



**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 2019**

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



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**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)  
AND INDEPENDENT AUDITOR'S REVIEW REPORT**

**FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2019**

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**INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF ADVANCED PETROCHEMICAL COMPANY (A SAUDI JOINT STOCK 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 2019, and the related interim condensed consolidated statements of profit or loss and comprehensive income for the three-month and nine-month periods then ended and the related interim condensed consolidated statements 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 presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" (IAS 34) 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 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 interim condensed consolidated financial statements are not prepared, in all material respects in accordance with International Accounting Standard 34 endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young



Marwan Al Afaliq  
Certified Public Accountant  
Registration No. 422



2 Rabi' al-Awwal 1441H  
30 October 2019

Alkhubar

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



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INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2019  
(All amounts in Saudi Riyals thousands unless otherwise stated)

	For the three-month period ended 30 September 2019 <i>(Unaudited)</i>	For the three-month period ended 30 September 2018 <i>(Unaudited)</i>	For the nine-month period ended 30 September 2019 <i>(Unaudited)</i>	For the nine-month period ended 30 September 2018 <i>(Unaudited)</i>
Notes				
Sales	647,184	744,936	1,976,107	1,998,424
Cost of sales	<u>(401,929)</u>	<u>(526,855)</u>	<u>(1,290,578)</u>	<u>(1,384,062)</u>
<b>GROSS PROFIT</b>	<b>245,255</b>	<b>218,081</b>	<b>685,529</b>	<b>614,362</b>
Selling and distribution expenses	(6,972)	(2,920)	(18,988)	(8,096)
General and administration expenses	<u>(36,344)</u>	<u>(24,612)</u>	<u>(105,538)</u>	<u>(74,403)</u>
<b>OPERATING PROFIT</b>	<b>201,939</b>	<b>190,549</b>	<b>561,003</b>	<b>531,863</b>
Finance costs	(11,287)	(9,819)	(33,384)	(27,593)
Share in profit of an associate	5 25,755	25,444	49,561	59,227
Other income, net	<u>3,841</u>	<u>3,894</u>	<u>15,243</u>	<u>11,417</u>
<b>PROFIT BEFORE ZAKAT AND INCOME TAX</b>	<b>220,248</b>	<b>210,068</b>	<b>592,423</b>	<b>574,914</b>
Zakat and income tax	<u>(7,129)</u>	<u>(7,869)</u>	<u>(25,121)</u>	<u>(21,821)</u>
<b>PROFIT FOR THE PERIOD</b>	<b><u>213,119</u></b>	<b><u>202,199</u></b>	<b><u>567,302</u></b>	<b><u>553,093</u></b>
<b>Earnings per share</b>				
- Basic and diluted <i>(restated)</i>	11 <u>0.985</u>	0.934	<u>2.621</u>	<u>2.555</u>

  
KHALIFA A. AL-MULHEM  
Chairman of the Board

  
FAHAD S. AL-MATRAFI  
President & CEO

  
PATRICK TOWNSEND  
Chief Financial Officer

The attached notes 1 to 13 form an integral part of these interim condensed consolidated financial statements.

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



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**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2019**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

Notes	For the	For the	For the	For the
	three-month period ended 30 September 2019 (Unaudited)	three-month period ended 30 September 2018 (Unaudited)	nine-month period ended 30 September 2019 (Unaudited)	nine-month period ended 30 September 2018 (Unaudited)
<b>PROFIT FOR THE PERIOD</b>	<b>213,119</b>	<b>202,199</b>	<b>567,302</b>	<b>553,093</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
<i>Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:</i>				
Exchange differences on translation of investment in an associate	5 (20,699)	4,365	(39,617)	(19,622)
<i>Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods</i>	<u>(20,699)</u>	<u>4,365</u>	<u>(39,617)</u>	<u>(19,622)</u>
<i>Other comprehensive (loss)/ income not to be reclassified to profit or loss in subsequent periods:</i>				
Unrealized fair value (loss)/ gains on equity investment at fair value through other comprehensive income	4 (155,523)	(94,281)	(71,718)	136,989
<i>Net other comprehensive (loss)/ income not to be reclassified to profit or loss in subsequent periods</i>	<u>(155,523)</u>	<u>(94,281)</u>	<u>(71,718)</u>	<u>136,989</u>
<b>Other comprehensive (loss)/ income for the period</b>	<u>(176,222)</u>	<u>(89,916)</u>	<u>(111,335)</u>	<u>117,367</u>
<b>Total comprehensive income for the period</b>	<u><u>36,897</u></u>	<u><u>112,283</u></u>	<u><u>455,967</u></u>	<u><u>670,460</u></u>

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

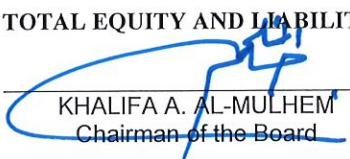


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**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2019**

(All amounts in Saudi Riyals thousands unless otherwise stated)

	<i>Notes</i>	30 September 2019 <i>(Unaudited)</i>	31 December 2018 <i>(Audited)</i>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		1,773,368	2,018,405
Right-of-use assets	3	13,697	-
Intangible assets		2,092	2,439
Investment in an associate	5	589,018	579,074
Investment in an unconsolidated subsidiary		376	376
Equity investment at fair value through other comprehensive income		537,482	609,199
Other non-current assets	6	260,126	144,087
<b>TOTAL NON-CURRENT ASSETS</b>		<b>3,176,159</b>	<b>3,353,580</b>
<b>CURRENT ASSETS</b>			
Inventories		157,918	152,023
Trade receivables		366,903	276,581
Prepayments and other current assets		52,597	61,444
Short term investments		701,250	660,000
Cash and cash equivalents		263,905	192,720
<b>TOTAL CURRENT ASSETS</b>		<b>1,542,573</b>	<b>1,342,768</b>
<b>TOTAL ASSETS</b>		<b>4,718,732</b>	<b>4,696,348</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	1	2,164,734	1,967,940
Statutory reserve		561,012	561,012
Other components of equity	4	45,704	157,039
Retained earnings		495,572	538,331
<b>TOTAL EQUITY</b>		<b>3,267,022</b>	<b>3,224,322</b>
<b>NON-CURRENT LIABILITIES</b>			
Non-current portion of lease liabilities	3	12,464	-
Employees' defined benefit liabilities and other benefits		113,370	101,690
Deferred tax liabilities, net		1,293	1,293
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>127,127</b>	<b>102,983</b>
<b>CURRENT LIABILITIES</b>			
Sukuk		999,870	999,298
Current portion of lease liabilities	3	1,190	-
Trade payable		97,351	141,541
Accruals and other current liabilities		199,268	199,339
Zakat and income tax provision		20,968	24,156
Dividend payable	8	5,936	4,709
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,324,583</b>	<b>1,369,043</b>
<b>TOTAL LIABILITIES</b>		<b>1,451,710</b>	<b>1,472,026</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4,718,732</b>	<b>4,696,348</b>

  
KHALIFA A. AL-MULHEM  
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**ADVANCED PETROCHEMICAL COMPANY AND ITS SUBSIDIARIES**  
(A SAUDI JOINT STOCK COMPANY)



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**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2019**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

	<u>Other components of equity</u>					<u>Total equity</u>
	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Fair value reserve</u>	<u>Foreign currency translation reserve</u>	<u>Retained earnings</u>	
At 1 January 2018	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	-	-	-	-	(551,023)	(551,023)
At 30 September 2018 (Unaudited)	<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>
At 1 January 2019	1,967,940	561,012	138,286	18,753	538,331	3,224,322
Profit for the period	-	-	-	-	567,302	567,302
Other comprehensive loss for the period	-	-	(71,718)	(39,617)	-	(111,335)
Total comprehensive (loss)/income for the period	-	-	(71,718)	(39,617)	567,302	455,967
Increase in share capital (note 1)	196,794	-	-	-	(196,794)	-
Dividends (note 8)	-	-	-	-	(413,267)	(413,267)
At 30 September 2019 (Unaudited)	<u>2,164,734</u>	<u>561,012</u>	<u>66,568</u>	<u>(20,864)</u>	<u>495,572</u>	<u>3,267,022</u>

KHALIFA A. AL-MULHEM  
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**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2019**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	30 September 2019 <i>(Unaudited)</i>	30 September 2018 <i>(Unaudited)</i>
<b>OPERATING ACTIVITIES</b>			
Profit before zakat and income tax		592,423	574,914
Adjustment to reconcile profit before zakat and income tax to net cash flows:			
Depreciation		160,068	152,846
Amortization		876	942
Depreciation of right-of-use assets	3	901	-
Loss on disposal of property, plant and equipment		3,589	69
Finance costs		33,384	27,593
Share in profit of an associate	5	(49,561)	(59,227)
Employees' defined benefits liabilities and other benefits		14,568	14,969
		<u>756,248</u>	<u>712,106</u>
Working capital adjustments:			
Trade receivables		(90,322)	(46,148)
Prepayments and other current assets		7,191	(16,296)
Inventories		(5,895)	(22,493)
Accounts payable, accruals and other current liabilities		(54,705)	5,788
Cash from operating activities		<u>612,517</u>	<u>632,957</u>
Employees' defined benefits liabilities and other benefits paid		(2,888)	(1,066)
Finance costs paid		(21,949)	(16,517)
Zakat and income tax paid		(28,309)	(25,684)
<b>Net cash flows from operating activities</b>		<u>559,371</u>	<u>589,690</u>
<b>INVESTING ACTIVITIES</b>			
(Additions)/ disposals to short term investments		(41,250)	80,000
Additions to intangible assets		(529)	(281)
Additions to property, plant and equipment		(42,623)	(245,868)
Net movement in other non-current assets	6	<u>9,005</u>	<u>8,193</u>
<b>Net cash flows (used in)/ from investing activities</b>		<u>(75,397)</u>	<u>(157,956)</u>
<b>FINANCING ACTIVITIES</b>			
Repayment of term loan		-	(10,000)
Payment of lease liabilities	3	(749)	-
Dividends paid	8	(412,040)	(413,217)
<b>Net cash flows used in financing activities</b>		<u>(412,789)</u>	<u>(423,217)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<u>71,185</u>	<u>8,517</u>
Cash and cash equivalents at the beginning of the period		<u>192,720</u>	<u>260,269</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<u>263,905</u>	<u>268,786</u>
<b>NON-CASH TRANSACTIONS:</b>			
Transfer from Assets Under Construction to HOP receivable	6	<u>124,003</u>	-
Recognition of right-of-use assets on first time adoption of IFRS 16	3	<u>13,983</u>	-
Recognition of lease liabilities on first time adoption of IFRS 16	3	<u>13,983</u>	-
Derecognition of prepayments on first time adoption of IFRS 16	3	<u>615</u>	-
Financial charges on lease liabilities against right-of-use assets	3	<u>420</u>	-

KHALIFA A. AL-MULHEM  
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The attached notes 1 to 13 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 2019**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

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**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 1 October 2005). The paid-up share capital of the Company is SR 2,164,734,000 divided into 216,473,400 shares of SR 10 each. During the Company’s extraordinary General Assembly meeting held on 18 Muharram, 1441H (corresponding to 17 September 2019), an increase in share capital by 10% was approved by the shareholders by way of issuance of bonus shares. The increase in share capital was funded from the retained earnings account through the distribution of one share for every ten shares held by the existing shareholders. The number of shares increased from One Hundred Ninety Six Million Seven Hundred Ninety Four Thousand (196,794,000) shares to Two Hundred Sixteen Million Four Hundred Seventy Three Thousand Four Hundred (216,473,400) shares. The earning per share (note 11) for the comparative period has been adjusted retrospectively to reflect the treatment of effect of issuance of bonus shares as required by the relevant accounting standard. Certain legal formalities relating to the above are still in progress as at the reporting date.

The interim condensed consolidated financial statements as at 30 September 2019 include the financial statements of the Company and the following subsidiaries (collectively referred to as the “Group”):

	Effective ownership
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.



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

These interim condensed consolidated financial statements of the Group were approved on 29 October 2019.

### ***Basis of consolidation***

These interim condensed consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 September 2019. 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 2018, except for the adoption of new standards effective as of 1 January 2019. The Group has not early adopted any other standard (interpretation) or amendments that has been issued but which are not yet effective.

The Group applies, for the first time, IFRS 16 Leases. As required by IAS 34, the nature and effect of these changes, if any, are disclosed below.



**3. NEW AND AMENDED STANDARDS AND INTERPRETATIONS (Continued)**

***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 most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group applied modified retrospective method, which requires the recognition of the cumulative effect of initially applying IFRS 16 at, 1 January 2019, to the retained earnings and not restate prior years. Since the Group recognized the right-of-use assets at the amount equal to the lease liabilities, adjusted by the amount of any prepaid lease payments relating to that lease recognized at consolidated statement of financial position as at 31 December 2018, therefore, there was no impact to the retained earnings at the date of initial application.

The Group 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 Group 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').

The effect of adoption of IFRS 16 as at 1 January 2019 (increase / (decrease)) is as follows:

	<b>1 January 2019</b>
<b>Assets</b>	
Right of use assets	13,983
Prepayments	615
<b>Total Assets</b>	<b>14,598</b>
<b>Liabilities</b>	
Lease liabilities	13,983
<b>Total Liabilities</b>	<b>13,983</b>

***Nature of the effect of adoption of IFRS 16***

The Group has lease contracts for plant and port land, and office building. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased land was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under prepayments and trade and other payables, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.



### 3. NEW AND AMENDED STANDARDS AND INTERPRETATIONS (Continued)

#### *Leases previously accounted for as operating leases*

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Relied on its assessment of whether leases are onerous immediately before the date of initial application.
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application.
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

Operating lease commitments as at 31 December 2018	18,149
Discounting impact for gross lease liability	(4,166)
<b>Lease liability as at 1 January 2019</b>	<b>13,983</b>

Gross lease liabilities at 1 January 2019 have been discounted using a weighted average incremental borrowing rate of 4.19%.

#### *Summary of new accounting policies*

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

#### *Right-of-use assets*

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

#### *Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.





**3. NEW AND AMENDED STANDARDS AND INTERPRETATIONS (Continued)**

*Summary of new accounting policies (continued)*

***Short-term leases and leases of low-value assets***

The Group applies the short-term lease recognition exemption to its short-term leases of equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below SR 18,750). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

***Variable lease payments***

Some leases contain variable payments that are linked to the usage / performance of the leased asset. Such payments are recognised in interim condensed statement of profit or loss and comprehensive income.

***Significant judgement in determining the lease term of contracts with renewal options***

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to renew the leases at the end of lease term. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

***Amounts recognised in the interim condensed consolidated statement of financial position and statement of statement of profit or loss***

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	<u>Right-of-use assets</u>	<u>Lease Liabilities</u>
<b>As at 1 January 2019</b>	<b>14,598</b>	<b>13,983</b>
Depreciation expense	(901)	-
Interest expense	-	420
Payments	-	(749)
	<hr/>	<hr/>
Current portion of lease liability	-	(1,190)
<b>As at 30 September 2019</b>	<b>13,697</b>	<b>12,464</b>



4. OTHER COMPONENTS OF EQUITY

	30 September 2019 <i>(Unaudited)</i>	31 December 2018 <i>(Audited)</i>
Unrealized fair value gains on equity investment at FVOCI	66,568	138,286
Foreign currency translation reserve	(20,864)	18,753
	<b>45,704</b>	<b>157,039</b>

5. INVESTMENT IN AN ASSOCIATE

	30 September 2019 <i>(Unaudited)</i>	31 December 2018 <i>(Audited)</i>
At the beginning of the period/year	579,074	534,382
Share of results for the period/year	49,561	66,878
Exchange differences on translation of foreign operations	(39,617)	(22,186)
<b>At the end of the period/year</b>	<b>589,018</b>	<b>579,074</b>

The Group has an investment in SK Advanced Co. Limited, classified as investment in an associate in these interim condensed consolidated financial statements. It was incorporated in accordance with the Commercial Act of the Republic of Korea and its shareholders are SK Gas Co. Limited 45%, AGIC 30% and 25% by Petrochemical Industries Company K.S.C. It operates a PDH Plant with nameplate capacity of 600,000 MT per annum.

6. OTHER NON-CURRENT ASSETS

	30 September 2019 <i>(Unaudited)</i>	31 December 2018 <i>(Audited)</i>
Employees' home ownership program (note a)	254,626	138,586
Others	5,500	5,501
	<b>260,126</b>	<b>144,087</b>

- a) It represents balances related to employees' Home Ownership Program (HOP). The Company started building residential houses, in Jubail Industrial City, for its employees in 2013. In May 2016, completed housing units were distributed to direct hire Saudi employees under a long-term repayment agreement. In July 2019, additional housing units under HOP Phase 2 were distributed to Saudi employees. 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 254.63 million represents non-current portion and SR 17.48 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, there are no transactions with the related parties.

### Key management personnel compensation

	<b>For the nine-month period ended 30 September 2019 (Unaudited)</b>	<b>For the nine-month period ended 30 September 2018 (Unaudited)</b>
Short-term employee benefits	<b>15,526</b>	8,954
End of service termination benefits	<b>2,795</b>	1,869
	<b>18,321</b>	10,823

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 23 May 2019, the Board of Directors resolved to distribute interim cash dividend for the second quarter of 2019 of SR 0.70 per share (totaling SR 138 million).

On 19 March 2019, the Board of Directors resolved to distribute interim cash dividend for the first quarter of 2019 of SR 0.70 per share (totaling SR 138 million).

On 18 December 2018, 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 2018. This has been approved by the General Assembly in their meeting held on 19 March 2019.

## 9. COMMITMENTS AND CONTINGENCIES

At 30 September 2019, capital commitments contracted but not yet incurred amounted to SR Nil million (31 December 2018: SR 8 million) in respect of employees' home ownership program.

## 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 less than 6% of the total sales and overseas sales represent more than 94% 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 earnings per share for the comparative period has been adjusted retrospectively as explained in Note 1.

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

	<b>For the three-month period ended 30 September 2019</b>	For the three-month period ended 30 September 2018	<b>For the nine-month period ended 30 September 2019</b>	For the nine-month period ended 30 September 2018
Profit attributable to equity holders of the Group	<b>213,119</b>	202,199	<b>567,302</b>	553,093
Weighted average number of ordinary shares ('000) <i>(restated)</i>	<b>216,473</b>	216,473	<b>216,473</b>	216,473
Earnings Per Share (SR) <i>(restated)</i>	<b>0.985</b>	0.934	<b>2.621</b>	2.555

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 2019 that would have a material impact on the financial position of the Group as reflected in these interim condensed consolidated financial statements.

## 13. COMPARATIVE AMOUNTS

Other than restatement of earnings per share referred to in note 11, no other changes were made to the comparative amounts.