



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 SIX-MONTH PERIODS ENDED 30 JUNE 2019

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



المتقدمة
Advanced

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)
AND INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2019

INDEX	PAGE
Independent auditor's review report	1
Interim condensed consolidated statement of profit or loss	2
Interim condensed consolidated statement of comprehensive income	3
Interim condensed consolidated statement of financial position	4
Interim condensed consolidated statement of changes in equity	5
Interim condensed consolidated statement of cash flows	6
Notes to the interim condensed consolidated financial statements	7 – 14

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 June 2019, and the related interim condensed consolidated statements of profit or loss and comprehensive income, for the three-month and six-month periods then ended and the related interim condensed consolidated statements of changes in equity and cash flows for the six-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



28 Dhu Al-Qadah 1440H
31 July 2019

Alkhubar

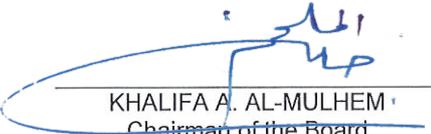
ADVANCED PETROCHEMICAL COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)



المتقدمة
Advanced

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

	For the three-month period ended 30 June 2019 <i>(Unaudited)</i>	For the three-month period ended 30 June 2018 <i>(Unaudited)</i>	For the six-month period ended 30 June 2019 <i>(Unaudited)</i>	For the six-month period ended 30 June 2018 <i>(Unaudited)</i>
Sales	680,956	749,668	1,328,923	1,253,488
Cost of sales	<u>(434,589)</u>	<u>(472,524)</u>	<u>(888,649)</u>	<u>(857,207)</u>
GROSS PROFIT	246,367	277,144	440,274	396,281
Selling and distribution expenses	<u>(5,543)</u>	<u>(2,897)</u>	<u>(12,016)</u>	<u>(5,176)</u>
General and administration expenses	<u>(33,499)</u>	<u>(27,642)</u>	<u>(69,194)</u>	<u>(49,791)</u>
OPERATING PROFIT	207,325	246,605	359,064	341,314
Finance costs	<u>(11,219)</u>	<u>(8,780)</u>	<u>(22,097)</u>	<u>(17,774)</u>
Share in profit of an associate	5 3,107	23,612	23,806	33,783
Other income, net	<u>4,656</u>	<u>3,246</u>	<u>11,402</u>	<u>7,523</u>
PROFIT BEFORE ZAKAT AND INCOME TAX	203,869	264,683	372,175	364,846
Zakat and income tax	<u>(11,562)</u>	<u>(11,340)</u>	<u>(17,992)</u>	<u>(13,952)</u>
PROFIT FOR THE PERIOD	<u>192,307</u>	<u>253,343</u>	<u>354,183</u>	<u>350,894</u>
Earnings per share				
- Basic and diluted	11 <u>0.977</u>	<u>1.287</u>	<u>1.800</u>	<u>1.783</u>


KHALIFA A. AL-MULHEM
Chairman of the Board


ABDULLAH M. AL-GARAWI
President & CEO


PATRICK TOWNSEND
Chief Financial Officer

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)



المتقدمة
Advanced

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

	For the three-month period ended 30 June 2019 <i>(Unaudited)</i>	For the three-month period ended 30 June 2018 <i>(Unaudited)</i>	For the six-month period ended 30 June 2019 <i>(Unaudited)</i>	For the six-month period ended 30 June 2018 <i>(Unaudited)</i>
PROFIT FOR THE PERIOD	192,307	253,343	354,183	350,894
OTHER COMPREHENSIVE INCOME				
<i>Other comprehensive loss to be reclassified to profit or loss in subsequent periods:</i>				
Exchange differences on translation of investment in an associate	5 (9,176)	(26,361)	(18,918)	(23,987)
<i>Net other comprehensive loss to be reclassified to profit or loss in subsequent periods</i>	<u>(9,176)</u>	<u>(26,361)</u>	<u>(18,918)</u>	<u>(23,987)</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 (33,039)	91,460	83,805	231,270
<i>Net other comprehensive (loss)/ income not to be reclassified to profit or loss in subsequent periods</i>	<u>(33,039)</u>	<u>91,460</u>	<u>83,805</u>	<u>231,270</u>
Other comprehensive (loss)/ income for the period	<u>(42,215)</u>	<u>65,099</u>	<u>64,887</u>	<u>207,283</u>
Total comprehensive income for the period	<u>150,092</u>	<u>318,442</u>	<u>419,070</u>	<u>558,177</u>

KHALIFA A. AL-MULHEM
Chairman of the Board

ABDULLAH M. AL-GARAWI
President & CEO

PATRICK TOWNSEND
Chief Financial Officer

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)



المتقدمة
Advanced

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	30 June 2019 (Unaudited)	31 December 2018 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		1,939,051	2,018,405
Right-of-use assets	3	13,997	-
Intangible assets		2,215	2,439
Investment in an associate	5	583,962	579,074
Investment in an unconsolidated subsidiary		376	376
Equity investment at fair value through other comprehensive income		693,004	609,199
Other non-current assets	6	138,729	144,087
TOTAL NON-CURRENT ASSETS		3,371,334	3,353,580
CURRENT ASSETS			
Inventories		146,659	152,023
Trade receivables		375,563	276,581
Prepayments and other current assets		49,625	61,444
Short term investments		667,500	660,000
Cash and cash equivalents		198,158	192,720
TOTAL CURRENT ASSETS		1,437,505	1,342,768
TOTAL ASSETS		4,808,839	4,696,348
EQUITY AND LIABILITIES			
EQUITY			
Share capital	1	1,967,940	1,967,940
Statutory reserve		561,012	561,012
Other components of equity	4	221,926	157,039
Retained earnings		479,247	538,331
TOTAL EQUITY		3,230,125	3,224,322
NON-CURRENT LIABILITIES			
Non-current portion of lease liabilities	3	12,422	-
Employees' defined benefit liabilities and other benefits		109,683	101,690
Deferred tax liabilities, net		1,293	1,293
TOTAL NON-CURRENT LIABILITIES		123,398	102,983
CURRENT LIABILITIES			
Sukuk		999,678	999,298
Current portion of lease liabilities	3	1,190	-
Trade payable		102,984	141,541
Accruals and other current liabilities		195,017	199,339
Zakat and income tax provision		13,839	24,156
Dividend payable	8	142,608	4,709
TOTAL CURRENT LIABILITIES		1,455,316	1,369,043
TOTAL LIABILITIES		1,578,714	1,472,026
TOTAL EQUITY AND LIABILITIES		4,808,839	4,696,348

KHALIFA A. AL-MULHEM
Chairman of the Board

ABDULLAH M. AL-GARAWI
President & CEO

PATRICK TOWNSEND
Chief Financial Officer

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

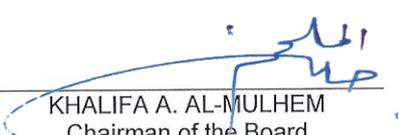
ADVANCED PETROCHEMICAL COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)



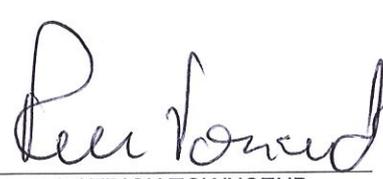
المتقدمة
Advanced

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

	<u>Other components of 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>	<u>Total equity</u>
At 1 January 2018	1,967,940	489,316	189,859	40,939	425,387	3,113,441
Profit for the period	-	-	-	-	350,894	350,894
Other comprehensive income/ (loss) for the period	-	-	231,270	(23,987)	-	207,283
Total comprehensive income/ (loss) for the period	-	-	231,270	(23,987)	350,894	558,177
Dividends	-	-	-	-	(413,268)	(413,268)
At 30 June 2018 <i>(Unaudited)</i>	<u>1,967,940</u>	<u>489,316</u>	<u>421,129</u>	<u>16,952</u>	<u>363,013</u>	<u>3,258,350</u>
At 1 January 2019	1,967,940	561,012	138,286	18,753	538,331	3,224,322
Profit for the period	-	-	-	-	354,183	354,183
Other comprehensive income/(loss) for the period	-	-	83,805	(18,918)	-	64,887
Total comprehensive income/(loss) for the period	-	-	83,805	(18,918)	354,183	419,070
Dividends (note 8)	-	-	-	-	(413,267)	(413,267)
At 30 June 2019 <i>(Unaudited)</i>	<u>1,967,940</u>	<u>561,012</u>	<u>222,091</u>	<u>(165)</u>	<u>479,247</u>	<u>3,230,125</u>


KHALIFA A. AL-MULHEM
Chairman of the Board


ABDULLAH M. AL-GARAWI
President & CEO


PATRICK TOWNSEND
Chief Financial Officer

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)



المتقدمة
Advanced

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019
(All amounts in Saudi Riyals thousands unless otherwise stated)

	<i>Notes</i>	30 June 2019 <i>(Unaudited)</i>	30 June 2018 <i>(Unaudited)</i>
OPERATING ACTIVITIES			
Profit before zakat and income tax		372,175	364,846
Adjustment to reconcile profit before zakat and income tax to net cash flows:			
Depreciation		106,331	99,579
Amortization		584	640
Depreciation of right-of-use assets	3	601	-
Loss on disposal of property, plant and equipment		961	69
Finance costs		22,097	17,774
Share in profit of an associate	5	(23,806)	(33,783)
Employees' defined benefits liabilities and other benefits		9,682	9,995
		<u>488,625</u>	<u>459,120</u>
Working capital adjustments:			
Trade receivables		(98,982)	(79,558)
Prepayments and other current assets		11,204	(21,576)
Inventories		5,364	(24,055)
Accounts payable, accruals and other current liabilities		(42,720)	9,298
Cash from operating activities		<u>363,491</u>	<u>343,229</u>
Employees' defined benefits liabilities and other benefits paid		(1,689)	(621)
Finance costs paid		(21,597)	(16,580)
Zakat and income tax paid		(28,309)	(25,684)
Net cash flows from operating activities		<u>311,896</u>	<u>300,344</u>
INVESTING ACTIVITIES			
(Additions)/ disposals to short term investments		(7,500)	291,250
Additions to intangible assets		(360)	(183)
Additions to property, plant and equipment		(27,938)	(216,733)
Net movement in other non-current assets	6	5,358	5,495
Net cash flows (used in)/ from investing activities		<u>(30,440)</u>	<u>79,829</u>
FINANCING ACTIVITIES			
Repayment of term loan		-	(10,000)
Payment of lease liabilities	3	(650)	-
Dividends paid	8	(275,368)	(275,516)
Net cash flows used in financing activities		<u>(276,018)</u>	<u>(285,516)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		5,438	94,657
Cash and cash equivalents at the beginning of the period		<u>192,720</u>	<u>260,269</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		<u>198,158</u>	<u>354,926</u>

NON-CASH TRANSACTIONS:

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>279</u>	-

KHALIFA A. AL-MULHEM
Chairman of the Board

ABDULLAH M. AL-GARAWI
President & CEO

PATRICK TOWNSEND
Chief Financial Officer

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)



المتقدمة
Advanced

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2019
(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 1 October 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 Board of Directors in their meeting held on 18 Ramadan 1440H (corresponding to 23 May 2019) have proposed to increase the paid-up share capital of the Company from SR 1,967,940,000 to SR 2,164,734,000 in the form of bonus share by issuing one share for ten shares held by utilizing the retained earnings. This increase in capital is subject to the approval of Extraordinary General Assembly Meeting and completion of related legal formalities.

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

	<u>Effective 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.



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

These interim condensed consolidated financial statements of the Group were approved on 31 July 2019.

Basis of consolidation

These interim condensed consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 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:

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

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)
Lease liability as at 1 January 2019	13,983

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>
As at 1 January 2019	14,598	13,983
Depreciation expense	(601)	-
Interest Expense	-	279
Payments	-	(650)
	<hr/>	<hr/>
Current portion of lease liability	-	1,190
As at 30 June 2019	13,997	12,422



3. NEW AND AMENDED STANDARDS AND INTERPRETATIONS (Continued)

In addition to IFRS 16, 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 2019, but do not have a significant impact on the interim condensed consolidated financial statements of the Group.

STANDARD	DESCRIPTION
IFRIC Interpretation 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
<i>2015-2017 Annual Improvement cycle</i>	
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

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 17	Insurance Contracts	1 January 2021
Amendments to IFRS 10 and IAS 28	Sale or 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.

4. OTHER COMPONENTS OF EQUITY

	30 June 2019	31 December 2018
	<i>(Unaudited)</i>	<i>(Audited)</i>
Unrealized fair value gains on equity investment at FVOCI	222,091	138,286
Foreign currency translation reserve	(165)	18,753
	221,926	157,039



5. INVESTMENT IN AN ASSOCIATE

	30 June 2019	31 December 2018
	<i>(Unaudited)</i>	<i>(Audited)</i>
At the beginning of the period/year	579,074	534,382
Share of results for the period/year	23,806	66,878
Exchange differences on translation of foreign operations	(18,918)	(22,186)
At the end of the period/year	583,962	579,074

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 June 2019	31 December 2018
	<i>(Unaudited)</i>	<i>(Audited)</i>
Employees' home ownership program (note a)	133,229	138,586
Others	5,500	5,501
	138,729	144,087

- 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. 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 133.23 million represents non-current portion and SR 12.03 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

	For the six-month period ended 30 June 2019	For the six-month period ended 30 June 2018
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Short-term employee benefits	10,946	7,545
End of service termination benefits	2,049	1,093
	12,995	8,638

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 June 2019, capital commitments contracted but not yet incurred amounted to SR 2.7 million (31 December 2018: SR 8 million) in respect of the 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 following reflects the income and share data used in the basic and diluted earnings per share computations:

	For the three-month period ended 30 June 2019	For the three-month period ended 30 June 2018	For the six-month period ended 30 June 2019	For the six-month period ended 30 June 2018
Profit attributable to equity holders of the Group	192,307	253,343	354,183	350,894
Weighted average number of ordinary shares ('000)	196,794	196,794	196,794	196,794
Earnings Per Share (SR)	0.977	1.287	1.800	1.783

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