



المتقدمة Advanced

ADVANCED PETROCHEMICAL COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)
AND INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2018

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(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)
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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF ADVANCED PETROCHEMICAL COMPANY

Introduction:

We have reviewed the accompanying interim condensed consolidated statement of financial position of Advanced Petrochemical Company ("the Company"), a Saudi Joint Stock Company, and its subsidiaries (collectively referred to as "the Group") as at 30 September 2018, and the related interim condensed consolidated statements of profit or loss and other comprehensive income for the three-month and nine-month periods then ended and the related interim condensed consolidated statement of changes in equity and cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" (IAS 34) that are endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review:

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" that are 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 interim condensed consolidated financial statements are not prepared, in all material respects in accordance with International Accounting Standard 34, "Interim Financial Reporting" (IAS 34) that are endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young



Marwan S. Al Afaliq
Certified Public Accountant
Registration No. 422



22 Safar 1440H
31 October 2018

Alkhobar

ADVANCED PETROCHEMICAL COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2018

(All amounts in Saudi Riyals thousands unless otherwise stated)

	For the three-month period ended 30 September 2018 (Unaudited)	For the three-month period ended 30 September 2017 (Unaudited)	For the nine-month period ended 30 September 2018 (Unaudited)	For the nine-month period ended 30 September 2017 (Unaudited)
Sales	744,936	616,406	1,998,424	1,747,058
Cost of sales	(526,855)	(394,452)	(1,384,062)	(1,161,728)
GROSS PROFIT	218,081	221,954	614,362	585,330
Selling and distribution expenses	(2,920)	(2,350)	(8,096)	(7,711)
General and administration expenses	(24,612)	(24,249)	(74,403)	(73,197)
OPERATING PROFIT	190,549	195,355	531,863	504,422
Finance costs	(9,819)	(8,829)	(27,593)	(27,390)
Realised gains on disposal of available-for-sale investments, net	-	1,653	-	7,994
Share in profit of an associate	5 25,444	23,790	59,227	49,551
Other income, net	3,894	2,421	11,417	8,087
PROFIT BEFORE ZAKAT AND INCOME TAX	210,068	214,390	574,914	542,664
Zakat and income tax	(7,869)	(5,979)	(21,821)	(15,380)
PROFIT FOR THE PERIOD	202,199	208,411	553,093	527,284
Earnings per share				
- Basic and diluted	11 1.027	1.059	2.811	2.679

The attached notes 1 to 12 form an integral part of these interim condensed consolidated financial statements.

ADVANCED PETROCHEMICAL COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2018**

(All amounts in Saudi Riyals thousands unless otherwise stated)

<i>Notes</i>	For the three-month period ended 30 September 2018 <i>(Unaudited)</i>	For the three-month period ended 30 September 2017 <i>(Unaudited)</i>	For the nine-month period ended 30 September 2018 <i>(Unaudited)</i>	For the nine-month period ended 30 September 2017 <i>(Unaudited)</i>
PROFIT FOR THE PERIOD	202,199	208,411	553,093	527,284
OTHER COMPREHENSIVE INCOME				
<i>Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:</i>				
Exchange differences on translation of investment in an associate	5 4,365	(2,565)	(19,622)	21,803
Unrealised fair value gains/(losses) of available- for-sale investments	-	60,948	-	(81,087)
<i>Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods</i>	4,365	58,383	(19,622)	(59,284)
<i>Other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods:</i>				
Unrealized fair value (loss)/gain on equity investment at Fair Value through Other Comprehensive Income	4 (94,281)	-	136,989	-
<i>Net other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods</i>	(94,281)	-	136,989	-
Other comprehensive (losses)/income for the period	(89,916)	58,383	117,367	(59,284)
Total comprehensive income for the period	112,283	266,794	670,460	468,000

The attached notes 1 to 12 form an integral part of these interim condensed consolidated financial statements.

ADVANCED PETROCHEMICAL COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2018

(All amounts in Saudi Riyals thousands unless otherwise stated)

	<i>Notes</i>	30 September 2018	31 December 2017
		<i>(Unaudited)</i>	<i>(Audited)</i>
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		2,050,320	1,957,367
Intangible assets		2,673	3,334
Investment in an associate	5	573,987	534,382
Investment in unconsolidated subsidiary		376	376
Available-for-sale investments		-	660,772
Equity investment at Fair Value through Other Comprehensive Income		797,762	-
Other non-current assets	6	146,761	154,954
TOTAL NON-CURRENT ASSETS		3,571,879	3,311,185
CURRENT ASSETS			
Inventories		165,497	143,004
Trade receivables		347,086	300,938
Prepayments and other current assets		64,173	46,943
Short term investments		410,000	490,000
Cash and cash equivalents		268,786	260,269
TOTAL CURRENT ASSETS		1,255,542	1,241,154
TOTAL ASSETS		4,827,421	4,552,339
EQUITY AND LIABILITIES			
EQUITY			
Share capital	1	1,967,940	1,967,940
Statutory reserve		489,316	489,316
Other components of equity	4	348,165	230,798
Retained earnings		427,457	425,387
TOTAL EQUITY		3,232,878	3,113,441
NON-CURRENT LIABILITIES			
Sukuk		999,118	998,582
Employees' defined benefit liabilities and other benefits		115,650	101,747
Deferred tax liabilities, net		1,494	1,494
TOTAL NON-CURRENT LIABILITIES		1,116,262	1,101,823
CURRENT LIABILITIES			
Trade payable		106,680	123,474
Accruals and other current liabilities		210,497	177,374
Current portion of term loan		-	10,000
Zakat and income tax provision		18,308	21,237
Dividend payable	8	142,796	4,990
TOTAL CURRENT LIABILITIES		478,281	337,075
TOTAL LIABILITIES		1,594,543	1,438,898
TOTAL EQUITY AND LIABILITIES		4,827,421	4,552,339

The attached notes 1 to 12 form an integral part of these interim condensed consolidated financial statements.

ADVANCED PETROCHEMICAL COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2018

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Share capital	Statutory reserve	Other components of equity			Retained earnings	Total
			Unrealized fair value gains/ (losses) on available-for-sale investments/ equity investment at Fair Value through Other Comprehensive Income	Foreign currency translation reserve			
At 1 January 2017 <i>(Audited)</i>	1,967,940	426,204	240,325	(13,534)	415,510	3,036,445	
Profit for the period	-	-	-	-	527,284	527,284	
Other comprehensive (losses)/income for the period	-	-	(81,087)	21,803	-	(59,284)	
Total comprehensive (losses)/income for the period	-	-	(81,087)	21,803	527,284	468,000	
Dividends	-	-	-	-	(413,267)	(413,267)	
At 30 September 2017 <i>(Unaudited)</i>	<u>1,967,940</u>	<u>426,204</u>	<u>159,238</u>	<u>8,269</u>	<u>529,527</u>	<u>3,091,178</u>	
At 1 January 2018 <i>(Audited)</i>	1,967,940	489,316	189,859	40,939	425,387	3,113,441	
Profit for the period	-	-	-	-	553,093	553,093	
Other comprehensive income (loss) for the period	-	-	136,989	(19,622)	-	117,367	
Total comprehensive income (loss) for the period	-	-	136,989	(19,622)	553,093	670,460	
Dividends (note 8)	-	-	-	-	(551,023)	(551,023)	
At 30 September 2018 <i>(Unaudited)</i>	<u>1,967,940</u>	<u>489,316</u>	<u>326,848</u>	<u>21,317</u>	<u>427,457</u>	<u>3,232,878</u>	

The attached notes 1 to 12 form an integral part of these interim condensed consolidated financial statements.

ADVANCED PETROCHEMICAL COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2018

(All amounts in Saudi Riyals thousands unless otherwise stated)

	<i>Notes</i>	30 September 2018	30 September 2017
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
OPERATING ACTIVITIES			
Profit before zakat and income tax		574,914	542,664
Adjustment to reconcile profit before zakat and income tax to net cash flows:			
Depreciation		152,846	142,602
Amortization		942	991
Loss on disposal of property, plant and equipment		69	-
Realised gains on disposal of available-for-sale investments, net		-	(7,994)
Finance costs		27,593	27,390
Share in profit of an associate	5	(59,227)	(49,551)
Employees' defined benefits liabilities and other benefits		14,969	13,273
		<u>712,106</u>	<u>669,375</u>
Working capital adjustments:			
Inventories		(22,493)	(14,665)
Trade receivables		(46,148)	(2,503)
Prepayments and other current assets		(16,296)	(14,816)
Trade payable		(16,794)	11,044
Accruals and other current liabilities		22,582	41,131
Cash from operating activities		<u>632,957</u>	<u>689,566</u>
Employees' defined benefits liabilities and other benefits paid		(1,066)	(2,800)
Finance costs paid		(16,517)	(19,075)
Zakat and income tax paid		<u>(25,684)</u>	<u>(23,101)</u>
Net cash flows from operating activities		<u>589,690</u>	<u>644,590</u>
INVESTING ACTIVITIES			
Additions to property, plant and equipment		(245,868)	(111,097)
Additions to intangible assets		(281)	(953)
Net movement in available-for-sale investments		-	(194,987)
Net movement in short term investments		80,000	(253,286)
Net movement in other non-current assets	6	<u>8,193</u>	<u>10,035</u>
Net cash flows used in investing activities		<u>(157,956)</u>	<u>(550,288)</u>
FINANCING ACTIVITIES			
Repayment of term loan		(10,000)	(30,000)
Dividends paid	8	<u>(413,217)</u>	<u>(412,855)</u>
Net cash flows used in financing activities		<u>(423,217)</u>	<u>(442,855)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		8,517	(348,553)
Cash and cash equivalents at the beginning of the period		<u>260,269</u>	<u>452,986</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		<u>268,786</u>	<u>104,433</u>

The attached notes 1 to 12 form an integral part of these interim condensed consolidated financial statements.

ADVANCED PETROCHEMICAL COMPANY AND ITS SUBSIDIARIES (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2018 (All amounts in Saudi Riyals thousands unless otherwise stated)

1. CORPORATE INFORMATION

Advanced Petrochemical Company (the "Company") is a Saudi joint stock company registered in Dammam, Kingdom of Saudi Arabia under commercial registration number 2050049604 dated 27 Sha'ban, 1426H (corresponding to October 1, 2005). The paid up share capital of the Company is SR 1,967,940,000 divided into 196,794,000 shares of SR 10 each.

The interim condensed consolidated financial statements as at 30 September 2018 include the financial statements of the Company and the following subsidiaries (collectively referred to as the "Group"):

	Effective <u>ownership</u>
Advanced Renewable Energy Company ("AREC") - note (a)	100%
Advanced Global Investment Company ("AGIC") - note (b)	100%

Notes:

- a- Advanced Renewable Energy Company ("AREC"), is a mixed limited liability company registered in Jubail, Kingdom of Saudi Arabia under commercial registration No. 2055015327 dated 27 Rabi'I 1433H (corresponding to 19 February 2012).

5% of this investment is held under a related party's name, on behalf of the Company. The related party has assigned its share to the Company and accordingly, the Group included 100% financial statements of AREC in the interim condensed consolidated financial statements.

- b- Advanced Global Investment Company ("AGIC") is a mixed limited liability company registered in Jubail, Kingdom of Saudi Arabia under commercial registration No. 2055017024 dated 12 Ramadan 1433H (corresponding to 1 August 2012).

5% of this investment is held under a related party's name, on behalf of the Company. The related party has assigned its share to the Company and accordingly, the Group included 100% financial statements of AGIC in the interim condensed consolidated financial statements.

During 2014, AGIC made 100% investment in Advanced Global Holding Limited ("AGHL"), a limited liability company incorporated in Luxembourg. AGHL has not been consolidated in these interim condensed consolidated financial statements due to immaterial financial position.

The Group is licensed to engaged in production and selling Polypropylene, Polysilicon and Polysilicon downstream products which includes Photovoltaic cells and Photovoltaic, and establishing, operating and investing in industrial projects including petrochemical, chemical, basic and conversion industries and industries relating to renewable energy both within and outside the Kingdom of Saudi Arabia.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These interim condensed consolidated financial statements have been prepared using historical cost convention except for equity investments at fair value through other comprehensive income ("FVOCI") which is measured at fair value. These interim condensed consolidated financial statements are prepared in Saudi Riyals, which is both the functional and presentation currency of the Group. These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as endorsed by Saudi Organization for Certified Public Accountant ("SOCPA") in the Kingdom of Saudi Arabia. These interim condensed consolidated financial statements include all the disclosures required for interim condensed consolidated financial statements but do not include all of the disclosures required for the consolidated annual financial statements.

ADVANCED PETROCHEMICAL COMPANY AND ITS SUBSIDIARIES (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2018 (All amounts in Saudi Riyals thousands unless otherwise stated)

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (Continued)

These interim condensed consolidated financial statements of the Group were approved on 31 October 2018.

Basis of consolidation

These interim condensed consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 September 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the shareholders of the Group to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

3. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The accounting policies adopted in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018. The Group has not early adopted any other standard (interpretation) or amendments that has been issued but which are not yet effective.

ADVANCED PETROCHEMICAL COMPANY AND ITS SUBSIDIARIES (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2018
(All amounts in Saudi Riyals thousands unless otherwise stated)

3. NEW AND AMENDED STANDARDS AND INTERPRETATIONS (Continued)

Changes in accounting policies

The Group applies, for the first time, IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments. As required by IAS 34, the nature and effect of these changes, if any, are disclosed below.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group is licensed to engaged in production and selling Polypropylene, Polysilicon and Polysilicon downstream products which includes Photovoltaic cells and Photovoltaic, and establishing, operating and investing in industrial projects including petrochemical, chemical, basic and conversion industries and industries relating to renewable energy both within and outside the Kingdom of Saudi Arabia.

Sales of products is the only source of revenue for the Group. Sales of products in the interim condensed consolidated statement of profit or loss are recognized when the Group has an obligation to sell the goods, it is able to establish that a contract exists, the consideration is relatively measurable, and collection is probable. The amounts recognized as sales of products represent the fair values of the considerations received or receivable from third parties on the sales of such products. The Group's contracts with customers for the sale of its products generally includes one performance obligation. The Group recognizes revenue from sale of products at the point in time when control of such products is transferred to the customer, generally on delivery.

The Group elected the modified retrospective method and applied the standard retrospectively to only the most current period presented in the financial statements and do not have any impact on the Group's revenue and profit or loss. Accordingly, the information presented for the previous corresponding period also has not been restated.

IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement for financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) - debt investment; fair value through other comprehensive income (FVOCI) - equity investment; or fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

ADVANCED PETROCHEMICAL COMPANY AND ITS SUBSIDIARIES (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2018
(All amounts in Saudi Riyals thousands unless otherwise stated)

3. NEW AND AMENDED STANDARDS AND INTERPRETATIONS (Continued)

IFRS 9 Financial Instruments (continued)

Classification and measurement of financial assets and financial liabilities (continued)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL.

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investments basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see (ii) below). Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt Investment at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investment at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment, Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements, as described further below.

ADVANCED PETROCHEMICAL COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2018
(All amounts in Saudi Riyals thousands unless otherwise stated)

3. NEW AND AMENDED STANDARDS AND INTERPRETATIONS (Continued)

IFRS 9 Financial Instruments (continued)

Classification and measurement of financial assets and financial liabilities (continued)

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for the class of the Group's financial assets as at 1 January 2018.

	Note	Original Classification Under IAS 39	New classification Under IFRS 9	Original carrying amount Under IAS 39	New carrying amount Under IFRS 9
Financial Assets					
Equity investments	a	Available-for-sale	FVOCI	660,772	660,772
Trade receivables	b	Loans and receivables	Amortised cost	300,938	300,938
Cash and cash equivalents		Loans and receivables	Amortised cost	260,269	260,269

- a) These represent investments that the Group intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at FVOCI. Unlike IAS 39, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss.
- b) Trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Transition

The Group has taken an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are not recognized in retained earnings as at 1 January 2018 as amount was not material. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 but rather those of IAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets.
- The designation of certain investments in equity instruments not held for trading as at FVOCI.

In addition to IFRS 15 and IFRS 9, the Group adopted the following International Financial Reporting Standards as endorsed, and standards and interpretations issued by SOCPA in the Kingdom of Saudi Arabia in effect at 1 January 2018, but do not have as significant impact on the interim condensed consolidated financial statements of the Group.

STANDARD	DESCRIPTION
IFRS 1	First time adoption of International Financial Reporting Standards – Deletion of short-term exemptions for first-time adopters
IFRS 2	Classification and measurement of Share-based Payment Transactions
IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
IAS 28	Investment in Associates and Joint Ventures – Classification that measuring investees at fair value through profit or loss is an investment – by – investment choice
IAS 40	Transfers of Investment Property
IFRIC Interpretation 22	Foreign Currency Transactions and Advance Consideration

ADVANCED PETROCHEMICAL COMPANY AND ITS SUBSIDIARIES
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(All amounts in Saudi Riyals thousands unless otherwise stated)

3. NEW AND AMENDED STANDARDS AND INTERPRETATIONS (Continued)

Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Group's interim condensed consolidated financial statements are listed below. The listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt these standards when they become effective.

STANDARD/ INTERPRETATIONS	DESCRIPTION	EFFECTIVE FROM PERIODS BEGINNING ON OR AFTER THE FOLLOWING DATE
IFRS 16	Leases	1 January 2019
IFRIC Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to IFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to IAS 19	Plan amendment, Curtailment or Settlement	1 January 2019
IFRS 17	Insurance Contracts	1 January 2021
Amendments to IFRS 10 and IAS 28	Sale and Contribution of Assets between an Investor and its Associate or Joint Venture	Effective for annual periods beginning on or after 1 January 2016. Deferred indefinitely by amendments made in December 2015.

2015-2017 Annual Improvement cycle (issued in December 2017)

IFRS 3	Business Combinations - Previously held Interests in a joint operation
IFRS 11	Joint Arrangements - Previously held Interests in a joint operation
IAS 12	Income Taxes - Income tax consequences of payments on financial instruments classified as equity
IAS 23	Borrowing Costs - Borrowing costs eligible for capitalization

4. OTHER COMPONENTS OF EQUITY

	30 September 2018	31 December 2017
	<i>(Unaudited)</i>	<i>(Audited)</i>
Unrealized fair value gains on available-for-sale investments (see note below)	-	189,859
Unrealized fair value gains on equity investment at FVOCI (see note below)	326,848	-
Foreign currency translation reserve	21,317	40,939
	348,165	230,798

Note: equity investments at FVOCI (31 December 2017: available-for-sale investments) comprise strategic investments in another listed entity and is presented at fair value. All equity investments at FVOCI are in Saudi Riyals and inside KSA.

5. INVESTMENT IN AN ASSOCIATE

	30 September 2018	31 December 2017
	<i>(Unaudited)</i>	<i>(Audited)</i>
At the beginning of the period/year	534,382	432,301
Share of results for the period/year	59,227	47,608
Exchange differences on translation of foreign operations	(19,622)	54,473
At the end of the period/year	573,987	534,382

It represents investment in PDH Plant with SK Gas ("the JV Co.") in which AGIC owns 30% shareholding at 30 September 2018.

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6. OTHER NON-CURRENT ASSETS

	30 September 2018	31 December 2017
	<i>(Unaudited)</i>	<i>(Audited)</i>
Employees' home ownership program (note a)	141,260	149,162
Others	5,501	5,792
	146,761	154,954

- a) It represents balances related to employees' Home Ownership Program (HOP). The Parent Company started building residential houses for its employees in 2013. In May 2016, completed housing units were distributed to direct hire Saudi employees under a long term repayment agreement. The employee pays 17% of his monthly basic salary in addition to his housing allowance which is being applied as loan repayment/installment until the total HOP loan is fully repaid. As at reporting date, SR 141 million represents non-current portion and SR 12 million represents current portion.

7. RELATED PARTY TRANSACTION AND BALANCES

Related parties represent shareholders, associated company, key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties.

During the period, no significant transactions with the related parties resulting in the balances other than those disclosed in note 1 to the interim condensed consolidated financial statements.

Key management personnel compensation

	Nine-month period ended 30 September 2018	Nine-month period ended 30 September 2017
Short-term employee benefits	8,954	7,704
End of service termination benefits	1,869	1,782
	10,823	9,486

The amounts disclosed in the table are the amounts recognized as an expense during the reporting period related to key management personnel.

8. DIVIDENDS

On 25 September 2018, the Board of Directors resolved to distribute interim cash dividend for the third quarter of 2018 of SR 0.70 per share (totaling SR 138 million).

On 07 June 2018, the Board of Directors resolved to distribute interim cash dividend for the second quarter of 2018 of SR 0.70 per share (totaling SR 138 million).

On 18 March 2018, the Board of Directors resolved to distribute interim cash dividend for the first quarter of 2018 of SR 0.70 per share (totaling SR 138 million).

On 5 December 2017, the Board of Directors proposed to distribute final cash dividend of SR 0.70 per share (totaling SR 138 million) for the fourth quarter of 2017. This has been approved by the General Assembly in their meeting held on 18 March 2018.

9. COMMITMENTS AND CONTINGENCIES

At 30 September 2018, capital commitments contracted but not yet incurred amounted to SR 5.2 million for the remaining period of 2018 (30 September 2017: SR 41 million) in respect of the employees home ownership program.

ADVANCED PETROCHEMICAL COMPANY AND ITS SUBSIDIARIES (A SAUDI JOINT STOCK COMPANY)

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10. SEGMENT INFORMATION

A segment is a distinguishable component of the Group that is engaged in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

The Group's management is of the view that all activities and operations of the Group comprise of a single operating segment for the purpose of decision making with respect to performance appraisal and resources allocation.

Substantial portion of the Group's sales are made to the marketers and Group's operations are related to one operating segment. Accordingly, segmental analysis by geographical and operating segment has not been presented.

Operating assets of the Group are located in the KSA. The sales are geographically distributed between domestic sales in the Kingdom representing 5% of the total sales and overseas sales represent more than 95% of the total sales.

11. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the period attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares during the period.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	For the three-month period ended 30 September 2018 (Unaudited)	For the three-month period ended 30 September 2017 (Unaudited)	For the nine-month period ended 30 September 2018 (Unaudited)	For the nine-month period ended 30 September 2017 (Unaudited)
Net profit attributable to equity holders of the Group	202,199	208,411	553,093	527,284
Weighted average number of ordinary shares ('000)	196,794	196,794	196,794	196,794
Earnings Per Share (SR)	1.027	1.059	2.811	2.679

There has been no item of dilution affecting the weighted average number of ordinary shares.

12. SUBSEQUENT EVENT

In the opinion of management, there have been no significant subsequent events since the period ended 30 September 2018 that would have a material impact on the financial position of the Group as reflected in these interim condensed consolidated financial statements.