

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

UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2014
AND INDEPENDENT ACCOUNTANTS' LIMITED REVIEW REPORT

RABIGH REFINING AND PETROCHEMICAL COMPANY
(A Saudi Joint Stock Company)
UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2014

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LIMITED REVIEW REPORT

April 17, 2014

To the Shareholders of Rabigh Refining and Petrochemical Company:
(A Saudi Joint Stock Company)

Scope of review

We have reviewed the accompanying interim balance sheet of Rabigh Refining and Petrochemical Company (the "Company") as of March 31, 2014 and the interim statements of income, cash flows and changes in shareholders' equity for the three-month period then ended, and the related notes which form an integral part of these interim financial statements. These interim financial statements are the responsibility of the Company's management and have been prepared by them and submitted to us together with all the information and explanations which we required.

We conducted our limited review in accordance with the standard of Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants. A limited review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. The scope of such limited review is substantially less than an audit conducted in accordance with auditing standards generally accepted in Saudi Arabia, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Review conclusion

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim financial statements for them to be in conformity with accounting standards generally accepted in Saudi Arabia.

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RABIGH REFINING AND PETROCHEMICAL COMPANY
(A Saudi Joint Stock Company)
Interim balance sheet
(All amounts in Saudi Riyals thousands unless otherwise stated)

		March 31,	
	Note	2014 (Unaudited)	2013 (Unaudited)
Assets			
Current assets			
Cash and cash equivalents	5	1,325,434	706,207
Time deposits		1,715,240	-
Trade receivables		8,638,573	6,714,815
Inventories		4,124,673	4,432,509
Current portion of long-term loans	4	207,875	187,621
Prepayments and other receivables	3	1,082,487	315,115
		<u>17,094,282</u>	<u>12,356,267</u>
Non-current assets			
Property, plant and equipment	5	25,900,907	27,627,362
Leased assets		291,994	311,963
Intangible assets		199,610	249,305
Investment	4	8,556	8,556
Long-term loans	4	2,389,422	2,542,934
		<u>28,790,489</u>	<u>30,740,120</u>
Total assets		<u>45,884,771</u>	<u>43,096,387</u>
Liabilities			
Current liabilities			
Current maturity of loans and borrowings	5	1,996,540	1,606,433
Current maturity of liabilities against capital leases		10,470	11,042
Trade and other payables		13,079,602	10,363,531
Accrued expenses and other liabilities		396,471	290,130
Zakat and income tax payable	7	63,187	27,952
		<u>15,546,270</u>	<u>12,299,088</u>
Non-current liabilities			
Loans, borrowings and other long-term liability	5	20,568,041	22,473,404
Liabilities against capital leases		336,237	346,707
Provision for deferred employee service		17,441	30,624
Employees benefits		88,996	43,620
		<u>21,010,715</u>	<u>22,894,355</u>
Total liabilities		<u>36,556,985</u>	<u>35,193,443</u>
Shareholders' equity			
Share capital	6	8,760,000	8,760,000
Statutory reserve	6	19,200	2,485,344
Employee share ownership plan		(18,287)	(31,808)
Accumulated earnings (deficit)		566,873	(3,310,592)
Total shareholders' equity		<u>9,327,786</u>	<u>7,902,944</u>
Total liabilities and shareholders' equity		<u>45,884,771</u>	<u>43,096,387</u>
Commitments			

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The notes on pages 7 to 17 form an integral part of these interim financial statements.

RABIGH REFINING AND PETROCHEMICAL COMPANY
(A Saudi Joint Stock Company)
Interim income statement
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Three-month period ended March 31,	
		2014 (Unaudited)	2013 (Unaudited)
Sales	9,10	14,235,501	10,189,363
Cost of sales	9,10	(13,563,361)	(10,638,877)
Gross profit (loss)		672,140	(449,514)
Operating expenses			
Selling and marketing		(37,506)	(7,943)
General and administrative		(218,322)	(171,006)
Income (loss) from operations		416,312	(628,463)
Other income (expenses)			
Financial charges		(64,961)	(76,999)
Other income, net		61,695	47,399
Net income (loss) for the period		413,046	(658,063)
Earnings (loss) per share (Saudi Riyals):	8		
▪ Operating income (loss)		0.48	(0.72)
▪ Net income (loss)		0.47	(0.75)

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RABIGH REFINING AND PETROCHEMICAL COMPANY
(A Saudi Joint Stock Company)
Interim cash flow statement
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Three-month period ended	
	March 31,	
	2014	2013
	(Unaudited)	(Unaudited)
Cash flow from operating activities		
Net income (loss) for the period	413,046	(658,063)
<u>Adjustments for non-cash items</u>		
Depreciation	545,374	532,018
Amortization	13,993	13,720
Loss on disposal of property and equipment	-	699
Provision for deferred employee service	84	588
	<u>972,497</u>	<u>(111,038)</u>
<u>Changes in working capital</u>		
Trade receivables	569,294	1,095,466
Inventories	(19,049)	(446,432)
Prepayments and other receivables	28,597	(51,795)
Trade and other payables	(190,528)	(4,045,705)
Accrued expenses and other liabilities	53,841	4,334
Zakat and income tax payable	2,539	-
Employees benefits	9,806	6,670
Net cash generated from (utilized in) operating activities	<u>1,426,997</u>	<u>(3,548,500)</u>
Cash flow from investing activities		
Time deposits	(1,715,240)	-
Purchase of property, plant and equipment	(48,805)	(36,003)
Net movement in loans balances	33,356	34,178
Net cash utilized in investing activities	<u>(1,730,689)</u>	<u>(1,825)</u>
Cash flow from financing activities		
Net movement in loans, borrowings and other long-term liability	21,758	23,578
Repayment of capital leases	(2,521)	(2,718)
Net cash generated from financing activities	<u>19,237</u>	<u>20,860</u>
Net change in cash and cash equivalents	<u>(284,455)</u>	<u>(3,529,465)</u>
Cash and cash equivalents at beginning of the period	1,609,889	4,235,672
Cash and cash equivalents at end of the period	<u>1,325,434</u>	<u>706,207</u>
Supplemental schedule of non-cash information		
Transfer of capital spares from inventory to property, plant and equipment	4,489	-
Accrued zakat and income tax debited to shareholders' equity account net of reimbursements	4,226	-
Transfer of assets from property, plant and equipment to intangible assets	5,459	-

The notes on pages 7 to 17 form an integral part of these interim financial statements.

RABIGH REFINING AND PETROCHEMICAL COMPANY
(A Saudi Joint Stock Company)
Interim statement of changes in shareholders' equity
 (All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Share capital	Statutory reserve	Employee share ownership plan (ESOP)	Accumulated earnings (deficit)	Total
January 1, 2014 (Audited)		8,760,000	19,200	(19,796)	158,053	8,917,457
Vesting of shares under ESOP		-	-	1,509	-	1,509
Net income for the period		-	-	-	413,046	413,046
Zakat and income tax	7	-	-	-	(34,649)	(34,649)
Zakat and income tax reimbursements		-	-	-	30,423	30,423
March 31, 2014 (Unaudited)		8,760,000	19,200	(18,287)	566,873	9,327,786
January 1, 2013 (Audited)		8,760,000	2,485,344	(31,873)	(2,652,529)	8,560,942
Vesting of shares under ESOP		-	-	65	-	65
Net loss for the period		-	-	-	(658,063)	(658,063)
March 31, 2013 (Unaudited)		8,760,000	2,485,344	(31,808)	(3,310,592)	7,902,944

The notes on pages 7 to 17 form an integral part of these interim financial statements.

RABIGH REFINING AND PETROCHEMICAL COMPANY
(A Saudi Joint Stock Company)
Notes to the interim financial statements
For the three-month period ended March 31, 2014 (Unaudited)
(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). The Founding Shareholders of the Company resolved on Rabi Al Awal 28, 1428H (corresponding to April 16, 2007) to change the legal status of the Company from a Limited Liability Company to a Joint Stock Company with an increased share capital of Saudi Riyals 6,570 million registered under the revised Commercial Registration issued by the Ministry of Commerce, Riyadh with effective date of Shawal 22, 1428H (November 3, 2007).

The Company launched an Initial Public Offering (IPO) of 219 million shares, equivalent to 25% of its post-issue enlarged capital, at Saudi Riyals 21 per share from January 5 to 12, 2008, on approval of application for admission of the shares to the official list by the Capital Market Authority. Following the IPO, the total authorized capital was increased from 657 million shares to 876 million shares at a par value of Saudi Riyals 10 per share under the revised Commercial Registration issued by the Ministry of Commerce, Riyadh with effective date of Muharram 14, 1429H (January 23, 2008).

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

The Company commenced its refined and petrochemical products operations effective October 1, 2008 and July 1, 2009, respectively.

The Company's registered address is P.O. Box 666, Rabigh 21911, Kingdom of Saudi Arabia.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these interim financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

2.1 Basis of preparation

The accompanying interim financial statements have been prepared under the historical cost convention on the accrual basis of accounting, as modified by revaluation of available-for-sale investments, if any, and in compliance with accounting standards promulgated by Saudi Organization for Certified Public Accountants (SOCPA).

The interim financial statements for the three-month period ended March 31, 2014 have been prepared in accordance with SOCPA's Standard of Review of Interim Financial Reporting, on the basis of integrated periods, which views each interim period as an integral part of the financial year. Accordingly, revenues, gains, expenses and losses of the period are recognized during the period. The accompanying interim financial statements include all adjustments, comprising mainly of normal recurring accruals, considered necessary by the management to present fair statements of financial position, results of operations and cash flows. The interim results of the operations for the three-month period ended March 31, 2014 may not represent a proper indication for the annual results of operations. The interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2013.

2.2 Functional and presentation currency

The functional currency of the Company has been determined by the management as the United States Dollars (US Dollars). However, these interim financial statements are presented in Saudi Arabian Riyals (Saudi Riyals).

2.3 Critical accounting estimates and judgments

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below:

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(a) Provision for doubtful debts

A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. For significant individual amounts, assessment is made at individual basis. Amounts which are not individually significant, but are overdue, are assessed collectively and a provision is recognized considering the length of time and the past recovery rates.

(b) Provision for slow moving inventories, spare parts and consumables

Provision for slow moving inventories is maintained at a level considered adequate to provide for potential loss on inventory items. The level of allowance is determined and guided by the Company's policy and other factors affecting the obsolescence of inventory items. An evaluation of inventories, designed to identify potential charges to provision, is performed by the management on regular intervals. Management uses judgment based on the best available facts and circumstances including, but not limited to, evaluation of individual inventory items' age and obsolescence and its expected utilization and consumption in future. The amount and timing of recorded expenses for any period would therefore differ based on the judgments or estimates made.

(c) 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.

(d) Impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. Whenever the carrying amount of these assets exceeds their recoverable amount, an impairment loss is recognized in the income statement. The recoverable amount is the higher of an asset's net selling price and the value in use. The net selling price is the amount obtained from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

(e) Impairment of non-financial assets

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

2.4 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.

2.5 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 balance sheet at fair value and are subsequently measured at amortized cost using the effective yield method, less any impairment in value.

2.6 Trade receivables

Trade receivables are carried at original amounts less provision made for doubtful accounts. A provision for doubtful accounts is established when there is a significant doubt that the Company will be able to collect all amounts due according to the original terms of agreement.

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2.7 Inventories

Inventories are stated at the lower of cost and net realisable value. The cost is determined using 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 process and finished goods, cost is the purchase cost, the cost of refining and processing, including the 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.

2.8 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation except capital projects in progress which is carried at cost. 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 income statement when incurred.

Spare parts that are considered essential to ensure continuous plant operation are capitalized and classified as plant, machinery and operating equipment.

Expenditure incurred on testing and inspection are capitalized as part of the respective items of property, plant and equipment and amortized over the period of four years.

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
Vehicles and related equipment	3 – 6
Furniture and IT equipment	3 – 14

2.9 Leased assets

The Company accounts for property, plant and equipment acquired under capital leases by recording the assets and the related liabilities. These amounts are determined on the basis of the present value of minimum lease payments. Financial charges are allocated to the lease term in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation on assets under capital leases is charged to income statement applying the straight-line method at the rates applicable to the related assets as follows:

	Number of years
Desalination plant	17
Marine terminal facilities	23
Medical equipment	3

2.10 Intangible assets

Intangible assets are non-monetary assets which have no physical existence but are independently identifiable and capable of production or supply of future economic benefits and the Company has earned the right due to events which have occurred in the past. They are acquired for cash and measured at the purchase price and all other directly attributable costs. Intangible assets are stated at cost less accumulated amortization and impairment loss, if any.

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Amortization is recognized in the income statement on a straight line basis over the estimated period of benefits associated with intangible assets, from the date that they are available for use. The estimated period of benefits associated with intangible assets are as follows:

	Number of years
Software	5
Licenses	15 - 22.5

2.11 Investment - available for sale

The Company has an investment in equity securities which is not for trading purposes and the Company does not have significant influence or control and accordingly is classified as available for sale. The investment is initially recognized at cost, being the fair value of the consideration given including associated acquisition charges.

Subsequent to initial recognition, it is measured at fair value and net unrealized gains or losses (if any) other than impairment losses, are recognized in the shareholders' equity. In case fair value is not readily available, the cost is taken as reliable basis for subsequent measurement of fair value of security.

Impairment losses are recognised through the income statement. Impairment is not reversed through the income statement and subsequent gains are recognized in shareholders' equity.

2.12 Trade and other payables

Liabilities are recognized for amounts to be paid for goods or services received, whether billed by the supplier or not.

2.13 Borrowings

Borrowings are recognized at the proceeds received, net of transaction costs incurred, if any. Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of those assets. Other borrowing costs are charged to the income statement.

2.14 Provisions

A provision is recognized if, as a result of past events, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit will be required to settle the obligation.

2.15 Zakat and income tax

In accordance with the regulations of the Department of Zakat and Income Tax ("DZIT"), the Company is subject to zakat attributable to the Saudi shareholder and to income taxes attributable to the foreign shareholder. Provisions for zakat and income taxes are charged to the equity accounts of the Saudi and the foreign shareholders, respectively. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined. Income taxes paid in advance are also charged to the foreign shareholder's equity account. The payments made by the Company in respect of zakat and income tax on behalf of Saudi and foreign shareholders, except for general public shareholders, are reimbursed by the respective shareholders and are accordingly adjusted in their respective equity accounts.

Deferred income taxes are recognized on all major temporary differences between financial income and taxable income during the period in which such differences arise, and are adjusted when related temporary differences are reversed. Deferred income tax assets on carry forward losses are recognized to the extent that it is probable that future taxable income will be available against which such carry-forward tax losses can be utilized. Deferred income taxes are determined using tax rates which have been enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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.

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2.16 End of service benefits

The Company provides end of service benefits to its employees. The entitlement to these benefits is based upon the employee's length of service and the completion of a minimum service period. Provision is made for amounts payable under the Saudi Arabian labour law applicable to employees' accumulated periods of service at the balance sheet date and is charged to the income statement.

2.17 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 income statement. The Company has arranged with the local commercial bank, being the custodian bank, to manage the Program on behalf of the Company in accordance with Islamic Shari'ah Law.

2.18 Employee Share Ownership Plan

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 income statement charge for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

Shares purchased in the IPO by the bank acting as trustee for the ESOP 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.

2.19 Revenue

Revenue from sale of products is recognized when significant risks and rewards of ownership have been transferred to the customer upon delivery or shipments of products and in accordance with the offtake agreements and other relevant arrangements with the Company's customers.

Revenue from port services is recognized when services are rendered.

2.20 Selling, marketing, general and administrative expenses

Selling, marketing and general and administrative expenses include direct and indirect costs not specifically part of cost of sales as required under generally accepted accounting principles. Allocations between selling, marketing and general and administrative expenses and cost of sales, when required, are made on a consistent basis.

2.21 Operating leases

Rental expenses under operating leases are charged to the income statement over the period of the respective lease.

2.22 Foreign currency translation

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the period-end exchange rates of monetary assets and liabilities denominated in foreign currencies, which were not significant for period ended March 31, 2014 and 2013, are recognized in the income statement.

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For the purpose of preparation of these financial statements in Saudi Riyals, the Company uses the conversion rate from US Dollars to Saudi Arabian Riyals at a fixed exchange rate of Saudi Riyals 3.75 / US Dollar 1.

2.23 Segment reporting

(a) Business segment

A business segment is group of assets and operations:

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

(b) Geographical segment

A geographical segment is group of assets and operations engaged in revenue producing activities within a particular economic environment that are subject to risks and returns different from those operating in other economic environments.

3 Prepayments and other receivables

During the year ended December 31, 2013, the Company principally agreed to enter into an agreement with RAWEC based on a formal offer received from RAWEC regarding Water and Energy Conversion Agreement ("WECA"). Such arrangement provides for compensation of Saudi Riyals 750 million in recognition of plant shut downs faced by the Company during the years ended December 31, 2010, 2012 and 2013 and is not conditional to any future events, performance or obligations. The arrangement, among other, also provides for tariff reduction and certain other operational matters for the remaining period of WECA. Consequently, the Company recognized the payment of Saudi Riyals 750 million as other income during the year ended December 31, 2013 with a corresponding debit to other receivables at December 31, 2013. Such payment is receivable by the Company no later than 30 calendar days on the execution of settlement agreement pending formalization of the terms of settlement agreement and revisions to related contracts, principally related to matters for the remaining period of WECA, which is expected during the quarter ending June 30, 2014.

4 Investment and long term loans

	Note	2014 (Unaudited)	2013 (Unaudited)
Investment - available for sale		8,556	8,556
Long-term loans			
Rabigh Arabian Water and Electricity Company ("RAWEC")	4.1	2,493,666	2,679,212
Loans to employees	4.2	103,631	51,343
		2,597,297	2,730,555
Less: current portion - RAWEC	4.1	(201,596)	(185,546)
Less: current portion - loans to employees	4.2	(6,279)	(2,075)
		(207,875)	(187,621)
		2,389,422	2,542,934

- 4.1 The Company has entered into various agreements namely WECA, Facility Agreement and RAWEC Shareholders' Agreement (the "Agreements") with RAWEC, a Saudi limited liability company (the "Contractor") and other developers, to develop a plant, on build, own and operate basis, that will utilize fuel oil, steam condensate and sea water to produce desalinated water, steam and power, to be supplied to the Company under WECA dated August 7, 2005 as amended subsequently on October 30, 2011. Through these Agreements, the Company has provided a portion of project finance, in the total amount of Saudi Riyals 3.9 billion carrying interest rate of 5.76% per annum. The project achieved commercial closing date on June 1, 2008. The loan is being settled through offsetting of monthly utilities payments to RAWEC from June 30, 2008 to November 30, 2023. The loan is secured by a charge over all the assets of RAWEC.

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4.2 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 five 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. 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.

5 Loans, borrowings and other long-term liability

	Note	2014 (Unaudited)	2013 (Unaudited)
Loans from banks and financial institutions	5.1	17,408,638	19,015,070
Loans from founding shareholders	5.2	5,141,047	5,052,209
Other long term liability	5.3	14,896	12,558
		22,564,581	24,079,837
Less: Current portion of loans from banks and financial institutions		(1,996,540)	(1,606,433)
		20,568,041	22,473,404

5.1 Loans from banks and financial institutions

The Company has entered in a Consortium Loan Agreement with various commercial banks and financial institutions for development, design and construction of integrated refinery and petrochemical complex. The facilities available under the loan agreement have been utilized in full and drawdowns made which finished on July 1, 2008. The loans are denominated in US Dollars and bear financial charges based on prevailing market rates.

The loan is payable in semi-annual repayments which commenced from June 2011 and will run up to December, 2021. The consortium loan agreement includes financial and operational covenants, which among other things; require certain financial ratios to be maintained. The loan is secured by property, plant and equipment and cash and cash equivalents of the Company with a carrying value of Saudi Riyals 25,900 million and Saudi Riyals 1,325 million, respectively.

Repayments under the loan facilities commenced from June 2011, and will run up to March, 2021.

5.2 Loans from founding shareholders

	2014 (Unaudited)	2013 (Unaudited)
Loans:		
Saudi Arabian Oil Company	2,287,500	2,287,500
Sumitomo Chemical Company	2,287,500	2,287,500
Accumulated interest:		
Saudi Arabian Oil Company	283,024	238,604
Sumitomo Chemical Company	283,023	238,605
	5,141,047	5,052,209

Loans from the founding shareholders are availed as part of the Credit Facility Agreement. 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 favor of each shareholder equivalent to drawdowns.

5.3 Other long-term liability

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

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6 Share capital and statutory reserve

The Company's share capital of Saudi Riyals 8.76 billion at March 31, 2014 and 2013 consists of 876 million fully paid and issued shares of Saudi Riyals 10 each.

The net proceeds from the issuance of new shares during the IPO in January 2008 resulted in a share premium of Saudi Riyals 2,409 million, which was transferred to statutory reserve in accordance with the Company's Articles of Association. Pursuant to the Board of Directors' resolution as approved by the shareholders' Extraordinary General Assembly on June 24, 2013, the Company transferred statutory reserve amounting to Saudi Riyals 2,485 million to accumulated deficit. Further, in accordance with the Company's Articles of Association and 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.

7 Zakat and income tax

7.1 Charges in the period

Zakat and income tax charges accrued in the financial statements for the period ended March 31, 2014 amount to Saudi Riyals 10.7 million (March 31, 2013: Nil) and Saudi Riyals 23.9 million (March 31, 2013: Nil), respectively.

7.2 Status of assessments

The Department of Zakat and Income Tax (DZIT) issued assessments for the years 2006 to 2008 by raising an additional zakat liability of Saudi Riyal 32.8 million. The Company filed an appeal against additional zakat liability with Preliminary Appeal Committee (PAC). Subsequent to the year ended December 31, 2013, the Company received PAC decision on the appeal filed, as per which PAC partially accepted the Company's viewpoint, however, on major appeal areas has upheld the DZIT's decision. Accordingly, the Company has settled the zakat liability with DZIT in order to finalize the assessment for the years 2006 to 2008.

The declarations for 2009 to 2012 financial years were filed with DZIT. The DZIT has issued certain queries for 2009 and 2010 financial years requiring certain information which has been furnished to DZIT. The Company's current zakat certificate which will expire on April 30, 2014 is in process of renewal.

8 Earnings (loss) per share

Earnings / loss per share for the three-month period ended March 31, 2014 and 2013 have been computed by dividing the operating income (loss) and net income (loss) for the period by the weighted-average number of ordinary shares issued and outstanding at period end.

9 Segment reporting

9.1 Business segment

The Company operates an integrated refinery and petrochemical complex. The primary format for segment reporting is based on business segments (refined products and petrochemicals) and is determined on the basis of management's internal reporting structure. The Company does not distinguish financial and non-financial information beyond gross profit or loss as the operating and financial accounting systems are structured to produce financial and operational information appropriate for an integrated refining and petrochemical complex. Accordingly, assets and liabilities are also not split into segments. In the opinion of management providing information beyond gross profit or loss levels will not affect the decisions of the users of the financial statements in view of its nature of operations. The segment information relating to the period ended March 31 is as follows:

2014	Refined products	Petrochemicals	Total
Sales	11,728,133	2,507,368	14,235,501
Cost of sales	(12,069,855)	(1,493,506)	(13,563,361)
Gross (loss) profit	(341,722)	1,013,862	672,140
2013	Refined products	Petrochemicals	Total
Sales	9,081,835	1,107,528	10,189,363
Cost of sales	(9,763,341)	(875,536)	(10,638,877)
Gross (loss) profit	(681,506)	231,992	(449,514)

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9.2 Geographical segment

The segment information relating to the period ended March 31, summarized by geographical area, is as follows:

2014	Middle East	Asia Pacific	Total
Sales			
Refined products	11,728,133	-	11,728,133
Petrochemicals	550,860	1,956,508	2,507,368
Total	12,278,993	1,956,508	14,235,501
2013	Middle East	Asia Pacific	Total
Sales			
Refined products	9,081,835	-	9,081,835
Petrochemicals	229,620	877,908	1,107,528
Total	9,311,455	877,908	10,189,363

10 Related party transactions and balances

10.1 Related party transactions

Transactions with related parties arise mainly from purchases, sales of refined and petrochemical products, credit facilities, terminal lease, secondments, service refinery complex lease and community lease agreements.

Related party transactions are undertaken at contractual terms and are approved by the Company's management and management of the following entities.

<u>Name of entity</u>	<u>Relationship</u>
Saudi Aramco	Founding Shareholder
Sumitomo Chemical	Founding Shareholder
Saudi Aramco Total Refining and Petroleum Company	Associate of Founding Shareholder
Sadara Chemical Company	Associate of Founding Shareholder
Yanbu Aramco Sinopec Refining Company	Associate of Founding Shareholder
Aramco Overseas Co. BV	Associate of Founding Shareholder
Sumitomo Chemical Engineering Company Limited	Associate of Founding Shareholder
Sumitomo Chemical Polymer Compounds Saudi Arabia Co. Limited	Associate of Founding Shareholder
Sumitomo Chemical Asia Pte Limited	Associate of Founding Shareholder
Rabigh Conversion Industry Management Services Company.	Associate of Founding Shareholder
Sumika Alchem Company Limited	Associate of Founding Shareholder
Sumika Chemical Analysis Service Limited	Associate of Founding Shareholder
Sumika Middle East Co. Limited	Associate of Founding Shareholder

In addition to the loan from the founding shareholders, set out in Note 5, the above mentioned transactions results in receivable and payable balances with the relate parties as set out in the balance sheet in trade and non-trade receivables, trade and other payables, loans and borrowings, accrued expenses and other liabilities amounting to Saudi Riyals 8,373.2 million (2013: Saudi Riyals 6,592.6 million), Saudi Riyals 12,670 million (2013: Saudi Riyals 10,036 million), Saudi Riyals 5,141 million (2013: Saudi Riyals 5,052.2 million) and Saudi Riyals 89.9 million (2013: Saudi Riyals 55.9 million), respectively.

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These related party transactions are summarized as follows:

Nature of transactions (three months period ended March 31)

	2014	2013
	(Unaudited)	(Unaudited)
Saudi Arabian Oil Company and its associated companies		
Purchase of goods including LPG shortfall and through-put fee	12,464,038	10,041,143
Sale of refined products	11,728,133	9,081,835
Financial charges	10,600	11,486
Rentals	15,290	15,071
Cost reimbursements	17,416	5,875
Seconded costs	9,570	9,285
Service and other costs	5,975	13,996

	2014	2013
	(Unaudited)	(Unaudited)
Sumitomo Chemical Company Limited and its associated companies		
Purchase of goods	14,522	8,726
Sale of petrochemical products	1,939,324	877,908
Financial charges	10,600	11,486
Rentals	-	709
Cost reimbursements	15,869	2,527
Seconded costs	11,079	10,287
Service and other costs	23,372	130

The land used for the integrated refinery and petrochemical complex is on operating lease from one of the founding shareholders for a period of 99 years.

Transactions with key management personnel

Key management personnel of the Company comprise key members of management having authority and responsibility for planning, directing and controlling the activities of the Company. Transactions with key management personnel on account of salaries and other short-term benefits amounted to Saudi Riyals 1.9 million (2013: Saudi Riyals 2.1 million) and are included in seconded costs and services cost above.

The remuneration paid to independent directors amounted to Saudi Riyals 0.019 million (March 31, 2013: Saudi Riyals 0.015 million).

10.2 New arrangements with founding shareholders

During the year ended December 31, 2013, the Company entered into the following new arrangements with its founding shareholders:

- 10.2.1** A fuel supply arrangement with Saudi Aramco for purchase of Methane gas to be consumed in the Company's fuel system. The fuel supply arrangement further enables the Company to be compensated for Butane, Propane and Mixed Stream (LPG) discharged to Company's fuel system as a result of shortfall in supply of Methane gas to the Company, capped at an agreed daily quantity of Methane gas. As a consequence, during the quarter ended March 31, 2014, the fuel supply arrangement has resulted in the reduction of cost of goods manufactured by approximately Saudi Riyals 331.2 million due to shortfall in supply of Methane gas. This agreement is effective until March 31, 2018.
- 10.2.2** An arrangement with Saudi Aramco to waive the crude pipeline through-put fee effective October 1, 2013 for a five year period. Such arrangement has resulted in reduction of cost of goods manufactured for the quarter ended March 31, 2014 by approximately Saudi Riyals 9.4 million.
- 10.2.3** An arrangement with Sumitomo Chemical Company Limited to further reduce the marketing fee for all polymer and monomer petrochemical products for a period of five years effective October 1, 2013, as lifted and sold by Sumitomo Chemical Asia PTE Limited in accordance with petrochemical products lifting and marketing agreements. Such arrangement has resulted in increase in sales revenue for the quarter ended March 31, 2014 by approximately Saudi Riyals 10.5 million.

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10.2.4 An arrangement with Saudi Aramco to continue to waive the marketing fees for all refined products for the period from January 1, 2014 until December 31, 2016, as lifted and sold by Saudi Aramco in the Kingdom of Saudi Arabia in accordance with refined products lifting and marketing agreement. Such arrangement has resulted in increase in sales revenue for the quarter ended March 31, 2014 by approximately Saudi Riyals 22.1 million.

10.2.5 An arrangement with Saudi Aramco to amend the pricing formulas of gasoline and fuel oil, effective January 1, 2014 until December 31, 2016, as mentioned in refined products lifting and marketing agreement. This arrangement has resulted in increase in sales revenue for the quarter ended March 31, 2014 by approximately Saudi Riyals 33.4 million.

The formalization of existing agreements to incorporate the above mentioned arrangements is currently in process.

11 Commitments

- (i) As at March 31, 2014, capital commitments contracted for but not incurred for the construction and expansion of the existing facilities amounted to Saudi Riyals 173.7 million (March 31, 2013: Saudi Riyals 108.9 million).
- (ii) Non-cancellable operating lease rentals are as follows:

	2014 (Unaudited)	2013 (Unaudited)
Less than one year	574,458	603,405
Between one to five years	2,073,311	2,133,915
More than five years	7,898,714	7,942,280
	<u>10,546,483</u>	<u>10,679,600</u>

12 Reclassifications

Reclassifications have been made to the comparative March 31, 2013 interim financial statements to conform to the current period presentation and represent principally the following reclassifications:

- (i) Accrued financial and other charges amounting to Saudi Riyals 489.8 million reclassified from accrued expenses and other liabilities to non-current portion of loans and borrowing. Also see Note 5.
- (ii) Current portion of loans to employees amounting to Saudi Riyals 2.1 million reclassified from long term loans to current portion of long term loans. Also see Note 4.
- (iii) Current portion of employees benefits amounting to Saudi Riyals 12.4 million reclassified from employee benefits to accrued expenses and other liabilities.
- (iv) Provision against claims amounting to Saudi Riyals 10.3 million reclassified from accrued expenses and other liabilities to prepayments and other receivables.

13 Approval and authorization for issue

These interim financial statements were approved and authorized for issue by the Board Audit Committee, as delegated by the Board of Directors, on Jumada' II 16, 1435H (April 16, 2014).