

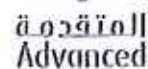


**ADVANCED PETROCHEMICAL COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UN-AUDITED) AND AUDITORS' LIMITED REVIEW REPORT**

**FOR THE THREE-MONTH AND TWELVE-MONTH PERIODS ENDED 31
DECEMBER 2016**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)
AND AUDITORS' LIMITED REVIEW REPORT
FOR THE THREE-MONTH AND TWELVE-MONTH PERIODS ENDED 31 DECEMBER 2016**



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**LIMITED REVIEW REPORT TO THE SHAREHOLDERS
OF ADVANCED PETROCHEMICAL COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)**

Scope of limited review:

We have reviewed the accompanying Interim condensed consolidated balance sheet of Advanced Petrochemical Company, a Saudi Joint Stock Company, (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 31 December 2016, and the related interim condensed consolidated statement of income for the three and twelve-month periods then ended, and interim condensed consolidated statement of cash flows for the twelve-month period then ended. These interim condensed consolidated financial statements have been prepared by the Company's management and submitted to us together with the information and explanations which we required. We conducted our limited review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). The limited review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with Generally Accepted Auditing Standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Conclusion of limited review:

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim condensed consolidated financial statements for them to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia.

for Ernst & Young

Abdulaziz Saud Alshubalbi
Certified Public Accountant
Registration No. 339

17 Rabi' II 1438H
15 January 2017

AlKhobar



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


INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2016

(All amounts in Saudi Riyals thousands unless otherwise stated)



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Advanced

	Note	2016 (Un-audited)	2015 (Audited)
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		452,986	84,984
Trade receivables		332,566	221,798
Short term investments		121,714	-
Prepayments and other current assets		37,164	21,917
Inventories		116,685	124,291
TOTAL CURRENT ASSETS		1,061,115	452,990
NON-CURRENT ASSETS			
Available for sale investments	4	793,886	801,143
Investment in unconsolidated subsidiary	1	376	376
Investment in an associated company	5	445,835	421,239
Property, plant and equipment		1,925,854	2,179,171
Intangible assets		3,463	5,128
Other non-current assets	6	162,381	26,006
TOTAL NON-CURRENT ASSETS		3,331,795	3,433,063
TOTAL ASSETS		4,392,910	3,886,053
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable, accruals and other current liabilities		227,718	217,674
Zakat and income tax provision		21,825	19,578
Dividends payable	7	4,829	5,843
Current portion of term loan		40,000	40,000
TOTAL CURRENT LIABILITIES		294,372	283,095
NON-CURRENT LIABILITIES			
Term loan		10,000	50,000
Sukuk		998,719	998,267
Employees' terminal benefits and other benefits		60,473	45,730
TOTAL NON-CURRENT LIABILITIES		1,069,192	1,093,997
TOTAL LIABILITIES		1,363,564	1,377,092
SHAREHOLDERS' EQUITY			
Share capital	1	1,967,940	1,639,950
Statutory reserve		426,204	353,138
Unrealized gains/(losses) on available for sale investments	4	215,079	(96,937)
Retained earnings		420,123	612,810
TOTAL SHAREHOLDERS' EQUITY		3,029,346	2,508,961
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		4,392,910	3,886,053


KHALIFA A. AL-MULHEM
Chairman of the Board


ABDULLAH M. AL-GARAWI
President & CEO


MOHAMMED H. QAHTANI
Finance and Accounting Manager


The attached notes 1 to 10 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 INCOME
FOR THE THREE-MONTH AND TWELVE-MONTH PERIODS ENDED 31 DECEMBER 2016
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	For the three-month period ended 31 December		For the twelve-month period ended 31 December	
		2016	2015	2016	2015
		(Un-audited)	(Un-audited)	(Un-audited)	(Audited)
Sales		576,372	541,733	2,139,372	2,377,026
Cost of sales		(378,528)	(381,012)	(1,381,313)	(1,592,875)
GROSS PROFIT		197,844	160,721	758,059	784,151
EXPENSES					
Selling and distribution		(1,709)	(1,742)	(8,961)	(9,027)
General and administration		(10,965)	(10,879)	(34,888)	(32,609)
INCOME FROM MAIN OPERATIONS		185,170	148,100	714,210	742,515
Financial charges		(10,854)	(4,762)	(33,666)	(17,922)
Realized gains/(losses) on disposal of available for sale investments, net		6,257	873	10,929	(3,286)
Impairment losses against available for sale investments	4	-	-	(40,227)	-
Other income/(expenses), net		4,501	1,333	16,147	(5,236)
Share in results of an associated company	5	24,972	533	47,223	(3,046)
Gain on disposal of shares in an associated company	5	-	-	16,044	-
NET INCOME FOR THE PERIOD		210,046	146,077	730,660	713,025
Earnings per share (SR)					
Attributable to income from main operations (adjusted)		0.941	0.753	3.629	3.773
Attributable to net income (adjusted)		1.067	0.742	3.713	3.623
Weighted average number of shares outstanding (in thousands) (adjusted)	1	196,794	196,794	196,794	196,794


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Finance and Accounting Manager

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2016
(All amounts in Saudi Riyals thousands unless otherwise stated)



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		For the twelve-month period ended 31 December	
	Note	2016 (Un-audited)	2015 (Audited)
OPERATING ACTIVITIES			
Net income for the period		730,660	713,025
Adjustments for:			
Depreciation		195,753	195,075
Amortization		2,552	15,255
Losses on disposal of property, plant and equipment		-	139
Realized (gains)/ losses on disposal of available for sale investments,		(10,929)	3,286
Gain on disposal of shares in an associated company	5	(16,044)	-
Financial charges		33,666	17,922
Provision for employees' terminal benefits and other benefits		16,386	12,566
Impairment losses against available for sale investments	4	40,227	-
Share in results of an associated company	5	(47,223)	3,046
		945,048	960,314
Changes in operating assets and liabilities:			
Trade receivables		(110,768)	(23,746)
Prepayments and other current assets		(10,222)	7,014
Inventories		7,606	(943)
Accounts payable, accruals and other liabilities		9,915	(53,236)
Cash from operations		841,579	889,403
Employees' terminal benefits and other benefits paid		(1,643)	(3,076)
Financial charges paid		(33,036)	(19,137)
Zakat & income tax paid		(21,339)	(22,759)
Net cash from operating activities		785,561	844,431
INVESTING ACTIVITIES			
Net movement in available for sale investments		296,090	(714,845)
Additions to short term investments		(121,714)	-
Additions to investment in an associated company		(44,463)	(201,409)
Additions to intangible assets		(887)	(2,325)
Additions to property, plant and equipment		(122,390)	(204,475)
Proceeds from disposal of property, plant and equipment		-	93
Proceeds from disposal of shares in an associated company		83,084	-
Net movement in other non-current assets		32,439	2,174
Net cash from/ (used in) investing activities		122,159	(1,120,787)
FINANCING ACTIVITIES			
Repayment of term loan		(40,000)	(30,000)
Dividends paid		(497,918)	(490,864)
Board of directors' remunerations paid		(1,800)	(1,800)
Net cash used in financing activities		(539,718)	(522,664)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		368,002	(799,020)
Cash and cash equivalents at the beginning of the period		84,984	884,004
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		452,986	84,984

The attached notes 1 to 10 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 TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2016 (continued)
(All amounts in Saudi Riyals thousands unless otherwise stated)



		For the twelve-month period ended 31 December	
	Note	2016 (Un-audited)	2015 (Audited)
Supplemental non-cash transactions:			
Dividends declared during the period and not yet paid		4,829	5,843
Unrealized gains/ (losses) on available for sale investments		312,016	64,788
Zakat and income tax provision charged to retained earnings		23,586	20,719
Accrued board of directors' remunerations		1,800	1,800
Costs of Home Ownership Program (HOP) houses transferred from property, plant, & equipment to other non-current assets	6	179,954	-
Amortization of prepaid financing costs related to Sukuk		452	570


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Chairman of the Board


ABDULLAH M. AL-GARAWI
President & CEO


MOHAMMED H. QAHTANI
Finance and Accounting Manager

The attached notes 1 to 10 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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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND TWELVE-MONTH PERIODS ENDED 31 DECEMBER 2016
(UN-AUDITED)

(All amounts in Saudi Riyals thousands unless otherwise stated)

1. ORGANIZATION AND ACTIVITIES

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.

During the Company's extraordinary general assembly meeting held on 28 July 2016, a 20% increase in share capital 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 bonus share for every five shares held by the existing shareholders. The number of issued shares increased from One Hundred Sixty Three Million Nine Hundred and Ninety Five Thousand (163,995,000) shares to One Hundred Ninety Six Million Seven Hundred and Ninety Four Thousand (196,794,000) shares. The earning per share for the comparative period has been adjusted retrospectively to reflect the increase in share capital as required by the relevant accounting standard.

The interim condensed consolidated financial statements as of 31 December 2016 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'1 1433H (corresponding to 19 February 2012).

5% of this investment is held under a related party's name, on behalf of the Group. The related party has assigned its share to the Group 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 Group. The related party has assigned its share to the Group 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 for the twelve-month period ended 31 December 2016 (2015: same) due to the absence of any activities during the period and because AGHL has immaterial financial position.

The Group is licensed to engage 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 within and outside Kingdom of Saudi Arabia.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND TWELVE-MONTH PERIODS ENDED 31 DECEMBER 2016
(UN-AUDITED)
(All amounts in Saudi Riyals thousands unless otherwise stated)

2. BASIS OF CONSOLIDATION

The interim condensed consolidated financial statements include the interim condensed financial statements of the Company and its subsidiaries. Subsidiaries are consolidated from the date the Group obtains control until such time as control ceases. Acquisitions of the subsidiaries are accounted for using the purchase method of accounting. The interim condensed financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-group balances, transactions, income and expenses and profit and loss resulting from intra-group transactions, are eliminated in full.

3. SIGNIFICANT ACCOUNTING POLICIES

These interim condensed consolidated financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. The significant accounting policies adopted are as follows:

Accounting convention

The interim condensed consolidated financial statements are prepared under the historical cost convention, modified to include the measurement at fair value of available for sale investments.

Use of estimates

The preparation of the interim condensed consolidated financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are considered reasonable in the given circumstances of the Group.

Cash and cash equivalents

Cash and cash equivalents consist of bank balances, cash on hand, short term Murabaha that is readily convertible into known amounts of cash and have original maturities of three months or less.

Trade receivables

Trade receivables are stated at the original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debt is made when the collection of the trade receivables amount is considered doubtful. Bad debts are written off as incurred.

Inventories

Inventories are stated at the lower of cost and net realizable value, with due allowance for obsolete or slow moving items. Cost is determined as follows:

Raw materials, consumables and spare parts	- purchase cost on a weighted average basis.
Production in progress and finished products	- cost of direct materials and labor plus attributable overheads based on a normal level of activity.

Available for sale investments

After initial recognition, investments purchased neither with the intention of being held to maturity nor for trading purposes are classified as available for sale investments and are measured at fair value. Unrealized gains and losses are reported as a separate component of shareholders' equity until the investment is derecognized or the investment is determined to be impaired. On derecognition or impairment the cumulative gain or loss previously reported in shareholders' equity is included in the interim condensed consolidated statement of income for the period.

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



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND TWELVE-MONTH PERIODS ENDED 31 DECEMBER 2016
(UN-AUDITED)
(All amounts in Saudi Riyals thousands unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in unconsolidated subsidiary

Investment in unconsolidated subsidiary which is considered immaterial is accounted for under the equity method.

Investment in an associated company

The Group's investment in an associated company is accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment of value. Construction work in progress is not depreciated. The cost of other property, plant and equipment is depreciated on a straight line basis over the estimated useful lives of the assets.

Improvements on assets are amortized on a straight-line basis over the shorter of the useful life of the improvement or the related assets.

Expenditure for repair and maintenance are charged to the interim condensed consolidated statement of income. Improvements that increase the value or materially extend the life of the related assets are capitalized.

Turnaround maintenance

Planned turnaround maintenance costs are capitalized and depreciated over the period until the date of next planned turnaround. Should unexpected turnaround occur prior to the previously envisaged date of planned turnaround, then the remaining net book value is immediately expensed and the new turnaround costs are capitalized and depreciated over the period likely to benefit from such costs. Planned turnaround maintenance costs are included under the assets in the interim condensed consolidated balance sheet.

The estimated useful lives of the principal classes of assets are as follows:

	Years
Plants	20
Buildings	33
Machinery and equipment	10
Furniture, fixtures and office equipment	3 - 8
Catalysts	2 - 8
Laboratory and safety equipment	5
Vehicles and trucks	4 - 10
Leasehold improvements	10

Capital spare parts

Capital spare-parts which are considered essential to ensure continuous plant operation, are classified under tangible assets, and are depreciated using the straight-line method over 20 years. The following two conditions must apply to all capitalized spare-parts:

- They are not readily available in the market, or unavailable.
- Their manufacturing requires an extended time to complete.



3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employees' home ownership program

The Company has a Home Ownership Program (HOP) that offers eligible Saudi employees home ownership opportunities. Unsold housing units constructed for eventual sale to eligible Saudi employees are included under property, plant and equipment and depreciated over useful life. Upon signing the sale contract, the related cost and accumulated depreciation are derecognized and the loans receivable from the employees in respect of the purchase of the housing units are classified under long term assets as "other non-current assets". Installments recoverable within twelve months period from the date of the balance sheet are classified under current assets as "prepayments and other current assets".

Intangible assets

Costs that have future benefits are initially recognized as intangible assets. Intangible assets are amortized over a period not exceeding seven years. The amortization expenses are included under cost of sales in the interim condensed consolidated statement of income.

Impairment of non-current assets

The Group reviews the carrying values of its non-current assets for impairment when events or circumstances indicate that carrying value may not be recoverable. If such indicators exist, the recoverable amount of the asset is estimated in order to determine the extent of impairment (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

The carrying value of the asset (or cash generating unit) is reduced to the recoverable value when the recoverable value is below the carrying value. Impairment loss is recognized as expense when incurred.

Where an impairment loss subsequently reverses, the carrying value of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. The reversal of impairment loss is recognized as income once identified.

Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions

Provisions are recognized when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Zakat and income tax

The Group is subject to the Regulations of the General Authority of Zakat and Tax ("GAZT") in the Kingdom of Saudi Arabia. Zakat and income tax is determined based on effective ownership interest reflected in the register of shareholders in Tadawul at the end of the period. Zakat and income tax is provided on an estimated basis and charged to the interim statement of changes in equity. The zakat charge is computed at 2.5% on the zakat base or adjusted net income attributable to shareholders from Gulf Cooperation Council ("GCC") citizens, whichever is higher while income tax relating to the non-GCC shareholders is provided based on share of taxable income at 20%. Additional amounts, if any, that may become due on finalization of an assessment are accounted for at that time.

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



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH AND TWELVE-MONTH PERIODS ENDED 31 DECEMBER 2016
(UN-AUDITED)
(All amounts in Saudi Riyals thousands unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employees' terminal benefits and other benefits

Employees' terminal benefits

Provision is made for amounts payable under the Group's policies applicable to employees accumulated periods of service at the interim condensed consolidated balance sheet date.

Employees' saving plan

The Group maintains an employees' saving plan for its Saudi employees. The contributions from the participants are deposited in separate bank account and liability is established for the Group's contributions. The Group's contribution under the saving plan is charged to the interim condensed consolidated statement of income.

Dividends

Dividends are recognized as a liability at the time of their approval by the General Assembly. Interim dividends are recorded as and when approved by the Board of Directors.

Statutory reserve

In accordance with the Company's by-laws, the Company must set aside 10% of its consolidated net income in each year until it has built up a reserve equal to one half of the capital. The reserve is not available for distribution.

Revenue recognition

For international markets, all products are sold to the marketers, while for local markets (Saudi Arabia and GCC countries) the products are sold directly by the Group. Upon delivery to the marketers, sales are recorded at provisional sales prices that are later adjusted based upon actual selling prices received by the marketers from third parties, after deducting the costs of shipping and marketing fees etc. Adjustments are made, as they become known to the Group. Sales in local markets are recognized upon delivery of products to customers.

Expenses

Selling and distribution expenses principally comprise of costs incurred in the distribution and sale of the Group's products. All other expenses other than cost of sales, financial charges, realized gain/losses on available for sale investments and impairment losses against available for sale investments are classified as general and administration expenses.

General and administration expenses include direct and indirect costs not specifically part of production costs as required under generally accepted accounting principles. Allocations between general and administration expenses and production costs, when required, are made on a consistent basis.

Leasing

Leases are classified as capital leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee.

Operating leases are charged to interim condensed consolidated statement of income on a straight-line basis over the term of the operating lease.

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



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND TWELVE-MONTH PERIODS ENDED 31 DECEMBER 2016
(UN-AUDITED)

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(All amounts in Saudi Riyals thousands unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction for a long period or production of a qualifying asset, are capitalized as part of the cost of that asset.

Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed.

Earnings per share

Basic earnings per share from net income are calculated by dividing the net income for the period by the weighted average number of shares outstanding at period end.

Basic earnings per share from main operations are calculated by dividing income from main operations for the period by the weighted average number of shares outstanding at period end.

Foreign currency transactions

Transactions in foreign currencies are recorded in Saudi Riyals at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the interim consolidated balance sheet date. All differences are taken to the interim condensed consolidated statement of income.

Segmental Analysis

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.

Substantially all of the Group's operations are related to one operating segment which is the production and selling Polypropylene. Substantially all of the Group's operations are conducted in the Kingdom of Saudi Arabia and accordingly segmental analysis by geographical and operating segment has not been presented.

Fair values

For investments traded in organized markets, fair value is determined by reference to quoted market bid prices. The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

4. AVAILABLE FOR SALE INVESTMENTS

At 31 December 2016, available for sale investments include strategic investment in another listed entity, investments in discretionary portfolios and marketable securities managed by local financial institutions and investment in debt securities and Murabaha funds and are presented at fair value. The balance includes restricted cash amounting to SR nil (31 December 2015: SR 15.8 million) classified as part of investments available for sale.

Management has performed a review of investments to assess whether impairment has occurred in the value of these investments. Based on the review, management has recorded impairment losses of SR 40.23 million (31 December 2015: nil) in the interim condensed consolidated statement of income for the twelve-month period in respect of investments available for sale.

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



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND TWELVE-MONTH PERIODS ENDED 31 DECEMBER 2016
(UN-AUDITED)

(All amounts in Saudi Riyals thousands unless otherwise stated)

5. INVESTMENT IN AN ASSOCIATED COMPANY

On 3 September 2014, the Board of Directors of the Group approved the equity investment in PDH Plant with SK Gas (the "JV Co."), for the production of Propylene in South Korea, through AGIC. The total cost of the project is approximately US\$ 900 million (SR 3.37 billion) and the project is financed 40% by equity from shareholders and 60% by the JV Co. through borrowing from lenders. AGIC previously owns 35% equity stake which was financed and guaranteed by the Group. Total commitment of the Group for investment in the associate was US\$ 125.14 million (SR 469.23 million) which was fully paid in January 2016. The project has commenced the trial production in March 2016 and started commercial operations from April 1, 2016 with a designed capacity of 600,000 metric tons (MT) per annum.

On 19 January 2016, the Group announced in Tadawul the admission of Petrochemical Industries Company (PIC), a 100% owned subsidiary of Kuwait Petroleum Corporation (the national oil company of State of Kuwait, KPC) as a 3rd joint venture partner in the JV Co. PIC has acquired 25% equity and AGIC has sold 5% of its equity ownership in the JV Co. Accordingly, the new shareholding of the JV Co. is 45% by SK Gas, 30% by AGIC and 25% by PIC. As a result of this transaction, the Group has recorded a gain in the interim condensed consolidated statement of income amounting to SR 16.04 million (31 December 2015: nil) and the sales proceeds have been received in full during the month of June 2016.

6. OTHER NON-CURRENT ASSETS

	31 December 2016	31 December 2015
Employees' home ownership program (note a)	161,589	-
Employee Share Ownership Program (note b)	-	24,714
Others (note c)	792	1,292
	<u>162,381</u>	<u>26,006</u>

a) It represents balances related to employees' Home Ownership Program (HOP). The 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.

b) During 2012, the Board of Directors approved an Employee Share Ownership Program ("ESOP") which provides a 5 year service benefits to eligible employees effective 1 June 2012. These employees, subject to their subscription to ESOP and meeting the underlying conditions, are given an option to buy the Company's shares, at an agreed exercise price, at a future date (the "vesting date") once they become fully entitled to the shares. The ESOP cost is recognized as an expense over the period in which the service conditions are fulfilled by the employees.

In relation to ESOP, the Company purchased its shares at SR 30 million through a local financial institution under a custody arrangement and these shares are held by the local financial institution as the Group at no point will become legal owner. The value of such shares has been recorded under other non-current assets. The eligible employees will repay the exercise price of the shares to the Company at the completion of the vesting period. During the period, the Company has collected the dividend pertaining to the current and prior periods amounting to SR 24.71 million from a local financial institution (acting as the custodian) on behalf of the employees and the Company has adjusted the same with the ESOP receivable from employees.

c) Others represent amount due from a related party (key management personnel of the Company).

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



**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND TWELVE-MONTH PERIODS ENDED 31 DECEMBER 2016
(UN-AUDITED)
(All amounts in Saudi Riyals thousands unless otherwise stated)**

7. DIVIDENDS

In November 2016, the Board of Directors proposed to distribute final cash dividend of SR 0.70 per share (totaling to SR 138 million) for the fourth quarter of 2016. This will be paid during 2017 subject to approval by the General Assembly in their meeting to be held in March 2017.

On 4 October 2016, the Board of Directors resolved to distribute interim cash dividend for the third quarter of 2016 of SR 0.65 per share (totaling SR 128 million).

On 17 May 2016, the Board of Directors resolved to distribute interim cash dividend for the second quarter of 2016 of SR 0.75 per share (totaling SR 123 million).

On 1 March 2016, the Board of Directors resolved to distribute interim cash dividend for the first quarter of 2016 of SR 0.75 per share (totaling SR 123 million).

In November 2015, the Board of Directors proposed to distribute final cash dividend of SR 0.75 per share (totaling to SR 123 million) for the fourth quarter of 2015. This has been approved by the General Assembly in their meeting held on 1 March 2016.

8. COMMITMENTS

Capital commitments contracted but not yet incurred amounted to SR 88.4 million in respect of the employee home ownership program (31 December 2015: SR 160.3 million).

The Group has signed a five years agreement for the purchase of 80,000 MT per annum of propylene (an intermediate product) which have been used in the production of polypropylene since 1 October 2014.

9. CONTINGENCIES

The Group's banker has given payment guarantees on behalf of the Group in favor of Saudi Aramco for the propane and sales gas supply agreements and others amounting to SR 302.19 million (31 December 2015: SR 302.19 million).

The Company has been filing its annual Zakat and Income Tax returns with the General Authority of Zakat and Tax ("the GAZT") for the years from 2005 to 2015. However, there is no assessment received so far from the GAZT with respect to those years.

The Zakat base has been computed based on the Company's understanding of the zakat regulations enforced in the Kingdom of Saudi Arabia. However, the zakat regulations in Saudi Arabia are subject to different interpretations and a new zakat regulation is expected to be announced in due course. Accordingly, the assessments to be raised by the GAZT for those years could be different from the returns filed by the Company.

10. RELATED PARTY TRANSACTIONS AND BALANCES

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

During the period, no significant transactions with the resulting balances were entered into with the related parties other than those disclosed under notes 1 and 6 to the 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 TWELVE-MONTH PERIODS ENDED 31 DECEMBER 2016
(UN-AUDITED)

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(All amounts in Saudi Riyals thousands unless otherwise stated)

10. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Compensation of key management personnel

The remuneration of key management personnel during the twelve-month period ended 31 December 2016 were SR 15.7 million (2015: SR 17.54 million).