

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

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

**FOR THE THREE AND SIX MONTHS PERIODS ENDED 30 JUNE 2016**

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

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND  
AUDITORS' LIMITED REVIEW REPORT  
FOR THE THREE AND SIX MONTHS PERIODS ENDED 30 JUNE 2016**



المتقدمة  
Advanced

<b>INDEX</b>	<b>PAGE</b>
Auditors' limited review report	1
Interim condensed consolidated balance sheet	2
Interim condensed consolidated statement of income	3
Interim condensed consolidated statement of cash flows	4 - 5
Notes to the interim condensed consolidated financial statements	6 - 13

**LIMITED REVIEW REPORT TO THE SHAREHOLDERS  
OF ADVANCED PETROCHEMICAL COMPANY AND ITS SUBSIDIARIES  
(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 30 June 2016 and the related interim condensed consolidated statement of income for the three and six months periods then ended and interim condensed consolidated statement of cash flows for the six months period then ended. These interim condensed consolidated financial statements have been prepared by the Group'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 Alshubaibi  
Certified Public Accountant  
Registration No. 339



19 Shawwal 1437H  
24 July 2016  
Alkhobar

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

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (UN-AUDITED)  
AS AT 30 JUNE 2016

(All amounts in Saudi Riyals thousands unless otherwise stated)



المتقدمة  
Advanced

	Note	30 June 2016	30 June 2015
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		384,156	198,374
Trade receivables		276,273	293,524
Short term investments		121,714	-
Prepayments and other current assets		36,186	30,579
Inventories		123,715	126,464
<b>TOTAL CURRENT ASSETS</b>		<b>942,044</b>	<b>648,941</b>
<b>NON-CURRENT ASSETS</b>			
Available for sale investments	4	565,063	672,127
Investment in unconsolidated subsidiary	1	376	376
Investment in an associated company	5	406,647	369,297
Property, plant and equipment		1,959,786	2,234,354
Intangible assets		4,291	5,208
Other non-current assets	6	164,845	26,598
<b>TOTAL NON-CURRENT ASSETS</b>		<b>3,101,008</b>	<b>3,307,960</b>
<b>TOTAL ASSETS</b>		<b>4,043,052</b>	<b>3,956,901</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable, accruals and other current liabilities		202,277	320,117
Zakat and income tax provision		8,804	9,370
Dividends payable	7	128,232	127,703
Current portion of term loan		40,000	40,000
<b>TOTAL CURRENT LIABILITIES</b>		<b>379,313</b>	<b>497,190</b>
<b>NON-CURRENT LIABILITIES</b>			
Term loan		30,000	70,000
Sukuk		998,493	998,041
Employees' terminal benefits and other benefits		54,452	42,052
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,082,945</b>	<b>1,110,093</b>
<b>TOTAL LIABILITIES</b>		<b>1,462,258</b>	<b>1,607,283</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	1	1,639,950	1,639,950
Statutory reserve		353,138	315,112
Unrealized gains/(losses) on available for sale investments	4	21,866	(11,361)
Retained earnings		565,840	405,917
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>2,580,794</b>	<b>2,349,618</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>4,043,052</b>	<b>3,956,901</b>

KHALIFA A. AL-MULHEM  
Chairman of the Board

ABDUL AHM. AL-GARAWI  
President & CEO

MOHAMMED H. QAITANI  
Finance and Accounting Manager

The attached notes 1 to 11 form an integral part of these interim condensed consolidated financial statements



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



INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UN-AUDITED)  
FOR THE THREE AND SIX MONTHS PERIODS ENDED 30 JUNE 2016  
(All amounts in Saudi Riyals thousands unless otherwise stated)

المقدمة  
Advanced

	For the three months period ended 30 June		For the six months period ended 30 June	
	2016	2015	2016	2015
Sales	546,407	735,373	1,034,473	1,203,314
Cost of sales	(345,130)	(471,375)	(675,863)	(828,199)
<b>GROSS PROFIT</b>	<b>201,277</b>	<b>263,998</b>	<b>358,610</b>	<b>375,115</b>
<b>EXPENSES</b>				
Selling and distribution	(2,481)	(2,206)	(5,015)	(4,761)
General and administration	(7,232)	(8,264)	(17,743)	(16,486)
<b>INCOME FROM MAIN OPERATIONS</b>	<b>191,564</b>	<b>253,528</b>	<b>335,852</b>	<b>353,868</b>
Financial charges	(8,189)	(4,185)	(13,403)	(7,944)
Realized gains/(losses) on available for sale investments, net	2,566	3,190	3,962	(4,341)
Impairment losses against available for sale investments	4 (9,027)	-	(26,223)	-
Other income/(expenses), net	1,693	(5,809)	7,927	(5,232)
Share in results of an associated company	7,985	(3,579)	7,985	(3,579)
Gain on disposal of shares in an associated company	5 -	-	16,044	-
<b>NET INCOME FOR THE PERIOD</b>	<b>186,592</b>	<b>243,145</b>	<b>332,144</b>	<b>332,772</b>
<b>Earnings per share (SR)</b>				
Attributable to income from main operations	1.168	1.546	2.048	2.158
Attributable to net income	1.138	1.483	2.025	2.029
Weighted average number of shares outstanding (in thousands)	163,995	163,995	163,995	163,995

  
KHALIFA A. AL-MULHEM  
Chairman of the Board

  
ABDULLAH M. AL-GARAWI  
President & CEO

  
MOHAMMED H. QAITANI  
Finance and Accounting Manager

The attached notes 1 to 11 form an integral part of these interim condensed consolidated financial statements

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



**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UN-AUDITED)**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

للمتقدمة  
Advanced

	Note	For the six months period ended 30 June 2016	For the six months period ended 30 June 2015
<b>OPERATING ACTIVITIES</b>			
Net income for the period		332,144	332,772
Adjustments for:			
Depreciation		104,709	89,616
Amortization		1,452	14,094
Losses on disposal of property, plant and equipment		-	197
Realized (gains)/ losses on available for sale investments, net		(3,962)	4,341
Gain on disposal of shares in an associated company	5	(16,044)	-
Financial charges		13,403	7,944
Employees' terminal benefits and other benefits		9,862	7,078
Impairment losses against available for sale investments	4	26,223	-
Share in results of an associated company		(7,985)	3,579
		459,802	459,621
Changes in operating assets and liabilities:			
Trade receivables		(54,475)	(95,472)
Prepayments and other current assets		(6,064)	(1,648)
Inventories		575	(3,116)
Accounts payable, accruals and other liabilities		(14,452)	50,518
Cash from operating activities		385,386	409,903
Employees' terminal benefits and other benefits paid		(1,140)	(1,266)
Financial charges paid		(13,222)	(9,734)
Zakat & Income tax paid		(20,084)	(21,529)
Net cash from operating activities		350,940	377,374
<b>INVESTING ACTIVITIES</b>			
Net movement in available for sale investments		332,706	(501,308)
Additions to short term investments		(121,714)	-
Additions to investment in an associated company		(44,463)	(150,000)
Additions to intangible assets		(615)	(1,306)
Additions to property, plant and equipment		(58,798)	(154,171)
Proceeds from disposal of property, plant and equipment		-	7
Proceeds from disposal of shares in an associated company		85,843	-
Net movement in other non-current assets		23,673	1,582
Net cash from/(used in) investing activities		216,632	(805,196)
<b>FINANCING ACTIVITIES</b>			
Repayment of term loan		(20,000)	(10,000)
Dividends paid		(246,600)	(246,008)
Board of directors' remunerations paid		(1,800)	(1,800)
Net cash used in financing activities		(268,400)	(257,808)
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>299,172</b>	<b>(685,630)</b>
Cash and cash equivalents at the beginning of the period		84,984	884,004
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>384,156</b>	<b>198,374</b>

The attached notes 1 to 11 form an integral part of these interim condensed consolidated financial statements

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UN-AUDITED)  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016 (continued)  
(All amounts in Saudi Riyals thousands unless otherwise stated)



		For the six months period ended 30 June 2016	For the six months period ended 30 June 2015
	Note		
<b>Supplemental non-cash transactions:</b>			
Dividends declared during the period and not yet paid		122,389	122,981
Unrealized gain on available for sale investments		118,803	20,788
Zakat and income tax provision charged to retained earnings		9,261	9,281
Accrued board of directors' remunerations		900	900
Costs of Home Ownership Program (HOP) houses transferred from property, plant, & equipment to HOP receivable	6	173,475	-
Amortization of prepaid financing costs related to Sukuk		226	406

  
KHALIFA A. AL-MULHEM  
Chairman of the Board

  
ABDULLAH M. AL-GARAWI  
President & CEO

  
MOHAMMED H. QAITANI  
Finance and Accounting Manager

The attached notes 1 to 11 form an integral part of these interim condensed consolidated financial statements



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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND SIX MONTHS PERIODS ENDED 30 JUNE 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 1,639,950,000 divided into 163,995,000 shares of SR 10 each.

The interim condensed consolidated financial statements as of 30 June 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'I 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 this interim condensed financial statements for the period ended 30 June 2016 (2015: same) due to the absence of any activities during the period and 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.

**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.



**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS (Continued)  
FOR THE THREE AND SIX MONTHS PERIODS ENDED 30 JUNE 2016 (UNAUDITED)**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**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 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.

**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.

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



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS (Continued)  
FOR THE THREE AND SIX MONTHS PERIODS ENDED 30 JUNE 2016 (UNAUDITED)  
(All amounts in Saudi Riyals thousands unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**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.

**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".





NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS (Continued)  
FOR THE THREE AND SIX MONTHS PERIODS ENDED 30 JUNE 2016 (UNAUDITED)  
(All amounts in Saudi Riyals thousands unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**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**

Zakat and income tax are provided for in the interim condensed consolidated financial statements based on the interim period share of the estimated zakat and income tax for the whole year. Differences between the estimated zakat and income tax for the interim period and the provision that is calculated based on the detailed calculation at year end are accounted for at that time.

The liability is charged to retained earnings. Additional amounts, if any, that may become due on finalization of an assessment are accounted for at that time.

**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.





**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS (Continued)**  
**FOR THE THREE AND SIX MONTHS PERIODS ENDED 30 JUNE 2016 (UNAUDITED)**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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.

**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 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.

**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.

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



**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS (Continued)  
FOR THE THREE AND SIX MONTHS PERIODS ENDED 30 JUNE 2016 (UNAUDITED)**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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.

**Results of interim period**

The Group has made all necessary adjustments which are important in order to present fairly in all material respects the interim condensed consolidated financial position and results of operations. The interim condensed consolidated financial results may not be considered an accurate basis for the actual results for the whole year.

**4. AVAILABLE FOR SALE INVESTMENTS**

At 30 June 2016, available for sale investments includes strategic investment in another listed entity and investments in discretionary portfolios and marketable securities managed by local financial institutions and are presented at fair value. The balance includes restricted cash amounting to SR 23.95 million (30 June 2015: SR 10.08 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 26.22 million (30 June 2015: nil) in the interim condensed consolidated statement of income for the six months period in respect of investments available for sale.

**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.



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



**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE AND SIX MONTHS PERIODS ENDED 30 JUNE 2016 (UNAUDITED)**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**5. INVESTMENT IN AN ASSOCIATED COMPANY (continued)**

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 (30 June 2015: nil) and the sales proceeds have been received in full during the month of June 2016.

**6. OTHER NON-CURRENT ASSETS**

	Note	30 June 2016	30 June 2015
Employees' home ownership program (note a)		160,803	-
Employee Share Ownership Program (note b)		3,000	25,056
Others (note c)		1,042	1,542
		<u>164,845</u>	<u>26,598</u>

a) It represents balances related to employees' Home Ownership Program (HOP). The Company started building residential houses for its employees in 2013; and in May and June of 2016, a total of 112 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 21.71 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 receivables from employees.

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



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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL**  
**STATEMENTS (Continued)**

**FOR THE THREE AND SIX MONTHS PERIODS ENDED 30 JUNE 2016 (UNAUDITED)**  
(All amounts in Saudi Riyals thousands unless otherwise stated)



**7. DIVIDENDS**

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 131.9 million in respect of the employee home ownership program (30 June 2015: SR 194.5 million).

The Group has signed an 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 (30 June 2015: SR 452.03 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.

**11. COMPARATIVE FIGURES**

Certain of the prior period amounts have been reclassified to conform with the presentation in the current period.