

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

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
AND INDEPENDENT AUDITOR'S REPORT

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(A Saudi Joint Stock Company)
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Independent auditor's report to the Shareholders of Rabigh Refining and Petrochemical Company

Opinion

We have audited the financial statements of Rabigh Refining and Petrochemical Company ("the Company"), which comprise the statement of financial position as at December 31, 2019, the statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Independent auditor's report to the Shareholders of Rabigh Refining and Petrochemical Company (continued)

IFRS 16 – Leases

The key audit matter

The Company has adopted IFRS 16 "Leases" with effect from January 1, 2019 and this new standard supersedes the requirements of IAS 17 "Leases". IFRS 16 principally modifies the accounting treatment of operating leases at inception, with the recognition of a right-of-use on the leased asset and a corresponding liability for the discounted amount of lease payments over the term of lease contract. The Company has chosen to apply IFRS 16 under the simple modified method of adoption and accordingly, recognised right-of-use assets and corresponding lease liabilities as at January 1, 2019.

We considered this as a key audit matter because of the complexity in the calculation of amounts underlying the right-of-use assets and the corresponding liabilities involve identification of leasing arrangement in accordance with the requirements of IFRS 16. Refer to note 2.1 and 13 to the financial statements for related disclosures.

How the matter was addressed in our audit

We performed the following procedures:

- Reviewed impact assessment report provided by the Company in respect of classification and measurement of its right-of-use assets and lease liabilities and understood the approach taken towards implementation of IFRS 16.
- Verified the accuracy of the underlying lease data by agreeing a representative sample of leases to the original contract or other supporting information.
- Tested lease schedules, on a sample basis, by recalculating the amounts underlying the right-of-use assets and lease liabilities, based on the terms of the lease contracts and checked arithmetical accuracy of those individual lease schedules. Assessed the appropriateness of the discount rates applied by the management in determining lease liabilities with input from our internal valuation specialist.
- Reviewed the adequacy of disclosures in the financial statements in relation to the implementation of IFRS 16

Changes in the useful lives of property, plant and equipment

The key audit matter

During the year ended December 31, 2019, the Company reviewed the estimated useful lives of property, plant and equipment. Based on an independent technical assessment, advice from the Company's technical teams and comparable market practices, the estimated useful lives of property, plant and equipment have been revised. We considered this as a key audit matter due to the judgement involved in the estimation of useful lives of property, plant and equipment. Refer note 2.2 to the financial statements for related disclosure.

How the matter was addressed in our audit

We performed the following procedures:

- Obtained the independent technical assessment report in respect of revision of estimated useful lives of property, plant and equipment and tested on sample basis the data used to evaluate the revisions.
- Involved our internal accounting subject matter specialists to assess the appropriateness of revision in useful lives.
- Reviewed the adequacy of the disclosures in the financial statements in accordance with the requirements of IFRS.

Independent auditor's report to the Shareholders of Rabigh Refining and Petrochemical Company (continued)

Other Information

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

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

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

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies and Company's By-laws and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

Independent auditor's report to the Shareholders of Rabigh Refining and Petrochemical Company (continued)

Auditors' Responsibilities for the Audit of the Financial Statements

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

For KPMG Al Fozan & Partners
Certified Public Accountants



Ebrahim Oboud Baeshen
License No. 382



Jeddah, February 12, 2020
Corresponding to Jumada Al Thani 18, 1441H

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

	Notes	For the year ended December 31,	
		2019	2018
Sales	5,26	34,061,975	40,998,191
Cost of sales	6,26	(32,344,064)	(38,683,150)
Gross profit		1,717,911	2,315,041
Other income, net	7	88,142	88,584
Selling and marketing expenses	8	(406,480)	(439,574)
General and administrative expenses	9	(960,244)	(948,044)
Operating profit		439,329	1,016,007
Financial charges	10	(1,022,440)	(465,765)
Financial income		264,095	302,832
(Loss) profit before Zakat and Tax		(319,016)	853,074
Zakat	24	(140,543)	(44,141)
Tax	24	(84,592)	(140,373)
(Loss) profit after Zakat and Tax		(544,151)	668,560
(Loss) earnings per share (Saudi Riyals) - Basic and diluted	11	(0.62)	0.76

The accompanying notes 1 to 28 form an integral part of these financial statements.

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

		For the year ended December 31,	
	Notes	2019	2018
(Loss) profit after Zakat and Tax		(544,151)	668,560
Remeasurement loss on defined benefit plan	22	(69,187)	(13,367)
Tax effect	24	10,378	2,005
Items that will not be reclassified to statement of profit or loss in subsequent periods		(58,809)	(11,362)
Total comprehensive (loss) income for the year		(602,960)	657,198

The accompanying notes 1 to 28 form an integral part of these financial statements.

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

	Notes	As at December 31,	
		2019	2018
Assets			
Non-current assets			
Property, plant and equipment	12	46,110,807	44,628,314
Right-of-use assets	13	12,039,098	393,774
Intangible assets	14	494,307	111,443
Long-term loans	15	3,449,675	3,861,749
Investment	15	16,412	16,412
Deferred tax asset	25	399,086	445,882
		62,509,385	49,457,574
Current assets			
Inventories	18	3,406,225	3,207,445
Trade receivables	15	5,364,086	6,004,714
Current portion of long-term loans	15	450,318	420,428
Prepayments and other receivables	19	1,983,548	2,084,488
Time deposits	17	-	1,655,605
Cash and cash equivalents	16	316,086	1,263,713
		11,520,263	14,636,393
Total assets		74,029,648	64,093,967
Equity and liabilities			
Equity			
Share capital	20	8,760,000	8,760,000
Statutory reserve	21	252,134	249,465
Employees' share ownership plan	22	(4,813)	(6,241)
Retained earnings		1,034,086	1,538,796
Total equity		10,041,407	10,542,020
Non-current liabilities			
Loans, borrowings and other long-term liability	15	23,638,023	27,688,017
Lease liabilities	13	11,750,600	463,576
Employees' benefits	22	653,504	510,501
		36,042,127	28,662,094
Current liabilities			
Short-term borrowings	15	16,816,897	13,007,494
Current maturity of lease liabilities	13	555,352	19,540
Trade and other payables	15	9,401,638	10,163,333
Accrued expenses and other liabilities	23	1,157,008	1,425,990
Zakat and Tax payable	25	15,219	273,496
		27,946,114	24,889,853
Total liabilities		63,988,241	53,551,947
Total equity and liabilities		74,029,648	64,093,967

The accompanying notes 1 to 28 form an integral part of these financial statements.

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

	Notes	Share capital	Statutory reserve	Employees' share ownership plan	Retained earnings	Total
Balance as at January 1, 2019		8,760,000	249,465	(6,241)	1,538,796	10,542,020
Net loss after Zakat and Tax		-	-	-	(544,151)	(544,151)
Other comprehensive loss		-	-	-	(58,809)	(58,809)
Total comprehensive loss		-	-	-	(602,960)	(602,960)
Transfer to statutory reserve	21	-	2,669	-	(2,669)	-
Vesting of shares under employees' share ownership plan		-	-	1,428	-	1,428
Zakat and Tax reimbursements		-	-	-	100,919	100,919
Balance as at December 31, 2019		8,760,000	252,134	(4,813)	1,034,086	10,041,407
Balance as at January 1, 2018		8,760,000	183,745	(7,098)	1,149,160	10,085,807
Net profit after Zakat and Tax		-	-	-	668,560	668,560
Other comprehensive loss		-	-	-	(11,362)	(11,362)
Total comprehensive income		-	-	-	657,198	657,198
Transfer to statutory reserve	21	-	65,720	-	(65,720)	-
Vesting of shares under employees' share ownership plan		-	-	857	-	857
Dividend		-	-	-	(438,000)	(438,000)
Tax reimbursements		-	-	-	236,158	236,158
Balance as at December 31, 2018		8,760,000	249,465	(6,241)	1,538,796	10,542,020

The accompanying notes 1 to 28 form an integral part of these financial statements.

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

	Notes	For the year ended December 31,	
		2019	2018
Cash flows from operating activities			
(Loss) profit before Zakat and Tax		(319,016)	853,074
<u>Adjustments for non-cash items</u>			
Depreciation	12,13	2,369,411	2,419,861
Financial charges	10	1,022,440	465,765
Financial income		(264,095)	(302,832)
Amortization	14	22,976	13,234
Provision for slow moving inventories	18	8,477	22,491
Impairment loss on receivables	9,26	2,581	73
Loss on disposal of property and equipment	7	672	21,769
		<u>2,843,446</u>	<u>3,493,435</u>
<u>Changes in working capital</u>			
Trade receivables		640,628	(263,426)
Inventories		(207,257)	(207,615)
Prepayments and other receivables		198,983	(905,986)
Trade and other payables		(320,464)	1,349,559
Accrued expenses and other liabilities		(372,373)	667,816
Employees' benefits		75,245	77,284
		<u>2,858,208</u>	<u>4,211,067</u>
Zakat and income tax paid	25.1	(426,238)	(314,845)
Interest received		233,354	281,916
Interest paid		(836,560)	(234,664)
Net cash generated from operating activities		<u>1,828,764</u>	<u>3,943,474</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(3,439,330)	(2,927,816)
Addition to intangible assets	14	-	(1,164)
Net movement in time deposits		1,655,605	(176,531)
Disbursements of long-term loan		(31,624)	(219,613)
Net cash used in investing activities		<u>(1,815,349)</u>	<u>(3,325,124)</u>
Cash flows from financing activities			
Proceeds from loans and borrowings		15,438,750	3,287,625
Repayments of loans and borrowings		(15,861,608)	(3,316,332)
Repayment of finance leases		(538,119)	(46,921)
Dividend paid		(65)	(437,272)
Net cash used in financing activities		<u>(961,042)</u>	<u>(512,900)</u>
Net (decrease) increase in cash and cash equivalents		<u>(947,627)</u>	<u>105,450</u>
Cash and cash equivalents at beginning of the year	16	1,263,713	1,158,263
Cash and cash equivalents at end of the year	16	<u>316,086</u>	<u>1,263,713</u>
Supplemental schedule of non-cash information			
Zakat and tax reimbursable from shareholders		<u>100,919</u>	<u>236,158</u>
Addition to property, plant and equipment through accrued expenses and other liabilities		<u>103,455</u>	<u>147,055</u>
Long-term loan repayments settled against capacity payments		<u>410,195</u>	<u>388,009</u>
Addition to intangible assets through property, plant and equipment	14	<u>405,840</u>	<u>-</u>
Addition to right-to-use assets	13	<u>12,360,955</u>	<u>-</u>

The accompanying notes 1 to 28 form an integral part of these financial statements.

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 (the Complex), including the manufacturing and sales of refined and petrochemical products.

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

During the three-month period ended March 31, 2015, the Company acquired the Expansion Project of its existing integrated petroleum refining and petrochemical complex ("Phase II Expansion Project") from Saudi Arabian Oil Company and Sumitomo Chemical Company Limited (Founding shareholders of the Company), upon completion of the formalities underlying the novation of relevant contracts and recognizes of precedent conditions. The aggregate cost of the Phase II Expansion Project was estimated at Saudi Riyals 39 billion. The Company commenced commercial operations of the Phase II Expansion Project effective October 31, 2019. Also see Note 12.

2 Basis of preparation

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by Saudi Organization for Certified Public Accountants (SOCPA) in the Kingdom of Saudi Arabia as well as other standards and pronouncements issued by SOCPA (collectively referred to as "IFRS as endorsed in KSA").

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

2.1 New standards, interpretations and amendments

Standards, interpretations and amendments adopted

IFRS 16 – Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

The Company adopted IFRS 16 using the simple modified method of adoption with the date of initial application of January 1, 2019 and therefore comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. Under this method, the lease liability is measured based on the remaining lease payments discounted using the incremental borrowing rate as of the date of initial application; and the carrying amount of the right-of-use asset is an amount equal to the carrying amount of the lease liability on the date of initial application. Any prepayments, accruals or lease incentives relating to previous operating lease are adjusted against the right of use asset at the initial application date.

The Company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets'). In addition, the Company has also used practical expedients to apply a single discount rate to a portfolio of leases with similar characteristics and excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

2 Basis of preparation (continued)

Reconciliation of lease liability

At the date of initial application, the Company recognizes additional right-of-use asset and lease liability of SAR 12,345 million. The weighted average rate applied is 3.28%.

The following table represent the lease reconciliation as at January 1, 2019.

Minimum lease payments	17,763,867
<i>Recognition exemptions:</i>	
Short-term leases	(1,604)
Leases of low value assets	(5,616)
Effect of discounting using the incremental borrowing rate	(5,411,833)
Liabilities additionally recognizes based on application of IFRS 16	12,344,814
Liabilities for leased assets acquired under finance lease	483,116
Total lease liabilities	12,827,930

Impact on comprehensive income

During the year ended December 31, 2019, due to the adoption of IFRS 16 – leases, the Company's operating profit has improved by Saudi Riyals 220 million, by way of decrease in operating lease rentals by Saudi Riyals 912 million and increase in depreciation expense by Saudi Riyals 692 million, whereas interest expense has increased by Saudi Riyals 404 million.

Standards, interpretations and amendments issued but not yet effective

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

<i>Standard / Interpretation</i>	<i>Description</i>	<i>Effective from periods beginning on or after the following date</i>
Conceptual Framework	Amendments to References to Conceptual Framework in IFRS Standards	January 1, 2020
IFRS 3	Definition of a Business (amendments to IFRS 3)	January 1, 2020
IAS 1 and IAS 8	Definition of Material (amendments to IAS 1 and IAS 8)	January 1, 2020
IFRS 17	Insurance contracts	January 1, 2021
IFRS 10 and IAS 28	Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	Available for optional adoption / effective date deferred indefinitely

The standards, interpretations and amendments with effective date of January 1, 2020 will not have any material impact on the Company's financial statements, whereas for other above mentioned standards, interpretations and amendments, the Company is currently assessing the implications on the Company's financial statements on adoption.

2.2 Critical accounting estimates and judgments

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

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

2 Basis of preparation (continued)

Business model for managing financial assets

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

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

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

Contractual cash flows of financial assets

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

Defined benefit plan

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

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

Useful lives of property, plant and equipment

The Company exercises judgement in determining 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. The Company reviews the residual value and useful lives annually and future depreciation charges are adjusted where the Company believes the useful lives differ from previous estimates.

During the year ended December 31, 2019, the Company reviewed the estimated useful lives of property, plant and equipment. Based on an independent technical assessment, advice from the Company's technical teams and comparable market practices, the estimated useful lives of property, plant and equipment have been revised by the Company as follows:

	Upto December 31, 2018	Effective January 1, 2019
	Number of years	
Buildings and infrastructure	8-25	12-50
Plant, machinery and operating equipment	2-23	2-40
Vehicle and related equipment	3-6	6-25
Furniture and IT equipment	3-14	5-14

The change in estimated useful lives has resulted in decrease in depreciation and increase in operating profit for the year ended December 31, 2019 by Saudi Riyals 827 million.

2 Basis of preparation (continued)

Extension options for leases

In case of lease contracts where extension options are also available to the Company, judgement is applied in evaluating whether it is reasonably certain to exercise the option. The Company reassesses whether it is reasonably certain to exercise the extension options, upon the occurrence of either a significant event or significant change in circumstances that are within the control of the Company.

Going concern

As at December 31, 2019, the Company's current liabilities exceed the current assets by Saudi Riyals 16,426 million, primarily due to the equity bridge loan amounting to Saudi Riyals 11,250 million, falling due on July 1, 2020, backed by the founding shareholders' guarantees (see Note 15.3).

The Board of Directors of the Company has assessed the ability of the Company to continue as a going concern and is not aware of any material uncertainties that may cast significant doubt and is satisfied that it has the resources to continue in business for the foreseeable future. Therefore, the financial statements of the Company continue to be prepared on going concern basis.

Impairment of non-financial assets

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

3 Summary of significant accounting policies

(a) Current versus non-current classification

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

- Expected to be realised or intended to 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.

3 Summary of significant accounting policies (continued)

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

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

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

(c) Revenue recognition

Contracts with customers

The Company recognises revenue from contracts with customers based on a five-step model as set out in IFRS 15 and is given below:

Step 1 – Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met;

Step 2 – Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer;

Step 3 – Determine the transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties;

Step 4 – Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

Step 5 – Recognize revenue when (or as) the entity satisfies a performance obligation.

The Company satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- The Company's performance does not create an asset with an alternate use to the Company and the Company has an enforceable right to payment for performance completed to date;
- The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced;
- The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs.

For performance obligations where none of the above conditions are met, revenue is recognised at the point in time at which the performance obligation is satisfied.

Revenue in respect of sale of refined and petrochemical products and port services is recognised over the period as per the related offtake and other agreements with the customers. Transfer of refined and petrochemical products to customers is considered as series of distinct goods and the Company uses output method to measure the progress towards complete satisfaction or performance obligation. The Company has further used IFRS 15 practical expedient of right to invoice, and revenue is booked on monthly basis in respect of goods and services for which the Company has a right to invoice as per the related agreements.

3 Summary of significant accounting policies (continued)

Variable consideration is estimated based on expected value method. Revenue is recorded net of trade discounts, volume rebates and deductibles. Consideration payable to a customer is recognised as a reduction of the transaction price unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the Company. If consideration payable to the customer is a payment for a distinct good or service from the customer, then the Company records such purchase of the good or service in the same way that it accounts for other purchases from suppliers.

Revenue from port services is recognised when services were rendered.

Dividends

Dividends are recognised when:

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

Interest income

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

(d) Foreign currencies

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

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

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

(e) Property, plant and equipment

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

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditures are recognized in the statement of profit or loss when incurred. Spare parts that are considered essential to ensure continuous plant operation whose useful lives are more than one year are capitalized and classified as plant, machinery and operating equipment.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Expenditures incurred on testing and inspections, which are carried normally every 4 years, are capitalized as part of the respective items of property, plant and equipment and amortized over the period of four years. All other repair and maintenance costs are recognized in the statement of profit or loss as incurred.

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

3 Summary of significant accounting policies (continued)

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 (see Note 2.2):

	Number of years
Buildings and infrastructure	12-50
Plant, machinery and operating equipment	2-40
Vehicle and related equipment	6-25
Furniture and IT equipment	5-14

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

(f) Leases

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a lease liability at the commencement date of the lease (i.e., the date the underlying asset is available for use). The right-of-use asset is initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date, any initial direct costs incurred and an estimate of costs to dismantle, less any lease incentive received. The estimated useful life of right-of-use assets are determined on the same basis as those of property, plant and equipment, except for leasehold land for which the estimated useful life is considered to be the lease term.

The lease liability is initially measured at the present value of the lease payments to be made over the lease term, discounted using the Company's incremental borrowing rate (if the interest rate implicit in the lease is not available). Lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. Any such re-measurement in the lease liability is adjusted against the carrying value of the right-of-use asset or charged to profit or loss if carrying value of the related asset is zero.

Short-term leases and leases of low-value assets

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less, and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(g) Intangible assets

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

Software and licenses

Software and licenses procured for various business use and having finite useful lives are presented as intangible assets. Software and licenses are amortized on a straight-line basis over their estimated useful lives of 5 years and 12-22 years, respectively.

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

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

(h) Borrowing costs

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

3 Summary of significant accounting policies (continued)

(i) Financial instruments

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

Recognition and derecognition of financial instruments

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

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

Classification of financial instruments

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

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

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

The Company classifies its financial liabilities as those measured at amortized cost. The classification of financial assets is defined in Note 15.

Measurement

Financial instruments at fair value through profit or loss are recognised initially at fair value with transaction costs recognised in the statement of profit or loss as incurred. All other financial instruments are recognised initially at fair value plus directly attributable transaction costs. The Company initially measures the trade receivable at the transaction price as the trade receivable do not contain a significant financing component.

Financial instruments measured at amortized cost

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

Financial instruments measured at fair value through profit or loss

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

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

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

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

3 Summary of significant accounting policies (continued)

Offsetting

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

(j) Impairment

Financial assets

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

(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 such as adverse changes in the payment status of borrowers or issuers in the Company, or economic conditions that correlate with defaults in the Company.

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

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

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

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

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

3 Summary of significant accounting policies (continued)

Non-financial assets

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

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

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

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

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

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

(k) Trade receivables

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

(l) Inventories

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

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

(m) Cash and cash equivalents

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

(n) Time deposits

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

3 Summary of significant accounting policies (continued)

(o) Zakat and Tax

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

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

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

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

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

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

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

(p) Employees' benefits

End of service benefits

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

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

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

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

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

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

Employees' savings program

The Company operates a thrift savings program (the "program") on behalf of its employees and the Company matches the employee contribution with an equal, or lesser, contribution towards the program that is commensurate with the employee's participation seniority in the program. Participation in the program by the regular employees who have completed their probationary period is optional and employees may choose the option to invest or not to invest in the program. The contributions from the Company are recognized as employees' 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.

3 Summary of significant accounting policies (continued)

Employees' Share Ownership Plan (ESOP)

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

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

(q) Segment reporting

Operating segment

An operating segment is group of assets and operations:

- (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.

(r) Provisions

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

4 Agreements with founding shareholders

The founding shareholders of the Company are Saudi Arabian Oil Company ("Saudi Aramco") and Sumitomo Chemical Company Limited ("Sumitomo Chemical"), each having 37.5% equity interest in the share capital of the Company. The Company has entered into various agreements with founding shareholders including among others, the following:

4.1 Crude oil feedstock supply agreement

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

4.2 Ethane feedstock supply agreement

On January 28, 2006, the Company entered into an Ethane Feedstock Supply Agreement with Saudi Aramco for the supply to the Company of its ethane feedstock requirements in respect of the Complex, up to a maximum supply of 125 million standard cubic feet per day (MMSCFD). The price at which Saudi Aramco sells the ethane feedstock to the Company is the price commonly applied by Saudi Aramco to industrial customers in the Kingdom. The Ethane Feedstock Supply Agreement is valid for 20 years commencing from December 1, 2008.

4.3 Butane feedstock supply agreement

On January 28, 2006, the Company entered into a Butane Feedstock Supply Agreement with Saudi Aramco for the supply to the Company of its butane feedstock requirements in respect of the Complex, up to a maximum supply of 12,000 barrels per day (bpd). The price at which Saudi Aramco sells the butane feedstock to the Company is the price commonly applied by Saudi Aramco to its industrial customers in the Kingdom. The Butane Feedstock Supply Agreement is valid for 20 years commencing from December 1, 2008.

RABIGH REFINING AND PETROCHEMICAL COMPANY**(A Saudi Joint Stock Company)****Notes to the financial statements for the year ended December 31, 2019****(All amounts in thousands of Saudi Riyals unless otherwise stated)**

4 Agreements with founding shareholders (continued)**4.4 Fuel oil supply agreement**

On July 7, 2006 as amended on March 16, 2015, the Company entered into a Fuel Oil Supply Agreement with Saudi Aramco for the supply of fuel oil up to a maximum of 20 MBD monthly which the Company would, in turn, supply to Rabigh Arabian Water and Electricity Company (RAWEC) for use as fuel for the provision of certain utilities to the Company. The price at which Saudi Aramco sells the fuel oil to the Company is the government established price prevailing on the date of product delivery to the Company. The agreement is valid for 25 years commencing from February 15, 2018.

4.5 Phase I Refined products offtake agreement

On June 13, 2019, the Company entered into a Phase I Refined Products Offtake Agreement (RPOA) with Saudi Aramco as a "Buyer" of certain refined products listed therein produced by the Complex. The RPOA is valid for 5 years commencing from May 1, 2019, and is further extendable for another 5 year period.

4.6 Sulphur and Refined Products lifting and marketing agreement

On June 13, 2019, the Company entered into a Sulphur and Refined Products Lifting and Marketing Agreement (SRPLMA) with Saudi Aramco as a global "marketer" of certain refined products listed therein produced by the Complex. The SRPLMA is valid for 5 years commencing from May 1, 2019, and is further extendable for an additional 5 year period.

4.7 Liquefied Petroleum Gas and Light Naphtha lifting and marketing agreements

On March 16, 2015, the Company entered into Liquefied Petroleum Gas and Light Naphtha Lifting & Marketing Agreements with the founding shareholders as global "Marketers" of liquefied petroleum gas and light naphtha from the Complex. The agreements are valid for 10 years commencing from November 30, 2018 and are further extendable for an additional 5 year period.

4.8 Refined products lifting and marketing agreement

On March 11, 2006, the Company entered into a Refined Products Lifting & Marketing Agreement (RPLMA) with Saudi Aramco as sole global "Marketer" of refined products produced by the Complex. The RPLMA's initial 10-year term was extended until April 30, 2019. Effective May 1, 2019, the Phase I refined products are being sold pursuant to the RPOA and SRPLMA.

4.9 Phase I Petrochemical products marketing agreement

On March 11, 2006 as amended on April 1, 2014, the Company entered into the Petrochemical Products Marketing Agreements (PPMA) with Saudi Aramco and Sumitomo Chemical Asia PTE Limited as global "Marketers" of Phase I petrochemical products produced by the Complex. The PPMA's are valid for 10 years commencing from April 1, 2014, and are further extendable for another two consecutive 5 year periods. Pursuant to an Assignment and Assumption Agreement dated March 28, 2017, Saudi Aramco assigned its rights and obligations under its respective PPMA's to its affiliate, Saudi Aramco Products Trading Company (ATC).

4.10 Phase II Petrochemical products marketing agreements

On March 16, 2015, the Company entered into Petrochemical Products Marketing Agreements with Saudi Aramco and Sumitomo Chemical Asia PTE Limited as global "Marketers" of Phase II petrochemical products produced by the Complex. The agreements are valid for 10 years commencing from the accumulated production date and is further extendable for another 5 years.

4.11 Domestic distribution agreement

The Company entered into a Domestic Distribution Agreement (DDA) with ATC as local "Distributor". Pursuant to the terms of the DDA, the Company supplies certain petrochemical products to ATC for onward sale and distribution within the Kingdom. The supply and distribution obligations of each party with respect to a given product will terminate upon the expiration or termination of the global product lifting and marketing agreement corresponding to the same product.

4.12 Technology license agreements

The Company has entered into certain technology licence agreements with Sumitomo Chemical as "Licensor". Pursuant to these agreements, the Company licenses the relevant technologies to be used in the process units for particular products. The agreements will remain valid for a period of 15 years commencing on the license grant effective date (as so notified to the Company by Sumitomo Chemical).

4 Agreements with founding shareholders (continued)

4.13 Credit facility agreement

On March 18, 2006, the Company entered into a Credit Facility Agreement (CFA) with its founding shareholders. Pursuant to the terms of the CFA, the founding shareholders have made a loan facility of up to a maximum aggregate amount of Saudi Riyals 6,206 million available to the Company, for the purposes of developing, designing and constructing the Complex.

4.14 Land lease agreement

On November 1, 2005 as amended and restated on March 16, 2015, the Company entered into a Land Lease Agreement with Saudi Aramco. Pursuant to the terms of the Land Lease Agreement, Saudi Aramco leases approximately 20 million square meters of land to the Company at a rate of Saudi Riyal 1 per square meter per annum, for a period of 99 years, subject to extension for additional consecutive periods as may be agreed between the parties.

4.15 Land lease and infrastructure usage agreement

On May 1, 2012, the Company entered into a Land Lease and Infrastructure Usage Agreement (LLIUA) with Saudi Aramco and Rabigh Conversion Industry Management Services Company (RCIMS) (an affiliate of Sumitomo Chemical). Pursuant to the terms of the LLIUA, for an annual fee of Saudi Riyals 6 per square meter, the Company leases approximately 200,000 square meters of land located within the Rabigh Plus Tech Park Site and is granted the right to access and use the industrial park infrastructure. The agreement is valid for a period of 30 years commencing from July 1, 2012, subject to renewal as agreed between the parties.

4.16 Terminal lease agreement

On March 2, 2006, the Company entered into a Terminal Lease Agreement with Saudi Aramco in respect of the existing Rabigh Marine Terminal. Pursuant to the terms of this agreement, Saudi Aramco grants to the Company an exclusive right to use and operate the Rabigh Terminal Facilities and the Rabigh Terminal Site for a period of 30 years.

4.17 Rabigh community agreement

The Company has entered into a Rabigh community agreement with Saudi Aramco, effective October 1, 2014 for a term of 25 years, in respect of leases of land and infrastructure facilities at an annual rate of Saudi Riyals 16.5 million and Saudi Riyals 18.2 million, respectively.

4.18 Secondment agreements

On June 12, 2006 and July 1, 2006, the Company entered into Secondment Agreements with Saudi Aramco and Sumitomo Chemical respectively pursuant to which, the founding shareholders may, from time to time, second certain personnel to the Company to assist in the conduct of its business and operations. Each agreement will remain valid until such time as the relevant founding shareholder ceases to be a shareholder of the Company.

4.19 Services agreements

The Company has entered into certain services agreements with the founding shareholders and their affiliates in respect of various operational and logistical support services. These agreements cover the provision of support services to and by the Company such as human resources, training and recruitment, legal, utilities, information technology, general management, technical and pre-marketing support. These agreements also cover the ongoing technical support needed for continuous operations, being provided by Saudi Aramco, the ongoing enhancements (such as refining and petrochemical process know-how) being provided by Sumitomo Chemical and the marketing technical services, engineering and safety best practices and training being provided by both founding shareholders. The Company pays for these services at the mutually agreed prices specified in each agreement.

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 Management Committee (collectively considered to be the Chief Operating Decision Maker) monitors the operating results of its operating segments for the purpose of making decisions about resource allocation and performance assessment. The Company's segment profit measure is operating profit (loss).

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5 Segment information (continued)

The Company's operating segments comprise of refined products and petrochemicals. Information as of and for the year ended December 31, is summarized below:

2019	Refined products	Petrochemicals	Total
Sales – external customers	25,876,797	8,185,178	34,061,975
Depreciation and amortization	513,893	1,878,494	2,392,387
Operating (loss) profit	(116,890)	556,219	439,329

2018	Refined products	Petrochemicals	Total
Sales – external customers	31,447,298	9,550,893	40,998,191
Depreciation and amortization	754,260	1,678,835	2,433,095
Operating (loss) profit	(904,240)	1,920,247	1,016,007

2019	Refined products	Petrochemicals	Unallocated	Total
Total assets	23,160,458	49,961,151	908,039	74,029,648
Total liabilities	17,379,094	45,300,223	1,308,924	63,988,241
Capital expenditure	606,719	3,341,906	-	3,948,625

2018	Refined products	Petrochemicals	Unallocated	Total
Total assets	22,552,249	37,705,403	3,836,315	64,093,967
Total liabilities	13,059,778	40,218,677	273,492	53,551,947
Capital expenditure	323,631	2,752,404	-	3,076,035

The Company's revenue from external customers involve Saudi Riyals 33,873 million (December 31, 2018: Saudi Riyals 39,920 million) of revenue generated from 5 customers in the year ended December 31, 2019 (December 31, 2018: 3 customers).

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

2019	Middle East	Asia Pacific	Others	Total
Sales				
Refined products	25,876,797	-	-	25,876,797
Petrochemicals	2,232,593	5,886,818	65,767	8,185,178
Total	28,109,390	5,886,818	65,767	34,061,975
2018	Middle East	Asia Pacific	Others	Total
Sales				
Refined products	31,447,298	-	-	31,447,298
Petrochemicals	2,946,866	6,284,635	319,392	9,550,893
Total	34,394,164	6,284,635	319,392	40,998,191

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

5.2 Adjustments

Financial charges, financial income, Zakat and Tax, cash and cash equivalents, time deposits and certain assets and liabilities are not allocated to operating segments as they are managed on a Company-wide basis.

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

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5 Segment information (continued)

5.3 Reconciliation of (loss) profit

	Notes	2019	2018
Operating profit		439,329	1,016,007
Financial charges	10	(1,022,440)	(465,765)
Financial income		264,095	302,832
(Loss) profit before Zakat and Tax		(319,016)	853,074
Zakat	24	(140,543)	(44,141)
Tax	24	(84,592)	(140,373)
(Loss) profit after Zakat and Tax		(544,151)	668,560

6 Cost of sales

	Notes	2019	2018
Raw materials, crude oil and spare parts consumed		28,783,308	34,461,554
Depreciation	12, 13	2,246,480	2,321,577
Utilities consumed	2.1, 13	313,284	971,652
Personnel costs		751,214	640,114
Repair and maintenance		296,208	310,287
Contracted services		65,362	73,311
Amortization	14	17,091	11,360
Insurance		46,818	36,900
Provision for slow moving spare parts and consumables	18	8,477	22,491
Lease rentals	2.1, 13	-	16,721
Other overheads		23,079	24,797
		32,551,321	38,890,764
Changes in inventories of finished goods, raw materials and spare parts and consumables used		(207,257)	(207,614)
		32,344,064	38,683,150

7 Other income, net

	2019	2018
Port services	48,223	49,861
Gain on sale of scrap sales	31,960	32,501
Miscellaneous income	9,753	30,766
Loss on disposal of property, plant and equipment	(672)	(21,769)
Other expenses	(1,122)	(2,775)
	88,142	88,584

8 Selling and marketing expenses

	2019	2018
Freight charges	110,643	75,532
Deductibles (see below)	282,254	360,379
Others	13,583	3,663
	406,480	439,574

Deductibles mainly comprise of handling charges, insurance, customs and storage charges for inventories.

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9 General and administrative expenses

	Notes	2019	2018
Personnel costs		602,600	611,260
Depreciation	12,13	122,931	98,284
Repair and maintenance		73,908	71,496
Impairment loss on receivables	26	2,581	73
IT, networking and data communication		64,936	65,696
Amortization	14	5,885	1,874
Travelling		8,558	19,302
Rent		2,179	15,736
Professional fees		23,536	7,750
Insurance		1,594	3,962
Stationery, telex and telephone		7,673	5,308
Others		43,863	47,303
		960,244	948,044

10 Financial charges

	2019	2018
Interest on loans and borrowings	580,675	425,870
Interest on finance leases	433,032	29,672
Others	8,733	10,223
	1,022,440	465,765

11 (Loss) earnings per share

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

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

	2019	2018
Net (loss) profit for the year for basic and dilutive earnings per share	(544,151)	668,560
Weighted average number of shares outstanding during the year (thousands)	876,000	876,000
Adjustment for the effect of dilution in weighted average number of shares outstanding during the year due to ESOP (thousands)	227	295
Basic and diluted (loss) earnings per share (Saudi Riyals)	(0.62)	0.76

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12 Property, plant and equipment

	Notes	Buildings and infrastructure	Plant, machinery and operating equipment	Vehicles and related equipment	Furniture and IT equipment	Capital projects in progress	Total
Cost							
January 1, 2018		4,743,175	32,718,774	89,867	334,096	24,183,360	62,069,272
Additions		-	116,633	-	-	2,958,238	3,074,871
Transfers		13,067	186,874	-	15,012	(214,953)	-
Disposals		(1,922)	(46,249)	(46,500)	(42,166)	-	(136,837)
December 31, 2018		4,754,320	32,976,032	43,367	306,942	26,926,645	65,007,306
Additions		-	370,563	-	-	3,172,222	3,542,785
Transfers from Phase II Expansion Project							
- Within property, plant and equipment	1, 12.1, 12.2	5,868,783	20,836,441	-	247,413	(26,952,637)	-
- Intangible assets	1, 14	-	-	-	-	(369,574)	(369,574)
Other transfers							
- Within property, plant and equipment	14	89,018	135,359	-	6,941	(231,318)	-
- Intangible assets		-	-	-	-	(36,266)	(36,266)
Disposals		(86)	(22,038)	-	-	-	(22,124)
December 31, 2019		10,712,035	54,296,357	43,367	561,296	2,509,072	68,122,127
Accumulated depreciation							
January 1, 2018		2,263,893	15,528,366	76,909	228,617	-	18,097,785
Charge for the year		240,780	2,129,645	4,873	20,977	-	2,396,275
Released on disposals		(1,922)	(28,495)	(46,500)	(38,151)	-	(115,068)
December 31, 2018		2,502,751	17,629,516	35,282	211,443	-	20,378,992
Charge for the year		104,680	1,523,522	1,042	24,536	-	1,653,780
Released on disposals		(69)	(21,383)	-	-	-	(21,452)
December 31, 2019		2,607,362	19,131,655	36,324	235,979	-	22,011,320
Carrying Value:							
At December 31, 2019		8,104,673	35,164,702	7,043	325,317	2,509,072	46,110,807
At December 31, 2018		2,251,569	15,346,516	8,085	95,499	26,926,645	44,628,314

12 Property, plant and equipment (continued)

Depreciation for the year has been allocated as follows:

	Notes	2019	2018
Cost of sales	6	1,588,100	2,315,340
General and administrative expenses	9	65,680	80,935
		1,653,780	2,396,275

12.1 Capitalization of borrowing costs

During the year ended December 31, 2019, upto the date of commencement of commercial operations of Phase II Expansion Project (see Note 1), the Company had capitalized borrowing costs amounting to Saudi Riyals 976 million (2018: Saudi Riyals 927.3 million) as part of Phase II Expansion Project.

12.2 Pre-commissioning (loss) income

During the year ended December 31, 2019, upto the date of commencement of commercial operations of Phase II Expansion Project (see Note 1), pre-commissioning loss amounting to Saudi Riyals 514.8 million (2018: pre-commissioning income amounting to Saudi Riyals 961.6 million) was included as part of Phase II Expansion Project.

13 Leases

13.1 Right-of-use assets

	Land, buildings and infrastructure	Plant and machinery	Vehicles	Total
Cost				
December 31, 2018 and January 1, 2019	514,535	106,015	-	620,550
Additions (see Note 2.1)	719,910	11,554,823	86,222	12,360,955
December 31, 2019	1,234,445	11,660,838	86,222	12,981,505
Accumulated depreciation				
January 1, 2018	145,498	57,692	-	203,190
Charge for the year	17,350	6,236	-	23,586
December 31, 2018	162,848	63,928	-	226,776
Charge for the year	35,032	652,980	27,619	715,631
December 31, 2019	197,880	716,908	27,619	942,407
Carrying value				
At December 31, 2019	1,036,565	10,943,930	58,603	12,039,098
At December 31, 2018	351,687	42,087	-	393,774

Depreciation for the year has been allocated as follows:

	Notes	2019	2018
Cost of sales	6	658,380	6,237
General and administrative expenses	9	57,251	17,349
		715,631	23,586

13.2 Lease liabilities

Lease liabilities at December 31 are as follows:

	2019		2018	
	Minimum lease payments	Interest	Present value of minimum lease payments	Present value of minimum lease payments
Land, buildings and infrastructure	2,791,802	1,663,215	1,128,587	428,704
Plant and machinery	14,752,436	3,634,822	11,117,614	54,412
Vehicles	64,144	4,393	59,751	-
	17,608,382	5,302,430	12,305,952	483,116

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13 Leases (continued)

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

	2019	2018
Current portion	555,352	19,540
Non-current portion	11,750,600	463,576
	12,305,952	483,116

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

	2019	Present value of minimum lease payments	2018	Present value of minimum lease payments
	Minimum lease payments		Minimum lease payments	
Within twelve months	969,018	555,352	46,997	19,540
One to five years	3,826,524	2,340,082	188,016	83,739
More than five years	12,812,840	9,410,518	571,503	379,837
Total minimum lease payments	17,608,382	12,305,952	806,516	483,116
Less: finance charges	(5,302,430)	-	(323,400)	-
Present value of minimum lease payments	12,305,952	12,305,952	483,116	483,116

Details of major classes of leases is as follows:

(a) Land, building and infrastructure

- (i) **Community:** The land and facilities lease for community is with Saudi Aramco for a period of 25 years (see Note 4.17). As at December 31, 2019, the undiscounted minimum lease payments for land and facilities are Saudi Riyals 326.5 million and Saudi Riyals 345.1 million respectively.
- (ii) **Marine Terminal:** The land and facilities lease for marine terminal is with Saudi Aramco for a period of 30 years (see Note 4.16). As at December 31, 2019, the undiscounted minimum lease payments for land and facilities are Saudi Riyals 15.2 million and Saudi Riyals 358.6 million respectively.
- (iii) **Complex Land:** The Complex land lease is with Saudi Aramco for a period of 99 years (see Note 4.14). As at December 31, 2019, the undiscounted minimum lease payments are Saudi Riyals 1,719.4 million.
- (iv) **Rabigh Plus Tech Park Land:** The Rabigh Plus Tech Park land lease is with Saudi Aramco and Rabigh Conversion Industry Management Company (RCIMS) for a period of 30 years (see Note 4.15). As at December 31, 2019, the undiscounted minimum lease payments are Saudi Riyals 27 million.

(b) Plant and machinery

- (i) **Power, steam and water:** The lease is with Rabigh Arabian Water and Electricity Company (RAWEC) for a period of 25 years. As at December 31, 2019, the undiscounted minimum lease payments are Saudi Riyals 14,696.6 million.
- (ii) **Desalination plant:** The Company has taken over the interest and obligations of Saudi Aramco in respect of the Desalination plant for the Refinery Complex, with a remaining term of 17 years. As at December 31, 2019, the undiscounted minimum lease payments are Saudi Riyals 55.9 million.

(c) Vehicles

The Company has leases with Eradat Transport LLC and Al Jomaih Automotive Company for leases of buses and vehicles for a period of 5 years. As at December 31, 2019, the undiscounted minimum lease payments are Saudi Riyals 64.1 million.

- 13.3** During the year ended December 31, 2019, the Company's expenses relating to short-term leases and low value assets are Saudi Riyals 954 thousands and Saudi Riyals 3,166 thousands respectively.

14 Intangible assets

	Softwares	Licenses	Other	Total
Cost				
January 1, 2018	232,205	209,114	5,154	446,473
Additions	1,164	-	-	1,164
December 31, 2018	233,369	209,114	5,154	447,637
Additions (see Note 12)	184,628	221,212	-	405,840
December 31, 2019	417,997	430,326	5,154	853,477
Amortization				
January 1, 2018	227,815	95,145	-	322,960
Amortization for the year	2,436	10,798	-	13,234
December 31, 2018	230,251	105,943	-	336,194
Amortization for the year	7,446	15,407	123	22,976
December 31, 2019	237,697	121,350	123	359,170
Carrying value:				
December 31, 2019	180,300	308,976	5,031	494,307
December 31, 2018	3,118	103,171	5,154	111,443

Amortization for the year has been allocated as follows:

	Notes	2019	2018
Cost of sales	6	17,091	11,360
General and administrative expenses	9	5,885	1,874
		22,976	13,234

15 Financial assets and financial liabilities

15.1 Financial assets measured at amortized cost

Long-term loans:	Notes	2019	2018
Loan to RAWEC	15.1.1	3,655,284	4,065,479
Loans to employees	15.1.2	244,709	216,698
Long-term loans		3,899,993	4,282,177
Less: current portion of long-term loans		(450,318)	(420,428)
Non-current portion of long-term loans		3,449,675	3,861,749
Trade receivables	15.1.3	5,364,086	6,004,714

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

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

The loan is settled by offsetting against monthly utilities payments to RAWEC. During the year ended December 31, 2019, loan amounting to Saudi Riyals 410.5 million (2018: Saudi Riyals 388.6 million) have been offset against monthly utility payments to RAWEC amounting to Saudi Riyals 1,210 million (2018: Saudi Riyals 1,198 million).

15 Financial assets and financial liabilities (continued)

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

15.1.3 Trade receivables of the Company are as follows:

	Note	2019	2018
Trade		31,138	112,836
Less: provision for doubtful debts		(28,410)	(28,410)
		2,728	84,426
Related parties	26	5,361,358	5,920,288
		5,364,086	6,004,714

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

	Total	Neither past due nor impaired	Past due but not impaired					More than 24 months impaired
			Less than 6 months	6 to 12 months	12 to 18 months	18 to 24 months	More than 24 months	
Balance	5,392,496	4,952,175	403,011	6,527	442	-	1,931	28,410
Less: Loss allowance	(28,410)	-	-	-	-	-	-	(28,410)
December 31, 2019	5,364,086	4,952,175	403,011	6,527	442	-	1,931	-
December 31, 2018	6,004,714	5,973,936	3,081	20,245	89	207	7,156	-

Financial assets also include cash and cash equivalents (Note 16), time deposits (Note 17) and other receivables (Note 19) that are measured at amortized cost.

15.2 Financial assets measured at fair value through profit and loss

	2019	2018
Investment in RAWEC	16,412	16,412

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

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.

15.3 Financial liabilities measured at amortized cost

Loans, borrowings and other long-term liability

	Notes	2019	2018
Loans from banks and financial institutions:			
Opening balance		35,113,716	35,030,991
Additions		16,647,888	4,389,835
Repayments		(17,088,764)	(4,307,110)
Closing balance	15.3.1	34,672,840	35,113,716
Less: current portion		(16,816,897)	(13,007,494)
Non-current portion		17,855,943	22,106,222
Loans from founding shareholders	15.3.3	5,751,130	5,555,980
Other long-term liability	15.3.4	30,950	25,815
Total non-current portion		23,638,023	27,688,017
Trade and other payables	15.3.5	9,401,638	10,163,333

15 Financial assets and financial liabilities (continued)

15.3.1 Loans from banks and financial institutions

The Company entered into Consortium Loan Agreements with commercial banks and financial institutions for development, design, and construction of integrated refining and petrochemical complex. The facilities available under these Consortium Loan Agreements have been utilized in full by July 2008. The loan is repayable in semi-annual instalments from June 2011 to December 2021.

During the year ended December 31, 2015, the Company further entered into Consortium Loan Agreements with commercial banks and financial institutions for Phase II Expansion Project. The facilities available under these loan agreements amount to Saudi Riyals 30,630 million which have been utilized in full by the Company by December 31, 2019. The loan amounting to Saudi Riyals 19,380 million are repayable in semi-annual instalments from June 2019 to June 2031, whereas the loan amounting to Saudi Riyals 11,250 million had initial maturity of July 1, 2019, which during the year ended December 31, 2019, has been rescheduled to July 1, 2020.

The aforementioned loans are denominated in US Dollar and Saudi Riyal 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 46,111 million and Saudi Riyals 316 million, respectively.

During the year ended December 31, 2015, the Company entered into a working capital facility of Saudi Riyals 1,875 million with a local commercial bank on prevailing market rates. During the year ended December 31, 2019, drawdowns and repayments amounting to Saudi Riyals 13,076 million and Saudi Riyals 11,783 million, respectively have been made by the Company with a closing balance of Saudi Riyals 1,293 million as at the statement of financial position date (December 31, 2018: Saudi Riyals Nil).

15.3.2 Loan from Saudi Industrial Development Fund (SIDF)

During the three-month period ended December 31, 2019, the Company has entered into a loan agreement with SIDF to replace a portion of the loans for Phase II Expansion Project (also see Note 15.3.1). The facility available under this loan agreement amounts to Saudi Riyals 3,600 million and is unutilized as at December 31, 2019. The loan is repayable in unequal semi-annual instalments commencing from Rabi Aakhir 1443H corresponding to November 2021 to Shawwal 1453H corresponding to January 2032. Upfront fees amounting to Saudi Riyals 288 million will be deducted at the time of receipt of the loan and will be amortised over the loan term. The loan also bears a follow up fee to be paid on semi-annual basis. The loan has certain covenants which among other things requires certain financial ratios to be maintained. The loan facility is secured by a mortgage on the property, plant and equipment of the Company amounting to Saudi Riyals 7,200 million.

15.3.3 Loans from founding shareholders

	2019	2018
Loans:		
Saudi Aramco	2,287,500	2,287,500
Sumitomo Chemical	2,287,500	2,287,500
Accumulated interest:		
Saudi Aramco	588,065	490,490
Sumitomo Chemical	588,065	490,490
	5,751,130	5,555,980

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.

15.3.4 Other long-term liability

Other long-term liability represents withholding tax on accumulated interest on loan from Sumitomo Chemical (see Note 15.3.3) in accordance with Saudi Arabian Income Tax Law.

15 Financial assets and financial liabilities (continued)

15.3.5 Trade and other payables

	2019	2018
Trade payables:		
- Related parties	8,249,720	8,837,625
- Others	1,076,664	1,260,690
	9,326,384	10,098,315
Other payables – related parties (see below)	75,254	65,018
	9,401,638	10,163,333

Other payables principally relate to payments made by founding shareholders on behalf of the Company in respect of seconded employees and other charges (see Note 4.18 and 4.19).

15.4 Financial instruments risk management objectives and policies

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

Risk management structure

Board of Directors

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

Audit committee

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

Internal audit

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

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

Credit risk

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

Credit risk principally arises from cash and cash equivalents, time deposits, trade receivables, long-term loans and other receivables. Cash and cash equivalents and time deposits are placed with banks with sound credit ratings. The majority of trade receivables representing 99.9% (2018: 98.6%) is from founding shareholders with historically strong credit ratings, and is stated at respective realizable values. In the event of disagreement on any invoice, the marketer is required to pay the full value of the invoice prior to resolution of the disagreement. The Company does not obtain collaterals over receivables. As at December 31, 2019, there were overdue debts equivalent to 8% (2018: 1%) of the trade receivables of Company's allowed credit periods. The loans are receivable from utility service provider and employees and are secured by utility payments and mortgages on the related housing units, respectively. The Company is not exposed to significant credit risk on other receivables.

Commodity price risk

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

15 Financial assets and financial liabilities (continued)

Fair value and cash flow interest rate risks

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

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

Interest rate sensitivity

As at December 31, 2019, it is estimated that a general increase / decrease of 50 basis points in floating interest rates on time deposits, loans and borrowings, with all other variables held constant, would increase / decrease the Company's net profit for the year by approximately Saudi Riyals 196.1 million (2018: Saudi Riyals 189.9 million).

Currency risk

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

Liquidity risk

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

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

The Company's financial liabilities consist of trade and other payables (Note 15.3.5), loans and borrowings (Note 15.3.1, 15.3.2, 15.3.3 and 15.3.4), lease liabilities (Note 13.2) and accrued expenses and other liabilities (Note 23). All financial liabilities except for loans and borrowings, lease liabilities, are non-commission bearing and expected to be settled within 12 months from the date of statement of financial position.

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

	Less than three months	Three to twelve months	One to five years	Over five years
2019				
Loans and borrowings	1,316,618	16,250,100	10,305,640	16,129,310
Lease liabilities	241,894	727,124	3,826,524	12,812,840
Trade and other payables	8,247,854	1,153,784	-	-
Accrued expenses and other liabilities	1,157,008	-	-	-
	10,963,374	18,131,008	14,132,164	28,942,150
	Less than three months	Three to twelve months	One to five years	Over five years
2018				
Loans and borrowings	-	14,042,649	13,410,055	18,312,495
Lease liabilities	11,716	35,281	188,016	571,503
Trade and other payables	8,874,067	1,289,266	-	-
Accrued expenses and other liabilities	1,425,990	-	-	-
	10,311,773	15,367,196	13,598,071	18,883,998

Capital management

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

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

RABIGH REFINING AND PETROCHEMICAL COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2019
(All amounts in Saudi Riyals thousands unless otherwise stated)

16 Cash and cash equivalents

	Note	2019	2018
Cash in hand		233	236
Cash at banks - current accounts		315,853	625,977
Short term deposits	17	-	637,500
		316,086	1,263,713

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

17 Time deposits

	Note	2019	2018
Time deposits		-	2,293,105
Less: Deposits with maturity less than three months	16	-	(637,500)
		-	1,655,605

18 Inventories

	2019	2018
Raw materials (at cost)	594,478	440,860
Work-in-progress (at net realizable value)	1,054,430	847,711
Finished goods (at net realizable value)	534,398	808,750
Goods-in-transit (at cost)	32,606	66,512
Spare parts and consumables (at net realizable value)	1,190,313	1,043,612
	3,406,225	3,207,445

During the year ended December 31, 2019, in order to carry the inventory at net realizable value, the net movement in provision for inventory except for spare parts and consumables has resulted in Saudi Riyals nil (December 31, 2018: Saudi Riyals 130.6 million) expense under cost of sales.

Movement in provision for slow moving spare parts and consumables is as follows:

	Note	2019	2018
January 1		80,310	77,412
Additions	6	8,477	22,491
Utilised		-	(19,593)
December 31		88,787	80,310

19 Prepayments and other receivables

	Note	2019	2018
Prepayments		81,156	65,592
Advances to suppliers		383,050	456,841
Deposits		662	662
Advance tax and value added tax		1,154,081	1,135,024
Other receivables, net		16,838	43,945
		1,635,787	1,702,064
Due from related parties	26	347,761	382,424
		1,983,548	2,084,488

20 Share capital

The Company's authorised and issued share capital of Saudi Riyals 8.76 billion at December 31, 2019 and 2018 consists of 876 million fully paid shares of Saudi Riyals 10 each. The founding shareholders of the Company are Saudi Arabian Oil Company (Saudi Aramco) and Sumitomo Chemical Company Limited (Sumitomo Chemical) and each of them hold 37.5% of the shares.

21 Statutory reserve

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

22 Employees' benefits

	Notes	2019	2018
End of service benefits	22.1	524,697	413,395
Employees' share ownership plan	22.2	4,813	6,241
Employees' savings program	22.3	140,340	115,564
Total employees' benefits		669,850	535,200
Less: Current portion of employees' benefits under accrued and other liabilities		(16,346)	(24,699)
Non-current portion of employees' benefits		653,504	510,501

22.1 End of service benefits

	2019	2018
Company's employees	508,816	388,768
Founding shareholders' seconded employees	15,881	24,627
	524,697	413,395

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

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

Net benefit expense recognised in statement of profit or loss:	2019	2018
Current service cost	53,304	50,834
Interest cost on benefit obligation	15,992	11,835
	69,296	62,669

Net benefit expense recognised in statement of comprehensive income:	2019	2018
Actuarial loss arising from experience	13,660	17,232
Actuarial gain arising from changes in demographic assumptions	-	(4,253)
Actuarial loss arising from changes in financial assumptions	55,527	388
	69,187	13,367

Movement in present value of defined benefit obligation:	2019	2018
January 1	388,768	322,879
Current service cost	53,304	50,834
Interest cost on benefit obligation	15,992	11,835
Actuarial loss arising from experience	13,660	17,232
Actuarial gain arising from changes in demographic assumptions	-	(4,253)
Actuarial loss arising from changes in financial assumptions	55,527	388
Benefits paid during the year	(18,435)	(10,147)
December 31	508,816	388,768

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

	2019	2018
Discount rate	3.25%	4.25%
Salary escalation rate	4%	4%
In service mortality	Employers' Groups reinsurance rates	Employers' Groups reinsurance rates
Withdrawal before normal retirement age	Age-wise	Age-wise

22 Employees' benefits (continued)

The weighted average duration of the defined benefit obligation as at December 31, 2019 is 12.1 years (December 31, 2018: 11.5 years).

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

Discount rate:

	2019	2018
1% increase in discount rate	453,289	348,217
1% decrease in discount rate	575,770	437,464

Salary escalation rate:

	2019	2018
1% increase in salary escalation rate	576,561	438,634
1% decrease in salary escalation rate	451,552	346,518

Voluntary exit rate:

	2019	2018
5% increase at each age	473,718	372,879
5% decrease at each age	544,669	402,077

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

22.2 Employees' share ownership plan

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

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

Until the ESOP shares become vested and are transferred to the eligible employees, they are accounted for as a deduction from shareholders' equity. During the year ended December 31, 2019, the Company has vested 68,000 shares to eligible employees due for entitlement (2018: 40,800 shares).

The carrying amount of the ESOP at December 31, 2019 is Saudi Riyals 4.8 million (December 31, 2018: Saudi Riyals 6.2 million).

22.3 Employees' savings program

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

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

	2019	2018
Current portion (included in accrued expenses and other liabilities)	1,208	1,222
Non-current portion	139,132	114,341
	140,340	115,563

23 Accrued expenses and other liabilities

	Note	2019	2018
Accrued bonus		108,344	71,560
Accrued customer rebates		30,541	46,269
Customer advances		10,423	13,743
Social security payable		9,900	9,197
Withholding tax and value added tax payable		690,618	897,382
Accrued expenses		101,484	147,316
Dividend payable		1,055	1,120
Other		6,398	9,612
		958,763	1,196,199
Due to related parties	26	198,245	229,791
		1,157,008	1,425,990

24 Zakat and Tax

24.1 Charge for the year

Zakat and Tax for the year is as follows:

	Notes	2019	2018
Zakat for the year		15,219	37,438
Income tax for the year		-	236,059
Deferred tax expense (income) for the year		46,796	(97,790)
Zakat in respect of preceding years	24.3	125,324	6,703
Income tax in respect of preceding years	24.3	27,418	99
		214,757	182,509

Income tax and deferred tax expense (income) has been recognised as follows:

	Note	2019	2018
Statement of profit or loss:			
- Income tax		27,418	236,158
- Deferred tax expense (income)		57,174	(95,785)
Tax expense for the year	24.2	84,592	140,373
Statement of comprehensive income – Deferred tax income		(10,378)	(2,005)

24.2 Zakat base and tax expense reconciliation

Zakat for the year is attributable to the following components:

	2019	2018
Share capital, reserves and carried forward losses	(3,586,571)	(1,202,751)
Liabilities and provisions	39,980,284	41,524,756
Assets	(34,032,053)	(34,331,901)
Zakat base	2,361,660	5,990,104
Zakat base attributable to public shareholding (25%)	590,415	1,497,526
Zakat for the year	15,219	37,438

Some of the above mentioned amounts have been adjusted in arriving at the Zakat charge for the year.

24 Zakat and Tax (continued)

Reconciliation between (loss) profit before Zakat and Tax at applicable tax rate and tax expense for the year is as follows:

	2019	2018
(Loss) profit before Zakat and Tax	(319,016)	853,074
(Loss) profit subject to Tax (75%)	(239,262)	639,806
Tax at applicable Tax rate (20%)	(47,852)	127,961
<i>Tax effect of non-deductible expenses:</i>		
Withholding tax	12,064	10,670
Educational assistance	437	453
Interest expense in excess of allowable limit	91,439	-
Income tax in respect of preceding years	27,418	99
Others	1,086	1,190
Tax expense for the year	84,592	140,373

24.3 Status of assessments

The Company has filed its Zakat and income tax returns with General Authority for Zakat and Tax ("GAZT") up to the financial year 2018. The Company's Zakat and tax assessments have been finalized by GAZT up to the financial year 2008 and for the years 2011 up to 2016.

The GAZT had issued assessments for the years 2009 and 2010 by raising additional Zakat and tax demand of Saudi Riyals 43.3 million and Saudi Riyals 0.2 million, respectively. The Company had filed an appeal with the Higher Appeal Committee for the years 2009 and 2010, now replaced by Tax Violation and Dispute Appellate Committee (TAC) and submitted a bank guarantee amounting to Saudi Riyals 43.5 million. The Company submitted its appeal to the General Secretariat of Tax Committees (GSTC), which is the body organized by the GAZT's board of directors in order to facilitate hearing for the newly formed Committees. The GSTC has requested certain information from the Company in order to facilitate a hearing at the newly formed TAC. The Company has duly submitted the information to GSTC. The management expects a favorable outcome of the objection against the additional demand. If any additional Zakat and tax demand arises on finalization of the assessment, it is recoverable to the extent of Saudi Riyals 26 million from one of the founding shareholders of the Company.

The GAZT had issued assessments for the years 2011 to 2016 by raising additional Zakat and tax demand of Saudi Riyals 1,306.4 million and Saudi Riyals 387.6 million, respectively. The Company filed an objection for the years 2011 to 2016, which was transferred by the GAZT to the Internal Settlement Committee (ISC). During the year ended December 31, 2019, the Company received ISC's resolution to settle Zakat and tax amounting to Saudi Riyals 122.5 million and Saudi Riyals 27.5 million respectively, which the Company duly settled in order to finalize the assessments for the years 2011 to 2016. The additional Zakat and tax that arose on finalization of the years 2011 to 2016 is recoverable from Saudi Aramco and Sumitomo Chemical to the extent of Saudi Riyals 73.5 million and Saudi Riyals 27.5 million, respectively.

25 Zakat and Tax asset and liability

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

	Notes	2019	2018
January 1		273,496	308,042
Charge for the current year	24.1	15,219	273,497
Adjustment for preceding years	24.3	152,742	6,802
Payments during the current year		(426,238)	(314,845)
December 31		15,219	273,496

25 Zakat and Tax asset and liability (continued)

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

	Property, plant and equipment	Tax losses carried forward	Employees' benefits	Trade receivables and inventories	Others	Total
2019						
January 1	(1,759,357)	2,117,623	62,009	16,308	9,299	445,882
Tax expense recognised in statement of profit or loss	(347,014)	282,004	6,317	1,272	247	(57,174)
Tax income recognised in statement of comprehensive income	-	-	10,378	-	-	10,378
December 31	(2,106,371)	2,399,627	78,704	17,580	9,546	399,086
2018						
January 1	(1,930,262)	2,201,492	52,229	15,873	8,760	348,092
Tax income recognised in statement of profit or loss	170,905	(83,869)	7,775	435	539	95,785
Tax income recognised in statement of comprehensive income	-	-	2,005	-	-	2,005
December 31	(1,759,357)	2,117,623	62,009	16,308	9,299	445,882

26 Related parties transactions and balances

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

26.1 Transactions with related parties

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. Significant related party transactions are summarized as follows:

	For the year ended December 31,	
	2019	2018
Saudi Aramco and its associated companies		
Purchase of goods including LPG shortfall	34,145,919	38,287,105
Sale of refined products and petrochemical products	33,566,339	39,105,085
Financial charges	153,123	115,071
Rentals	19,844	48,502
Secondees' costs	38,494	76,962
Service and other cost charges, net	58,584	89,145
Impairment loss on receivables	1,803	-
Dividend	-	164,250
Sumitomo Chemical and its associated companies		
Purchase of goods	243,198	334,876
Sale of petrochemical products	6,417,390	6,606,598
Financial charges	98,017	88,672
Rentals	266	709
Secondees' costs	76,107	152,868
Service and other cost charges, net	20,916	86,530
Impairment loss on receivables	778	-
Dividend	-	156,038

26 Related parties transactions and balances (continued)

26.2 Balances with related parties

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

		As at December 31,	
	Notes	2019	2018
Saudi Aramco and its associated companies			
Loans and borrowings	15	2,875,565	2,777,990
Trade and other payables	15	8,266,167	8,849,034
Trade and other receivables	15,19	4,836,368	5,273,578
Accrued expenses and other liabilities	23	141,511	167,887
Employees' benefits		117	350
Sumitomo Chemical and its associated companies			
Loans and borrowings	15	2,875,565	2,777,990
Trade and other payables	15	58,807	53,609
Trade and other receivables	15,19	872,751	1,029,134
Accrued expenses and other liabilities	23	56,734	61,904
Employees' benefits		626	800

26.3 Transactions with key management personnel

Transactions with key management personnel on account of short-term benefits amounted to Saudi Riyals 17.6 million (2018: Saudi Riyals 18.7 million) and are included in secondees' costs (see Note 26.1). The remuneration paid to directors amounted to Saudi Riyals 1.05 million (2018: Saudi Riyals 1.05 million).

26.4 Acquisition of Rabigh Plus Tech Park

The Company is in the process of acquiring Rabigh Plus Tech Park (RPTP), a business comprising of an industrial complex adjacent to the Company's integrated refining and petrochemical complex, developed jointly by Saudi Aramco and Rabigh Conversion Industry management Services Company (RCIMS), an associated company of Sumitomo Chemical. The acquisition is planned to be executed through asset transfer agreements for the infrastructure with Saudi Aramco and RCIMS and a lease agreement with Saudi Aramco for the land on which RPTP is located. The legal formalities in this regard are under process and the management expects these to be completed by first half of 2020.

27 Contingencies and commitments

- (i) As at December 31, 2019, bank guarantees and letters of credit issued on behalf of the Company amounted to Saudi Riyals 1,386 million (December 31, 2018: Saudi Riyals 16.9 million).
- (ii) As at December 31, 2019, capital commitments contracted for but not incurred amounted to Saudi Riyals 1,057 million (December 31, 2018: Saudi Riyals 360.3 million).

28 Approval and authorization for issue

These financial statements were approved and authorized for issue by the Board of Directors of the Company on Jumada Thani 18, 1441H (February 12, 2020).