

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

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED
SEPTEMBER 30, 2019 AND REPORT ON REVIEW OF CONDENSED
INTERIM FINANCIAL STATEMENTS**

RABIGH REFINING AND PETROCHEMICAL COMPANY
(A Saudi Joint Stock Company)
UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2019

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Independent Auditors' Report

Review of Interim Financial Statements to the Shareholders of Rabigh Refining and Petrochemical Company

Introduction

We have reviewed the accompanying September 30, 2019 condensed interim financial statements of Rabigh Refining and Petrochemical Company ("the Company") which comprises:

- the condensed statement of profit or loss for the three month and nine month periods ended September 30, 2019;
- the condensed statement of comprehensive income for the three month and nine month periods ended September 30, 2019;
- the condensed statement of financial position as at September 30, 2019;
- the condensed statement of changes in equity for the nine month period ended September 30, 2019;
- the condensed statement of cash flows for the nine month period ended September 30, 2019; and
- the notes to the condensed interim financial statements.

Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of review

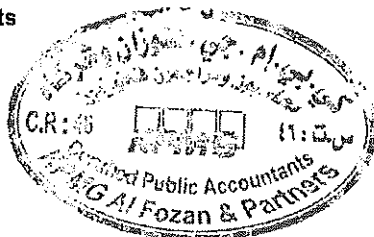
We conducted our review in accordance with the International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying September 30, 2019 condensed interim financial statements of Rabigh Refining and Petrochemical Company are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

For KPMG Al Fozan & Partners
Certified Public Accountants

Ebrahim Oboud Baeshen
License No. 382



Jeddah, Safar 29, 1441H
Corresponding to October 28, 2019

KPMG Al Fozan & Partners Certified Public Accountants, a registered company in the Kingdom of Saudi Arabia, and a non-partner member firm of the KPMG network of independent firms affiliated with KPMG International Cooperative, a Swiss entity.

RABIGH REFINING AND PETROCHEMICAL COMPANY
(A Saudi Joint Stock Company)
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UNAUDITED)
(All amounts in thousands of Saudi Riyals unless otherwise stated)

		Three-month period ended September 30,		Nine-month period ended September 30,	
	Notes	2019	2018	2019	2018
Sales	4	8,742,107	12,041,246	26,201,739	32,640,403
Cost of sales		(7,871,511)	(11,433,748)	(24,222,809)	(30,596,669)
Gross profit		870,596	607,498	1,978,930	2,043,734
Other income, net		27,234	8,941	69,504	63,354
Selling and marketing expenses		(40,313)	(62,027)	(295,536)	(337,365)
General and administrative expenses		(234,301)	(201,764)	(681,624)	(687,897)
Operating profit		623,216	352,648	1,071,274	1,081,826
Financial charges		(205,728)	(121,532)	(651,539)	(330,892)
Financial income		64,798	74,823	206,084	225,019
Profit before Zakat and income tax		482,286	305,939	625,819	975,953
Zakat	11	(11,903)	(12,848)	(151,425)	(46,381)
Income tax	11	(76,217)	(49,656)	(131,837)	(155,486)
Profit after Zakat and Income tax		394,166	243,435	342,557	774,086
Earnings per share (Saudi Riyals) – Basic and diluted	5	0.45	0.28	0.39	0.88

The accompanying notes 1 to 14 form an integral part of these condensed interim financial statements.

RABIGH REFINING AND PETROCHEMICAL COMPANY
(A Saudi Joint Stock Company)
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
 (All amounts in thousands of Saudi Riyals unless otherwise stated)

	Three-month period ended September 30,		Nine-month period ended September 30,	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Profit after Zakat and Income tax	394,166	243,435	342,557	774,086
Remeasurement gain (loss) on defined benefit plan	-	-	-	-
Items that will not be reclassified to statement of profit or loss in subsequent periods	-	-	-	-
Total comprehensive income for the period	394,166	243,435	342,557	774,086

The accompanying notes 1 to 14 form an integral part of these condensed interim financial statements.

RABIGH REFINING AND PETROCHEMICAL COMPANY
(A Saudi Joint Stock Company)
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Notes	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	6	46,223,879	44,628,314
Right-of-use assets	7	12,218,151	393,774
Intangible assets		102,282	111,443
Long-term loans	8	3,561,205	3,861,749
Investment	8	16,412	16,412
Deferred tax asset		461,545	445,882
		<u>62,583,474</u>	<u>49,457,574</u>
Current assets			
Inventories		3,330,498	3,207,445
Trade receivables	8	7,502,100	6,004,714
Current portion of long-term loans	8	451,629	420,428
Prepayments and other receivables		1,554,402	2,084,488
Time deposits		-	1,655,605
Cash and cash equivalents		1,717,971	1,263,713
		<u>14,556,600</u>	<u>14,636,393</u>
Total assets		<u>77,140,074</u>	<u>64,093,967</u>
Equity and liabilities			
Equity			
Share capital	9	8,760,000	8,760,000
Statutory reserve	10	249,465	249,465
Employee share ownership plan		(4,863)	(6,241)
Retained earnings		2,102,354	1,538,796
Total equity		<u>11,106,956</u>	<u>10,542,020</u>
Non-current liabilities			
Loans, borrowings and other long-term liability	8	24,646,025	27,688,017
Lease liabilities	7	11,891,505	463,576
Employees' benefits		565,503	510,501
		<u>37,103,033</u>	<u>28,662,094</u>
Current liabilities			
Short-term borrowings	8	17,129,265	13,007,494
Current maturity of lease liabilities	7	555,969	19,540
Trade and other payables	8	10,252,359	10,163,333
Accrued expenses and other liabilities		823,908	1,425,990
Zakat and income tax payable		168,584	273,496
		<u>28,930,085</u>	<u>24,889,853</u>
Total liabilities		<u>66,033,118</u>	<u>53,551,947</u>
Total equity and liabilities		<u>77,140,074</u>	<u>64,093,967</u>

The accompanying notes 1 to 14 form an integral part of these condensed interim financial statements.

RABIGH REFINING AND PETROCHEMICAL COMPANY
(A Saudi Joint Stock Company)
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Employee share ownership plan	Retained earnings	Total
January 1, 2019 (Audited)	8,760,000	249,465	(6,241)	1,538,796	10,542,020
Profit after Zakat and income tax	-	-	-	342,557	342,557
Total other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	342,557	342,557
Vesting of shares under employee share ownership plan	-	-	1,378	-	1,378
Income tax reimbursements	-	-	-	221,001	221,001
Balance as at September 30, 2019 (Unaudited)	8,760,000	249,465	(4,863)	2,102,354	11,106,956
January 1, 2018 (Audited)	8,760,000	183,745	(7,098)	1,149,160	10,085,807
Profit after Zakat and income tax	-	-	-	774,086	774,086
Total other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	774,086	774,086
Vesting of shares under employee share ownership plan	-	-	723	-	723
Dividend	-	-	-	(438,000)	(438,000)
Income tax reimbursements	-	-	-	216,635	216,635
Balance as at September 30, 2018 (Unaudited)	8,760,000	183,745	(6,375)	1,701,881	10,639,251

The accompanying notes 1 to 14 form an integral part of these condensed interim financial statements.

RABIGH REFINING AND PETROCHEMICAL COMPANY
(A Saudi Joint Stock Company)
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Notes	Nine-month period ended September 30,	
		2019	2018
Cash flows from operating activities			
Profit before Zakat and income tax		625,819	975,953
Adjustments for non-cash items			
Depreciation		1,678,234	1,817,498
Financial charges		651,539	330,892
Financial income		(206,084)	(225,019)
Amortization		9,160	9,887
Provision for slow moving inventories		10,329	4,563
Loss on disposal of property, plant and equipment		672	17,126
		<u>2,769,669</u>	<u>2,930,900</u>
Changes in working capital			
Trade receivables		(1,497,385)	(1,941,269)
Inventories		(133,382)	(352,556)
Prepayments and other receivables		750,862	(1,600,650)
Trade and other payables		412,129	3,144,407
Accrued expenses and other liabilities		(705,000)	1,173,817
Employees benefits		56,381	69,510
		<u>1,653,274</u>	<u>3,424,159</u>
Zakat and Income tax paid		(403,838)	(314,845)
Interest received		186,824	197,959
Interest paid		(459,128)	(110,306)
Net cash generated from operating activities		<u>977,232</u>	<u>3,196,967</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,634,914)	(1,901,874)
Addition to intangible assets		-	(1,164)
Net movement in time deposits		1,655,605	(183,436)
Long-term loan disbursements		(27,534)	(143,055)
Net cash utilized in investing activities		<u>(1,006,843)</u>	<u>(2,229,529)</u>
Cash flows from financing activities			
Repayments of loans and borrowings		(9,875,371)	(1,540,465)
Proceeds from loans and borrowings		10,533,750	2,912,625
Other net movement in loans, borrowings and other long-term liability		222,150	154,204
Repayment of lease liabilities		(396,596)	(31,965)
Dividend paid		(64)	(436,066)
Net cash generated from financing activities		<u>483,869</u>	<u>1,058,333</u>
Net change in cash and cash equivalents		<u>454,258</u>	<u>2,025,771</u>
Cash and cash equivalents at beginning of the period		1,263,713	1,158,263
Cash and cash equivalents at end of the period		<u>1,717,971</u>	<u>3,184,034</u>
Supplemental schedule of non-cash information			
Zakat and income tax reimbursable from shareholders		221,001	216,635
Addition to property, plant and equipment through accrued expenses and other liabilities		102,980	170,798
Long-term loan repayments settled against capacity payments	8.1.1	303,717	287,244
Addition to right-to-use assets	7.1	12,360,955	-

The accompanying notes 1 to 14 form an integral part of these condensed interim financial statements.

RABIGH REFINING AND PETROCHEMICAL COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three-month and nine-month periods ended September 30, 2019 (Unaudited)
(All amounts in thousands of Saudi Riyals unless otherwise stated)

1 General information

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

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

The Company's registered address is P.O. Box 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 is currently estimated at Saudi Riyals 39 billion, the completion of which is estimated to be during second half of 2019. Also see Note 6.

2 Basis of preparation

These condensed interim financial statements of the Company have been prepared in compliance with IAS 34 "Interim Financial Reporting" 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.

These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements for the year ended December 31, 2018. However, selected explanatory notes are included to explain the events and transactions that are significant to an understanding of changes in the Company's financial position and performance since the last annual financial statements.

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.

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(All amounts in thousands of Saudi Riyals unless otherwise stated)

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 nine-month period ended September 30, 2019, due to the adoption of IFRS 16 – leases, the Company's operating profit has improved by Saudi Riyals 160 million, by way of decrease in operating lease rentals by Saudi Riyals 679 million and increase in depreciation expense by Saudi Riyals 519 million, whereas interest expense has increased by Saudi Riyals 305 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 condensed interim financial statements are disclosed below. The Company intends to adopt these standards, where applicable, when they become effective.

Standard / Interpretation	Description	Effective from periods beginning on or after the following date
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 Company is currently assessing the implications of adopting the above mentioned standards, amendments or interpretations on the Company's financial statements on adoption.

2.2 Critical accounting estimates and judgments

The preparation of Company's condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and 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 Company based its assumptions and estimates on parameters available when the condensed interim 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.

The significant judgments exercised in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, except for the revision in the estimated useful lives of property, plant and equipment and adoption of IFRS 16 as described below.

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(All amounts in thousands of Saudi Riyals unless otherwise stated)

2 Basis of preparation (continued)

Useful lives of property, plant and equipment

During the nine-month period ended September 30, 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 net income for the nine-month period ended September 30, 2019 by Saudi Riyals 629.9 million.

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 September 30, 2019, the Company's current liabilities exceed the current assets by Saudi Riyals 14,373 million, primarily due to the equity bridge loan amounting to Saudi Riyals 10,538 million, falling due on July 1, 2020, backed by the founding shareholders' guarantees (see Note 8.3).

The Company has assessed its ability 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.

3 Significant accounting policies

The accounting policies adopted by the Company for the preparation of these condensed interim financial statements are consistent with those followed in preparation of the Company's annual financial statements for the year ended December 31, 2018, except for the adoption of new standards effective as of January 1, 2019 (see Note 2.1 (a)).

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.

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(All amounts in thousands of Saudi Riyals unless otherwise stated)

3 Significant accounting policies (continued)

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.

4 Segment Information

4.1 Operating segment

The Company operates an integrated refinery and petrochemical complex. The primary format for segment reporting is based on operating segments and is determined on the basis of management's internal reporting structure. The Management Committee (collectively considered to be the Chief Operating Decision Maker) monitors the operating results of its operating segments for the purpose of making decisions about resource allocation and performance assessment. The Company's segment profit measure is operating profit (loss).

The Company's operating segments comprise of refined products and petrochemicals. Information as of and for the three-month and nine-month periods is summarized below:

	For the three-month period ended			For the nine-month period ended		
	Refined products	Petrochemicals	Total	Refined products	Petrochemicals	Total
2019 (Unaudited)						
Sales – external customers	6,930,128	1,811,979	8,742,107	20,489,401	5,712,338	26,201,739
Depreciation and amortization	139,977	419,932	559,909	421,848	1,265,546	1,687,394
Operating profit (loss)	391,073	232,143	623,216	(108,389)	1,179,663	1,071,274

	For the three-month period ended			For the nine-month period ended		
	Refined products	Petrochemicals	Total	Refined products	Petrochemicals	Total
2018 (Unaudited)						
Sales – external customers	9,410,597	2,630,649	12,041,246	25,002,788	7,637,615	32,640,403
Depreciation and amortization	187,656	417,685	605,341	566,489	1,260,896	1,827,385
Operating (loss) profit	(314,414)	667,062	352,648	(615,233)	1,697,059	1,081,826

September 30, 2019 (Unaudited)	Refined products	Petrochemicals	Unallocated	Total
Total assets	27,714,782	46,879,839	2,545,453	77,140,074
Total liabilities	18,007,009	46,688,528	1,337,581	66,033,118
Capital expenditure	174,078	2,563,816	-	2,737,894

December 31, 2018 (Audited)	Refined products	Petrochemicals	Unallocated	Total
Total assets	22,552,249	37,706,403	3,836,315	64,093,967
Total liabilities	13,059,778	40,218,677	273,492	53,551,947
Capital expenditure	323,831	2,752,404	-	3,076,035

The Company's revenue from external customers involve Saudi Riyals 25,744 million (September 30, 2018: Saudi Riyals 31,899 million) of revenue generated from 3 customers in the period ended September 30, 2019 (September 30, 2018: 3 customers).

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For the three-month and nine-month periods ended September 30, 2019 (Unaudited)
(All amounts in thousands of Saudi Riyals unless otherwise stated)

4 Segment Information (continued)

Geographical information for the three-month and nine-month periods ended September 30, is as follows:

Three-month ended September 30, 2019 (Unaudited)	Middle East	Asia Pacific	Others	Total
Sales – external customers				
Refined products	6,930,128	-	-	6,930,128
Petrochemicals	656,594	1,151,676	3,709	1,811,979
Total	7,586,722	1,151,676	3,709	8,742,107
Nine-month ended September 30, 2019 (Unaudited)	Middle East	Asia Pacific	Others	Total
Sales – external customers				
Refined products	20,489,401	-	-	20,489,401
Petrochemicals	2,109,475	3,563,709	39,154	5,712,338
Total	22,598,876	3,563,709	39,154	26,201,739
Three-month ended September 30, 2018 (Unaudited)	Middle East	Asia Pacific	Others	Total
Sales – external customers				
Refined products	9,410,597	-	-	9,410,597
Petrochemicals	769,117	1,799,172	62,360	2,630,649
Total	10,179,714	1,799,172	62,360	12,041,246
Nine-month ended September 30, 2018 (Unaudited)	Middle East	Asia Pacific	Others	Total
Sales – external customers				
Refined products	25,002,788	-	-	25,002,788
Petrochemicals	2,486,258	4,983,566	167,791	7,637,615
Total	27,489,046	4,983,566	167,791	32,640,403

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

4.2 Adjustments

Finance cost, 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 basis.

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

4.3 Reconciliation of profit

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2019	2018	2019	2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Operating profit	623,216	352,648	1,071,274	1,081,826
Financial charges	(205,728)	(121,532)	(651,539)	(330,892)
Financial income	64,798	74,823	206,084	225,019
Profit before Zakat and income tax	482,286	305,939	625,819	975,953
Zakat	(11,903)	(12,848)	(151,425)	(46,381)
Income tax	(76,217)	(49,656)	(131,837)	(155,486)
Profit after Zakat and income tax	394,166	243,435	342,557	774,086

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5 Earnings per share

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

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

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2019 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2018 (Unaudited)
Profit for the period for basic and dilutive earnings per share	394,166	243,435	342,557	774,086
Weighted average number of shares outstanding during the period (thousands)	876,000	876,000	876,000	876,000
Adjustment for the effect of dilution in weighted average number of shares outstanding during the period due to Employee Share Ownership Plan (thousands)	229	301	229	301
Basic and diluted earnings per share	0.45	0.28	0.39	0.88

6 Property, plant and equipment

	Buildings and infrastructure	Plant, machinery and operating equipment	Vehicles and related equipment	Furniture and IT equipment	Capital projects-in- progress	Total
Cost						
January 1, 2019	4,754,320	32,976,032	43,367	306,942	26,926,645	65,007,306
Additions	-	92,592	-	-	2,645,302	2,737,894
Transfers	3,903	27,970	-	4,796	(36,669)	-
Disposals	(86)	(17,940)	-	-	-	(18,026)
September 30, 2019	4,758,137	33,078,654	43,367	311,738	29,535,278	67,727,174
Accumulated depreciation						
January 1, 2019	2,502,751	17,629,516	35,282	211,443	-	20,378,992
Charge for the period	57,573	1,067,556	783	15,745	-	1,141,657
Released on disposals	(69)	(17,285)	-	-	-	(17,354)
September 30, 2019	2,560,255	18,679,787	36,065	227,188	-	21,503,295
Carrying Value						
At September 30, 2019 (Unaudited)	2,197,882	14,398,867	7,302	84,550	29,535,278	46,223,879
At December 31, 2018 (Audited)	2,251,569	15,346,516	8,085	95,499	26,926,645	44,628,314

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6 Property, plant and equipment (continued)

6.1 Capital projects-in-progress

The capital projects-in-progress at September 30, 2019 mainly represents cost relating to the acquisition and ongoing construction of Phase II Expansion Project (also see Note 1). As part of Phase II Expansion Project, identifiable assets acquired and liabilities assumed by the Company as of the date of novation were as follows:

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

The Company has secured various financing facilities amounting to Saudi Riyals 30,630 million from various commercial banks and financial institutions in order to finance Phase II Expansion Project (also see Note 8). The Company had also acquired administrative expenses amounting to Saudi Riyals 21,757 thousands from founding shareholders.

6.2 Capitalization of borrowing costs

During the period ended September 30, 2019, the Company has capitalized borrowing costs amounting to Saudi Riyals 894 million (period ended September 30, 2018: Saudi Riyals 669.7 million and year ended December 31, 2018: Saudi Riyals 927.3 million) in capital projects-in-progress relating to the construction of the Phase II Expansion Project.

6.3 Pre-commissioning income

During the period ended September 30, 2019, pre-commissioning loss related to Phase II Expansion Project amounting to Saudi Riyals 420.1 million (period ended September 30, 2018: income amounting to Saudi Riyals 812.9 million and year ended December 31, 2018: income amounting to Saudi Riyals 961.6 million) is included in Capital projects-in-progress.

7 Leases

7.1 Right-of-use assets

	Land, buildings and infrastructure	Plant and machinery	Vehicles	Total
Cost				
January 1, 2019	514,535	106,015	-	620,550
Additions (see Note 2.1)	719,910	11,554,822	86,223	12,360,955
September 30, 2019	1,234,445	11,660,837	86,223	12,981,505
Accumulated depreciation				
January 1, 2019	162,848	63,928	-	226,776
Charge for the period (see Note 2.1)	26,274	489,735	20,569	536,578
September 30, 2019	189,122	553,663	20,569	763,354
Carrying value				
At September 30, 2019 (Unaudited)	1,045,323	11,107,174	65,654	12,218,151
At December 31, 2018 (Audited)	351,687	42,087	-	393,774

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7 Leases (continued)

7.2 Lease liabilities

Lease liabilities as at September 30, 2019 are as follows:

	September 30, 2019		December 31, 2018
	Future minimum lease payments	Interest	Present value of minimum lease payments
	(Unaudited)	(Unaudited)	(Audited)
Land, buildings and infrastructure	2,824,450	1,687,385	1,137,065
Plant and machinery	14,970,614	3,726,812	11,243,802
Vehicles	71,686	5,079	66,607
	17,866,750	5,419,276	12,447,474

At September 30, 2019, the lease liabilities are presented in the statement of financial position as follows:

	September 30, 2019	December 31, 2018
	(Unaudited)	(Audited)
Current portion	555,969	19,540
Non-current portion	11,891,505	463,576
	12,447,474	483,116

7.3 The future minimum lease payments together with the present value of minimum lease payments as of September 30, 2019 are as follows:

	September 30, 2019		December 31, 2018	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
Within twelve months	970,080	555,969	46,997	19,540
One to five years	3,432,952	2,326,221	188,016	83,739
More than five years	13,463,718	9,565,284	571,503	379,837
Total minimum lease payments	17,866,750	12,447,474	806,516	483,116
Less: finance charges	(5,419,276)	-	(323,400)	-
Present value of minimum lease payments	12,447,474	12,447,474	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. The undiscounted minimum lease payments for land and facilities are Saudi Riyals 330.8 million and Saudi Riyals 363.3 million respectively.
- (ii) **Marine Terminal:** The land and facilities lease for marine terminal is with Saudi Aramco for a period of 30 years. The undiscounted minimum lease payments for land and facilities are Saudi Riyals 15.4 million and Saudi Riyals 363.3 million respectively.
- (iii) **Complex Land:** The Complex land lease is with Saudi Aramco for a period of 99 years. The undiscounted minimum lease payments are Saudi Riyals 1,724 million.
- (iv) **Plus Tech Park Land:** The Plus Tech Park land lease is with Saudi Aramco and Rabigh Conversion Industry Management Company (RCIMS) for a period of 30 years. The undiscounted minimum lease payments are Saudi Riyals 27.3 million.

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7 Leases (continued)**(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. The undiscounted minimum lease payments are Saudi Riyals 14,912 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. The undiscounted minimum lease payments are Saudi Riyals 58.3 million.

(c) Vehicles

The Company has leases with Eradat Transport LLC and Al Jomaih Automotive Company for leases of buses, cars and ambulances for a period of 5 years. The undiscounted minimum lease payments are Saudi Riyals 71.7 million.

- 7.4 During the period ended September 30, 2019, the Company's expenses relating to short-term leases and low value assets are Saudi Riyals 832 thousands and Saudi Riyals 2,384 thousands respectively.

8 Financial assets and financial liabilities**8.1 Financial assets measured at amortized cost**

Long-term loans:	Notes	September 30, 2019	December 31, 2018
		(Unaudited)	(Audited)
Loan to RAWEC	8.1.1	3,761,762	4,065,479
Loans to employees	8.1.2	251,072	216,698
Long-term loans		4,012,834	4,282,177
Less: current portion of long-term loans		(451,629)	(420,428)
Non-current portion of long-term loans		3,561,205	3,861,749
Trade receivables	8.1.3	7,502,100	6,004,714

- 8.1.1 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 up to November 30, 2023.

During the year ended December 31, 2015, pursuant to Amended and Restated Agreement, dated March 28, 2006 as amended subsequently on March 9, 2015, the Company will provide RAWEC a portion of project finance, in the total amount of Saudi Riyals 3.3 billion carrying interest rate of 5.7% per annum to expand the existing independent water, steam and power facilities to meet the requirements of Phase II Expansion Project. The loan is being settled in monthly repayments, which commenced from July 31, 2016 and will run up to 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 period ended September 30, 2019, loan amounting to Saudi Riyals 304.4 million (September 30, 2018: Saudi Riyals 288.2 million) have been offset against monthly utility payments to RAWEC amounting to Saudi Riyals 904.9 million (September 30, 2018: Saudi Riyals 895.2 million).

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8 Financial assets and financial liabilities (continued)

8.1.2 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.

8.1.3 Trade receivables of the Company are as follows:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Trade	32,231	112,836
Less: provision for doubtful debts	(28,410)	(28,410)
	3,821	84,426
Related parties	7,498,279	5,920,288
	<u>7,502,100</u>	<u>6,004,714</u>

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	7,530,510	6,972,012	528,182	761	-	116	1,029	28,410
Less: doubtful debts provision	(28,410)	-	-	-	-	-	-	(28,410)
September 30, 2019 (Unaudited)	7,502,100	6,972,012	528,182	761	-	116	1,029	-
December 31, 2018 (Audited)	6,004,714	5,973,936	3,081	20,245	89	207	7,156	-

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

8.2 Financial assets measured at fair value through profit and loss

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Investment in RAWEC	16,412	16,412

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

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

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8 Financial assets and financial liabilities (continued)

8.3 Financial liabilities measured at amortized cost

Loans, borrowings and other long-term liability

	Note	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Loans from banks and financial institutions:	8.3.1		
Opening balance		35,113,716	35,030,991
Additions		10,801,675	4,389,835
Repayments		(9,875,371)	(4,307,110)
Closing balance		36,040,020	35,113,716
Less: current portion		(17,129,265)	(13,007,494)
Non-current portion		18,910,755	22,106,222
Loans from founding shareholders	8.3.2	5,705,520	5,555,980
Other long-term liability	8.3.3	29,750	25,815
Total non-current portion		24,646,025	27,688,017
Trade and other payables	8.3.4	10,252,359	10,163,333

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

During the year ended December 31, 2015, the Company has further entered into Loan Agreements with commercial banks and financial institutions for Phase II Expansion Project. The facilities available under these loan agreements amount to Saudi Riyals 30,630 million out of which drawdowns amounting to Saudi Riyals 29,917.5 million have been made by the Company. The loans amounting to Saudi Riyals 19,380 million are repayable in semi-annual repayments, which commenced from June 2019 and will run up to June 2031, whereas the loan of Saudi Riyals 10,537.5 million had initial maturity of July 1, 2019, which during the nine-month period ended September 30, 2019, has been rescheduled to July 1, 2020.

The aforementioned loans are denominated in US Dollars and Saudi Riyals and bear financial charges based on prevailing market rates. The loan agreements include financial and operational covenants under Inter-creditor Agreement and other financing documents which among other things; require certain financial ratios to be maintained. The loans are secured by property, plant and equipment, cash and cash equivalents and time deposits of the Company with a carrying value of Saudi Riyals 46,224 million and Saudi Riyals 1,718 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 nine-month period ended September 30, 2019, drawdowns and repayments amounting to Saudi Riyals 8,884 million and Saudi Riyals 7,715 million, respectively have been made by the Company.

8.3.2 Loans from founding shareholders

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Loans:		
Saudi Arabian Oil Company	2,287,500	2,287,500
Sumitomo Chemical Company Limited	2,287,500	2,287,500
Accumulated interest:		
Saudi Arabian Oil Company	565,260	490,490
Sumitomo Chemical Company Limited	565,260	490,490
	5,705,520	5,555,980

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8 Financial assets and financial liabilities (continued)

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

8.3.3 Other long-term liability

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

8.3.4 Trade and other payables

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Trade payables:		
- Related parties	9,041,653	8,837,625
- Others	1,134,646	1,260,690
	<u>10,176,299</u>	<u>10,098,315</u>
Other payables – related parties	76,060	65,018
	<u>10,252,359</u>	<u>10,163,333</u>

Other payables principally relate to payments made by Founding Shareholders on behalf of the Company in respect of seconded employees and other charges.

In addition to loans, borrowings and trade payables, financial liabilities include accrued expenses and other liabilities.

9 Share capital

The Company's authorised and issued share capital of Saudi Riyals 8.76 billion at September 30, 2019 and December 31, 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.

10 Statutory reserve

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

11 Zakat and income tax

11.1 Charge in the period

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2019 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2018 (Unaudited)
Zakat for the period	11,903	12,848	151,425	46,381
Income tax for the period	70,722	69,671	147,500	216,635
Deferred tax credit for the period	5,495	(20,015)	(15,663)	(61,149)
	<u>88,120</u>	<u>62,504</u>	<u>283,262</u>	<u>201,867</u>

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11 Zakat and Income tax (continued)

Income tax and deferred tax has been recognised as follows:

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2019	2018	2019	2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Condensed interim statement of profit or loss:				
- Income tax	70,722	69,671	147,500	216,635
- Deferred tax credit	5,495	(20,015)	(15,663)	(61,149)
	76,217	49,656	131,837	155,486

11.2 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 up to 2016 by raising additional Zakat, tax and delay fine demand of Saudi Riyals 1,349.7 million and Saudi Riyals 387.8 million, respectively.

The Company had filed an appeal with the Higher Appeal Committee for the years 2009 and 2010, now replaced by Higher Committee of Tax for Conflict and Disputes (HCTCD) and submitted a bank guarantee amounting to Saudi Riyals 43.5 million. The General Secretariat of Tax Committees (GSTC) has requested certain information from the Company in order to facilitate a hearing at the newly formed HCTCD. 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 Company's objection for the years 2011 to 2016 had been transferred by the GAZT to the Internal Settlement Committee (ISC). During the nine-month period ended September 30, 2019, the Company received ISC's resolution to settle Zakat and tax in respect of years 2011 to 2016 amounting to Saudi Riyals 122.5 million and Saudi Riyals 27.5 million respectively. The Company has agreed to settle the Zakat and tax as per ISC's Resolution in order to finalize the assessments for the years 2011 to 2016.

12 Related party transactions and balances

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

In addition to Trade receivables (see Note 8.1.3), Trade and other payables (see Note 8.3.4) and loans from founding shareholders (see Note 8.3.2), the related party transactions result in receivable and payable balances as set out in the Interim statement of financial position in non-trade receivables and accrued expenses and other liabilities amounting to Saudi Riyals 470.6 million (December 31, 2018: Saudi Riyals 382.4 million) and Saudi Riyals 210.4 million (December 31, 2018: Saudi Riyals 229.8 million), respectively.

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12 Related party transactions and balances (continued)

Related party transactions are summarized as follows:

Nature of transactions (nine-month period ended September 30)

	2019 (Unaudited)	2018 (Unaudited)
Saudi Arabian Oil Company and its associated companies		
Purchase of goods including LPG shortfall	26,699,052	31,279,680
Sale of refined products and petrochemical products	26,644,301	30,893,812
Financial charges	116,470	84,022
Rentals	2,196	36,319
Services provided to shareholders	111	538
Secondees' costs	28,095	63,265
Service and other cost charges, net	125,783	86,764
Dividend	-	164,250
Sumitomo Chemical Company Limited and its associated companies		
Purchase of goods	187,866	267,452
Sale of petrochemical products	4,925,328	4,991,292
Financial charges	74,993	64,165
Rentals	199	709
Services provided to shareholders	111	538
Secondees' costs	60,402	123,514
Service and other cost charges, net	39,394	93,510
Dividend	-	156,038

Transactions with key management personnel

Transactions with key management personnel on account of short-term benefits amounted to Saudi Riyals 13.4 million (September 30, 2018: Saudi Riyals 14.6 million) and are included in secondees' cost above. The remuneration paid to directors amounted to Saudi Riyals 1.05 million (September 30, 2018: Saudi Riyals 1.05 million).

13 Commitments

- (i) As at September 30, 2019, letters of credit issued on behalf of the Company in the normal course of business amounted to Saudi Riyals 28.6 million (December 31, 2018: Saudi Riyals 16.9 million).
- (ii) As at September 30, 2019, capital commitments contracted for but not incurred amounted to Saudi Riyals 197.7 million (December 31, 2018: Saudi Riyals 360.3 million).

14 Approval and authorization for issue

The condensed interim financial statements were approved and authorized for issue by the Board Audit Committee, as delegated by the Board of Directors, on Safar 29, 1441H, corresponding to October 28, 2019.