

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

UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2017
AND REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

RABIGH REFINING AND PETROCHEMICAL COMPANY
(A Saudi Joint Stock Company)
UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2017

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

May 11, 2017

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

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Rabigh Refining and Petrochemical Company as of March 31, 2017 and the related condensed interim statements of profit or loss, comprehensive income, changes in equity and cash flows for the three-month period then ended and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, as endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

PricewaterhouseCoopers

By: _____
Ali A. Alotaibi
License Number 379



RABIGH REFINING AND PETROCHEMICAL COMPANY
(A Saudi Joint Stock Company)
Condensed interim statement of profit or loss
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Three-month period ended March 31,	
		2017 (Unaudited)	2016 (Unaudited)
Sales	5	6,702,225	4,947,258
Cost of sales		(6,637,089)	(4,725,800)
Gross profit		65,136	221,458
Selling and marketing expenses		(14,417)	(15,219)
General and administrative expenses		(223,373)	(215,771)
Operating loss		(172,654)	(9,532)
Financial charges		(110,674)	(96,351)
Financial income		50,985	76,482
Other income, net		4,772	8,904
Loss before zakat and income tax		(227,571)	(20,497)
Zakat	11	(11,547)	(8,815)
Income tax	11	(575)	(7,328)
Net loss after zakat and income tax		(239,693)	(36,640)
Earnings (loss) per share (Saudi Riyals):	6		
• Basic loss		(0.27)	(0.04)
• Diluted loss		(0.27)	(0.04)

The accompanying notes 1 to 14 form an integral part of this condensed interim financial information.

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

	Three-month period ended	
	March 31,	
	2017	2016
	(Unaudited)	(Unaudited)
Net loss after zakat and income tax	(239,693)	(36,640)
Remeasurement loss on defined benefit plan	-	(14,182)
Total other comprehensive loss not to be reclassified to statement of profit or loss in subsequent periods	-	(14,182)
Total comprehensive loss for the period	(239,693)	(50,822)

The accompanying notes 1 to 14 form an integral part of this condensed interim financial information.

RABIGH REFINING AND PETROCHEMICAL COMPANY
(A Saudi Joint Stock Company)
Condensed interim statement of financial position
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	March 31, 2017 (Unaudited)	December 31, 2016 (Unaudited)	January 1, 2016 (Unaudited)
Assets				
Non-current assets				
Property, plant and equipment	7	43,738,644	43,503,259	40,649,172
Leased assets		438,227	445,182	473,005
Intangible assets		132,382	135,618	153,587
Long-term loans	8	4,322,135	4,421,900	4,278,661
Investment	8	16,412	16,412	16,412
		48,647,800	48,522,371	45,570,837
Current assets				
Cash and cash equivalents		1,181,969	1,381,795	932,396
Time deposits		1,653,750	1,286,250	1,370,180
Trade receivables	8	3,664,002	3,696,687	823,894
Inventories		2,546,021	2,258,973	2,002,494
Current portion of long-term loans	8	394,538	392,581	328,271
Prepayments and other receivables		713,977	578,661	275,635
		10,154,257	9,594,947	5,732,870
Total assets		58,802,057	58,117,318	51,303,707
Equity and liabilities				
Equity				
Share capital	9	8,760,000	8,760,000	8,760,000
Statutory reserve	10	87,343	87,343	87,343
Employee share ownership plan		(7,720)	(8,207)	(10,979)
Accumulated deficit		(804,157)	(572,349)	(577,781)
Total equity		8,035,466	8,266,787	8,258,583
Non-current liabilities				
Loans, borrowings and other long-term liability	8	38,085,150	37,674,856	34,425,507
Liabilities against finance leases		495,033	499,278	515,615
Employees' benefits		357,623	343,263	231,869
		38,937,806	38,517,397	35,172,991
Current liabilities				
Short-term borrowings	8	3,518,175	3,105,675	3,255,130
Current maturity of liabilities against finance leases		18,613	17,352	16,380
Trade and other payables	8	7,177,493	7,256,457	3,510,534
Accrued expenses and other liabilities		1,035,311	886,579	1,072,600
Zakat and income tax payable	11	79,193	67,071	17,489
		11,828,785	11,333,134	7,872,133
Total liabilities		50,766,591	49,850,531	43,045,124
Total equity and liabilities		58,802,057	58,117,318	51,303,707
Commitments	13			

The accompanying notes 1 to 14 form an integral part of this condensed interim financial information.

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

	Note	Share capital	Statutory reserve	Employee share ownership plan	Accumulated deficit	Total
January 1, 2017 (Unaudited)		8,760,000	87,343	(8,207)	(572,349)	8,266,787
Net loss after zakat and income tax		-	-	-	(239,693)	(239,693)
Total other comprehensive loss		-	-	-	-	-
Total comprehensive loss		-	-	-	(239,693)	(239,693)
Vesting of shares under employee share ownership plan		-	-	487	-	487
Zakat and income tax reimbursements		-	-	-	7,885	7,885
March 31, 2017 (Unaudited)		8,760,000	87,343	(7,720)	(804,157)	8,035,466
January 1, 2016 (Unaudited)	4.1	8,760,000	87,343	(10,979)	(577,781)	8,258,583
Net loss after zakat and income tax	4.4	-	-	-	(36,640)	(36,640)
Total other comprehensive loss	4.5	-	-	-	(14,182)	(14,182)
Total comprehensive loss		-	-	-	(50,822)	(50,822)
Vesting of shares under employee share ownership plan		-	-	588	-	588
Zakat and income tax reimbursements		-	-	-	12,617	12,617
March 31, 2016 (Unaudited)	4.3	8,760,000	87,343	(10,391)	(615,986)	8,220,966

The accompanying notes 1 to 14 form an integral part of this condensed interim financial information.

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

	Note	Three-month period ended March 31,	
		2017 (Unaudited)	2016 (Unaudited)
Cash flows from operating activities			
Loss before zakat and income tax		(227,571)	(20,497)
<u>Adjustments for non-cash items</u>			
Depreciation		601,355	606,339
Amortization		3,236	6,661
Provision for slow moving inventories		1,061	2,155
Provision for deferred employee service		-	84
		378,081	594,742
<u>Changes in working capital</u>			
Trade receivables		32,685	(2,109,837)
Inventories		(288,109)	(262,727)
Prepayments and other receivables		(127,876)	(22,879)
Trade and other payables		(122,751)	2,078,323
Accrued expenses and other liabilities		161,205	12,256
Employees benefits		14,847	15,238
Interest received		44,232	32,026
Interest paid		(12,473)	(663)
Net cash generated from operating activities		79,841	336,479
Cash flows from investing activities			
Purchase of property, plant and equipment		(829,785)	(1,448,374)
Time deposits		(367,500)	(390,000)
Long-term loan disbursements		-	(82,500)
Long-term loan repayments		97,808	42,324
Net cash utilized in investing activities		(1,099,477)	(1,878,550)
Cash flows from financing activities			
Repayments of loans and borrowings		(1,893,750)	(81,123)
Proceeds from loans and borrowings		2,681,250	1,860,209
Other net movement in loans, borrowings and other long-term liability		35,294	29,019
Repayment of finance leases		(2,984)	(2,849)
Dividend payments		-	(7)
Net cash generated from financing activities		819,810	1,805,249
Net change in cash and cash equivalents		(199,826)	263,178
Cash and cash equivalents at beginning of the period		1,381,795	932,396
Cash and cash equivalents at end of the period		1,181,969	1,195,574
Supplemental schedule of non-cash information			
Zakat and income tax reimbursable from shareholders		7,885	12,617
Long-term loan repayments settled against capacity payments	8.1.1, 8.1.2	93,411	43,675

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RABIGH REFINING AND PETROCHEMICAL COMPANY
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Notes to the condensed interim financial information
For the three-month period ended March 31, 2017 (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 and Investment, Jeddah, on Shaaban 15, 1426H (September 19, 2005) subsequently revised by 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 666, 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. Currently, Phase II Expansion Project is under construction stage, the mechanical completion of which is estimated to be during second quarter of 2017. Also see Note 7.

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

These condensed interim financial information of the Company have been prepared in compliance with IAS 34 "Interim Financial Reporting" and IFRS 1 "First time adoption of International Financial Reporting Standards" as endorsed by Saudi Organization for Certified Public Accountants (SOCPA) in the Kingdom of Saudi Arabia as well as other standards and pronouncements endorsed by SOCPA.

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 will prepare its first annual financial statements in accordance with IFRS as endorsed by SOCPA in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by SOCPA. These condensed interim financial information for the three-month period ended March 31, 2017 are the first general purpose condensed interim financial information the Company has prepared in accordance with IFRS as endorsed by SOCPA in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by SOCPA. Also see Note 4.

This condensed interim financial information does not include all the information and disclosures required in the annual financial statements. IAS 34 states that the interim financial information is "intended to provide an update on the latest complete set of annual financial statements". Hence, IAS 34 requires less disclosure in interim financial information than IFRSs require in annual financial statements. However, since the Company's latest annual financial statements were prepared using previous GAAP, these first general purpose condensed interim financial information includes additional disclosures to enable the users to understand how the transition to IFRSs have affected previously reported annual and interim periods.

This condensed interim financial information have been prepared on a historical cost basis except for investment which is measured at fair value through statement of profit or loss. The functional currency of the Company is United States Dollars (US Dollars). However, these accompanying condensed interim financial information are presented in Saudi Arabian Riyals (Saudi Riyals).

2.1 New standards, interpretations and amendments adopted

Since the Company has adopted IFRS effective January 1, 2017, as endorsed by SOCPA in the Kingdom of Saudi Arabia, all amendments/interpretations as applicable to the Company are considered until such date.

(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 from January 1, 2017.

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Financial assets

As per the 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.

As per IFRS 9, the Company has classified financial assets as measured at amortised cost, except for investment, which is measured at fair value through profit or loss.

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 condensed interim financial information 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 16	Leases	January 1, 2019
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

The Company is currently assessing the implications of adopting the above mentioned standards, amendments or interpretations on the Company's financial statements on adoption.

2.2 Critical accounting estimates and judgments

The preparation of Company's condensed interim financial information 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

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available when the condensed interim financial information was 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.

Provision for slow moving inventories

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.

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 RAWEC for providing power, steam and water to the Company through an Independent Water, Steam and Power Plant ("IWSP"). 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 interim statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be 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 information 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 information 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.

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.

(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.

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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 information 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 other comprehensive income or statement of profit or loss are also recognized in statement of other 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 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.

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:

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

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An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. 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:

	<u>Number of years</u>
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, useful lives and residual values 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 directly attributable to the acquisition, construction or production of an 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.

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(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 and measurement 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.

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.

Measurement

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.

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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 and FVOCI. Assets migrate through the following three stages based on the change in credit quality since initial recognition:

(i) 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.

(ii) 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.

(iii) 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 of assets 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 forwarding-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.

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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.

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) 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.

(l) 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.

(m) 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.

(n) Zakat and income tax

In accordance with the regulations of the General Authority for Zakat and Tax ("GAZT"), 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 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 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 at the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Zakat and income tax expense are recognized in each interim period based on the best estimate of the annual zakat and income tax expected for the full financial year. Amounts accrued for zakat and income tax expense in one interim period may have to be adjusted in a subsequent interim period of that financial year if the estimate of the annual zakat and income tax changes.

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.

(o) 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 other comprehensive income. Such actuarial gains and losses are also immediately recognized in retained earnings and are not reclassified to statement of profit or loss in subsequent periods. 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 or asset. 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;
- 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.

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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 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.

(p) Segment reporting

Operating segment

An operating 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.

(q) 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 First time adoption of IFRS

These condensed interim financial information for the three-month period ended March 31, 2017 are the first condensed interim financial information the Company has prepared in compliance with IAS 34 "Interim Financial Reporting" and IFRS 1 "First time adoption of International Financial Reporting Standards" as endorsed by SOCPA in the Kingdom of Saudi Arabia. For periods up to and including the year ended December 31, 2016, the Company prepared its interim financial information in accordance with the previous GAAP as issued by SOCPA.

Accordingly, the Company has prepared condensed interim financial information as at March 31, 2017, together with the comparative period data for the period ended March 31, 2016, December 31, 2016 and January 1, 2016 as described in the summary of significant accounting policies (see Note 3). In preparing the condensed interim financial information, 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 periods ended March 31, 2016 and December 31, 2016.

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

	Note	SOCPA (Audited)	Remeasurement	January 1, 2016 (Unaudited)
Assets				
Non-current assets				
Property, plant and equipment		40,649,172	-	40,649,172
Leased assets		473,005	-	473,005
Intangible assets		153,587	-	153,587
Long-term loans	a,b	4,348,874	(70,213)	4,278,661
Investment		16,412	-	16,412
		45,641,050	(70,213)	45,570,837
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 receivables		275,635	-	275,635
		5,699,999	32,871	5,732,870
Total assets		51,341,049	(37,342)	51,303,707
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)	(92,815)	(577,781)
Total equity		8,351,398	(92,815)	8,258,583
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	-	3,255,130
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	-	1,072,600
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	(37,342)	51,303,707

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4.2 Reconciliation of equity as at December 31, 2016

	Note	SOCPA (Audited)	Remeasurement	December 31, 2016 (Unaudited)
Assets				
Non-current assets				
Property, plant and equipment		43,503,259	-	43,503,259
Leased assets		445,182	-	445,182
Intangible assets		135,618	-	135,618
Long-term loans	a,b	4,433,844	(11,944)	4,421,900
Investment		16,412	-	16,412
		48,534,315	(11,944)	48,522,371
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	(12,735)	58,117,318
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)	(111,086)	(572,349)
Total equity		8,377,873	(111,086)	8,266,787
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	-	3,105,675
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	-	886,579
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	(12,735)	58,117,318

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4.3 Reconciliation of equity as at March 31, 2016

	Note	SOCPA (Unaudited)	Remeasurement	March 31, 2016 (Unaudited)
Assets				
Non-current assets				
Property, plant and equipment		41,498,163	-	41,498,163
Leased assets		466,049	-	466,049
Intangible assets		146,926	-	146,926
Long-term loans	a,b	4,343,700	(43,389)	4,300,311
Investment		16,412	-	16,412
		46,471,250	(43,389)	46,427,861
Current assets				
Cash and cash equivalents		1,195,574	-	1,195,574
Time deposits		1,760,180	-	1,760,180
Trade receivables		2,933,731	-	2,933,731
Inventories		2,263,066	-	2,263,066
Current portion of long-term loans	a,b	332,933	13,865	346,798
Prepayments and other receivables		310,971	-	310,971
		8,796,455	13,865	8,810,320
Total assets		55,267,705	(29,524)	55,238,181
Equity and liabilities				
Equity				
Share capital		8,760,000	-	8,760,000
Statutory reserve		87,343	-	87,343
Employees share ownership plan		(10,391)	-	(10,391)
Accumulated deficit		(521,165)	(94,821)	(615,986)
Total equity		8,315,787	(94,821)	8,220,966
Non-current liabilities				
Loans, borrowings and other long-term liability		35,564,295	-	35,564,295
Liabilities against finance leases		511,613	-	511,613
Employees' benefits	c	195,490	65,297	260,787
		36,271,398	65,297	36,336,695
Current liabilities				
Short-term borrowings		3,924,447	-	3,924,447
Current maturity of liabilities against finance leases		17,533	-	17,533
Trade and other payables		5,620,724	-	5,620,724
Accrued expenses and other liabilities		1,084,184	-	1,084,184
Zakat and income tax payable		33,632	-	33,632
		10,680,520	-	10,680,520
Total liabilities		46,951,918	65,297	47,017,215
Total equity and liabilities		55,267,705	(29,524)	55,238,181

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4.4 Reconciliation of interim statement of profit and loss for the three-month period ended March 31, 2016

	Note	SOCPA (Unaudited)	Remeasurement / Reclassification	March 31, 2016 (Unaudited)
Sales		4,947,258	-	4,947,258
Cost of sales		(4,725,800)	-	(4,725,800)
Gross profit		221,458	-	221,458
Selling and marketing expenses		(15,219)	-	(15,219)
General and administrative expenses	c	(220,130)	4,359	(215,771)
Operating loss		(13,891)	4,359	(9,532)
Financial charges	a	(95,202)	(1,149)	(96,351)
Financial income	b	67,516	8,966	76,482
Other income, net		8,904	-	8,904
Loss before zakat and income tax		(32,673)	12,176	(20,497)
Zakat		-	(8,815)	(8,815)
Income tax		-	(7,328)	(7,328)
Net loss after zakat and income tax		(32,673)	(3,967)	(36,640)

Zakat and income tax which was previously charged to equity as required under previous GAAP has been reclassified to condensed interim statement of profit and loss.

4.5 Reconciliation of interim statement of comprehensive income for the three-month period ended March 31, 2016

	SOCPA (Unaudited)	Remeasurement	March 31, 2016 (Unaudited)
Net loss after zakat and income tax	(32,673)	(3,967)	(36,640)
Remeasurement loss on defined benefit plan	-	(14,182)	(14,182)
Total other comprehensive loss not to be reclassified to statement of profit or loss in subsequent periods	-	(14,182)	(14,182)
Total comprehensive loss	(32,673)	(18,149)	(50,822)

4.6 Reconciliation of statement of profit or loss for the year ended December 31, 2016

	Note	SOCPA (Audited)	Remeasurement / Reclassification	December 31, 2016 (Unaudited)
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)
Operating income		108,716	13,850	122,566
Financial charges	a	(389,259)	(4,593)	(393,852)
Financial income	b	281,947	29,199	311,146
Other income, net		35,261	-	35,261
Profit before zakat and income tax		36,665	38,456	75,121

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Zakat	-	(31,452)	(31,452)
Income tax	-	(35,619)	(35,619)
Net profit after zakat and income tax	36,665	(28,615)	8,050

Zakat and income tax which was previously charged to equity as required under previous GAAP has been reclassified to statement of profit and loss.

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

	SOCPA		December 31,
	(Audited)	Remeasurement	2016
			(Unaudited)
Net profit after zakat and income tax	36,665	(28,615)	8,050
Remeasurement loss on defined benefit plan	-	(56,728)	(56,728)
Total other comprehensive loss not to be reclassified to statement of profit or loss in subsequent periods	-	(56,728)	(56,728)
Total comprehensive income (loss)	36,665	(85,343)	(48,678)

a) Remeasurement of 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) Remeasurement of 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) Remeasurement of employees' defined benefits obligation

Under SOCPA, the Company recognized costs related to its employees' defined benefits at 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) Statement of cash flows

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

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5 Segment information

5.1 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 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 three-month period is summarized below:

2017 (Unaudited)	Refined products	Petrochemicals	Total
Sales – external customers	5,288,479	1,413,746	6,702,225
Gross (loss) profit	(132,897)	198,033	65,136
Depreciation and amortization	187,001	417,590	604,591
Operating (loss) profit	(201,777)	29,123	(172,654)

2016 (Unaudited)	Refined products	Petrochemicals	Total
Sales – external customers	3,949,857	997,401	4,947,258
Gross profit	51,671	169,787	221,458
Depreciation and amortization	271,092	341,907	612,999
Operating (loss) profit	(43,575)	34,043	(9,532)

March 31, 2017 (Unaudited)	Refined products	Petrochemicals	Unallocated	Total
Total assets	13,862,197	42,040,846	2,899,014	58,802,057
Total liabilities	12,401,450	36,762,632	1,602,509	50,766,591
Capital expenditure	16,983	812,802	-	829,785

December 31, 2016 (Unaudited)	Refined products	Petrochemicals	Unallocated	Total
Total assets	15,184,891	40,193,464	2,738,963	58,117,318
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 6,505 million (March 31, 2016: Saudi Riyals 4,689 million) of revenue generated from 3 customers in the period ended March 31, 2017 (March 31, 2016: 3 customers).

Geographical information for the three-month period ended March 31 is as follows:

2017 (Unaudited)	Middle East	Asia Pacific	Total
Sales – external customers			
Refined products	5,288,479	-	5,288,479
Petrochemicals	720,992	692,754	1,413,746
Total	6,009,471	692,754	6,702,225

2016 (Unaudited)	Middle East	Asia Pacific	Total
Sales – external customers			
Refined products	3,949,857	-	3,949,857
Petrochemicals	590,941	406,460	997,401
Total	4,540,798	406,460	4,947,258

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5.2 Adjustments

Cash and cash equivalents, zakat and tax and certain financial 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.

5.3 Reconciliation of loss

	2017 (Unaudited)	2016 (Unaudited)
Operating loss	(172,654)	(9,532)
Financial charges	(110,674)	(96,351)
Financial income	50,985	76,482
Other income, net	4,772	8,904
Loss before zakat and income tax	(227,571)	(20,497)
Zakat	(11,547)	(8,815)
Income tax	(575)	(7,328)
Net loss after zakat and income tax	(239,693)	(36,640)

6 Earnings (loss) per share

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

Diluted EPS is calculated by dividing the net profit (loss) by the weighted average number of ordinary shares outstanding during the period 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 (Unaudited)	2016 (Unaudited)
Loss for the period for basic and dilutive earnings per share	(239,693)	(36,640)
Weighted average number of shares outstanding during the period (thousands)	876,000	876,000
Weighted average number of shares outstanding during the period adjusted for the effect of dilution due to ESOP (thousands)	365	493
Basic and diluted loss per share	(0.27)	(0.04)

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7 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, 2017	4,741,702	32,316,324	90,672	324,089	21,732,977	59,205,764
Additions	-	64,360	-	-	765,425	829,785
Transfers	1,767	18,322	56	286	(20,431)	-
March 31, 2017	4,743,469	32,399,006	90,728	324,375	22,477,971	60,035,549
Accumulated depreciation						
January 1, 2017	2,022,390	13,399,370	72,908	207,837	-	15,702,505
Charge for the period	60,491	527,761	1,217	4,931	-	594,400
March 31, 2017	2,082,881	13,927,131	74,125	212,768	-	16,296,905
Carrying Value:						
At March 31, 2017 (Unaudited)	2,660,588	18,471,875	16,603	111,607	22,477,971	43,738,644
At December 31, 2016 (Unaudited)	2,719,312	18,916,954	17,764	116,252	21,732,977	43,503,259
At January 1, 2016 (Unaudited)	2,938,642	20,569,341	22,429	133,792	16,984,968	40,649,172

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7.1 Capital projects-in-progress

The capital projects-in-progress at March 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 26,880 million from various commercial banks and financial institutions in order to finance Phase II Expansion Project (also see Note 8). The Company had also acquired administrative expenses amounting to Saudi Riyals 21,757 thousands from founding shareholders.

7.2 Capitalization of borrowing costs

During the three-month period ended March 31, 2017, the Company has capitalized borrowing costs amounting to Saudi Riyals 141.8 million (year ended December 31, 2016: Saudi Riyals 427 million) in capital projects-in-progress relating to the construction of the Phase II Expansion Project. Borrowing costs capitalized during the three-month period ended March 31, 2016 amounted to Saudi Riyals 97.1 million.

7.3 Pre-commissioning income

During the three-month period ended March 31, 2017, pre-commissioning income related to Phase II Expansion Project amounting to Saudi Riyals 177.8 million (year ended December 31, 2016: Saudi Riyals 192.6 million) is included in Capital projects-in-progress.

8 Financial assets and financial liabilities

8.1 Financial assets measured at amortized cost

Long-term loans:	Note	March 31, 2017	December 31, 2016	January 1, 2016
		(Unaudited)	(Unaudited)	(Unaudited)
Loan to RAWEC	8.1.1, 8.1.2	4,535,357	4,647,466	4,461,819
Loans to employees	8.1.3	181,316	167,015	145,113
Long-term loans		4,716,673	4,814,481	4,606,932
Less: current portion of long-term loans		(394,538)	(392,581)	(328,271)
Non-current portion of long-term loans		4,322,135	4,421,900	4,278,661
Trade receivables	8.1.4	3,664,002	3,696,687	823,894

8.1.1 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 settled through offsetting of monthly utilities payments to RAWEC from June 30, 2008 to November 30, 2023.

8.1.2 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 through offsetting of monthly utilities payments to RAWEC from July 31, 2016 to June 30, 2031. The loan is secured by the assets of RAWEC.

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8.1.3 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.

8.1.4 Trade receivables of the Company are as follows:

	March 31, 2017	December 31, 2016	January 1, 2016
	(Unaudited)	(Unaudited)	(Unaudited)
Trade	145,620	82,136	87,537
Less: provision for doubtful debts	(28,410)	(28,410)	(28,410)
	117,210	53,726	59,127
Related parties	3,546,792	3,642,961	764,767
	3,664,002	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	Less than 6 months	6 to 12 months	Past due but not impaired 12 months to 18 months	18 months to 24 months	More than 24 months
Balance:	3,692,412	3,516,668	136,290	(453)	5,648	2,692	31,567
Less: doubtful debts provision	(28,410)	-	-	-	-	-	(28,410)
March 31, 2017	3,664,002	3,516,668	136,290	(453)	5,648	2,692	3,157
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

8.2 Financial assets measured at fair value through profit and loss

	Note	March 31, 2017	December 31, 2016	January 1, 2016
		(Unaudited)	(Unaudited)	(Unaudited)
Investment				
Opening balance	8.2.1	16,412	16,412	8,556
Additions	8.2.2	-	-	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.

8.2.1 The Company holds 1% shares in the capital of Rabigh Arabian Water and Electricity Company ("RAWEC"), a Saudi limited liability company.

8.2.2 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 second quarter of 2017.

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8.3 Financial liabilities measured at amortized cost

Loans, borrowings and other long-term liability

	Note	March 31, 2017 (Unaudited)	December 31, 2016 (Unaudited)	January 1, 2016 (Unaudited)
Loans from banks and financial institutions:				
Opening balance	8.3.1	35,428,902	32,449,887	15,412,097
Additions	8.3.2, 8.3.3	2,681,250	8,879,084	19,124,133
Repayments		(1,893,750)	(5,900,069)	(2,086,343)
Closing balance		36,216,402	35,428,902	32,449,887
Less: current portion		(3,518,175)	(3,105,675)	(3,255,130)
Non-current portion		32,698,227	32,323,227	29,194,757
Loans from founding shareholders				
	8.3.4	5,366,106	5,331,716	5,213,936
Other long-term liability	8.3.5	20,817	19,913	16,814
Total non-current portion		38,085,150	37,674,856	34,425,507
Liabilities against finance leases				
		513,646	516,630	531,995
Trade and other payables				
	8.3.6	7,177,493	7,256,457	3,510,534

8.3.1 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.

8.3.2 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 26,880 million out of which drawdowns amounting to Saudi Riyals 23,424 million have been made by the Company. The loans amounting to Saudi Riyals 18,668 million are repayable in semi-annual repayments commencing from June 2018 and will run up to June 2031, whereas the loan of Saudi Riyals 4,756 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 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 43,739 million and Saudi Riyals 2,836 million, respectively.

8.3.3 During the three-month period ended December 31, 2015, the Company had entered into a short term loan with a local commercial bank to finance its working capital requirements. The facility available under this loan agreement amounted to Saudi Riyals 1,875 million of which Saudi Riyals 1,104 million was utilized as of December 31, 2015. During the three-month period ended March 31, 2017, drawdowns and repayments amounting to Saudi Riyals 2,306 million and Saudi Riyals 1,894 million, respectively have been made by the Company. The loan is repayable by June 9, 2017. This loan is denominated in Saudi Riyals and bears financial charges based on prevailing market rates.

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8.3.4 Loans from founding shareholders

	March 31, 2017	December 31, 2016	January 1, 2016
	(Unaudited)	(Unaudited)	(Unaudited)
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	395,553	378,358	319,468
Sumitomo Chemical Company Limited	395,553	378,358	319,468
	5,366,106	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.

8.3.5 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.

8.3.6 Trade and other payables

	March 31, 2017	December 31, 2016	January 1, 2016
	(Unaudited)	(Unaudited)	(Unaudited)
Trade payables:			
- Related parties	5,810,865	5,813,821	1,249,085
- Others	1,287,280	1,344,389	2,193,266
	7,098,145	7,158,210	3,442,351
Other payables – related parties	79,348	98,247	68,183
	7,177,493	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.

9 Share capital

The Company's authorised and issued share capital of Saudi Riyals 8.76 billion at March 31, 2017, December 31, 2016 and January 1, 2016 consists of 876 million fully paid shares of Saudi Riyals 10 each.

10 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 30% of its share capital. This reserve is not available for distribution to shareholders.

11 Zakat and income tax

11.1 Charge in the period

Zakat and income tax charge in the condensed interim financial information for the three-month period ended March 31, 2017 amounts to Saudi Riyals 11.5 million (year ended December 31, 2016: Saudi Riyals 31.5 million) and Saudi Riyals 0.6 million (year ended December 31, 2016: Saudi Riyals 35.6 million), respectively.

11.2 Status of assessments

The Company has filed its Zakat and income tax returns with the 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 and 2010 by raising additional liability of Saudi Riyals 43.7 million and Saudi Riyals 80.7 million for zakat and income tax, respectively. The Company filed an objection for the additional liability raised which was partially accepted and additional liability was reduced to Saudi Riyals 43.5 million for which the Company has filed an appeal with Preliminary Appeal Committee (PAC). Management believes its position to be robust in the area of interpretation. The additional zakat liability is recoverable from Saudi Arabian Oil Company to the extent of Saudi Riyals 26.1 million.

The GAZT has further issued queries for financial years 2011 through 2013 requiring certain information which the Company has duly submitted.

12 Related party transactions and balances

Related parties comprise of founding shareholders of the Company being Saudi Arabian Oil Company (Saudi Aramco) and Sumitomo Chemical Company Limited (Sumitomo Chemical), their subsidiaries and associates and other companies with common directorship with significant influence on other companies and key management personnel. Saudi Aramco and Sumitomo Chemical has significant influence on the Company. 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.

In addition to Trade receivables (see Note 8.1.4), Trade and other payables (see Note 8.3.6) and loans from founding shareholders (see Note 8.3.4), the related party transactions result in receivable and payable balances as set out in the interim statement of financial position in non-trade receivables and accrued expenses and other liabilities amounting to Saudi Riyals 80 million (December 31, 2016: Saudi Riyals 79 million, January 1, 2016: Saudi Riyals 24 million) and Saudi Riyals 92 million (December 31, 2016: Saudi Riyals 94 million, January 1, 2016: Saudi Riyals 233 million), respectively.

Related party transactions are summarized as follows:

Nature of transactions (three-month period ended March 31)

	2017 (Unaudited)	2016 (Unaudited)
Saudi Arabian Oil Company and its associated companies		
Purchase of goods including LPG shortfall and through-put fee	5,716,064	3,807,028
Sale of refined products and petrochemical products	5,830,598	4,343,410
Financial charges	23,971	21,063
Rentals	11,949	11,800
Services provided to shareholders	321	565
Seconddees' costs	13,487	22,586
Service and other cost charges, net	70,872	5,442
	2017 (Unaudited)	2016 (Unaudited)
Sumitomo Chemical Company Limited and its associated companies		
Purchase of goods	42,952	48,052
Sale of petrochemical products	674,676	345,218
Financial charges	17,195	14,138
Rentals	709	709
Services provided to shareholders	416	565
Seconddees' costs	38,962	43,025
Service and other cost charges, net	2,651	4,920

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

Transactions with key management personnel

Transactions with key management personnel on account of short-term benefits amounted to Saudi Riyals 2.8 million (March 31, 2016: Saudi Riyals 2.4 million) and are included in secondees' cost above. The remuneration paid to directors amounted to Saudi Riyals Nil (March 31, 2016: Saudi Riyals Nil).

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13 Commitments

- (i) As at March 31, 2017, letters of credit issued on behalf of the Company in the normal course of business amounted to Saudi Riyals 29.7 million (December 31, 2016: Saudi Riyals 10.03 million, January 1, 2016: Saudi Riyals 4.9 million).
- (ii) As at March 31, 2017, capital commitments contracted for but not incurred amounted to Saudi Riyals 961 million (December 31, 2016: Saudi Riyals 1,442 million, January 1, 2016: Saudi Riyals 4,678 million).
- (iii) The Company has entered into various lease arrangements. The aggregate amount of commitments against these arrangements are as follows:

	March 31, 2017	December 31,	January 1,
	(Unaudited)	2016	2016
		(Unaudited)	(Unaudited)
Less than one year	594,986	701,291	616,085
Between two to five years	2,308,970	2,320,206	2,329,512
More than five years	8,015,849	8,232,801	9,009,692
	10,919,805	11,254,298	11,955,289

14 Approval and authorization for issue

The condensed interim financial information were approved and authorized for issue by the Board Audit Committee, as delegated by the Board of Directors, on Shaaban 15, 1438H (May 11, 2017).