chairman Non-Executive Director	Deputy Chairman Non-Executive Director	BSc Law	35 years
Shigeyuki Yoneda	Non-Executive Director	Non-Executive Director	Master of Chemical Engineering	42 years
Takashi Shigemori	Non-Executive Director	Non-Executive Director	Bachelor of Liberal Arts; MBA	32 years
Saud A. Al-Ashgar	Independent Director	Independent Director	BSc Chemical Engineering	38 years
Saleh F. Al-Nazha	Independent Director	Independent Director	BSc Chemical Engineering	35 years
Waleed A. Bamarouf	Independent Director	Independent Director	BSc Accounting, Certified Public Accountant (SOCPA), Taqeem Accreted Business Valuer (ABV), Certified Internal Auditor (CIA), Certified Management Accountant (CMA), Certified Public, Accountant (CPA), Executive MBA	More than 7 years Board & Audit Committee Member; Over 22 years in Accounting, Finance & Auditing

*Motaz A. Al-Mashouk resigned from the Board of Petro Rabigh on September 17, 2017.

**Suleman A. Al-Bargan was appointed as (non-Executive Director) on September 17, 2017.

Committees members:

Name	Current position	Previous position	Qualifications	Experience
Abdulaziz M. Al-Judaimi	Chairman of Executive Committee	Chairman of Executive Committee	BSc Petroleum Engineering; MBA	35 years
Nasser D. Al-Mahasher	Member of Marketing Committee	Member of Marketing Committee	Executive MBA; MSc Chemical Engineering; BS Chemistry	27 years
Motaz A. Al-Mashouk*	-	Member of Audit Committee and Chairman of Remuneration & Nomination Committee	PhD Fluid Mechanics	23 years
Suleman A. Al-Bargan**	Member of Audit Committee and Remuneration & Nomination Committee	-	BSc Chemical Engineering; MBA	36 years
Noriaki Takeshita	Member of Audit Committee	Member of Audit Committee	BSc Law	35 years
Shigeyuki Yoneda	Member of Executive Committee	Member of Executive Committee	Master of Chemical Engineering	42 years
Takashi Shigemori	Member of Remuneration & Nomination Committee and Marketing Committee	Member of Remuneration & Nomination Committee and Marketing Committee	Bachelor of Liberal Arts; MBA	32 years
Saud A. Al-Ashgar	Chairman of Audit Committee and Remuneration & Nomination Committee	Chairman of Audit Committee and Remuneration & Nomination Committee	BSc Chemical Engineering	38 years
Saleh F. Al-Nazha	Member of Remuneration & Nomination Committee and executive Committee and Chairman of Marketing Committee	Member of Remuneration & Nomination Committee and executive Committee and Chairman of Marketing Committee	BSc Chemical Engineering	35 years
Waleed A. Bamarouf	Member of Audit Committee	Member of Audit Committee	BSc Accounting, Certified Public Accountant (SOCPA), Taqeem Accreted Business Valuer (ABV), Certified Internal Auditor (CIA), Certified Management Accountant (CMA), Certified Public, Accountant (CPA), Executive MBA	More than 7 years Board & Audit Committee Member; Over 22 years in Accounting, Finance & Auditing

*Motaz A. Al-Mashouk resigned from the Board of Petro Rabigh on September 17, 2017.
**Suleman A. Al-Bargan was appointed as (non-Executive Director) on September 17, 2017.

Senior Executives

Name	Current position	Previous position	Qualifications	Experience
Nasser D. Al-Mahasher	President & CEO	President & CEO	Executive MBA; MSc Chemical Engineering; BS Chemistry	27 years
Abdullah M. Al-Qahtani	Vice President, Industrial Security	Vice President, Industrial Security	BSc Electrical Engineering	34 years
Bassam A. Al Bokhari*	Vice President, Industrial Relations	Vice President, Industrial Relations	BSc Management Information System, MBA	29 years
Hesham H. Azzouz**	Vice President, Industrial Relations (A)	Manager of the Human Capital	BSc Industrial Management	33 years
Tareq A. Al Nuaim***	Vice President, Engineering & Support	Vice President, Engineering & Support	BSc Metallurgical & Materials Engineering, MBA, MS MSE	23 years
Adel M. Al-Ghamdi****	Vice President, Engineering & Support (A)	-	BSc Chemical Engineering	25 years
Naoyuki Inoue	Chief Financial Officer	Chief Financial Officer	BSc Law	32 years
Seiji Takeuchi	Senior Vice President, Manufacturing	Senior Vice President, Manufacturing	BSc, Chemical Engineering; MSc Applied Chemistry	31 years

* Bassam A. Al Bokhari resigned from Petro Rabigh on August 31, 2017.
**Hesham H. Azzouz was appointed as Vice President, Industrial Relations (A) on September 1, 2017.
*** Tareq A. Al Nuaim resigned from Petro Rabigh on May 10, 2017.
**** Adel M. Al-Ghamdi was appointed as Vice President, Engineering & Support (A) on July 9, 2017.

3. Names of the companies inside and outside the Kingdom in which a Board member is a member of their current or previous Board or manager

Name	Names of the companies in which a Board member is a member of their current Board or manager	Inside / outside the Kingdom	Legal entity (listed/ unlisted/ limited liability)	Names of the companies in which a Board member is a member of their previous Board or manager	Inside / Outside the Kingdom	Legal entity (listed/ unlisted/ limited liability)
Abdulaziz M. Al-Judaimi	Arab Petroleum Pipelines Company	Outside the Kingdom	Unlisted	-	-	-
	Aramco Overseas Company BV	Outside the Kingdom	Limited liability	-	-	-
	Aramco Overseas Holding Cooperative U.A.	Outside the Kingdom	Limited liability	-	-	-
	Aramco Services Company	Outside the Kingdom	Limited liability	-	-	-
	Excellent Performance Chemicals Company	Inside the Kingdom	Limited liability	-	-	-
	Motiva Enterprises LLC	Outside the Kingdom	Limited liability	-	-	-

Name	Names of the companies in which a Board member is a member of their current Board or manager	Inside / outside the Kingdom	Legal entity (listed/ unlisted/ limited liability)	Names of the companies in which a Board member is a member of their previous Board or manager	Inside / Outside the Kingdom	Legal entity (listed/ unlisted/ limited liability)
Abdulaziz M. Al-Judaimi	Rabigh Refining & Petrochemical Company	Inside the Kingdom	Listed	-	-	-
	Saudi Aramco Asia Company Ltd	Outside the Kingdom	Limited liability	-	-	-
	Saudi Aramco Power Holding Company	Inside the Kingdom	Limited liability	-	-	-
	Saudi Aramco Products Trading Company	Inside the Kingdom	Limited liability	-	-	-
	Saudi Aramco Total Refining and Petrochemical Company	Inside the Kingdom	Limited liability	-	-	-
	Yanbu Aramco Sinopec Refining Company Limited	Inside the Kingdom	Limited liability	-	-	-
Nasser D. Al-Mahasher	-	-	-	-	-	-
Motaz A. Al-Mashouk*	Jasara (Board member)	Inside the Kingdom	Limited liability	-	-	-
Suleman A. Al-Bargan**	Satorp (Board member)	Inside the Kingdom	Limited liability	-	-	-
	Yasref (Board member)	Inside the Kingdom	Limited liability	-	-	-
Noriaki Takeshita	Sumitomo Chemical Company (Representative Director & Managing Executive Officer)	Outside the Kingdom	Listed	-	-	-
Shigeyuki Yoneda	Sumitomo Chemical Company (Managing Executive Officer)	Outside the Kingdom	Listed	-	-	-
	Sumika Middle East (General Manager)	Outside the Kingdom	Listed	-	-	-
Takashi Shigemori	Sumitomo Chemical Company (Managing Executive Officer)	Outside the Kingdom	Listed	-	-	-
Saud A. Al-Ashgar	Arab Academy for Research and Studies	Outside the Kingdom	Limited liability	S-Oil	Outside the Kingdom (Korea)	Listed
Saleh F. Al-Nazha	-	-	-	Hail Cement	Inside the Kingdom	Listed
Waleed A. Bamarouf	Najran Cement	Inside the Kingdom	Listed	Yanbu National Petrochemical (YANSAB)	Inside the Kingdom	Listed

*Motaz A. Al-Mashouk resigned from the Board of Petro Rabigh on September 17, 2017.

**Suleman A. Al-Bargan was appointed as (non-Executive Director) on September 17, 2017.

4. Composition of the Board and classification of its members, as follows: Executive Director, Non-Executive Director, or Independent Director

The Board of Directors currently consists of 9 members, and the following table shows the composition of Petro Rabigh's Board of Directors including the Directors' names and their Board membership classifications:

Name	Membership classifications (Executive Director/ Non-Executive Director/ Independent Director)
Abdulaziz M. Al-Judaimi	Non-Executive Director
Nasser D. Al-Mahasher	Executive Director
Motaz A. Al-Mashouk*	Non-Executive Director
Suleman A. Al-Bargan**	Non-Executive Director
Noriaki Takeshita	Non-Executive Director
Shigeyuki Yoneda	Non-Executive Director
Takashi Shigemori	Non-Executive Director
Saud A. Al-Ashgar	Independent Director
Saleh F. Al-Nazha	Independent Director
Waleed A. Bamarouf	Independent Director

*Motaz A. Al-Mashouk resigned from the Board of Petro Rabigh on September 17, 2017.
**Suleman A. Al-Bargan was appointed as (non-Executive Director) on September 17, 2017.

5. Procedure taken to the Board to inform its members, Non-Executive Directors in particular, of the shareholders' suggestions and remarks on the Company and its performance

The Petro Rabigh Investor Relations team sends a detailed quarterly report to the Board of Directors to inform them of the shareholders' suggestions and remarks on the Company and its performance.

6. A brief description of the competencies and duties of the committees, such as the Audit Committee, the Nomination and Remuneration Committee indicating their names, names of their chairmen, names of their members, the number of their respective meetings, dates of those meetings and the members' attendance details of each meeting

Audit Committee:

The Audit Committee oversees the financials, risk management and internal control aspects of the Company's operations. Its responsibilities include the review and discussion of the Company's interim and annual financial statements. The Audit Committee oversees the Company's external auditor and reviews the effectiveness of external and internal audit and has the authority to engage such external experts, as it deems necessary to fulfill its obligations of stewardship on the financial affairs of the Company.

The Audit Committee has responsibility for reviewing the effectiveness of the Company's systems of internal controls, accounting information systems and finance department competencies and capabilities while ensuring compliance with the generally accepted accounting standards.

Based on the review conducted by the Audit Committee, the committee reports that the Company is applying an effective internal auditing system and that its financial practices in all material respects are in line with accepted accounting standards followed in the Kingdom of Saudi Arabia.

The following table shows the names of the Audit Committee members, the Chairman, the number of its meetings, the dates of the meeting and the number of attendances for each meeting:

Name	Title	Meetings Attended						
		1st Meeting dated Jan. 17, 2017	2nd Meeting dated Feb. 21, 2017	3rd Meeting dated May 4, 2017	4th Meeting dated May 10, 2017	5th Meeting dated Aug. 7, 2017	6th Meeting dated Oct. 30, 2017	Number of attendances
Saud A. Al-Ashgar*	Chairman	√	√	√	√	√	√	6
Waleed A. Bamarouf	Member	√	√	√	√	√	√	6
Noriaki Takeshita	Member	√	√	√	√	√	√	6
Motaz A. Al-Mashouk	Member	√	√	√	√	√	Nil	5
Suleman A. Al-Bargan**	Member	Nil	Nil	Nil	Nil	Nil	√	1

*Replaced Motaz A. Al-Mashouk as Audit Committee Chairman on September 17, 2017

**Appointed as Audit Committee Member on September 17, 2017

Nomination and Remuneration Committee

The Committee, which has a duration of three years, decides on how the Board's performance is to be evaluated and proposes objective performance criteria, subject to the approval of the Board. The main duties of the Committee include, but are not limited to, the following:

- Recommending nominations for membership to the Board in accordance with the approved policies and standards.
- Ensuring that no person who has previously been convicted of any offence affecting honor or honesty is nominated for membership of the Board of Directors.
- Annually reviewing the required skills of the Board Directors and the time that a Director should dedicate to the Board's functions.
- Verifying annually the independence of the Independent Directors and the absence of any conflict of interests if the Directors serve as directors on the Board of any other companies.
- Recommending to the Board clear policies for the remuneration of Directors and senior executive officers using performance criteria.

The following table shows the names of the Nomination and Remuneration Committee members, the Chairman, the number of its meetings and the dates of the meeting and the number of attendances for each meeting:

Name	Title	Meetings Attended				
		1st Meeting dated Feb. 21, 2017	2nd Meeting dated Apr. 21, 2017	3rd Meeting dated Aug. 13, 2017	4th Meeting dated Dec. 13, 2017	Number of attendances
Saud A. Al-Ashgar*	Chairman	√	√	Nil	√	3
Waleed A. Bamarouf	Member	√	√	√	√	4
Noriaki Takeshita	Member	√	√	Nil	Nil	2
Takashi Shigemori**	Member	Nil	Nil	√	√	2
Motaz A. Al-Mashouk	Member	√	√	√	Nil	3
Suleman A. Al-Bargan***	Member	Nil	Nil	Nil	√	1

*Replaced Motaz A. Al-Mashouk as NRC Chairman on September 17, 2017.

**Replaced Noriaki Takeshita as NRC Member on August 13, 2017.

***Appointed as NRC Member on September 17, 2017.

Marketing Steering Committee

The Marketing Steering Committee (MC) is formed to guide the Company in marketing its products and the relationship with the marketers. Its responsibilities include:

- Monitoring the marketers' performance.
- Reviewing and making recommendations regarding the effectiveness of the marketers' short and long-term strategies in marketing the products.
- Reviewing the marketers' activities and making recommendations to maximize long-term revenue realization.
- Monitoring the marketers' activities for compliance with established governance rules and agreements in marketing the products.
- Monitoring the marketers' activities for compliance with applicable laws and regulations in marketing the products.

The following table shows the names of the Marketing Steering Committee members, the Chairman, the number of its meetings and the dates of the meeting and the number of attendances for each meeting:

Name	Title	Meetings Attended				
		1st Meeting dated Feb. 21, 2017	2nd Meeting dated May 21, 2017	3rd Meeting dated Aug. 13, 2017	4th Meeting dated Nov. 22, 2017	Number of attendances
Saleh F. Al-Nazha	Chairman	√	√	√	√	4
Nasser D. Al-Mahasher	Member	√	Nil	(Proxy by T. Shigemori)	√	2
Noriaki Takeshita	Member	√	√	Nil	Nil	2
Takashi Shigemori*	Member	Nil	Nil	√	√	2

*Replaced Noriaki Takeshita as MSC Member on August 13, 2017.

Executive Committee

The purpose of the Executive Committee (EC) is to assist the Board of Directors in overseeing the Company's interests in the most efficient manner while adhering to best practices of corporate governance. Without prejudice to the powers reserved to the Board of Directors, the Executive Committee shall have all the necessary power and authority to undertake the following tasks:

Review and approve contract award and expenditure requests for items covered in approved business plans, budgets and programs, provided that no individual item shall exceed SR187.5 million.

- Review the business plan and recommend such plans to the Board of Directors for approval.
- Review and approve additions to the annual budgets, plans, and programs approved by the Board of Directors, as the Executive Committee may deem necessary from time to time.
- Review and approve redefinitions, cancellations and supplements of previously approved expenditure requests.
- Receive informational reports on miscellaneous subjects and advise the Company's management thereon.
- To the extent permitted under the law, approve the entry of the Company into transactions with any of the Shareholders or related persons, and modify the terms of any agreement in connection with the same.
- Consider reports submitted to it in accordance with specific functions and subjects delegated by the Board of Directors from time to time.
- Perform such other tasks as delegated to it by the Board of Directors from time to time.

The following table shows the composition of the Company's Board Executive Committee (EC):

Name	Title	Meetings Attended
Abdulaziz M. Al-Judaimi	Chairman of Executive Committee	Nil
Shigeyuki Yoneda	Member	Nil
Saleh F. Al-Nazha	Member	Nil

Note: During 2017, members of the Executive Committee had ratified a number of resolutions by circulation, in accordance with the Committee's charter.

7. The means used by the Board to assess its performance, the performance of its committees and members and the external body which conducted the assessment and its relation with the Company, if any

The Board of Directors has established a mechanism for an annual 'Board Effectiveness Evaluation'. The mechanism elaborates on specific aspects of Board performance to ensure that the evaluation findings clarify any potential problems; identify the root cause(s) of these problems; and test the practicality of specific governance solutions. The Board evaluation exercise takes place in December of each year and provides an assessment of the Board performance by the Board members themselves (including the CEO) as the sole sources of information for the evaluation process. This "Board-as-a-Whole" evaluation ensures that the Directors develop a shared understanding of their governance role and responsibilities. The assessment includes ten parameters covering the following premium axes: Membership

Accountability; Governance; Board Operations; Legal Responsibility; Financials; Planning; and Board Member Relations. The Nomination and Remuneration Committee (NRC) presides over the evaluation process, hence, the NRC Secretary will be in charge of the analysis and reporting of the results.

8. The remuneration of the Board members and Executive Management

Remuneration Policy was approved by the Board of Directors on 13 December 2017 and will be presented to the next assembly for approval.

Board members:

	Name	Fixed remunerations							Variable remunerations						End-of-service award	**Aggregate Amount**	Expenses Allowance
		Specific amount	Allowance for attending Board meetings	Total Allowance for attending committee meetings	In-kind benefits	Remunerations for technical, managerial and consultative work	Remunerations of the Chairman, Managing Director or Secretary, if a member	**Total**	Percentage of the profits	Periodic remunerations	Short-term incentive plans	Long-term incentive plans	Granted shares (insert the value)	**Total**			
First: Ind. Board Directors																	
1	**Saud A. Al-Ashgar**	150,000	12,000	24,000	0	0	0	**186,000**	0	0	0	0	0	0	0	**186,000**	0
2	**Saleh F. Nazha**	150,000	15,000	18,000	0	0	0	**183,000**	0	0	0	0	0	0	0	**183,000**	0
3	**Waleed A. Bamarouf**	150,000	15,000	15,000	0	0	0	**180,000**	0	0	0	0	0	0	0	**180,000**	0
	Total	**450,000**	**42,000**	**57,000**	**0**	**0**	**0**	**549,000**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**549,000**	**0**
Second: Non-Exec. Board Directors																	
1	**Abdulaziz M. Al-Judaimi**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2	**Motaz A. Al-Mashouq**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3	**Suleman A. Al-Bargan**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
4	**Noriaki Takeshita**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5	**Shigeyuki Yoneda**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6	**Takashi Shigemori**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Total	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Third: Exec. Directors																	
1	**Nasser D. Al-Mahasher**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Total	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Senior Executives:

	Title	Fixed remunerations				Variable remunerations						End-of- service award	Total remunerations for Board executives, if any	Aggregate Amount
		Salaries	Allowances	In-kind benefits	**Total**	Periodic remunerations	Profits	Short-term incentive plans	Long-term incentive plans	Granted shares (insert the value)	Total			
1	President & CEO	857,735.00	329,426.00	0.00	**1,187,161.00**	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,187,161.00
2	Sr. MFT. VP	1,002,947.04	500,742.00	0.00	**1,503,689.04**	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,503,689.04
3	IR VP	556,834.00	202,061.00	0.00	**758,895.00**	0.00	0.00	0.00	0.00	0.00	0.00	235,900.00	0.00	994,795.00
4	CFO	849,501.36	371,287.00	0.00	**1,220,788.36**	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,220,788.36
5	IS VP	912,300.00	529,616.00	0.00	**1,441,916.00**	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,441,916.00
	Total	**4,179,317.40**	**1,933,132.00**	**0.00**	**6,112,449.40**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**235,900.00**	**0.00**	**6,348,349.40**

Committee Members

		Fixed Remuneration (Except for the allowance for attending Board meetings)	Allowance for attending meetings	Total
	Audit Committee Members			
1	**Saud A. Al-Ashgar**	0	15,000	15,000
2	**Noriaki Takeshita**	0	0	0
3	**Waleed A. Bamarouf**	0	15,000	15,000
4	**Suleman A. Al-Bargan**	0	0	0
5	**Motaz A. Al-Mashouq**	0	0	0
	Total	**0**	**30,000**	**30,000**
	Remuneration and Nomination Committee Members			
1	**Saud A. Al-Ashgar**	0	9,000	9,000
2	**Saleh F. Nazha**	0	6,000	6,000
3	**Takashi Shigemori**	0	0	0
4	**Suleman A. Al-Bargan**	0	0	0
5	**Motaz A. Al-Mashouq**	0	0	0
	Total	**0**	**15,000**	**15,000**
	Marketing Committee Members			
1	**Saleh F. Al-Nazha**	0	12,000	12,000
2	**Takashi Shigemori**	0	0	0
3	**Nasser D. Al-Mahasher**	0	0	0
	Total	**0**	**12,000**	**12,000**
	Executive Committee Members			
1	**Abdulaziz M. Al-Judaimi**	0	0	0
2	**Shigeyuki Yoneda**	0	0	0
3	**Saleh F. Al-Nazha**	0	0	0
	Total	**0**	**0**	**0**

9. Any punishment, penalty, precautionary procedure or preventive measure imposed on the Company by the Authority or any other supervisory, regulatory or judiciary authority, describing the reasons for non-compliance, the imposing authority and the measures undertaken to remedy and avoid such non-compliance in the future

Punishment, penalty, precautionary procedure or preventive measure	Reasons for non-compliance	Imposing authority	Measures undertaken to remedy and avoid such non-compliance in the future
A violation fine of SR 10,000	Contravention of the provisions set forth in Article (101) and (224) of the Companies Law issued by Ministry of Commerce and Investment, Petro Rabigh Company has not formed non-executive director audit committees by a resolution of the Ordinary General Assembly, during the specified period granted to the companies which ended on 21/04/2017	The Capital Market Authority (CMA) the issuance of a CMA Board resolution	A weekly schedule has been established to review the CMA instructions to ensure compliance with the CMA regulations and Laws

10. Results of the annual review of the effectiveness of the internal control procedures of the Company and the opinion of the audit committee with respect to the adequacy of the Company's internal control system

The Internal Audit function in Petro Rabigh is an independent, objective and consulting activity designed to monitor and improve the effectiveness of the system of internal controls in order to add value to the Company's operations. It helps the Company achieve its goals through the application of a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The internal Audit provides an incentive to improve the effectiveness and efficiency of the Company's operations by providing recommendations based on analysis and assessment of data and business processes.

In accordance with the 2017 annual audit plan approved by the Audit Committee, the Internal Audit function has audited the internal control procedures of the Company's major activities. The General Auditor presents the results and recommendations to the Board Audit Committee during the committee regular meetings. Executive management of the Company is committed to implement Internal Audit recommendations within a reasonable time frame established in conjunction with the Internal Audit function in order to improve the internal control procedures.

It is the opinion of the Audit Committee that there were no critical or major observations found during the 2017 audits that can impair the effectiveness of the Company's internal control systems.

11. The Audit Committee's recommendation on the need for appointing an internal auditor for the Company, if there is no internal auditor

N/A: The Company already has an Internal Auditor and Internal Audit Office.

12. The Audit Committee's recommendation with Conflict with Board resolution or those which the Board disregards relating to the appointment, dismissal, assessment or determining the remuneration of an external auditor, as well as justifications for those recommendations and reasons for disregarding them

There has been no conflict between the Audit Committee recommendations and the Board resolutions.

- Repair and rehabilitation of 22 housing units within the charity housing of the charitable association in Rabigh
- Adoption of the "Care Baskets" program
- The initiatives also went beyond Rabigh governorate to Makkah, where the Care Home for the elderly in Makkah was rehabilitated by renovating existing facilities and adding new facilities

13. Details of the Company's social contributions

Petro Rabigh is a leader in several social responsibility and sustainable development programs and initiatives in the Rabigh Governorate. These programs include:

Program 1: Community Service Programs:

- The Company established the road between the current highway from Jeddah to Yanbu (exit 927) and Rabigh (King Salman Road)
- In 2017, the victory club in Rabigh supported financially and technically to upgrade and rehabilitate its facilities
- Planting of trees, including 75 palm trees, and addition of new facilities along King Salman Road connecting the Petro Rabigh complex with the Jeddah-Yanbu highway

Program 2: Environmental Awareness Programs:

The Company continued its environmental campaigns with clean-up days encouraging volunteering and preceded by awareness campaigns for hundreds of employees and school and university students. They included:

- "Highway Cleanup" between Jeddah and Rabigh with the participation of employees and their families
- Petro Rabigh employees conducted a voluntary campaign to clean the port of Rabigh Refinery

Program 3: Educational Programs:

- Petro Rabigh continues to participate annually in GCC Traffic Week events and in awareness campaigns in and outside the Company

- Summer training programs for local high school students
- Hosting school and university students to raise awareness of fire safety by visiting Safety House, which is designed to raise awareness of safety and security
- Training courses in First Aid for the students of the province in cooperation with the hospital of the International Medical Center
- The preventive driving program for cars, which aims to raise awareness of safe and responsible driving and the rights and ethics of the road
- First Aid training course for government employees

In response to the program of His Royal Highness Prince Khalid Al-Faisal Advisor to the Custodian of the Two Holy Mosques Prince of Makkah Region "# How to be an example?": Petro Rabigh launched the following programs:

- Program 1: The"Petro Rabigh Ambassador" Program
- Program 2: The introduction of the "Voluntary Program" to promote the spirit of social responsibility, volunteerism and national belonging

14. A list of the dates of the General Assembly meetings held during the last fiscal year and the names of the Board members who attended them

The Annual General Assembly meeting was held in Jeddah at the Meridian Hotel (Al-Fayrouz Hall) at 10:00 PM on Tuesday, 18 Ramadan 1438H corresponding to June 13, 2017, chaired by Abdulaziz M. Al-Judaimi, Chairman of the Board of Directors.

Names of the Board members who attended:

1. **Abdulaziz M. Al-Judaimi**
2. **Nasser D. Al-Mahasher**
3. **Shigeyuki Yoneda**
4. **Saud A. Al-Ashgar**
5. **Saleh F. Al-Nazha**
6. **Waleed A. Bamarouf**
7. **Takashi Shigemori**

15. A description of the main scope of business of the Company and its affiliates. If there are two or more, a statement showing each activity and how it affects the Company businesses and results shall be attached

Company's Activities:

Petro Rabigh has two main activities: refining and petrochemical production. The two activities are fully integrated to maximize profit and minimize cost by converting low value products into higher margin products.

Refining

The Company has a capacity to process up to 400,000 barrels per day of Arabian light crude oil and produce 134 million barrels of gasoline, naphtha, jet fuel, diesel and fuel oil annually.

Petrochemicals

The Company has a capacity to produce up to 2.4 million tons annually of polyethylene, mono ethylene glycol, polypropylene and propylene oxide from crude oil, ethane and butane feedstock supplied by Saudi Aramco.

The following table indicates each of the two activities contribution to Petro Rabigh business in the year 2017:

Activity	2017 Sales (SR Thousands)	Contribution to Sales (%)
Refining	26,237,144	77%
Petrochemicals	7,973,866	23%
Total	**34,211,010**	**100%**

16. A description of the Company's significant plans and decisions (including changes to the structure, expanding the Company's operations or halting them) and the future expectations

The Company foresees normal operation in 2017 and onwards, while the following future prospects on Phase II are taken into consideration by the Company's management and Board of Directors:

Phase II Implementation

The Company made significant progress on Phase II construction work during 2017, achieving on-spec production for 10 of the project's total of 12 units. The remaining two units will start up in the first quarter of 2018. By the end of December 2017, the Company had achieved on-spec production for the Cumene, Phenol, Methyl tert-butyl ether (MTBE)/Isobutylene, Metathesis, Methyl Methacrylate (MMA), Naphtha Reformer, Poly Methyl Methacrylate (PMMA), Low Density Polyethylene/ (LDPE), Thermo Plastic Olefin (TPO) and Nylon 6 (Polyamide 6) units. Production is expected to start at the Aromatics and the EPR (Ethylene Propylene Rubber) units in the first quarter of 2018. The Creditors' Reliability Test (CRT) is scheduled for May-July 2018.

Upon completion of all Phase II plants, both Phases I and II will be integrated operationally within the Petro Rabigh industrial complex. The Phase II project will produce over 1.3 MTPA of paraxylene and a diverse slate of other petrochemical products, most of which have yet to be produced in Saudi Arabia, such as Ethylene Propylene Diene Monomer Rubber ("EPR"), Thermoplastic Olefin ("TPO"), Methyl Methacrylate ("MMA"), and Poly Methyl Methacrylate ("PMMA"). Upon completion of the Phase II project, the whole complex of the Company will be capable of producing 5 MTPA of petrochemical products and 15 MTPA of refined petroleum products.

17. Information on any risks facing the Company (operational, financial or market related) and the policy of managing and monitoring these risks

The business of Petro Rabigh relies on oil refining and petrochemical production which is exposed to the following potential risks:

Financial Risk Management

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk principally arises from cash and cash equivalents, time deposits, trade receivables, long-term loans and other receivables. Cash and cash equivalents and time deposits are placed with banks with sound credit ratings. The majority of trade receivables (96%) is from founding shareholders with historically strong credit ratings, and is stated at respective realizable values. In the event of disagreement on any invoice, the marketer is required to pay the full value of the invoice prior to resolution of the disagreement. For trade receivables from third parties, the Company has a credit insurance policy with a reputable insurance service provider. The Company does not obtain collaterals over receivables. As of December 31, 2017, there were minimal overdue debts equivalent to 0.6% (December 31, 2016: 1.9%, January 1, 2016: 10.3%) of the trade receivables of Company's allowed credit periods. The loans are receivable from utility service provider and employees and are secured by utility payments and mortgages on the related housing units, respectively. The Company is not exposed to significant credit risk on other receivables.

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

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

Interest rate sensitivity
As of December 31, 2017, it is estimated that a general increase / decrease of 50 basis points in floating interest rates on time deposits, loans and borrowings, with all other variables held constant, would increase / decrease the Company's net profit for the year by approximately Saudi Riyals 190.5 million (2016: Saudi Riyals 193.6 million).

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

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

The Company's financial liabilities consist of trade and other payables, loans and borrowings, finance lease liabilities and certain other liabilities. All financial liabilities except for loans and borrowings, finance lease liabilities, are non-commission bearing and expected to be settled within 12 months from the date of balance sheet.

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

Risks Related to the Economic Situation

The Company realizes that it operates in a competitive market and the demand of Petro Rabigh products is influenced by global as well as local economic conditions. The major influential factor on demand of Petro Rabigh products is anticipated to be major economic recessions or stagnant local economic conditions. The downturn of both international and local economic conditions will likely initiate a decline in demand for both refined and petrochemical products and that would impact Petro Rabigh's planned sales and targeted revenues, and if coupled with upward inflationary risks and risks associated with the changes to be made by the government it can further apply pressure on the demand of the Company's products as well as anticipated feedstock cost. Therefore, the Company continuously and closely monitors market condition, supply and demand conditions, interest and exchange rates to forecast and plan for any potential downturns.

Risks Related to Operations

The Company's sources of revenue rely on the operation of plants and facilities that are influenced by performance and plant capacity utilization, as well as strong engineering support and reliable process information technology infrastructure. The safe and stable operation of the plant is determined by the Operation personnel competency and skill, plant performances, capacity utilization, controlling the hazards and mitigate the risk to as low as reasonable possible. In 2017 the Company's Transformation

Program was concluded. The support area roadmaps have been successfully closed while the technical roadmaps – operations, maintenance and reliability – are continued through dissemination and delegation to dedicated committees, as well as departments and sections, each managing and monitoring their own initiative and objectives.

Risks Related to Governance

The Board of Directors among its other responsibilities performs the role and responsibility of setting the Company's strategic direction. Part of that will rely heavily on management's reports and representation regarding the Company's operations and activities. Thus, there is an implied potential risk in practicing this role if ineffective or wrong information is delivered to the Board of Directors which could lead to ineffective direction and will likely result in unwanted profitability impact and/or desired return on investment. To manage and to mitigate this risk, the Company's Board of Directors is continuously overseeing and reviewing the Company's compliance to corporate governance rules and regulations through different approaches such as but not limited to:

1. Establishing Board committees which will meet periodically as well as prior to Board meetings with the purpose of continuous evaluation and review of various annual corporate plans such as Sales, Marketing, Compensation plans, Audit Reviews, etc.
2. The Company's established policies are not fixed over the entire life of the organization. Therefore, policies and procedures are reviewed by the Board on an "as needed" basis in order to avoid breaching of preset controls due to changing dynamics of the business that the Company operates in.
3. To ensure that the strategy plan as set by the Board is implemented effectively and to avoid the risk of management diverting from the plan, each organization takes responsibility for setting Key Performance Indicators (KPIs) which are directly aligned to key strategic objectives. The results of the KPIs are then aligned and are reviewed in each Board meeting against the strategic plan.

Risks Related to Regulations

The Company is operating in a dynamic environment and its business operation is governed by local as well as international regulations. To control the risk of immediate regulation impact on the Company's operations, Petro Rabigh has established a Corporate Affairs Department which is an organization that carries the responsibilities and is accountable for following up on the development of local and international regulations pertaining to the petrochemical and refining industry and is in charge of taking steps necessary to report to management within a reasonable timeframe any changes to regulations that are assessed to have direct or implied restrain on the Company's operations as well as communicating the need to comply to certain regulations and suggesting the appropriate steps to do so. This includes local governmental regulations such as regulations and laws of the Ministry of Energy, Industry and Mineral Resources, the Ministry of Commerce and Investment, the Capital Market Authority, in addition to International regulations such as trade and anti-dumping laws and regulations and environmental regulations, etc.

Risk Related to Effective Control by Founding Shareholders

Since the Company's IPO in 2008, the founding shareholders have maintained ownership of 75% of the Company's issued shares. This allows the founding shareholders majority voting rights and as a result, the founding shareholders may be able to influence matters requiring approval of the General Assembly. It is possible for this influence to be exercised in a manner that could have a significant effect on the Company's business, financial condition and results of operations including the election of directors, significant corporate transactions and capital adjustments. Furthermore, any change in the founding shareholders' own business strategy and/or policies toward the Company could result in consequences for the Company's business. On the other hand, the founding shareholders are considered major supporters of the Company's business and a guarantee to its continuity. Saudi Aramco for one is Saudi Arabia's economic backbone and a global catalyst in the oil and gas industry. Likewise, Sumitomo Chemical Co., Ltd. is a highly respected international Company that is deeply rooted in a history that extends for more than 300 years. The two companies are vigorously committed to their investment in Petro Rabigh. Evidence of this commitment is the establishment of the second phase of Petro Rabigh where the founding shareholders undertook development of the project, transferred ownership of the project from the founding shareholders to the Company and provided financial guarantees to ensure completion of the project. Moreover, as has been previously announced to the public, the founding shareholders have entered into a number of commercial agreements that ultimately benefit of Petro Rabigh. In addition, there are several ways that the Company ensures protection of minority shareholders, including the following:

1. Consistent with CMA Corporate Governance Regulations, Petro Rabigh's bylaws require that at least one-third of the members of the Board of Directors be independent, which currently means that no fewer than three of nine Directors are independent. In order for a resolution of the Board to be adopted, at least seven of the nine Directors must approve it. Thus, ensuring that no resolution may be adopted solely with the approval of non-independent Directors.
2. The position of Chairman of the Audit Committee, the Nomination & Remuneration Committee and the Marketing Steering Committee are currently occupied by independent Directors.
3. The Company's bylaws require that the Board approve the Company's entry into or modification of terms for transactions with any of the Shareholders or related parties.
4. Related-party transactions are disclosed in the Board of Directors Report and at General Assembly meetings.

18. Assets, Liabilities and Results of Business for the Last Five Years

Statement of Profit or loss

	In SAR Thousands				
	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013
Sales	34,211,010	25,146,130	25,513,860	54,236,752	50,597,710
Refined Products	26,237,144	19,423,911	19,500,612	44,096,362	42,865,957
Petrochemical Products	7,973,866	5,722,219	6,013,248	10,140,390	7,731,753
Cost of Goods Sold	(31,514,986)	(24,038,699)	(25,218,530)	(52,511,512)	(50,136,617)
Gross Profit	2,696,024	1,107,431	295,330	1,725,240	461,093
Selling, General & Administrative Expenses	(1,043,071)	(984,865)	(1,055,425)	(991,502)	(774,105)
Other (expense) income - Net	(229,976)	(87,784)	1,588	(52,309)	672,195
Net Profit (Loss)	**1,422,977**	**34,782**	**(758,507)**	**681,429**	**359,183**

Statement of Financial Position

	In SAR Thousands				
	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013
Current Assets	12,746,784	9,594,947	5,732,870	13,474,468	16,136,502
Non-Current Assets	48,928,193	48,651,100	45,668,580	27,461,323	29,440,244
Total Assets	**61,674,977**	**58,246,047**	**51,401,450**	**40,935,791**	**45,576,746**
Current Liability	13,873,999	11,333,134	7,872,133	12,174,834	15,676,713
Long-Term Loans & other Liabilities	37,715,171	38,517,397	35,172,991	19,205,094	20,982,576
Equity	10,085,807	8,395,516	8,356,326	9,555,863	8,917,457
Total Liabilities & Equity	**61,674,977**	**58,246,047**	**51,401,450**	**40,935,791**	**45,576,746**

Statement of Comprehensive income

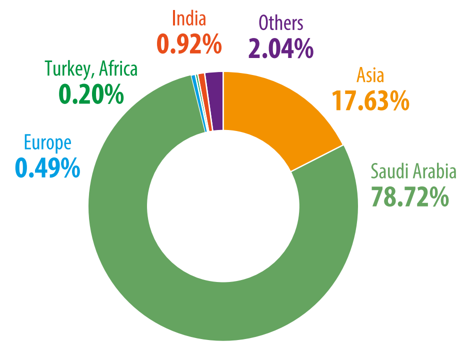
	In SAR Thousands	
	December 31, 2017	December 31, 2016
Net Profit after Zakat and Income tax	1,422,977	34,782
Remeasurement loss on defined benefit plan	(18,040)	(56,728)
Income Tax effect	2,706	4,255
Other comprehensive loss not to be reclassified to statement of profit or loss in subsequent periods	(15,334)	(52,473)
Total Comprehensive income (loss) for the year	**1,407,643**	**(17,691)**

19. Geographical analysis of the Company's revenues

Company's Activities:

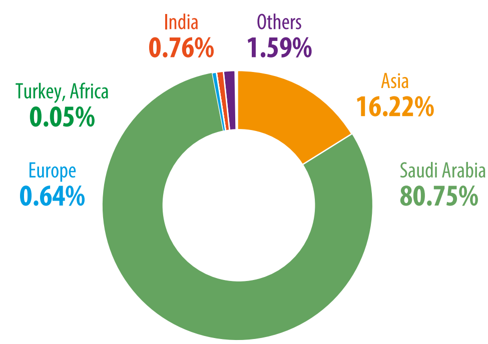
Refined Products Sales

Refined Products		
Destinations	Volume (BBL)	%
Saudi Arabia	96,816,468	78.72%
Asia	21,686,589	17.63%
Others	2,508,076	2.04%
India	1,130,943	0.92%
Europe	599,890	0.49%
Turkey, Africa	250,176	0.20%
Total	**122,992,142**	**100%**



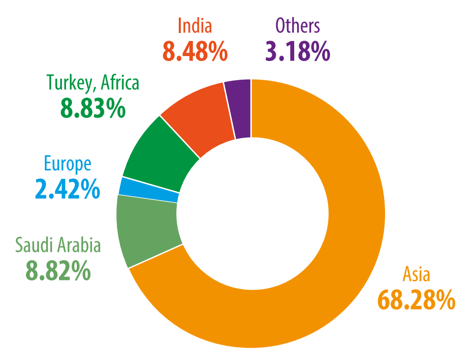
Refined Products Gross Revenues

Refined Products		
Destinations	Sales (SR)	%
Saudi Arabia	21,186,294,529	80.75%
Asia	4,254,957,225	16.22%
Others	417,221,861	1.59%
India	199,486,414	0.76%
Europe	166,911,518	0.64%
Turkey, Africa	12,272,235	0.05%
Total	**26,237,143,781**	**100%**



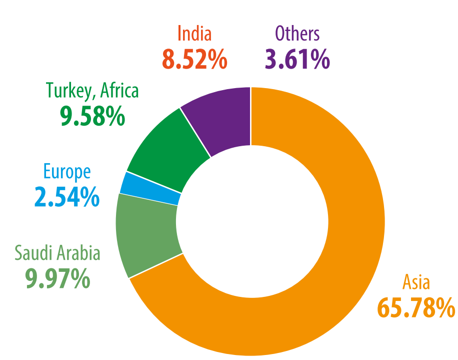
Petrochemical Products Sales

Petrochemical		
Destinations	Volume (MT)	%
Asia	1,454,991	68.28%
Turkey, Africa	188,086	8.83%
Saudi Arabia	187,947	8.82%
India	180,716	8.48%
Others	67,667	3.18%
Europe	51,491	2.42%
Total	**2,130,898**	**100%**



Petrochemical Products Gross Revenues

Petrochemical		
Destinations	Sales (SR)	%
Asia	5,245,244,584	65.78%
Saudi Arabia	794,897,580	9.97%
Turkey, Africa	763,719,413	9.58%
India	679,447,369	8.52%
Others	287,844,308	3.61%
Europe	202,712,666	2.54%
Total	**7,973,865,919**	**100%**



20. Any material differences in the operational results compared to the preceding year's results, along with any expectations announced by the Company

Following is a brief description of the 2017 financial outcome in comparison to the previous year:

- Net income for the year ended December 31, 2017 is SAR 1,423 million (December 31, 2016: Net Income SAR 35 million).
- Earnings per share for the year ended December 31, 2017 is SAR 1.62 per share (December 31, 2016: Income SAR 0.04 per share).
- The gross profit for the year ended December 31, 2017 was SAR 2,696 million (December 31, 2016: SAR 1,107 million).
- Operating income for the year ended December 31, 2017 is SAR 1,704 million (December 31, 2016: Operating Income of SAR 158 million).

The increase in the realized net profit during the current period as compared with the same period last year was mainly due to the stability of production processes in the complex and continued improvement in operational performance, leading to improved production and sales volumes on both refined products and petrochemicals. Additionally, overall better market price for petrochemicals and the slight improvement in refinery margins contributed to higher profitability.

21. Any inconsistency with the standards approved by the Saudi Organizations for Certified Public Accountant

The financial statements of the Company have been prepared in compliance with International Financial Reporting Standards (IFRS) as well as other standards and pronouncements as endorsed by Saudi Organization for Certified Public Accountants (SOCPA) in the Kingdom of Saudi Arabia. There is no inconsistency with the standards approved by SOCPA.

22. Name of each affiliate Company, its capital, the Company's ownership percentage, the main scope of business, country of operation and country of incorporation

N/A

23. Details of shares and debt instruments issued for each affiliate Company

N/A

24. A description of the dividends distribution policy

After deducting all general expenses and other costs, including taxes and zakat imposed under Shari'a, the Company's annual net profits shall be allocated as follows:

- Ten percent (10%) of the annual net profits shall be set aside to form a statutory reserve. Such setting aside may be discontinued by the Ordinary General Assembly when said reserve equals one-half (1/2) of the Company's paid-up capital.
- The Ordinary General Assembly may, upon the recommendation of the Board of Directors, set aside a percentage of the annual net profits to form an additional reserve to be allocated for the purpose or purposes decided by the Ordinary General Assembly.
- The Ordinary General Assembly may resolve to form other reserves to the extent they serve the Company's interests, or to ensure the distribution of fixed dividends – so far as possible – to the Shareholders. The Ordinary General Assembly may also deduct amounts from the net profit to create social institutions for the Company's employees, or to support existing institutions of such kind.
- All of the remaining amounts of the annual net profits shall be distributed to the Shareholders unless the Ordinary General Assembly decides otherwise.

The Company may distribute interim dividends on a quarterly or semi-annual basis in accordance with the rules established by the competent authority.

25. Description of any interest in a class of voting shares held by persons (other than the Company's directors, Senior Executives and their relatives) who have notified the Company of their holdings, together with any change to such interests during the last fiscal year

N/A

26. A description of any interest, contractual securities or rights issue of the Board members, Senior Executives and their relatives on shares or debt instruments of the Company or its affiliates, and any change in these interests or rights during the last fiscal year

Board Members

Name	Position	Period Start		Period End		Net Change	Change %
		Stocks	Debt Instruments	Stocks	Debt Instruments		
Abdulaziz M. Al-Judaimi*	Chairman (Non-Executive)	-	-	-	-	-	-
Nasser D. Al-Mahasher*	President & CEO (Executive Director)	-	-	-	-	-	-
Motaz A. Al-Mashouk*	Non-Executive Director	-	-	-	-	-	-
Suleman A. Al-Bargan*	Non-Executive Director	-	-	-	-	-	-
Shigeyuki Yoneda**	Non-Executive Director	-	-	-	-	-	-
Noriaki Takeshita**	Deputy Chairman Non-Executive Director	-	-	-	-	-	-
Takashi Shigemori**	Non-Executive Director	-	-	-	-	-	-
Saud A. Al-Ashgar	Independent Director	85,400	-	85,400	-	-	-
Saleh F. Al-Nazha	Independent Director	1,000	-	1,000	-	-	-
Waleed A. Bamarouf	Independent Director	1,000	-	1,000	-	-	-

- Suleman A. Al-Bargan was appointed as (non-Executive Director) on September 17, 2017.
- Motaz A. Al-Mashouk resigned from the Board of Petro Rabigh on September 17, 2017.

*Founding shareholder Saudi Aramco deposited 1,000 shares for Board Membership Qualification on behalf of this member.

**Founding shareholder Sumitomo Chemical deposited 1,000 shares for Board Membership Qualification on behalf of this member.

Senior Executives:

Name	Position	Period Start		Period End		Net Change	Change %
		Stocks	Debt Instruments	Stocks	Debt Instruments		
Abdullah M. Al-Qahtani	Vice President, Industrial Security	-	-	-	-	-	-
Bassam A. Al-Bokhari*	Vice President, Industrial Relations	252	-	252	-	-	-
Hesham H. Azzouz**	Vice President, Industrial Relations (A)	800	-	800	-	-	-
Tareq A. Al-Nuaim***	Vice President, Engineering & Support	200	-	200	-	-	-
Adel M. Al-Ghamdi****	Vice President, Engineering & Support	-	-	1,020	-	-	-
Naoyuki Inoue	Chief Financial Officer	-	-	-	-	-	-
Seiji Takeuchi	Senior Vice President, Manufacturing	-	-	-	-	-	-

* Bassam A. Al-Bokhari resigned from Petro Rabigh on August 31, 2017.

**Hesham H. Azzouz was appointed as Vice President (A), Industrial Relations on September 1, 2017.

*** Tareq A. Al-Nuaim resigned from Petro Rabigh on May 10, 2017.

**** Adel M. Al-Ghamdi was appointed as Vice President (A), Engineering & Support on July 9, 2017.

27. Information on any loans (payable upon request or not), a statement of the total indebtedness of the Company and its affiliates, any amounts paid by the Company in repayments of loans during the year, the amount of the principal debts, the creditor name, the loan term and remaining amount. In case there are no debts, a declaration therefore shall be presented.

(A) Loans from Banks and Financial Institutions

The Company has entered into Consortium Loan Agreements with commercial banks and financial institutions for development, design, and construction of integrated refining and petrochemical complex and Phase II expansion. The following table shows Petro Rabigh loans from commercial banks, Islamic banks and government agencies:

Lender	In SAR Thousands					
	Loan Availed up to December 31, 2017	Loan Tenor (Years)	Balance on December 31, 2016	Additions during 2017	Repayments during 2017	Balance December 31, 2017
Japan Bank For International Cooperation	16,867,500	12.5 - 13	12,525,395	-	(759,868)	11,765,527
Commercial Banks	21,150,000	12.5 - 13	10,254,936	8,625,000	(9,625,518)	9,254,918
Public Investment Fund	8,625,000	12.5 - 13	6,888,158	-	(303,947)	6,584,211
Islamic Financial Institutions	2,250,000	12.5	1,079,288	-	(235,092)	844,196
Sumitomo Mitsui Banking Corporation - Equity Bridge Loans	6,556,125	4	4,681,125	1,875,000	-	6,556,125
Accrued Interest on loans	-	-	28,330	775,269	(777,085)	26,514
Total	**55,448,625**	**-**	**35,457,232**	**11,275,269**	**(11,701,510)**	**35,030,991**

(B) Loans from Founding Shareholders

The Company has also drawn down a total of SAR 2,287.5 million from each of its founding shareholders during 2008 and 2009. Loans from founding shareholders are repayable on demand on achieving the conditions set by the financial institutions according to the Credit Facility Agreement which is mentioned in the Related Party Agreements and Transactions segment of this report.

The following table lists Petro Rabigh loans from the founding shareholders:

Lender	In SAR Thousands				
	Loan Principle	Loan Tenor (Year)	Balance on December 31, 2016	Repayments During 2017	Balance on December 31, 2017
Saudi Aramco	2,287,500	NA	2,287,500	-	2,287,500
Sumitomo Chemical	2,287,500	NA	2,287,500	-	2,287,500
Total	**4,575,000**	**NA**	**4,575,000**	**-**	**4,575,000**

(C) General Credit Facility

The Company has a general credit facility with a local bank amounting to SAR 375 million and is valid till December 1, 2019.

28. Description of the class and number of any convertible debt instruments, contractual securities, preemptive right or similar rights issued or granted by the Company during the fiscal year, as well as stating any compensation obtained by the Company in this regard

N/A

29. A description of any conversion or subscription rights under any convertible debt instruments, contractually based securities, warrants or similar rights issued or granted by the Company.

N/A

30. Description of any redemption, purchase or cancellation by the Company of any redeemable debt instruments and the value of such securities outstanding, distinguishing between those listed securities purchased by the company and those purchased by its affiliates

N/A

31. The number of Board meetings held during the last financial year, their dates and the attendance record of each meeting listing the names of the attendees

Name	Title	1st Meeting Feb 22, 2017	2nd Meeting April 21, 2017	3rd Meeting Aug 14, 2017	4th Meeting Dec 13, 2017	Total Meetings Attended
Abdulaziz M. Al-Judaimi	Chairman (Non-Executive)	√	√	√	√	4
Nasser D. Al-Mahasher	President & CEO (Executive Director)	√	√	√	√	4
Motaz A. Al-Mashouk*	Non-Executive Director	√	√	√	-	3
Suleman A. Al-Bargan**	Non-Executive Director	-	-	-	√	1
Shigeyuki Yoneda	Non-Executive Director	√	√	√	√	4
Noriaki Takeshita	Deputy Chairman Non-Executive Director	√	√	√	√	4
Takashi Shigemori	Non-Executive Director	√	√	√	√	4
Saud A. Al-Ashgar	Independent Director	√	√	Via Proxy	√	4
Saleh F. Al-Nazha	Independent Director	√	√	√	√	4
Waleed A. Bamarouf	Independent Director	√	√	√	√	4

*Motaz A. Al-Mashouk resigned from the Board of Petro Rabigh on September 17, 2017.
**Suleman A. Al-Bargan was appointed as (non-Executive Director) on September 17, 2017.

32. Numbers of Company's requests of shareholders records, dates and reasons therefore

Six records were requested for the shareholders of the Company during the year 2017 as shown in the following table:

	Reason	Date
1	To calculate zakat and income tax	January 2, 2017
2	For the use of the General Assembly	June 11, 2017
3	To check for shares restrictions	September 6, 2017
4	To update the shareholders' database	October 9, 2017
5	To ascertain the proportion of ownership of the shares	October 15, 2017
6	To calculate zakat and income tax	December 31, 2017

33. A description of any transaction between the Company and any Related Party

Agreement Duration	Amount (in SAR '000)	Agreement Nature and Conditions	Related Party	Related Board Member(s)	Nature of transaction
30 years commencing from October 1, 2008	27,512,283	The Company entered into a Crude Oil Feedstock Supply Agreement (COSA) with Saudi Aramco for the supply to the Company of its crude oil feedstock requirements, up to a maximum supply of 400,000bpd, solely for use in the integrated refining and petrochemical complex. The 4 Board members associated with this agreement have indirect interest as employees of Saudi Aramco.	Saudi Aramco	Abdulaziz M. Al-Judaimi Nasser D. Al-Mahasher Suleman A. Al-Bargan Motaz A. Al-Mashouk	Purchase of goods including LPG shortfall and through-put fee
Annual Charge	292,276	The Company procures various materials / goods required by it from Sumitomo Chemical Company and its affiliates for the production of products manufactured by it. The 3 Board members associated with this agreement have indirect interest as employees of Sumitomo Chemical Company.	Sumitomo Chemical Company	Noriaki Takeshita Takashi Shigemori Shigeyuki Yoneda	Purchase of goods
10 years from October 1, 2008. Further extendable for another 5 years	29,833,620	The Company signed a Refined Products Lifting & Marketing Agreement (RPLMA) with Saudi Aramco as sole "Marketer" of refined products from the Rabigh Refinery. Pursuant to this agreement, Saudi Aramco will lift and market globally, as "Marketer", the refined products from the integrated refining & petrochemical complex. The 4 Board members associated with this agreement have indirect interest as employees of Saudi Aramco.	Saudi Aramco	Abdulaziz M. Al-Judaimi Nasser D. Al-Mahasher Suleman A. Al-Bargan Motaz A. Al-Mashouk	Sale of refined products and petrochemical products
10 years from accumulated production date. Further extendable for another 5 years.	3,692,655	The Company signed a Petrochemical Products Lifting & Marketing Agreement (PPLMA) with Sumitomo Chemical Company as "Marketer" of petrochemical products from the integrated refining and petrochemical complex. Pursuant to this agreement, Sumitomo Chemical Company will lift and market globally, as "Marketer", the petrochemical products from the integrated refining and petrochemical complex. An Assignment & Assumption Agreement dated February 23, 2009 assigns Sumitomo Chemical Asia PTE Limited as the "Marketer". SAR 3,675,194 thousand is Sumitomo Chemical Asia PTE Limited SAR 17,461 thousand is Sumitomo Chemical Polymer Company. Both are Affiliates of Sumitomo Chemical Company. The 3 Board members associated with this agreement have indirect interest as employees of Sumitomo Chemical Company.	Sumitomo Chemical Company	Noriaki Takeshita Takashi Shigemori Shigeyuki Yoneda	Sale of petrochemical products
25 Years from October 1, 2014	14,028	Rabigh Community Agreement in respect of leases of land and infrastructure facilities. The 4 Board members associated with this agreement have indirect interest as employees of Saudi Aramco.	Saudi Aramco	Abdulaziz M. Al-Judaimi Nasser D. Al-Mahasher Suleman A. Al-Bargan Motaz A. Al-Mashouk	Financial charges

Agreement Duration	Amount (in SAR '000)	Agreement Nature and Conditions	Related Party	Related Board Member(s)	Nature of transaction
30 years effective from October 1, 2008	13,009	Terminal lease agreement. The 4 Board members associated with this agreement have indirect interest as employees of Saudi Aramco.	Saudi Aramco	Abdulaziz M. Al-Judaimi Nasser D. Al-Mahasher Suleman A. Al-Bargan Motaz A. Al-Mashouk	Financial charges
Annual Charge	70,724	Credit Facility Agreement (CFA). Under the provisions of this agreement, the Founding Shareholders agreed to grant to the Company a loan facility for the development, design and construction of the integrated refining and petrochemical complex. The 4 Board members associated with this agreement have indirect interest as employees of Saudi Aramco.	Saudi Aramco	Abdulaziz M. Al-Judaimi Nasser D. Al-Mahasher Suleman A. Al-Bargan Motaz A. Al-Mashouk	Financial charges
Annual Charge	70,724	Credit Facility Agreement (CFA). Under the provisions of this agreement, the Founding Shareholders agreed to grant to the Company a loan facility for the development, design and construction of the integrated refining and petrochemical complex. The 3 Board members associated with this agreement have indirect interest as employees of Sumitomo Chemical Company.	Sumitomo Chemical Company	Noriaki Takeshita Takashi Shigemori Shigeyuki Yoneda	Financial charges
Rabigh refinery complex lease agreement: 99 years, with effect from Nov 1, 2005 & may be renewed hereafter for consecutive additional periods as agreed. **Terminal Lease Agreement:** 30 years effective from October 1, 2008 **Rabigh Community Agreement:** 25 years effective October 1, 2014	47,865	**a) Rabigh refinery complex lease agreement:** for the lease of approximately 11.8 million square meters for a period of 99 years, with effect from November 1, 2005, and may be renewed thereafter for consecutive additional periods as agreed. **b) Terminal Lease Agreement:** Under this agreement, the Company has been granted exclusive rights by Saudi Aramco to use and operate the Rabigh Terminal Facilities and the Rabigh Terminal Site for a term of 30 years effective from October 1, 2008. **c) Rabigh Community Agreement:** in respect of leases of land and infrastructure facilities. The 4 Board members associated with these agreements have indirect interest as employees of Saudi Aramco.	Saudi Aramco	Abdulaziz M. Al-Judaimi Nasser D. Al-Mahasher Suleman A. Al-Bargan Motaz A. Al-Mashouk	Rentals
Annual charge	709	The Company entered into a Land Lease and Infrastructure Usage Agreement dated May 1, 2012 with Rabigh Conversion Industry Management Services Company (RCIMS) which is a wholly owned subsidiary of Sumitomo Chemical Company. The 3 Board members associated with this agreement have indirect interest as employees of Sumitomo Chemical Company.	Sumitomo Chemical Company	Noriaki Takeshita Takashi Shigemori Shigeyuki Yoneda	Rentals

Agreement Duration	Amount (in SAR '000)	Agreement Nature and Conditions	Related Party	Related Board Member(s)	Nature of transaction
Annual Charge	442	The Company has entered into Services Agreements with founding shareholders and their affiliates covering various operational and logistics support services. These agreements cover the provision of various support services by the Company such as human resources, training and recruitment, legal utilities, information technology, general management, technical support and pre-marketing support. These agreements also cover the ongoing technical support needed for continuous operations and ongoing enhancements such as refining and petrochemical process know-how provided by Saudi Aramco and Sumitomo Chemical Company respectively and marketing technical services, engineering and safety best practices and training provided by both founding shareholders. The Company shall pay for these services at mutually agreed prices specified in each agreement for the services to be provided. The 4 Board members associated with this agreement have indirect interest as employees of Saudi Aramco.	Saudi Aramco	Abdulaziz M. Al-Judaimi Nasser D. Al-Mahasher Suleman A. Al-Bargan Motaz A. Al-Mashouk	Services provided to shareholders
Annual Charge	442	The Company has entered into Services Agreements with founding shareholders and their affiliates covering various operational and logistics support services. These agreements cover the provision of various support services by the Company such as human resources, training and recruitment, legal utilities, information technology, general management, technical support and pre-marketing support. These agreements also cover the ongoing technical support needed for continuous operations and ongoing enhancements such as refining and petrochemical process know-how provided by Saudi Aramco and Sumitomo Chemical Company respectively and marketing technical services, engineering and safety best practices and training provided by both founding shareholders. The Company shall pay for these services at mutually agreed prices specified in each agreement for the services to be provided. The 3 Board members associated with this agreement have indirect interest as employees of Sumitomo Chemicals Company.	Sumitomo Chemical Company	Noriaki Takeshita Takashi Shigemori Shigeyuki Yoneda	Services provided to shareholders
Continuous term to apply effective from June 12, 2006 until the date on which the Shareholder ceases to be a shareholder of the Company.	51,472	The Company has entered into Secondment Agreements with Saudi Aramco dated June 12, 2006. Each of these agreements has a continuous term to apply until the date on which a Founding Shareholder ceases to be a shareholder of the Company. These agreements cover the requirement of the Company from time to time for the Secondment of certain personnel to assist in the conduct of business and operations. The 4 Board members associated with this agreement have indirect interest as employees of Saudi Aramco.	Saudi Aramco	Abdulaziz M. Al-Judaimi Nasser D. Al-Mahasher Suleman A. Al-Bargan Motaz A. Al-Mashouk	Secondees' costs

Agreement Duration	Amount (in SAR '000)	Agreement Nature and Conditions	Related Party	Related Board Member(s)	Nature of transaction
Continuous term to apply effective from July 1, 2006 until the date on which the Shareholder ceases to be a shareholder of the Company.	161,491	The Company has entered into Secondment Agreements with Sumitomo Chemical Company dated July 1, 2006. Each of these agreements has a continuous term to apply until the date on which a Founding Shareholder ceases to be a shareholder of the Company. These agreements cover the requirement of the Company from time to time for the Secondment of certain personnel to assist in the conduct of business and operations. The 3 Board members associated with this agreement have indirect interest as employees of Sumitomo Chemical Company.	Sumitomo Chemical Company	Noriaki Takeshita Takashi Shigemori Shigeyuki Yoneda	Secondees' costs
Annual Charge	40,453	The Company has entered into Services Agreements with founding shareholders and their affiliates covering various operational and logistics support services. These agreements cover the provision of various support services to the Company such as human resources, training and recruitment, legal utilities, information technology, general management, technical support and pre-marketing support. These agreements also cover the ongoing technical support needed for continuous operations and ongoing enhancements such as refining and petrochemical process know-how provided by Saudi Aramco and Sumitomo Chemical Company respectively and marketing technical services, engineering and safety best practices and training provided by both founding shareholders. The Company shall pay for these services at mutually agreed prices specified in each agreement for the services to be provided. The 4 Board members associated with this agreement have indirect interest as employees of Saudi Aramco.	Saudi Aramco	Abdulaziz M. Al-Judaimi Nasser D. Al-Mahasher Suleman A. Al-Bargan Motaz A. Al-Mashouk	Services and other cost charges (credit),net
Annual Charge	121,785	The Company has entered into Services Agreements with founding shareholders and their affiliates covering various operational and logistics support services. These agreements cover the provision of various support services to the Company such as human resources, training and recruitment, legal utilities, information technology, general management, technical support and pre-marketing support. These agreements also cover the ongoing technical support needed for continuous operations and ongoing enhancements such as refining and petrochemical process know-how provided by Saudi Aramco and Sumitomo Chemical Company respectively and marketing technical services, engineering and safety best practices and training provided by both founding shareholders. The Company shall pay for these services at mutually agreed prices specified in each agreement for the services to be provided. The 3 Board members associated with this agreement have indirect interest as employees of Sumitomo Chemical Company.	Sumitomo Chemical Company	Noriaki Takeshita Takashi Shigemori Shigeyuki Yoneda	Services and other cost charges (credit),net

34. Information relating to any business or contract to which the Company is a party and in which a director of the Company, a Senior Executive or any person related to any of them is or was interested, including the names of persons in relation, the nature, conditions, durations and the amount of the business or contract. If there are no such businesses or contracts, the Company must submit a statement therefore

The Board of Directors of the Company declare that except for the information mentioned in the table above, there are no businesses or contracts to which the Company is a party, and in which a Director of the Company or its senior executives or any person related to any of them is or was interested.

35. A description of any arrangement or agreement under which a director or a senior executive of the Company has waived any remuneration

N/A

A description of any arrangement or agreement under which a shareholder of the Company has 36. waived any rights to dividends

N/A

37. A statement of the value of any paid and outstanding statutory payment on account of any zakat, taxes, fees or any other charges that have not been paid until the end of the annual financial period with a brief description and the reasons therefor

The Company's outstanding amounts to General Authority of Zakat & Income tax (GAZT) and General Organization for Social Insurance (GOSI) are as follows:

	2017			
	Paid SAR ('000s)	Charges that have not been paid until the end of the annual financial period SAR ('000s)	Brief description	Reasons
Zakat	33,991	27,148	During the year 2017, the Company filed its Zakat and Tax Return relating to year ended 31 December 2016, with General Authority of Zakat and Tax (GAZT) and paid Zakat amounting to SAR 33,991 thousands.	Zakat payable as at 31 Dec 2017 will be paid when Zakat and Tax Return for 2017 will be filed in the Year 2018.
Taxes	34,359	280,894	During the year 2017, the Company filed its Zakat and Tax Return relating to year ended 31 December 2016, with General Authority of Zakat and Tax (GAZT) and paid Tax amounting to SAR 34,359 thousands.	Income Tax payable as at 31 Dec 2017 will be paid when Zakat and Tax Return for 2017 will be filed in the Year 2018.
General Organization for Social Insurance	105,993	8,426	During the year 2017, the Company paid SAR 105,993 thousands to GOSI.	Balance GOSI payable as at 31 December 2017 is paid to GOSI Authority in the subsequent month of January 2018.
Costs of visas and passports	1,960		Paid to Ministry of Interior (MOI).	Renewal of Iqamas, Passports and Visas.
Labor Office Fees	119		Paid to Ministry Labor Office (MOL).	Renewal of the work permits.

38. A statement as to the value of any investments made or any reserves set up for the benefit of the employees of the Company

Shares Ownership Incentive Program for Employees

The Board of Directors has approved implementation of an employee share ownership plan (ESOP) which provides 800 shares to eligible employees at the end of a 5-year maturity period. To implement this, the Company arranged with a commercial bank to subscribe for 1.5 million shares during the IPO period at the offer price of SAR21 per share. These ESOP shares are managed by Riyadh

Capital under an open ended mutual fund which has offered to subscribe and hold such shares "on trust" for the employees as part of an Administrative Service Agreement. These shares, as service awards to employees, are amortized evenly over a period of five years and allocated to eligible employees until the vesting period has been fully met.

As of the end of 2017, a total of 1,667 employees have joined the shares ownership Incentive Program, and a total of 1,435 employees have completed their vesting period and the Company has transferred the shares to their portfolios.

Home Ownership Incentive Program

The Board of Directors of Petro Rabigh approved implementing an incentive program for the Saudi employees from both genders to own housing units. The program aims at providing stability for staff and the convenience of living near the Company's facilities, which should positively reflect on their performance and continued employment with the Company. As per this program, the employee can own or build a housing unit for a single family. As of the end of 2017, a total of 583 employees have already joined the program.

Employee Lot Allowance

Part of the Home Ownership Program (HOP) the Company provides an amount of SAR 200,000 as a land lot allowance. This amount is considered as a personal loan depreciating over 10 years of Company service. The employee will only be required to repay this loan, if he/she leaves the Company before completing 10 years of continuous service from the loan date.

Employee Savings Plan

The Company offers its employees the opportunity to enroll in a savings plan program where the employee contributes a percentage not exceeding 10% of his/her basic salary. The Company then rewards the employee at the rate of 10% for each year of continuous service, up to 100% of the monthly employee's contribution starting with the 10th year of continuous service.

The Balance as of December 31, 2017 for the above mentioned Programs and Funds is as follows:

Description	Balance in SAR thousands
Shares Ownership Incentive Program for Employees	7,098
Employee Housing Loan - Home Ownership Program (10% Fund)	14,450
Employee Lot Allowance (Home Ownership Program)	38,463
Employer's contribution to Employee Savings Plan	51,467

39. Declarations of the Board of Directors

The Board of Directors declares the following:

- Proper books of account have been maintained
- The system of internal control is sound in design and has been effectively implemented
- There are no significant doubts concerning the Company's ability to continue its activity

40. If the external auditor's report contains reservations on the annual financial statements, the Board report shall highlight this mentioning the reasons and any relevant information

N/A

41. If the Board recommended replacing the external auditor before the end of its term, the reasons for the replacement recommendation

N/A

42. Disclosure of details of Treasury shares held by the Company and details of the uses of such shares

Number of treasury shares held by the Company	Treasury Shares value (SAR thousands)	Date of retention	Details of Use
335,863 shares	7,098	29 March 2008	To be allotted to Employees' upon completion of vesting period

Note: The BOD's has approved this report through a circulated resolution on March 26, 2018.


Independent Auditor’s Report

Independent Auditor's Report to the shareholders of Rabigh Refining and Petrochemical Company

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Rabigh Refining and Petrochemical Company (the "Company") as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

What we have audited
The Company's financial statements comprise:

- the statement of profit or loss for the year ended December 31, 2017;
- the statement of comprehensive income for the year then ended;
- the statement of financial position as at December 31, 2017;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the code of professional conduct and ethics, 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.

Our audit approach

Overview

Key Audit Matters

- First time adoption of International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia; and
- Tax and zakat related matters

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Key audit matters

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

Key audit matter	How our audit addressed the Key audit matter
First time adoption of International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia For all periods up to and including the year ended December 31, 2016, the Company prepared its financial statements in accordance with generally accepted accounting principles as issued by SOCPA ("previous GAAP"). The Company prepared its first annual financial statements for the year ended December 31, 2017 in accordance with IFRS as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA. In preparing the financial statements, the Company's opening statement of financial position was prepared as of January 1, 2016, which is the Company's date of transition to IFRS. We considered the transition from previous GAAP to IFRS, as endorsed in the Kingdom of Saudi Arabia, as a key audit matter due to its pervasive impact on the financial statements in terms of recognition, measurement and disclosure. Further, management assisted by its experts had to make significant assumptions and exercise judgment during the transition process. Refer to Note 2 for basis of preparation and adoption of IFRS, Note 3 for accounting policies adopted by the Company and Note 5 for the transition adjustments and other details in connection with the transition from previous GAAP to IFRS. One of the areas of significant judgement in transition to IFRS was evaluation of classification of Company's lease arrangement with Rabigh Arabian Water and Electricity Company ("RAWEC") for providing power, steam and water through an Independent Water, Steam and Power Plant ("IWSPP"). The Company concluded that it does not retain significant risks and rewards of the asset under this arrangement. Accordingly, the lease has been classified as operating lease by the Company. Refer to Note 2.2 for critical accounting judgments and Note 14.2 for disclosure on operating leases.	We performed the following procedures: • Obtained an understanding of the transition differences identified by the management between the previous GAAP and IFRS, as endorsed in the Kingdom of Saudi Arabia, and assessed its completeness and appropriateness; • Assessed the competence, objectivity and independence of the management's experts involved in the IFRS transition process; • Evaluated the key decisions made by the Company with respect to accounting policies, estimates and judgements in relation to transition to IFRS, as endorsed in the Kingdom of Saudi Arabia, and assessed their appropriateness based on our understanding of the Company's business and its operations; • Tested the adjustments made as part of the transition process based on the differences identified; and • Evaluated the adequacy and appropriateness of disclosures made in the financial statements in relation to transition to IFRS as endorsed in the Kingdom of Saudi Arabia. • For lease arrangement, we reviewed the agreement to understand the underlying arrangement between the Company and RAWEC and evaluated the arrangement in light of whether in substance the risks and rewards of ownership of the asset have been transferred to the Company. We also evaluated the underlying arrangement in accordance with the guidelines for the assessment of classification of lease under the requirements of relevant IFRS and held discussions with management's expert.
Tax and zakat related matters	**How our audit addressed the Key audit matter**
(a) Change in tax status of the founding shareholder Pursuant to the Royal Order A/136 received during 2017, all the shares held by Saudi Arabian Oil Company (Saudi Aramco) (founding shareholder) in the Kingdom of Saudi Arabia's resident companies are subject to income tax instead of zakat with effect from January 1, 2017. Accordingly, income tax has been recognized for Saudi Aramco's owned interest in the Company for the first time. **(b) Recognition of deferred income tax** The Company has recognized a deferred tax credit of Saudi Riyals 216.6 million in the statement of profit or loss for the year ended December 31, 2017 and maintains a net deferred tax asset balance amounting to Saudi Riyals 348.1 million as of that date. Refer to Note 25 and Note 26 to the financial statements for the related disclosures. **(c) Zakat and income tax assessments** General Authority for Zakat and Tax ("GAZT") has issued assessments for the years 2011 up to 2016 by raising additional zakat and income tax demand of Saudi Riyals 1,306.2 million and Saudi Riyals 387.8 million, respectively. The Company has filed an objection with GAZT and, accordingly, no zakat or tax provision has been made. Any additional zakat and tax demand that arises on finalization of assessments is recoverable to the extent of Saudi Riyals 783.7 million and Saudi Riyals 377.7 million, respectively from the founding shareholders of the Company. Refer to Note 25 for further details. We considered these tax and zakat related matters as key audit matters due to (i) change in the tax status of one of the founding shareholders in 2017; (ii) the consequential impact it contributed towards recognition of deferred tax asset and deferred tax credit as of December 31, 2017 and for the year then ended; and (iii) judgment involved in assessment of whether any provision needs to be recognized with respect to additional zakat and income tax demand raised by GAZT.	We performed the following procedures: • Obtained income tax calculation relating to Saudi Aramco and evaluated reasonableness of such calculations in light of the Royal Order and tax regulations. • Obtained deferred tax computation performed by management and evaluated the reasonableness of such computations. We also assessed the estimates and judgment involved in recoverability of the deferred tax asset balance outstanding at December 31, 2017 of Saudi Riyals 348.1 million. • Analyzed the differences between the amounts reported by the Company in its zakat and income tax returns against the amounts assessed by GAZT and obtained understanding of the nature of such differences and the possibility of any potential outflow of the economic benefits. We held discussions with the Company's zakat and tax consultants about the nature of differences and their assessment of likelihood of any additional liability. We assessed the adequacy and appropriateness of the disclosure included in the financial statements.

Other informations

Management is responsible for the other information. The other information comprises the information included in the annual report of the Company, but does not include the financial statements and our auditor's report thereon, which is expected to be made available to us after the date of this auditor's report.

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

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

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

Responsibilities of management and those charged with governance for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

PricewaterhouseCoopers

Ali A. Alotaibi
License Number 379
Jeddah, Kingdom of Saudi Arabia

March 7, 2018

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محاسبون قانونيون
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Statement of profit or loss

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	December 31, 2017	December 31, 2016
Sales	6,27	34,211,010	25,146,130
Cost of sales	7,27	(31,514,986)	(24,038,699)
Gross profit		**2,696,024**	**1,107,431**
Selling and marketing expenses	8	(73,782)	(68,775)
General and administrative expenses	9	(969,289)	(916,090)
Other income, net	10	50,865	35,261
Operating profit		**1,703,818**	**157,827**
Financial charges	11	(445,974)	(393,852)
Financial income		257,797	311,147
Profit before zakat and income tax		1,515,641	75,122
Zakat	25	(29,687)	(31,452)
Income tax	5D,25	(62,977)	(8,888)
Net profit after zakat and income tax		**1,422,977**	**34,782**
Earnings per share (saudi riyals) - basic and diluted	**12**	**1.62**	**0.04**

The accompanying notes 1 to 30 form an integral part of these financial statements.

Statement of comprehensive income

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	December 31, 2017	December 31, 2016
Net profit after zakat and income tax		**1,422,977**	**34,782**
Remeasurement loss on defined benefit plan	23	(18,040)	(56,728)
Income tax effect	5d,25	2,706	4,255
Other comprehensive loss not to be reclassified to statement of profit or loss in subsequent periods		(15,334)	(52,473)
Total comprehensive income (loss)		**1,407,643**	**(17,691)**

The accompanying notes 1 to 30 form an integral part of these financial statements.

Statement of financial position

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	December 31, 2017	December 31, 2016	January 1, 2016
Assets				
Non-current assets				
Property, plant and equipment	13	43,971,487	43,503,259	40,649,172
Leased assets	14	417,360	445,182	473,005
Intangible assets	15	123,513	135,618	153,587
Long-term loans	16	4,051,329	4,421,900	4,278,661
Investment	16	16,412	16,412	16,412
Deferred tax asset	26	348,092	128,729	97,743
		48,928,193	48,651,100	45,668,580
Current assets				
Cash and cash equivalents	17	1,158,263	1,381,795	932,396
Time deposits	18	1,479,073	1,286,250	1,370,180
Trade receivables	16	5,741,361	3,696,687	823,894
Inventories	19	3,022,322	2,258,973	2,002,494
Current portion of long-term loans	16	404,248	392,581	328,271
Prepayments and other receivables	20	941,517	578,661	275,635
		12,746,784	9,594,947	5,732,870
Total assets		**61,674,977**	**58,246,047**	**51,401,450**
Equity and liabilities				
Equity				
Share capital	21	8,760,000	8,760,000	8,760,000
Statutory reserve	22	183,745	87,343	87,343
Employee share ownership plan	23	(7,098)	(8,207)	(10,979)
Retained earnings (accumulated deficit)		1,149,160	(443,620)	(480,038)
Total equity		**10,085,807**	**8,395,516**	**8,356,326**
Non-current liabilities				
Loans, borrowings and other long-term liability	16	36,812,511	37,674,856	34,425,507
Liabilities against finance leases	14	481,953	499,278	515,615
Employees' benefits	23	420,707	343,263	231,869
		37,715,171	**38,517,397**	**35,172,991**
Current liabilities				
Short-term borrowings	16	3,715,280	3,134,005	3,270,537
Current maturity of liabilities against finance leases	14	18,413	17,352	16,380
Trade and other payables	16	9,221,871	7,256,457	3,510,534
Accrued expenses and other liabilities	24	610,393	858,249	1,057,193
Zakat and income tax payable	26	308,042	67,071	17,489
		13,873,999	11,333,134	7,872,133
Total liabilities		**51,589,170**	**49,850,531**	**43,045,124**
Total equity and liabilities		**61,674,977**	**58,246,047**	**51,401,450**
Commitments	28			

The accompanying notes 1 to 30 form an integral part of these financial statements.

Statement of changes in equity

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Share capital	Statutory reserve	Employee share ownership plan	Retained earnings (accumulated deficit)	Total
January 1, 2017	5.2	8,760,000	87,343	(8,207)	(443,620)	8,395,516
Net profit after zakat and income tax		-	-	-	1,422,977	1,422,977
Other comprehensive loss		-	-	-	(15,334)	(15,334)
Total comprehensive income		-	-	-	1,407,643	1,407,643
Transfer to statutory reserve		-	96,402	-	(96,402)	-
Vesting of shares under employee share ownership plan		-	-	1,109	-	1,109
Zakat and income tax reimbursements		-	-	-	281,539	281,539
December 31, 2017		**8,760,000**	**183,745**	**(7,098)**	**1,149,160**	**10,085,807**
January 1, 2016	5.1	8,760,000	87,343	(10,979)	(480,038)	8,356,326
Net profit after zakat and income tax	5.3	-	-	-	34,782	34,782
Other comprehensive loss	5.4	-	-	-	(52,473)	(52,473)
Total comprehensive loss		-	-	-	(17,691)	(17,691)
Vesting of shares under employee share ownership plan		-	-	2,772	-	2,772
Zakat and income tax reimbursements		-	-	-	54,109	54,109
December 31, 2016	5.2	**8,760,000**	**87,343**	**(8,207)**	**(443,620)**	**8,395,516**

The accompanying notes 1 to 30 form an integral part of these financial statements.

Statement of cash flow

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Year ended December 31 2017	2016
Cash flows from operating activities			
Profit before zakat and income tax		1,515,641	75,122
Adjustments for non-cash items			
Depreciation	13,14	2,427,863	2,401,289
Financial charges		445,974	393,852
Financial income		(257,797)	(311,147)
Amortization	15	13,156	18,611
Provision for slow moving inventories	19	10,078	8,274
Loss on disposal of property and equipment	10	1,267	4,089
Provision for deferred employee service	23	-	254
		4,156,182	2,590,344
Changes in working capital			
Trade receivables		(2,044,674)	(2,872,793)
Inventories		(773,427)	(264,753)
Prepayments and other receivables		(75,659)	(248,066)
Trade and other payables		2,371,359	4,064,099
Accrued expenses and other liabilities		(515,476)	(821,947)
Employees benefits		60,513	57,184
Zakat and income tax paid		(68,350)	(17,489)
Interest received		238,719	258,723
Interest paid		(256,276)	(223,862)
Net cash generated from operating activities		**3,092,911**	**2,521,440**
Cash flows from investing activities			
Purchase of property, plant and equipment	13	(2,601,915)	(4,608,630)
Addition to intangible assets	15	(1,051)	(642)
Long-term loan disbursements	16	(49,303)	(478,746)
Net movement in time deposits	18	(192,823)	83,930
Net cash utilized in investing activities		**(2,845,092)**	**(5,004,088)**
Cash flows from financing activities			
Proceeds from loans and borrowings	16	10,500,000	8,879,084
Repayments of loans and borrowings	16	(10,924,425)	(5,900,069)
Repayment of finance leases	14	(46,925)	(46,959)
Dividend payments		(1)	(9)
Net cash (utilized in) generated from financing activities		(471,351)	2,932,047
Net change in cash and cash equivalents		(223,532)	449,399
Cash and cash equivalents at beginning of the year	17	1,381,795	932,396
Cash and cash equivalents at end of the year	17	**1,158,263**	**1,381,795**
Supplemental schedule of non-cash information			
Zakat and income tax reimbursable from shareholders		281,539	54,109
Addition to property, plant and equipment through accrued expenses and other liabilities		267,621	623,012
Long-term loan repayments settled against capacity payments	16.1.1	**392,525**	**266,603**

The accompanying notes 1 to 30 form an integral part of these financial statements.

Notes to the financial statements for the year ended December 31, 2017

(All amounts in Saudi Riyals thousands unless otherwise stated)

1. General information

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

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

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

During the three-month period ended March 31, 2015, the Company acquired the Expansion Project of its existing integrated petroleum refining and petrochemical complex ("Phase II Expansion Project") from Saudi Arabian Oil Company and Sumitomo Chemical Company (Founding shareholders of the Company), upon completion of the formalities underlying the novation of relevant contracts and fulfillment of precedent conditions. The aggregate cost of the Phase II Expansion Project is currently estimated at Saudi Riyals 34 billion, the completion of which is estimated to be during the second half of 2018. Also see Note 13.

2. Basis of preparation and adoption of International Financial Reporting Standards (IFRS)

These financial statements of the Company have been prepared in accordance with IFRS as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants (SOCPA) in the Kingdom of Saudi Arabia. Also see Note 5.

For all periods up to and including the year ended December 31, 2016, the Company prepared its financial statements in accordance with generally accepted accounting principles as issued by SOCPA ("previous GAAP"). These financial statements for the year ended December 31, 2017 are the first general purpose financial statements prepared by the Company in accordance with IFRS as endorsed by SOCPA in the Kingdom of Saudi Arabia and other standards and pronouncement issued by SOCPA.

These financial statements have been prepared on a historical cost basis except for investment which is measured at fair value through statement of profit or loss. These financial statements are presented in Saudi Arabian Riyals (Saudi Riyals).

2.1 New standards, interpretations and amendments adopted

Since the Company has adopted IFRS, as endorsed by SOCPA in the Kingdom of Saudi Arabia, all amendments/interpretations as applicable to the Company are considered until the date of adoption.

(a) Standards, interpretations and amendments earlier adopted

IFRS 9 – Financial Instruments

IFRS 9 is effective for annual periods commencing on or after January 1, 2018. The Company has elected to early adopt IFRS 9.

Financial assets

As per IFRS 9, the Company classifies its financial assets, initially measured at fair value and subsequently at amortized cost, fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVOCI) depending on the Company's business model for managing these financial assets and their contractual cash flow characteristics.

A financial asset is measured at amortized cost only if both of the following conditions are met:

- It is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

A new asset category financial asset measured at FVOCI was introduced by IFRS 9. A financial asset is classified as FVOCI if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows and selling financial asset.

Financial liabilities

As per IFRS 9, the Company has classified its financial liabilities as those measured at amortized cost.

Impairment

The Company assesses on a forward looking basis the expected credit losses (ECL) as associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk since the initial recognition of the financial asset.

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

(b) Standards, interpretations and amendments issued but not yet effective

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

Standard / Interpretation	Description	Effective from periods beginning on or after the following date
IFRS 15	Revenue from Contracts with Customers	January 1, 2018
IFRS 2	Classification and measurement of share-based payment transactions – Amendments to IFRS 2	January 1, 2018
IFRIC 22	Foreign currency transactions and advance consideration	January 1, 2018
IFRS 16	Leases	January 1, 2019
IFRIC 23	Uncertainty over income tax treatments	January 1, 2019
IFRS 17	Insurance contracts	January 1, 2021

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. IFRS 15 will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018.

The Company plans to adopt IFRS 15 on the required effective date using the modified retrospective method. The Company has performed impact assessment of IFRS 15 and has identified the following implications on the Company's financial statements.

The Company is currently recognising revenue net of certain selling & marketing expenses, which are incurred and separately invoiced, by the marketers (customers). The Company records revenue net of said expenses in its books of accounts. As per IFRS 15, an entity shall account for consideration payable to a customer as a reduction of the transaction price unless both the following conditions are met:

- the payment to the customer is in exchange for distinct goods or services that the customer transfers to the entity, and
- the fair value of said goods or services can be determined.

The Company has assessed that these selling & marketing expenses are in respect of distinct goods or services that the Company receives form customers and the fair value of said expenses can also be measured as these are separately invoiced to the Company supported by actual invoices. Accordingly, these expenses will be classified as selling & marketing expenses and not be deducted from revenue.

IFRS 15 further requires additional disclosure for which the Company has considered required changes in the financial systems and related procedures necessary to collect and disclose the required information.

Except for the effects of IFRS 15 disclosed above, the standards, amendments or interpretations with effective date of January 1, 2018 will not have any material impact on the Company's financial statements, whereas for other above mentioned standards, amendments or interpretations, the Company is currently assessing the implications on the Company's financial statements on adoption.

2.2 Critical accounting estimates and judgments

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

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

Business model for managing financial assets

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

- Management's stated policies and objectives for the asset and the operation of those policies in practice;
- how management evaluates the performance of the asset;
- whether management's strategy focuses on earning contractual income;
- the degree of frequency of any expected asset sales;
- the reason for any asset sales; and
- whether assets that are sold are held for an extended period of time relative to their contractual maturity or are sold shortly after acquisition or an extended time before maturity.

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

Contractual cash flows of financial assets

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

Defined benefit plan

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

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

Useful lives of property, plant and equipment

The management determines the estimated useful lives of property, plant and equipment for calculating depreciation. This estimate is determined after considering expected usage of the assets or physical wear and tear. 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.

Lease classification

Management exercises judgments in assessing whether the lease is a finance lease or an operating lease. The judgment as to which category applies to a specific lease depends on management's assessment of whether in substance the risks and rewards of ownership of the asset have been transferred to the lessee. In the instances where management's estimates that the risks and rewards have been transferred, the lease is considered as finance lease, otherwise it is accounted for as an operating lease.

The Company has entered into a lease arrangement with Rabigh Arabian Water and Electricity Company ("RAWEC") for providing power, steam and water to the Company through an Independent Water, Steam and Power Plant ("IWSPP"). The Company has determined that the significant risk and rewards of the asset under this arrangement are retained by RAWEC and not by the Company and, accordingly, the lease has been classified as operating lease by the Company.

Provision for pre-novation withholding tax

The management determines withholding tax on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law. Due to the nature and complexity of the services and transactions involved as part of the novation of the contracts related to Phase II Expansion Project, the assessment of withholding tax thereon involves estimates and judgments. Management, with the assistance of its advisors, uses estimates and judgment based on the best available facts and circumstances and interpretations and determines the amount of provision.

Impairment of non-financial assets

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

3. Summary of significant accounting policies

(a) Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

(b) Fair value measurement

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

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

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

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

- **Level 1:** Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- **Level 2:** Valuation techniques for which

the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

- **Level 3:** Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

(c) Revenue recognition

Contracts with customers
Revenue is recognised to the extent that the Company has satisfied the performance obligations under contracts for sale of products with customers. The Company has contracts with customers (that also include marketers) in which supply of the refined products and petrochemicals is the only performance obligation. The Company recognized revenue at a point in time when control of the products is transferred to the customer, generally on delivery or shipment of products and in accordance with the offtake arrangements with the Company's customers.

Revenue from port services is recognized when services are rendered.

The Company assessed its revenue arrangements against specific criteria and determined that it is acting as principal in all of its revenue arrangements.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment, excluding taxes and duty and is recorded net of trade discounts and volume rebates.

Dividends
Dividends are recognised when:

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

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

(d) Foreign currencies

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

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

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

(e) Property, plant and equipment

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

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditures are recognized in the statement of profit of loss when incurred.

Spare parts that are considered essential to ensure continuous plant operation whose useful lives are more than one year are capitalized and classified as plant, machinery and operating equipment.

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

Expenditures incurred on testing and inspections, which are carried normally every 4 years, are capitalized as part of the respective items of property, plant and equipment and amortized over the period of four years. All other repair and maintenance costs are recognized in the statement of profit or loss as incurred.

Pre-commissioning income is recognised net of related incidental costs and is included in capital projects-in-progress.

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

	Number of years
Buildings and infrastructure	8-25
Plant, machinery and operating equipment	2-23
Vehicle and related equipment	3-6
Furniture and IT equipment	3-14

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

(f) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease.

Finance lease
Finance leases that transfer to the Company substantially all of the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the inception date at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. Currently, depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	Number of years
Community facilities	25
Marine terminal facilities	23
Desalination plant	17

Operating lease

An operating lease is a lease other than a finance lease. Operating lease payments are recognized as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

(g) Intangible assets

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

Software and licenses
Software and licenses procured for various business use and having finite useful lives are presented as intangible assets.

Software and licenses are amortized on a straight-line basis over their estimated useful lives of 5 years and 12-22 years, respectively.

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

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

(h) Borrowing costs

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

(i) Financial instruments

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

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

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

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

(i) Those to be measured subsequently at amortised cost; or
(ii) Fair value through profit or loss.

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

The Company classifies its financial liabilities as those measured at amortized cost.

Measurement
Financial instruments at fair value through profit or loss are recognised initially at fair value with transaction costs recognised in the statement of profit or loss as incurred. All other financial instruments are recognised initially at fair value plus directly

attributable transaction costs. The Company initially measures the trade receivable at the transaction price as the trade receivable do not contain a significant financing component.

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

The Company classifies its financial liabilities as those measured at amortized cost.

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

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

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

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

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

(j) Impairment

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

1. **Stage 1: 12-months ECL**
   For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognized
2. **Stage 2: Lifetime ECL – not credit impaired**
   For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognized
3. **Stage 3: Lifetime ECL – credit impaired**
   Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that have become credit impaired, a lifetime ECL is recognized and interest revenue is calculated by applying the effective interest rate to the amortized cost (net of provision) rather than the gross carrying amount.

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

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

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

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

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

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

Non-financial assets

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

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

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

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

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

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

(k) Trade receivables

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

(l) Inventories

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

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

(m) Cash and cash equivalents

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

(n) Time deposits

Time deposits, with original maturity of more than three months but not more than one year from the purchase date, are initially recognized in the statement of financial position at fair value and are subsequently measured at amortized cost using the effective yield method, less any impairment in value.

(o) Zakat and income tax

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

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

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

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

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

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

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

(p) Employees' benefits

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

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

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

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

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

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

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

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

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

(q) Segment reporting

Operating segment
An operating segment is group of assets and operations:

- engaged in revenue producing activities;
- results of its operations are continuously analyzed by management in order to make decisions related to resource allocation and performance assessment; and
- financial information is separately available.

(r) Provisions

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

4. Agreements with founding shareholders

The Founding Shareholders of the Company are Saudi Arabian Oil Company ("Saudi Aramco") and Sumitomo Chemical Company Limited ("Sumitomo Chemical"), with each having 37.5% equity interest in the share capital of the Company.

The Company has entered into various agreements with Founding Shareholders including, among others:

4.1 Crude oil feedstock supply agreement

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

4.2 Refined products lifting and marketing agreement

On March 11, 2006, the Company signed a Refined Products Lifting & Marketing Agreement (RPLMA) with Saudi Aramco as sole "Marketer" of refined products from the Rabigh Refinery. The RPLMA is valid for 10 years from October 1, 2008, and is further extendable for another 5 years. Pursuant to this agreement, Saudi Aramco will lift and market globally, as "Marketer", the refined products from the integrated refining and petrochemical complex.

4.3 Petrochemical products lifting and marketing agreement

On March 11, 2006 as amended on April 1, 2014, the Company signed Petrochemical Products Lifting & Marketing Agreement (PPLMA) with founding shareholders as "Marketers" of petrochemical products from the integrated refining and petrochemical complex. The PPLMA is valid for 10 years from accumulated production date, and is further extendable for another 5 years. Pursuant to this agreement, Marketers will lift and market globally, as "Marketer", the petrochemical products from the integrated refining and petrochemical complex. An Assignment and Assumption Agreement dated February 23, 2009 assigns Sumitomo Chemical Asia PTE Limited as the "Marketer" on behalf of Sumitomo Chemical Company Limited.

4.4 Credit facility agreement

On March 18, 2006, the Company entered into a Credit Facility Agreement (CFA) with both of its Founding Shareholders. Under the provisions of this agreement, the Founding Shareholders agreed to grant to the Company a loan facility up to a maximum aggregate amount of Saudi Riyals 6,206 million for the development, design and construction of the integrated refining and petrochemical complex.

4.5 Rabigh refinery complex lease agreement

The Company has entered into Rabigh Refinery Complex Lease Agreement with Saudi Aramco dated November 1, 2005 for the lease of approximately 11.8 million square meters for a period of 99 years, with effect from November 1, 2005, and may be renewed thereafter for consecutive additional periods as agreed. The Company shall pay to Saudi Aramco rent in an amount equal to Saudi Riyals 1 per square meter per annum starting from October 1, 2008. Also see Note 14.2.

4.6 Terminal lease agreement

The Company entered into a Terminal Lease Agreement with Saudi Aramco on March 2, 2006 in respect of the existing Rabigh Marine Terminal. Under this agreement, the Company has been granted exclusive rights by Saudi Aramco to use and operate the Rabigh Terminal Facilities and the Rabigh Terminal Site for a term of 30 years effective from October 1, 2008. Also see Notes 14.1 and 14.2.

4.7 Rabigh community agreement

The Company has entered into Rabigh community agreement with Saudi Aramco, effective October 1, 2014 for a term of 25 years, in respect of leases of land and infrastructure facilities at yearly lease rentals of Saudi Riyals 16.5 million and Saudi Riyals 18.2 million, respectively. Also see Notes 14.1 and 14.2.

4.8 Secondment agreements

The Company has entered into Secondment Agreements with each of its Founding Shareholders; with Saudi Aramco dated June 12, 2006, and with Sumitomo Chemical dated July 1, 2006. Each of these agreements has a continuous term to apply until the date on which a Founding Shareholder ceases to be a shareholder of the Company. These agreements cover the requirement of the Company from time to time for the secondment of certain personnel to assist in the conduct of business and operations.

4.9 Services agreements

The Company has entered into services agreements with founding shareholders and their affiliates covering various operational and logistics support services. These agreements cover the provision of various support services to and by the Company such as human resources, training and recruitment, legal, utilities, information technology, General Management, Technical Support and Pre-marketing Support. These agreements also cover the ongoing technical support needed for continuous operations and ongoing enhancements such as refining and petrochemical process know-how provided by Saudi Aramco and Sumitomo Chemical respectively and marketing technical services, engineering and safety best practices and training provided by both founding shareholders. The Company shall pay for these services at mutually prices specified in each agreement for the services to be provided.

5. First time adoption of IFRS

These are the first general purpose financial statements prepared by the Company in accordance with IFRS as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA in the Kingdom of Saudi Arabia. For all periods up to and including the year ended December 31, 2016, the Company prepared its financial statements in accordance with generally accepted accounting principles as issued by SOCPA ("previous GAAP").

Accordingly, as per the requirements of IFRS 1, "First time adoption of International Financial Reporting Standards", the Company has prepared its financial statements as at and for the year ended December 31, 2017, December 31, 2016 and January 1, 2016, together with the statements of profit or loss, comprehensive income, changes in equity and cash flows for the year ended December 31, 2016 as described in the summary of significant accounting policies (see Note 3). The Company's opening statement of financial position was prepared as at January 1, 2016, which is the Company's date of transition to IFRS. This note explains the principal adjustments made by the Company in restating its previous GAAP financial statements, including the statement of financial position as at January 1, 2016 and the financial statements for the year ended December 31, 2016.

5.1 Reconciliation of equity as at January 1, 2016 (date of transition to IFRS)

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Previous GAAP	Remeasurement / Reclassification	January 1, 2016
Assets				
Non-current assets				
Property, plant and equipment	e	40,535,527	113,645	40,649,172
Leased assets		473,005	-	473,005
Intangible assets	e	267,232	(113,645)	153,587
Long-term loans	a,b	4,348,874	(70,213)	4,278,661
Investment		16,412	-	16,412
Deferred tax asset	d	-	97,743	97,743
		45,641,050	27,530	45,668,580
Current assets				
Cash and cash equivalents		932,396	-	932,396
Time deposits		1,370,180	-	1,370,180
Trade receivables		823,894	-	823,894
Inventories		2,002,494	-	2,002,494
Current portion of long-term loans	a,b	295,400	32,871	328,271
Prepayments and other assets		275,635	-	275,635
		5,699,999	**32,871**	**5,732,870**
Total assets		**51,341,049**	**60,401**	**51,401,450**
Equity and liabilities				
Equity				
Share capital		8,760,000	-	8,760,000
Statutory reserve		87,343	-	87,343
Employees share ownership plan		(10,979)	-	(10,979)
Accumulated deficit		(484,966)	4,928	(480,038)
Total equity		**8,351,398**	**4,928**	**8,356,326**
Non-current liabilities				
Loans, borrowings and other long-term liability		34,425,507	-	34,425,507
Liabilities against finance leases		515,615	-	515,615
Employees' benefits	c	176,396	55,473	231,869
		35,117,518	55,473	35,172,991
Current liabilities				
Short-term borrowings		3,255,130	15,407	3,270,537
Current maturity of liabilities against finance leases		16,380	-	16,380
Trade and other payables		3,510,534	-	3,510,534
Accrued expenses and other liabilities		1,072,600	(15,407)	1,057,193
Zakat and income tax payable		17,489	-	17,489
		7,872,133	**-**	**7,872,133**
Total liabilities		**42,989,651**	**55,473**	**43,045,124**
Total equity and liabilities		**51,341,049**	**60,401**	**51,401,450**

5.2 Reconciliation of equity as at December 31, 2016

	Note	Previous GAAP	Remeasurement / Reclassification	December 31, 2016
Assets				
Non-current assets				
Property, plant and equipment	e	43,389,614	113,645	43,503,259
Leased assets		445,182	-	445,182
Intangible assets	e	249,263	(113,645)	135,618
Long-term loans	a,b	4,433,844	(11,944)	4,421,900
Investment		16,412	-	16,412
Deferred tax asset	d	-	128,729	128,729
		48,534,315	**116,785**	**48,651,100**
Current assets				
Cash and cash equivalents		1,381,795	-	1,381,795
Time deposits		1,286,250	-	1,286,250
Trade receivables		3,696,687	-	3,696,687
Inventories		2,258,973	-	2,258,973
Current portion of long-term loans	a,b	393,372	(791)	392,581
Prepayments and other receivables		578,661	-	578,661
		9,595,738	**(791)**	**9,594,947**
Total assets		**58,130,053**	**115,994**	**58,246,047**
Equity and liabilities				
Equity				
Share capital		8,760,000	-	8,760,000
Statutory reserve		87,343	-	87,343
Employees share ownership plan		(8,207)	-	(8,207)
Accumulated deficit		(461,263)	17,643	(443,620)
Total equity		**8,377,873**	**17,643**	**8,395,516**
Non-current liabilities				
Loans, borrowings and other long-term liability		37,674,856	-	37,674,856
Liabilities against finance leases		499,278	-	499,278
Employees' benefits	c	244,912	98,351	343,263
		38,419,046	**98,351**	**38,517,397**
Current liabilities				
Short-term borrowings		3,105,675	28,330	3,134,005
Current maturity of liabilities against finance leases		17,352	-	17,352
Trade and other payables		7,256,457	-	7,256,457
Accrued expenses and other liabilities		886,579	(28,330)	858,249
Zakat and income tax payable		67,071	-	67,071
		11,333,134	**-**	**11,333,134**
Total liabilities		**49,752,180**	**98,351**	**49,850,531**
Total equity and liabilities		**58,130,053**	**115,994**	**58,246,047**

5.3 Reconciliation of statement of profit and loss for the year ended December 31, 2016

	Note	Previous GAAP	Remeasurement / Reclassification	December 31, 2016
Sales		25,146,130	-	25,146,130
Cost of sales		(24,038,699)	-	(24,038,699)
Gross profit		**1,107,431**	**-**	**1,107,431**
Selling and marketing expenses		(68,775)	-	(68,775)
General and administrative expenses	c	(929,940)	13,850	(916,090)
Other income, net		35,261	-	35,261
Operating profit		**143,977**	**13,850**	**157,827**
Financial charges	a	(389,259)	(4,593)	(393,852)
Financial income	b	281,947	29,200	311,147
Profit before zakat and income tax		**36,665**	**38,457**	**75,122**
Zakat	d	-	(31,452)	(31,452)
Income tax	d	-	(8,888)	(8,888)
Net profit after zakat and income tax		**36,665**	**(1,883)**	**34,782**

5.4 Reconciliation of statement of comprehensive income for the year ended December 31, 2016

	Note	Previous GAAP	Remeasurement	December 31, 2016
Net profit after zakat and income tax		**36,665**	**(1,883)**	**34,782**
Remeasurement loss on defined benefit plan	c	-	(56,728)	(56,728)
Income tax effect	d	-	4,255	4,255
Other comprehensive loss not to be reclassified to statement of profit or loss in subsequent period		-	(52,473)	(52,473)
Total comprehensive income (loss)		**36,665**	**(54,356)**	**(17,691)**

a) Employees' home ownership loans

The Company has remeasured the outstanding amount of employees' home ownership loans using effective interest rate method. The Company's eligible employees are provided with interest free loans under an employee home ownership program. The Company had recognised these loans initially at gross outstanding values. The change of Saudi Riyals 24.6 million at the date of transition due to fair value is recognised in the opening retained earnings at the date of transition as financial charges.

In the subsequent periods presented, the Company has recognised unwinding of discounted value.

b) RAWEC loan

The Company has remeasured the outstanding amount of loan to RAWEC using effective interest rate method. The change of Saudi Riyals 12.7 million at the date of transition due to remeasurement is recognised in the opening retained earnings at the date of transition as financial charges.

In the subsequent periods presented, the Company has recognised unwinding of discounted value.

c) Employees' defined benefits obligation

Under SOCPA, the Company recognized costs related to its employees' defined benefits as current value of vested benefits to which the employee is entitled whereas under IFRS, such obligation is recognized on actuarial basis. The change of Saudi Riyals 55.5 million at the date of transition between the current provision and provision based on actuarial valuation is recognized in the opening retained earnings.

In the subsequent periods presented, current services and interest costs are recognized in the statement of profit or loss whereas actuarial gains / losses are recognized in the statement of comprehensive income.

d) Zakat and income tax

Under previous GAAP, Zakat and income tax was presented in the statement of changes in equity. Accordingly, no deferred tax was being accounted as there was no charge for Company in the statement of profit or loss. Due to transition from previous GAAP to IFRS, Zakat and income tax has been presented in statement of profit or loss including recognition of deferred tax asset amounting to Saudi Riyals 97.7 million at the date of transition.

For the year ended December 31, 2016, the Company recognised Zakat and income tax including deferred tax income (Saudi Riyals 26.7 million) in the statement of profit or loss and in the statement of comprehensive income (Saudi Riyals 4.2 million).

e) Property, plant and equipment and intangible assets

Certain items classified as intangible assets under previous GAAP have now been presented as part of property, plant and equipment.

f) Statement of cash flows

The transition from previous GAAP to IFRS did not have a material impact on the presentation of statement of cash flows.

6. Segment information

6.1 Operating segment

The Company operates an integrated refinery and petrochemical complex. The primary format for segment reporting is based on operating segments and is determined on the basis of management's internal reporting structure. The Management Committee (collectively considered to be the Chief Operating Decision Maker) monitors the operating results of its operating segments for the purpose of making decisions about resource allocation and performance assessment. The Company's segment profit measure is operating profit (loss). The Company's operating segments comprise of refined products and petrochemicals. Information as of and for the year ended December 31, is summarized below:

2017	Refined products	Petrochemicals	Total
Sales – external customers	**26,237,144**	**7,973,866**	**34,211,010**
Depreciation and amortization	**756,716**	**1,684,303**	**2,441,019**
Operating profit	**175,272**	**1,528,546**	**1,703,818**
2016	Refined products	Petrochemicals	Total
Sales – external customers	19,423,911	5,722,219	25,146,130
Depreciation and amortization	750,169	1,669,731	2,419,900
Operating profit	(643,736)	801,563	157,827

2017	Refined products	Petrochemicals	Unallocated	Total
Total assets	**21,387,814**	**36,979,692**	**3,307,471**	**61,674,977**
Total liabilities	**12,025,780**	**39,255,350**	**308,040**	**51,589,170**
Capital expenditure	**170,132**	**2,700,455**	**-**	**2,870,587**
2016	Refined products	Petrochemicals	Unallocated	Total
Total assets	15,184,891	40,193,464	2,867,692	58,246,047
Total liabilities	12,738,442	35,920,020	1,192,069	49,850,531
Capital expenditure	224,503	5,007,782	-	5,232,285

The Company's revenue from external customers involve Saudi Riyals 33,213 million (December 31, 2016: Saudi Riyals 24,197 million) of revenue generated from 3 customers in the year ended December 31, 2017 (December 31, 2016: 3 customers).

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

2017	Middle East	Asia Pacific	Others	Total
Sales				
Refined products	26,237,144	-	-	26,237,144
Petrochemicals	3,482,105	4,418,641	73,120	7,973,866
Total	**29,719,249**	**4,418,641**	**73,120**	**34,211,010**

2016	Middle East	Asia Pacific	Others	Total
Sales				
Refined products	19,423,911	-	-	19,423,911
Petrochemicals	2,926,666	2,773,600	21,953	5,722,219
Total	**22,350,577**	**2,773,600**	**21,953**	**25,146,130**

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

6.2 Adjustments

Cash and cash equivalents, time deposits, zakat and income tax including deferred tax and certain assets and liabilities are not allocated to operating segments as they are also managed on a Company basis.

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

6.3 Reconciliation of profit

	2017	2016
Operating profit	**1,703,818**	157,827
Financial charges	**(445,974)**	(393,852)
Financial income	**257,797**	311,147
Profit before zakat and income tax	**1,515,641**	75,122
Zakat	**(29,687)**	(31,452)
Income tax	**(62,977)**	(8,888)
Net profit after zakat and income tax	**1,422,977**	34,782

7. Cost of sales

	Note	2017	2016
Raw materials, crude oil and spare parts consumed		**27,802,370**	20,223,745
Depreciation	13,14	**2,321,622**	2,293,533
Utilities consumed		**1,070,948**	688,056
Personnel costs		**603,806**	544,718
Repair and maintenance		**331,971**	374,621
Contracted services		**60,859**	81,824
Amortization	15	**11,360**	17,140
Insurance		**32,802**	33,909
Provision for slow moving spare parts and consumables		**10,078**	8,274
Lease rentals		**19,418**	16,272
Other overheads		**23,179**	21,360
		32,288,413	24,303,452
Increase in inventories		**(773,427)**	(264,753)
		31,514,986	24,038,699

8. Selling and marketing expenses

	2017	2016
Freight charges	**69,342**	63,608
Other	**4,440**	5,167
	73,782	68,775

9. General and administrative expenses

	Note	2017	2016
Personnel costs		649,051	600,305
Depreciation	13,14	106,241	107,756
Repair and maintenance		56,990	83,673
Bad debts		46	-
IT, networking and data communication		53,218	52,918
Amortization	15	1,796	1,471
Travelling		17,722	20,803
Rent		11,637	24,185
Professional fees		15,689	3,135
Insurance		5,025	3,619
Stationery, telex and telephone		4,846	5,203
Other		47,028	13,022
		969,289	**916,090**

10. Other income, net

	Note	2017	2016
Port services		46,827	42,017
Gain on sale of scrap sales		15,308	19,029
Dividend and miscellaneous income		1,043	1,243
Loss on disposal of property and equipment		(1,267)	(4,089)
Other expense	10.1	(11,046)	(22,939)
		50,865	**35,261**

10.1 Other expense, net for the year ended December 31, 2016 amounting to Saudi Riyals 22.9 million includes pre-novation withholding tax related to the Phase II Expansion Project amounting to approximately Saudi Riyals 21.7 million.

11. Financial charges

	Note	2017	2016
Interest on loans and borrowings	16	392,776	357,138
Interest on finance leases	14	30,662	31,594
Other		22,536	5,120
		445,974	**393,852**

12. Earnings per share

Basic earnings per share (EPS) is calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year.

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

	2017	2016
Profit for the year for basic and dilutive earnings per share	1,422,977	34,782
Weighted average number of shares outstanding during the year (thousands)	876,000	876,000
Adjustment for the effect of dilution in weighted average number of shares outstanding during the year due to ESOP (thousands)	336	389
Basic and diluted earnings per share (Saudi Riyals)	1.62	0.04

13. Property, plant and equipment

	Buildings and infrastructure	Plant, machinery and operating equipment	Vehicles and related equipment	Furniture and IT equipment	Capital projects in progress	Total
Cost						
January 1, 2016	4,717,113	31,867,307	90,272	320,455	16,984,968	53,980,115
Additions	-	106,701	-	-	5,124,941	5,231,642
Transfers	24,589	348,309	400	3,634	(376,932)	-
Disposals	-	(5,993)	-	-	-	(5,993)
December 31, 2016	**4,741,702**	**32,316,324**	**90,672**	**324,089**	**21,732,977**	**59,205,764**
Additions	-	180,978	-	-	2,688,558	2,869,536
Transfers	1,473	226,630	65	10,007	(238,175)	-
Disposals	-	(5,158)	(870)	-	-	(6,028)
December 31, 2017	**4,743,175**	**32,718,774**	**89,867**	**334,096**	**24,183,360**	**62,069,272**
Accumulated depreciation						
January 1, 2016	1,778,471	11,297,966	67,843	186,663	-	13,330,943
Charge for the year	243,919	2,103,308	5,065	21,174	-	2,373,466
Released on disposals	-	(1,904)	-	-	-	(1,904)
December 31, 2016	**2,022,390**	**13,399,370**	**72,908**	**207,837**	**-**	**15,702,505**
Charge for the year	241,503	2,132,887	4,871	20,780	-	2,400,041
Released on disposals	-	(3,891)	(870)	-	-	(4,761)
December 31, 2017	2,263,893	15,528,366	76,909	228,617	-	18,097,785
Carrying Value						
At December 31, 2017	**2,479,282**	**17,190,408**	**12,958**	**105,479**	**24,183,360**	**43,971,487**
At December 31, 2016	2,719,312	18,916,954	17,764	116,252	21,732,977	43,503,259
At January 1, 2016	2,938,642	20,569,341	22,429	133,792	16,984,968	40,649,172

13.1 Depreciation for the year has been allocated as follows:

	Note	2017	2016
Cost of sales	7	2,315,385	2,287,296
General and administrative expenses	9	84,656	86,170
		2,400,041	2,373,466

13.2 The Company has leased land for the refining and petrochemical facilities from Saudi Arabian Oil Company for a period of 99 years. Also see Note 4.5.

13.3 Capital projects-in-progress

The capital projects-in-progress at December 31, 2017 mainly represents cost relating to the acquisition and ongoing construction of Phase II Expansion Project (also see Note 1). As part of Phase II Expansion Project, identifiable assets acquired and liabilities assumed by the Company as of the date of novation were as follows:

Cost of work executed	12,451,311
Intangible assets	118,798
Advances to suppliers	151,508
Retentions	(533,070)
Trade and other payables	(8,832,288)
Accrued liabilities	(3,378,016)

The Company has secured various financing facilities amounting to Saudi Riyals 30,630 million from various commercial banks and financial institutions in order to finance the Phase II Expansion Project (also see Note 16). The Company had also acquired administrative expenses amounting to Saudi Riyals 21,757 thousands from founding shareholders.

13.4 Capitalization of borrowing costs

During the year ended December 31, 2017, the Company has capitalized borrowing costs amounting to Saudi Riyals 656 million (2016: Saudi Riyals 427 million) in capital projects-in-progress relating to the construction of the Phase II Expansion Project.

13.5 Pre-commissioning income

During the year ended December 31, 2017, pre-commissioning income related to Phase II Expansion Project amounting to Saudi Riyals 776.9 million (2016: Saudi Riyals 192.6 million) is included in Capital projects-in-progress.

14. Leases

14.1 Finance leases

14.1.1 Lease assets acquired under finance lease, at December 31, are detailed as under:

	Community facilities	Marine terminal facilities	Desalination plant	Total
Cost				
December 31, 2017, 2016 and January 1, 2016	225,715	288,820	106,015	620,550
Accumulated depreciation				
January 1, 2016	11,286	91,040	45,219	147,545
Charge for the year	9,029	12,557	6,237	27,823
December 31, 2016	**20,315**	**103,597**	**51,456**	**175,368**
Charge for the year	9,029	12,557	6,236	27,822
December 31, 2017	**29,344**	**116,154**	**57,692**	**203,190**
Carrying value				
At December 31, 2017	**196,371**	**172,666**	**48,323**	**417,360**
At December 31, 2016	205,400	185,223	54,559	445,182
At January 1, 2016	214,429	197,780	60,796	473,005

14.1.2 Finance lease obligations at December 31 are as follows:

	2017			2016	January 1, 2016
	Future minimum lease payments	Interest	Present value of minimum lease payments	Present value of minimum lease payments	Present value of minimum lease payments
Community facilities	381,431	185,286	196,145	200,208	204,005
Marine terminal facilities	396,804	153,431	243,373	249,490	255,280
Desalination plant	75,278	14,430	60,848	66,932	72,710
	853,513	353,147	500,366	516,630	531,995

At December 31, the finance lease obligations are presented in the statement of financial position as follows:

	2017	2016	January 1, 2016
Current portion	18,413	17,352	16,380
Non-current portion	481,953	499,278	515,615
	500,366	516,630	531,995

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

	2017		2016		January 1, 2016	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Within one year	46,997	18,413	46,997	17,352	47,024	16,380
Two to five years	188,016	78,964	188,016	74,463	188,016	70,220
More than five years	618,500	402,989	665,499	424,815	712,496	445,395
Total minimum lease payments	853,513	500,366	900,512	516,630	947,536	531,995
Less: finance charges	(353,147)	-	(383,882)	-	(415,541)	-
Present value of minimum lease payments	500,366	500,366	516,630	516,630	531,995	531,995

14.1.4 Community facilities were acquired under a finance lease agreement from Saudi Aramco over a period of 25 years (Also see Note 4.7). The undiscounted minimum lease payments are Saudi Riyals 381.4 million (2016: Saudi Riyals 399.6 million; January 1, 2016: Saudi Riyals 417.8 million).

14.1.5 Marine terminal facilities were acquired under a finance lease agreement from Saudi Aramco over a period of 30 years (Also see Note 4.6). The undiscounted minimum lease payments are Saudi Riyals 396.8 million (2016: Saudi Riyals 415.9 million; January 1, 2016: Saudi Riyals 435.1 million).

14.1.6 On October 1 2008, the Company has taken over the interest and obligations of Saudi Aramco in respect of the Desalination plant for the Refinery Complex, with a remaining term of 17 years. The aggregate present value of this leased asset was estimated to be Saudi Riyals 106 million which has also been capitalized as leased assets cost. The undiscounted minimum lease payments are Saudi Riyals 75.3 million (2016: Saudi Riyals 85 million; January 1, 2016: Saudi Riyals 94.7 million).

14.1.7 Depreciation for the year has been allocated as follows:

	Note	2017	2016
Cost of sales	7	6,237	6,237
General and administrative expenses	9	21,585	21,586
		27,822	**27,823**

14.2 Operating leases

14.2.1 The Company has entered into operating leases for land, water and energy conversion plant and site facilities, with options to renew the leases on expiry of relevant lease periods. Operating lease rental charged to the statement of profit or loss for the year ended December 31, 2017 amounts to Saudi Riyals 548.9 million (2016: Saudi Riyals 527.2 million).

14.2.2 Commitments for minimum lease payments in relation to non-cancellable operating leases as at December 31 are as follows:

	2017	2016	January 1, 2016
Within one year	543,988	654,294	569,061
Two to five years	2,108,106	2,132,190	2,159,659
More than five years	6,962,499	7,567,304	8,279,034
	9,614,593	**10,353,788**	**11,007,754**

15. Intangible assets

	Softwares	Licenses	Other	Total
Cost				
January 1, 2016	230,512	209,114	5,154	444,780
Additions	642	-	-	642
December 31, 2016	231,154	209,114	5,154	445,422
Additions	1,051	-	-	1,051
December 31, 2017	**232,205**	**209,114**	**5,154**	**446,473**
Amortization				
January 1, 2016	217,645	73,548	-	291,193
Amortization for the year	7,812	10,799	-	18,611
December 31, 2016	225,457	84,347	-	309,804
Amortization for the year	2,358	10,798	-	13,156
December 31, 2017	**227,815**	**95,145**	**-**	**322,960**
Carrying value:				
December 31, 2017	**4,390**	**113,969**	**5,154**	**123,513**
December 31, 2016	5,697	124,767	5,154	135,618
January 1, 2016	12,867	135,566	5,154	153,587

Amortization for the year has been allocated as follows:

	Note	2017	2016
Cost of sales	7	11,360	17,140
General and administrative expenses	9	1,796	1,471
		13,156	**18,611**

16. Financial assets and financial liabilities

16.1 Financial assets measured at amortized cost

Long-term loans	Note	2017	2016	January1, 2016
Loan to RAWEC	16.1.1	4,254,940	4,647,466	4,461,819
Loans to employees	16.1.2	200,637	167,015	145,113
Long-term loans		4,455,577	4,814,481	4,606,932
Less: current portion of long-term loans		(404,248)	(392,581)	(328,271)
Non-current portion of long-term loans		4,051,329	4,421,900	4,278,661
Trade receivables	16.1.3	5,741,361	3,696,687	823,894

16.1.1 The Company has entered into various agreements namely WECA, Facility Agreement and RAWEC Shareholders' Agreement (the "Agreements"), dated August 7, 2005 as amended on October 31, 2011, with RAWEC and other developers, to develop a plant, on build, own and operate basis, to supply desalinated water, steam and power to the Company. Pursuant to these agreements, the Company provided a loan to RAWEC amounting to Saudi Riyals 3.9 billion carrying interest rate of 5.76% per annum. The loan is being settled in monthly repayments, which commenced from June 30, 2008 and will run upto November 30, 2023.

During the year ended December 31, 2015, pursuant to Amended and Restated Agreement, dated March 28, 2006 as amended subsequently on March 9, 2015, the Company will provide RAWEC a portion of project finance, in the total amount of Saudi Riyals 3.3 billion carrying interest rate of 5.7% per annum to expand the existing independent water, steam and power facilities to meet the requirements of Phase II Expansion Project. The loan is being settled in monthly repayments, which commenced from July 31, 2016 and will run upto June 30, 2031. These loans are secured by the assets of RAWEC.

The loan is settled by offsetting against monthly utilities payments to RAWEC. During the year ended December 31, 2017, loan amounting to Saudi Riyals 373.1 million (2016: Saudi Riyals 295.8 million, January 1, 2016: Saudi Riyals 207.5 million) have been offset against monthly utility payments to RAWEC amounting to Saudi Riyals 1,117.3 million (2016: Saudi Riyals 875.6 million, January 1, 2016: Saudi Riyals 617.4 million).

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

16.1.3Trade receivables of the Company are as follows:

	Note	2017	2016	January 1, 2016
Trade		259,394	82,136	87,537
Less: provision for doubtful debts		(28,410)	(28,410)	(28,410)
		230,984	53,726	59,127
Related parties	27	5,510,377	3,642,961	764,767
		5,741,361	3,696,687	823,894

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

	Total	Neither past due nor impaired	Past due but not impaired					More than 24 months impaired
			Less than 6 months	6 to 12 months	12 to 18 months	18 to 24 months	More than 24 months	
Balance	5,769,771	5,733,441	(1,707)	84	(316)	963	8,896	28,410
Less: doubtful debts provision	(28,410)	-	-	-	-	-	-	(28,410)
December 31, 2017	**5,741,361**	**5,733,441**	**(1,707)**	**84**	**(316)**	**963**	**8,896**	**-**
December 31, 2016	3,696,687	3,654,481	31,649	717	6,967	978	1,895	-
January 1, 2016	823,894	795,534	26,725	1,328	-	-	307	-

Financial assets also include cash and cash equivalents (Note 17), time deposits (Note 18) and other receivables (Note 20) that are measured at amortized cost. Further, substantially all of the trade receivables are measured at amortised cost.

16.2 Financial assets measured at fair value through profit and loss

	Note	2017	2016	January 1, 2016
Investment				
Opening balance	16.2.1	16,412	16,412	8,556
Additions	16.2.2	-	-	7,856
Closing balance		16,412	16,412	16,412

The above valuation is carried at Level 3 fair valuation as the management has determined that carrying value of the investment approximates the fair value.

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

16.2.2 During the three-month period ended March 31, 2015, pursuant to Equity Support Agreement dated March 28, 2006 as amended subsequently on March 9, 2015, the Company has made equity participation in RAWEC which shall be converted into share capital of RAWEC on completion of certain formalities currently expected by first half of 2018.

16.3 Financial liabilities measured at amortized cost

Loans, borrowings and other long-term liability

	Note	2017	2016	January 1, 2016
Loans from banks and financial institutions:	16.3.1			
Opening balance		35,457,232	32,465,294	15,415,513
Additions		11,275,269	9,457,237	19,396,164
Repayments		(11,701,510)	(6,465,299)	(2,346,383)
Closing balance		35,030,991	35,457,232	32,465,294
Less: current portion		(3,715,280)	(3,134,005)	(3,270,537)
Non-current portion		31,315,711	32,323,227	29,194,757
Loans from founding shareholders	16.3.2	5,473,166	5,331,716	5,213,936
Other long-term liability	16.3.3	23,634	19,913	16,814
Total non-current portion		**36,812,511**	**37,674,856**	**34,425,507**
Trade and other payables	16.3.4	9,221,871	7,256,457	3,510,534

16.3.1 The Company has entered into Consortium Loan Agreement with commercial banks and financial institutions for development, design, and construction of integrated refining and petrochemical complex. The facilities available under this loan agreement have been utilized in full and drawdowns made which finished on July 1, 2008. The loan is payable in semi-annual repayments which commenced from June 2011 and will run up to December 2021.

During the year ended December 31, 2015, the Company has further entered into Loan Agreements with commercial banks and financial institutions for Phase II Expansion Project. The facilities available under these loan agreements amount to Saudi Riyals 30,630 million out of which drawdowns amounting to Saudi Riyals 25,730 million have been made by the Company as at December 31, 2017. The loans amounting to Saudi Riyals 19,174 million are repayable in semi-annual repayments commencing from June 2018 and will run up to June 2031, whereas the loan of Saudi Riyals 6,556 million has final maturity of July 1, 2019.

The aforementioned loans are denominated in US Dollars and Saudi Riyals and bear financial charges based on prevailing market rates. The loan agreements include financial and operational covenants under Inter-creditor Agreement and other financing documents which among other things; require certain financial ratios to be maintained. The loans are secured by property, plant and equipment, cash and cash equivalents and time deposits of the Company with a carrying value of Saudi Riyals 43,971 million and Saudi Riyals 2,637 million, respectively.

During the year ended December 31, 2015, the Company entered into a working capital facility of Saudi Riyals 1,875 million with a local commercial bank on prevailing market rates. As at December 31, 2017, the facility is unutilized (December 31, 2016: Saudi Riyals 1,125 million and January 1, 2016: Saudi Riyals 1,104 million).

16.3.2 Loans from founding shareholders

	2017	2016	January 1, 2016
Loans:			
Saudi Arabian Oil Company	2,287,500	2,287,500	2,287,500
Sumitomo Chemical Company Limited	2,287,500	2,287,500	2,287,500
Accumulated interest:			
Saudi Arabian Oil Company	449,083	378,358	319,468
Sumitomo Chemical Company Limited	449,083	378,358	319,468
	5,473,166	**5,331,716**	**5,213,936**

Loans from the founding shareholders are availed as part of the Credit Facility Agreement and bear financial charges. Repayment shall be made on demand on achieving the conditions set by the financial institutions under the Inter-creditor Agreement. The loan is secured by promissory note issued by the Company in favour of each shareholder equivalent to drawdowns.

16.3.3 Other long-term liability

Other long-term liability represents withholding tax on accumulated interest relating to Sumitomo Chemical Company in accordance with Saudi Arabian Income Tax Law.

16.3.4 Trade and other payables

	2017	2016	January 1, 2016
Trade payables:			
- Related parties	7,861,961	5,813,821	1,249,085
- Others	1,277,509	1,344,389	2,193,266
	9,139,470	7,158,210	3,442,351
Other payables – related parties	82,401	98,247	68,183
	9,221,871	**7,256,457**	**3,510,534**

Other payables principally relate to payments made by Founding Shareholders on behalf of the Company in respect of seconded employees and other charges (see Note 4.8 and 4.9).

In addition to loans, borrowings and trade payables, financial liabilities include accrued and other liabilities (Note 24) that are measured at amortized cost.

16.4 Financial instruments risk management objectives and policies

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

Risk management structure

Board of Directors

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

Board Audit committee

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

Internal audit

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

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

Credit risk

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

Credit risk principally arises from cash and cash equivalents, time deposits, trade receivables, long-term loans and other receivables. Cash and cash equivalents and time deposits are placed with banks with sound credit ratings. The majority of trade receivables (96%) is from founding shareholders with historically strong credit ratings, and is stated at respective realizable values. In the event of disagreement on any invoice, the marketer is required to pay the full value of the invoice prior to resolution of the disagreement. For trade receivables from third parties, the Company has a credit insurance policy with a reputable insurance service provider. The Company does not obtain collaterals over receivables. As at December 31, 2017, there were minimal overdue debts equivalent to 0.6% (December 31, 2016: 1.9%, January 1, 2016: 10.3%) of the trade receivables of Company's allowed credit periods. The loans are receivable from utility service provider and employees and are secured by utility payments and mortgages on the related housing units, respectively. The Company is not exposed to significant credit risk on other receivables.

Market risk

Commodity price risk

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

Fair value and cash flow interest rate risks

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

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

Interest rate sensitivity

As at December 31, 2017, it is estimated that a general increase / decrease of 50 basis points in floating interest rates on time deposits, loans and borrowings, with all other variables held constant, would increase / decrease the Company's net profit for the year by approximately Saudi Riyals 190.5 million (2016: Saudi Riyals 193.6 million).

Currency risk

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

Liquidity risk

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

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

The Company's financial liabilities consist of trade and other payables, loans and borrowings, finance lease liabilities and certain other liabilities. All financial liabilities except for loans and borrowings, finance lease liabilities, are non-commission bearing and expected to be settled within 12 months from the date of balance sheet.

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

2017	Less than 3 months	3 to 12 months	2 to 5 years	Over 5 years
Loans and borrowings	-	4,607,863	21,936,165	18,643,673
Liabilities against finance leases	11,716	35,281	188,016	618,500
Trade and other payables	7,821,923	1,399,948	-	-
Accrued expenses and other liabilities	610,393	-	-	-
2016				
Loans and borrowings	1,125,000	2,836,114	22,192,833	19,799,742
Liabilities against finance leases	11,716	35,281	188,015	665,500
Trade and other payables	5,864,710	1,391,747	-	-
Accrued expenses and other liabilities	858,249	-	-	-
January 1, 2016				
Loans and borrowings	1,184,652	2,579,645	18,524,248	18,650,828
Liabilities against finance leases	11,743	35,281	169,853	730,658
Trade and other payables	1,241,690	2,268,844	-	-
Accrued expenses and other liabilities	1,057,193	-	-	-

Capital management

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

The Company considers share capital, retained earnings and statutory reserve as Company's capital. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

17. Cash and cash equivalents

	Note	2017	2016	January 1, 2016
Cash in hand		276	266	304
Cash at banks - current accounts		1,031,032	1,335,811	139,455
Short term deposits	18	126,955	45,718	792,637
		1,158,263	**1,381,795**	**932,396**

Short term deposits are held by commercial banks and yield financial income at prevailing market rates.

18. Time deposits

	Note	2017	2016	January 1, 2016
Time deposits		1,606,028	1,331,968	2,162,817
Less: Deposits with maturity less than three months	17	(126,955)	(45,718)	(792,637)
		1,479,073	**1,286,250**	**1,370,180**

19. Inventories

	2017	2016	January 1, 2016
Raw materials (at cost)	369,535	359,737	311,643
Work-in-progress (at net realizable value)	1,040,064	598,169	312,861
Finished goods (at net realizable value)	739,545	672,931	757,554
Goods-in-transit (at cost)	29,479	8,875	16,720
Spare parts and consumables (at net realizable value)	843,699	619,261	603,716
	3,022,322	**2,258,973**	**2,002,494**

During the year ended December 31, 2017, Saudi Riyals 60.9 million (December 31, 2016: Saudi Riyals Nil) was recognized as an expense under cost of sales in order to bring the inventory at net realizable value.

20. Prepayments and other receivables

	Note	2017	2016	January 1, 2016
Prepayments		61,482	111,311	75,143
Advances to suppliers		519,367	342,331	138,780
Deposits		662	662	662
Advance income tax		25,768	19,991	19,991
Other receivables, net		19,697	25,403	17,158
		626,976	499,698	251,734
Due from related parties	27	314,541	78,963	23,901
		941,517	**578,661**	**275,635**

21. Share capital

The Company's authorised and issued share capital of Saudi Riyals 8.76 billion at December 31, 2017, 2016 and January 1, 2016 consists of 876 million fully paid shares of Saudi Riyals 10 each. The founding shareholders of the Company are Saudi Arabian Oil Company (Saudi Aramco) and Sumitomo Chemical Company Limited (Sumitomo Chemical) and each of them hold 37.5% of the shares.

22. Statutory reserve

In accordance with the Regulation for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer each year at least 10% of its net income, after absorbing accumulated deficit, to a statutory reserve until such reserve equal 50% of its share capital. This reserve is not available for distribution to shareholders.

23. Employees' benefits

	Note	2017	2016	January 1, 2016
End of service benefits	23.1	348,195	279,987	182,941
Employee share ownership plan	23.2	7,098	8,207	10,979
Employees' savings program	23.3	90,142	69,393	54,682
Total employees benefits		445,435	357,587	248,602
Less: Current portion of employee benefits under accrued and other liabilities		(24,728)	(14,324)	(16,733)
Non-current portion of employee benefits		420,707	343,263	231,869

23.1 End of service benefits

	2017	2016	Jaunary 1, 20016
Company's own employees	322,879	257,946	164,235
Founding shareholders' seconded employees	25,316	22,041	18,706
	348,195	**279,987**	**182,941**

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

The following table summarizes the components of the net benefit expense recognized in the statement of profit or loss and statement of comprehensive income and amounts recognized in the statement of financial position.

Net benefit expense recognised in statement of profit or loss:

	2017	2016
Current service cost	43,423	31,539
Interest cost on benefit obligation	10,022	9,229
	53,445	**40,768**

Net benefit expense recognised in statement of comprehensive income:

	2017	2016
Actuarial loss arising from experience	2,234	16,875
Actuarial loss arising from changes in demographic assumptions	6,686	10
Actuarial loss arising from changes in financial assumptions	9,120	39,843
	18,040	**56,728**

Movement in present value of defined benefit obligation:

	2017	2016	January 1, 2016
Defined benefit obligation at beginning of the year	257,946	164,235	69,790
Current service cost	43,423	31,539	23,329
Interest cost	10,022	9,229	3,195
Actuarial loss arising from experience	2,234	16,875	72,712
Actuarial loss arising from changes in demographic assumptions	6,686	10	-
Actuarial loss arising from changes in financial assumptions	9,120	39,843	-
Benefits paid	(6,552)	(3,785)	(4,791)
Defined benefit obligation at end of the year	**322,879**	**257,946**	**164,235**

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

	2017	2016	January 1, 2016
Discount rate	3.75%	4%	5.5%
Salary escalation rate	3.5%	3.5%	3.5%
In service mortality	Employers' Groups reinsurance rates	Employers' Groups reinsurance rates	LIC (1975-79) Ultimate mortality Table
Withdrawal before normal retirement age	Age-wise	Age-wise	Age-wise

The weighted average duration of the defined benefit obligation as at December 31, 2017 is 14.1 years (December 31, 2016: 12 years, January 1, 2016: 11.56 years).

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

	2017	2016	January 1, 2016
Discount rate:			
1% increase in discount rate	282,548	230,209	146,021
1% decrease in discount rate	372,444	291,379	186,255
Salary escalation rate:			
1% increase in salary escalation rate	372,644	291,828	211,159
1% decrease in salary escalation rate	281,613	229,309	117,311
Voluntary exit rate:			
5% increase at each age	307,130	246,818	159,250
5% decrease at each age	334,050	267,507	170,919

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

23.2 Employee share ownership plan

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

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

Until the ESOP shares become vested and are transferred to staff they are accounted for as a deduction from shareholders' equity.

During 2017, the Company has vested 52,800 shares to eligible employees due for entitlement (December 31, 2016: 132,000 shares, January 1, 2016: 215,200 shares).

The carrying amount of the liability relating to the ESOP at December 31, 2017 was Saudi Riyals 7.1 million (2016: Saudi Riyals 8.2 million, January 1, 2016: Saudi Riyals 10.7 million).

23.3 Employees' savings program

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

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

	Note	2017	2016	January 1, 2016
Current portion (included in accrued expenses and other liabilities)		1,142	1,343	2,946
Non-current portion		89,000	68,050	51,736
		90,142	**69,393**	**54,682**

24. Accrued expenses and other liabilities

	Note	2017	2016	January 1, 2016
Accrued bonus		106,202	30,462	50,721
Provision for customer rebates		38,086	20,187	40,670
Customer advances		13,824	8,254	5,927
Social security payable		8,426	7,853	7,356
Withholding tax payable		16,809	66,535	14,657
Accrued expenses		254,548	623,012	691,950
Dividend payable		393	394	403
Other		7,113	7,285	12,787
		445,401	763,982	824,471
Due to related parties	27	164,992	94,267	232,722
		610,393	**858,249**	**1,057,193**

25. Zakat and income tax

25.1 Charge for the year

Zakat and tax for the year is as follows:

	2017	2016
Zakat for the year	27,148	31,452
Income tax for the year	280,894	35,619
Deferred tax for the year	(219,363)	(30,986)
Zakat in respect of preceding year	2,539	-
Income tax in respect of preceding year	(1,260)	-
	89,958	**36,085**
Income tax and deferred tax has been recognised as follows:		
Statement of profit or loss:		
Income tax	279,634	35,619
Deferred tax	(216,657)	(26,731)
	62,977	8,888
Statement of comprehensive income – deferred tax	(2,706)	(4,255)

During the year ended December 31, 2017 pursuant to the Royal Order A/136, all the shares in Kingdom resident companies held by Saudi Arabian Oil Company (Saudi Aramco) are subject to income tax law rather than zakat effective January 1, 2017. Accordingly, income tax has been recognised for Saudi Aramco's owned interest in the Company.

Zakat for the year is attributable to the following components:

	2017	2016
Equity and reserves	11,372,443	9,491,224
Liabilities	40,498,654	39,603,891
Book value of assets	(32,405,359)	(31,017,044)
Carried forward losses	(15,121,992)	(16,045,287)
Zakat base	4,343,746	2,032,784
Zakat base attributable to general public (2016: Saudi founding shareholder and general public)	1,085,936	1,258,090
Zakat for the year	27,148	31,452

Reconciliation between income tax expense and accounting profit at applicable tax rate is as follows:

	2017	2016
Profit before tax	1,515,641	75,122
Profit subject to income tax (2017: 75%, 2016: 37.5%)	1,136,731	28,171
Income tax at applicable tax rate (20%)	227,346	5,634
Tax effect of non-deductible expenses:		
Withholding tax	5,457	2,162
Educational assistance	248	190
Thrift savings contributions	2,077	849
Others	1,331	53
Effect of change in tax status of founding shareholder (principally due to deferred income tax credit)	(172,222)	-
Effect of income tax in respect of preceding year	(1,260)	-
	62,977	**8,888**

The Company has filed its Zakat and income tax returns with General Authority for Zakat and Tax ("GAZT") up to the financial year 2016. The Company's zakat and tax assessments have been finalized by GAZT up to and inclusive of the financial year 2008.

The GAZT has issued assessments for the years 2009 upto 2016 by raising additional zakat and tax demand of Saudi Riyals 1,349.7 million and Saudi Riyals 387.8 million, respectively. The Company has filed an objection with Preliminary Objection Committee (POC) for the years 2009 and 2010 for which the Company believes its position to be robust in the areas of interpretation. For the years 2011 upto 2016, the Company has filed an objection with GAZT.

If any additional zakat and tax demand arises on finalization of assessments then it is recoverable to the extent of Saudi Riyals 809.8 million and Saudi Riyals 377.7 million, respectively from the Founding Shareholders of the Company.

26. Zakat and tax asset and liability

26.1 The movement of zakat and income tax payable is as follows:

	2017	2016	January 1, 2016
Balance at the beginning of the year	67,071	17,489	77,259
Provision for the current year	308,042	67,071	17,489
Adjustment for previous years	1,279	-	(9,200)
Payments	(68,350)	(17,489)	(68,059)
Balance at the end of the year	308,042	67,071	17,489

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

	Property, plant and equipment	Tax losses carried forward	Employees' benefits	Trade receivables and inventories	Others	Total
2017						
Balance at the beginning of the year	(1,027,629)	1,126,346	20,999	7,181	1,832	128,729
Tax income recognised in statement of profit or loss	(902,633)	1,075,146	28,524	8,692	6,928	216,657
Tax income recognised in statement of comprehensive income	-	-	2,706	-	-	2,706
Balance at the end of the year	**(1,930,262)**	**2,201,492**	**52,229**	**15,873**	**8,760**	**348,092**
2016						
Balance at the beginning of the year	(1,063,462)	1,137,058	13,721	6,560	3,866	97,743
Tax income recognised in statement of profit or loss	35,833	(10,712)	3,023	621	(2,034)	26,731
Tax income recognised in statement of comprehensive income	-	-	4,255	-	-	4,255
Balance at the end of the year	(1,027,629)	1,126,346	20,999	7,181	1,832	128,729

27. Related party transactions and balances

Related parties comprise of founding shareholders of the Company being Saudi Aramco and Sumitomo Chemical, their subsidiaries and associates and other companies with common directorship with significant influence on other companies and key management personnel. Transactions with related parties arise mainly from purchases, sales of refined and petrochemical products, credit facilities, secondments and various lease arrangements and are undertaken at approved contractual terms.

Related party transactions are summarized as follows:

Nature of transactions for the year ended December 31	2017	2016
Saudi Arabian Oil Company and its associated companies		
Purchase of goods including LPG shortfall and through-put fee	27,512,283	19,708,849
Sale of refined products and petrochemical products	29,833,620	21,741,222
Financial charges	97,761	86,526
Secondees' costs	51,472	77,611
Rentals	47,865	47,267
Services provided to shareholders	442	800
Services and other cost charges (credit), net	40,453	32,852
Sumitomo Chemical Company and its associated companies		
Purchase of goods	292,276	172,888
Sale of petrochemical products	3,692,655	2,449,226
Secondees' costs	161,491	160,271
Financial charges	70,724	58,891
Rentals	709	709
Services provided to shareholders	442	800
Services and other cost charges (credit), net	121,785	43,156

Significant year-end balances arising from transactions with related parties are as follows:

Saudi Aramco and its associated companies	Note	2017	2016
Loans and borrowings	16	2,736,583	2,665,858
Trade and other payables	16	7,862,541	5,876,908
Trade and other receivables	16, 20	5,022,170	3,310,352
Accrued expenses and other liabilities	24	69,853	56,370
Employees benefits		312	2,351
Sumitomo Chemical and its associated companies			
Loans and borrowings	16	2,736,583	2,665,858
Trade and other receivables	16, 20	802,748	411,572
Accrued expenses and other liabilities	24	95,139	37,897
Trade and other payables	16	81,821	35,160
Employees benefits		1,418	6,710

Transactions with key management personnel

Transactions with key management personnel on account of short-term benefits amounted to Saudi 14.17 million (2016: Saudi Riyals 9.9 million) and are included in secondees' cost above. The remuneration paid to directors amounted to Saudi Riyals 0.45 million (2016: Saudi Riyals 0.2 million).

28. Commitments

1. As at December 31, 2017, letters of credit issued on behalf of the Company in the normal course of business amounted to Saudi Riyals 24.6 million (December 31, 2016: Saudi Riyals 10.03 million, January 1, 2016: Saudi Riyals 4.9 million).
2. As at December 2017, capital commitments contracted for but not incurred amounted to Saudi Riyals 1,185 million (December 31, 2016: Saudi Riyals 1,442 million, January 1, 2016: Saudi Riyals 4,678 million).

   Also, see Note 14 for lease commitments.

29. Subsequent event

The Company's Board of Directors in their meeting held on March 7, 2018 recommended the following:

1. Distribution of Saudi Riyals 438 million, as cash dividends (Saudi Riyal 0.5 per share) for the financial year 2017 representing, 5% of the nominal share value. The payment of cash dividend will be announced at a later date.
2. Payment of accumulated interest on loans from founding shareholders amounting to Saudi Riyals 97.02 million.

The above recommendations are subject to general assembly and regulatory approvals.

30. Approval and authorization for issue

These financial statements were approved and authorized for issue by the Board of Directors of the Company in their meeting held on Jumada Thani 19, 1439H (March 7, 2018).

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