

**MESAIEED PETROCHEMICAL HOLDING COMPANY Q.S.C.  
DOHA - QATAR**

**INTERIM CONDENSED  
FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REVIEW REPORT  
FOR THE SIX MONTH PERIOD ENDED  
JUNE 30, 2016**



**MESAIEED PETROCHEMICAL HOLDING COMPANY Q.S.C.**

**INTERIM CONDENSED FINANCIAL STATEMENTS**

**For the six month period ended June 30, 2016**

---

<b>INDEX</b>	<b>Pages</b>
Independent auditor's review report	--
Interim condensed statement of financial position	1
Interim condensed statement of profit or loss and other comprehensive income	2
Interim condensed statement of changes in equity	3
Interim condensed statement of cash flows	4
Notes to the interim condensed financial statements	5 - 18



QR. 99-8

## INDEPENDENT AUDITOR'S REVIEW REPORT

**The Board of Directors**  
**Mesaieed Petrochemical Holding Company Q.S.C.**  
**Doha - Qatar**

### *Introduction*

We have reviewed the accompanying interim condensed statement of financial position of **Mesaieed Petrochemical Holding Company Q.S.C.** (the "Company") as at June 30, 2016, and the related interim condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six month period then ended and selected explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 Interim Financial Reporting. Our responsibility is to express a conclusion on these interim condensed 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." A review of the interim condensed financial statements 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 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 financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 Interim Financial Reporting.



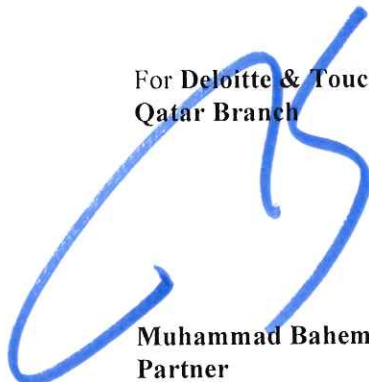
## **INDEPENDENT AUDITOR'S REVIEW REPORT (CONTINUED)**

### ***Other Legal and Regulatory Requirements***

As explained in Note 2 to the condensed interim financial statements, a new Qatar Commercial Companies Law was issued on 7 July 2015. The Company is in process of assessing its compliance with the new Qatar Commercial Companies Law which is effective from February 2017.

**Doha – Qatar  
August 9, 2016**

**For Deloitte & Touche  
Qatar Branch**



**Muhammad Bahemia  
Partner  
License No. 103**



**MESAIEED PETROCHEMICAL HOLDING COMPANY Q.S.C.**

**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**

As at June 30, 2016

	Notes	June 30, 2016 (Reviewed) QR'000s	December 31, 2015 (Audited) QR'000s
<b>ASSETS</b>			
<b>Non-current asset</b>			
Investment in joint ventures	5	<u>13,135,163</u>	<u>13,138,932</u>
<b>Current assets</b>			
Prepayments and other debit balances	6	<u>49,789</u>	<u>104,907</u>
Due from related parties	9	<u>53,508</u>	<u>142,688</u>
Cash and bank balances	7	<u>700,726</u>	<u>926,223</u>
<b>Total current assets</b>		<u>804,023</u>	<u>1,173,818</u>
<b>Total assets</b>		<u>13,939,186</u>	<u>14,312,750</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	10	<u>12,563,175</u>	<u>12,563,175</u>
Legal reserve	11	<u>25,364</u>	<u>25,364</u>
Retained earnings		<u>1,208,920</u>	<u>1,598,661</u>
<b>Total equity</b>		<u>13,797,459</u>	<u>14,187,200</u>
<b>Current liabilities</b>			
Trade payables and accruals	8	<u>130,715</u>	<u>118,369</u>
Due to a related party	9	<u>11,012</u>	<u>7,181</u>
<b>Total current liabilities</b>		<u>141,727</u>	<u>125,550</u>
<b>Total equity and liabilities</b>		<u>13,939,186</u>	<u>14,312,750</u>



**Ahmad Saif Al-Sulaiti**  
Chairman



**Mohamed Salem Al-Marri**  
Vice Chairman

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE INTERIM CONDENSED FINANCIAL STATEMENTS



**MESAIEED PETROCHEMICAL HOLDING COMPANY Q.S.C.****INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the six month period ended June 30, 2016

	Notes	Six month period ended June 30, 2016 (Reviewed) QR '000s	Six month period ended June 30, 2015 (Reviewed) QR '000s
Share of profit from joint ventures	5	445,764	370,757
Interest income		6,636	3,549
Other income		956	120
		453,356	374,426
General and administrative expenses		(8,618)	(9,085)
<b>Profit for the period</b>		<b>444,738</b>	<b>365,341</b>
Tax refund	13	44,943	37,414
<b>Net income for the period</b>		<b>489,681</b>	<b>402,755</b>
Other comprehensive income		--	--
<b>Total comprehensive income for the period</b>		<b>489,681</b>	<b>402,755</b>
<b>Basic and diluted earnings per share</b>	3	<b>0.39</b>	<b>0.32</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE INTERIM CONDENSED FINANCIAL STATEMENTS



**MESAIEED PETROCHEMICAL HOLDING COMPANY Q.S.C.**

**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY**

For the six month period ended June 30, 2016

	<b>Share Capital</b>	<b>Legal Reserve</b>	<b>Retained Earnings</b>	<b>Total</b>
	<b>QR '000s</b>	<b>QR '000s</b>	<b>QR '000s</b>	<b>QR '000s</b>
Balance at December 31, 2014 (Audited)	12,563,175	17,444	1,920,703	14,501,322
Excess funds over IPO costs (Note 11)	--	7,920	--	7,920
Dividends declared (Note 12)	--	--	(1,381,949)	(1,381,949)
Total comprehensive income for the period	--	--	402,755	402,755
<b>Balance at June 30, 2015 (Reviewed)</b>	<b>12,563,175</b>	<b>25,364</b>	<b>941,509</b>	<b>13,530,048</b>
Balance at December 31, 2015 (Audited)	12,563,175	25,364	1,598,661	14,187,200
Dividends declared (Note 12)	--	--	(879,422)	(879,422)
Total comprehensive income for the period	--	--	489,681	489,681
<b>Balance at June 30, 2016 (Reviewed)</b>	<b>12,563,175</b>	<b>25,364</b>	<b>1,208,920</b>	<b>13,797,459</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE INTERIM CONDENSED FINANCIAL STATEMENTS



**MESAIEED PETROCHEMICAL HOLDING COMPANY Q.S.C.**

**INTERIM CONDENSED STATEMENT OF CASH FLOWS**

For the six month period ended June 30, 2016

		For the six month ended	
		June 30, 2016	June 30, 2015
Notes	(Reviewed)	(Reviewed)	(Reviewed)
	QR '000s	QR '000s	
<b>OPERATING ACTIVITIES</b>			
Profit for the period		489,681	402,755
Adjustments for:			
Interest income		(6,636)	(3,549)
Share of profit in joint ventures	5	(445,764)	(370,757)
		37,281	28,449
<i>Working capital changes:</i>			
Decrease (increase) in prepayments and other debit balances		52,380	(39,448)
Decrease (increase) in due from related parties		89,180	(100)
Decrease in trade payables and accruals		(72,374)	(45,280)
Increase (decrease) in due to a related party		3,831	(3,750)
<b>Cash generated from/(used in) operations</b>		110,298	(60,129)
Interest received		9,374	10,687
<b>Net cash flows generated from/(used in) operating activities</b>		119,672	(49,442)
<b>INVESTING ACTIVITIES</b>			
Dividends received		449,533	352,971
Decrease in fixed term deposits		110,118	1,075,500
<b>Cash flows from investing activities</b>		559,651	1,428,471
<b>FINANCING ACTIVITY</b>			
Dividends paid	12	(837,062)	(1,317,723)
<b>Cash flows used in financing activity</b>		(837,062)	(1,317,723)
<b>(Decrease) increase in cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the period		174,927	82,798
<b>Cash and cash equivalents at the end of the period</b>	7	17,188	144,104

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE INTERIM CONDENSED FINANCIAL STATEMENTS



# MESAIEED PETROCHEMICAL HOLDING COMPANY Q.S.C.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six month period ended June 30, 2016

### 1. CORPORATE INFORMATION AND ACTIVITIES

Mesaieed Petrochemical Holding Company Q.S.C. (the "Company" or "MPHC") is registered and incorporated in Qatar under commercial registration number 60843 as a Qatari Shareholding Company by its founding shareholder, Qatar Petroleum ("QP"). The Company was incorporated under Article 68 of the Qatar Commercial Companies Law No. 5 of 2002. The Company was incorporated on May 29, 2013 for an initial period of 99 years, following the decision of H.E. the Minister of Economy and Commerce No. 22 of 2013, issued on May 21, 2013. The registered address of the Company is P.O. Box 3212, Doha, State of Qatar. The Company is listed on the Qatar Exchange and is a subsidiary of QP.

The principal activity of the Company is to establish, manage, own and/or hold shares, assets and interests in companies (and their subsidiaries and/or associated undertakings) engaged in all manner of processing and/or manufacturing of petrochemical products, together with any other company or undertaking which the Company deems beneficial to its business, diversification or expansion from time to time.

The Company was incorporated with an initial share capital of QR 10 million. QP transferred its shareholding ("transfer shares") in the joint venture entities mentioned in the table below to MPHC based on a Share Swap agreement dated August 4, 2013. The consideration for the transfer of shares was the allotment and issuance of shares ("swap shares") by MPHC to QP. The completion of the transfer of shares was effective under the agreement upon obtaining the commercial registration certificates evidencing the transfer shares registered in the name of MPHC, and the swap shares in the name of QP which occurred on September 9, 2013. Subsequently, an amendment was made to the Share Swap agreement on January 30, 2014, whereby QP and MPHC agreed the transfer date to be September 1, 2013 ("acquisition date"). Accordingly, the share of profits in the joint venture entities was accounted for the period ended December 31, 2013.

In early 2014, QP offered 323,187,677 existing ordinary shares of the Company during an initial public offer at an offer price of QR 10.20 per share (including QR 0.20 per share for offering and listing costs). On February 26, 2014, the Company became the 43rd company to be listed on Qatar Exchange. The share offer comprised of 25.7312% of the total issued share capital of the Company. The initial public offer was restricted to individual Qatari citizens and certain selected Qatari Institutions only. QP continues to hold the remaining 74.2688% of total issued share capital (including one special share) as on December 31, 2014.

The joint ventures of the Company, included in the interim condensed financial statements are as follows:

Entity Name	Country of incorporation	Relationship	Ownership interest
Qatar Chemical Company Limited (Q-Chem I)	Qatar	Joint venture	49%
Qatar Chemical Company (II) Limited (Q-Chem II)	Qatar	Joint venture	49%
Qatar Vinyl Company Limited (QVC)	Qatar	Joint venture	55.2%

- **Qatar Chemical Company Limited ("Q-Chem")**, is a Qatari Shareholding Company incorporated in the State of Qatar and is a jointly controlled entity among QP, MPHC and Chevrans Phillips Chemical International Qatar Holdings L.L.C. ("CPCIQH). The company is engaged in the production, storage and sale of polyethylene, 1-hexene and other petrochemical products.



# MESAIEED PETROCHEMICAL HOLDING COMPANY Q.S.C.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six month period ended June 30, 2016

---

### 1. CORPORATE INFORMATION AND ACTIVITIES (CONTINUED)

- **Qatar Chemical Company II Limited ("Q-Chem II")**, is a Qatari Shareholding Company incorporated in the State of Qatar and is a jointly controlled entity among QP, MPHC and CPCIQH. The company is engaged in the production, storage and sale of polyethylene, normal alpha olefins, other ethylene derivatives and other petrochemical products.
- **Qatar Vinyl Company Limited ("QVC")**, is a Qatari Shareholding Company incorporated in the State of Qatar and is a jointly controlled entity among QP, MPHC and Qatar Petrochemical Company Limited ("QAPCO"). The company is engaged in the production and sale of petrochemical products such as caustic soda, ethylene dichloride and vinyl chloride monomer.

These interim condensed financial statements of the Company for the six month period ended June 30, 2016 were authorised for issue on August 9, 2016.

### 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The interim condensed financial statements for the six month period ended June 30, 2016 have been prepared in accordance with IAS 34, *Interim Financial Reporting* under the historical cost convention.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2015. In addition, results for the six month period ended June 30, 2016 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2016.

A new Qatar Commercial Company Law was issued on 7 July 2015. Implementation of the new law has extended to be adopted by February 7, 2017. The Company is in the process of assessing its compliance with the new Law.

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the period ended December 31, 2015 except for the adoption of new and revised Standards effective as of January 1, 2016. However, they do not materially impact the interim condensed financial statements of the Company.

#### (i) New Standards

Effective for annual periods beginning on or after January 1, 2016

IFRS 14

Regulatory Deferral Accounts.



## MESAIEED PETROCHEMICAL HOLDING COMPANY Q.S.C.

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS For the six month period ended June 30, 2016

---

#### 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (ii) Revised Standards

Effective for annual periods beginning on or after January 1, 2016

IFRS 10 & IAS 28 (Revised)	Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture
IFRS 11 (Revised)	Amendments regarding the accounting for acquisitions of an interest in a joint operation.
IFRS 12 (Revised)	Amendments regarding the application of the consolidation exception.
IAS 1 (Revised)	Amendments resulting from the disclosure initiative.
IAS 16 (Revised)	Amendments regarding the clarification of acceptable methods of depreciation and amortization and amendments bringing bearer plants into the scope of IAS 16.
IAS 27 (Revised)	Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.
IAS 38 (Revised)	Amendments regarding the clarification of acceptable methods of depreciation and amortization.
Annual Improvements 2012-2014 Cycle	Amendments to issue clarifications and add additional/specific guidance to IFRS 5, IFRS 7, IAS 19 and IAS 34.

##### **Standards and amendments issued but not yet effective**

Certain new and revised Standards that have been issued are not yet effective for the six month period ended 30 June 2016 and have not been early adopted in preparing these interim condensed financial statements. The Company is assessing the potential impact on initial application of IFRS 9, 15 and 16.

Management have not yet performed a detailed analysis of the impact of the application of these Standards and hence have not yet quantified the extent of the impact.



**MESAIEED PETROCHEMICAL HOLDING COMPANY Q.S.C.****NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

For the six month period ended June 30, 2016

**3. BASIC AND DILUTED EARNINGS PER SHARE**

Basic and diluted earnings per share (EPS) are calculated by dividing the profit for the period attributable to equity holders of the parent by weighted average number of shares outstanding during the period.

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

	Six month period ended June 30, 2016 (Reviewed)	Six month period ended June 30, 2015 (Reviewed)
Profit attributable to the equity holders of the parent for the period (QR'000)	<u>489,681</u>	<u>402,755</u>
Weighted average number of shares outstanding during the period ("in thousands")	<u>1,256,317</u>	<u>1,256,317</u>
Basic and diluted earnings per share (expressed in QR per share)	<u>0.39</u>	<u>0.32</u>

**4. BUSINESS COMBINATION**

On September 1, 2013, QP transferred its shareholding in the joint venture companies ("transaction") through a share swap agreement to the Company. The transaction was accounted for as a common control transaction using the acquisition method of accounting considering the substance of the transaction. The total consideration was QR.12,553 million which was settled by allotment and issue of swap shares by MPHC to QP, as detailed in Note 1 to the interim condensed financial statements.

	<i>Q-Chem I</i> <i>QR'000</i>	<i>Q-Chem II</i> <i>QR'000</i>	<i>QVC</i> <i>QR'000</i>	<i>Total</i> <i>QR'000</i>
Total consideration	4,600,000	6,600,000	1,353,175	12,553,175
Less: Fair values of net assets acquired	<u>(1,050,597)</u>	<u>(1,721,289)</u>	<u>(998,930)</u>	<u>(3,770,816)</u>
<b>Goodwill arising on acquisition</b> <b>(Note 5)</b>	<u><b>3,549,403</b></u>	<u><b>4,878,711</b></u>	<u><b>354,245</b></u>	<u><b>8,782,359</b></u>

The Company used fair values of net assets acquired in determining its goodwill for the year ended December 31, 2014. A formal purchase price allocation ("PPA") exercise was performed during 2014 to determine the fair value of net assets acquired, which resulted in the identifiable net assets being revised and the goodwill being increased by an amount of QR. 101.6 million. The PPA did not result in any impact on the investment in joint venture balance or results of the Company.



# MESAIEED PETROCHEMICAL HOLDING COMPANY Q.S.C.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six month period ended June 30, 2016

### 4. BUSINESS COMBINATION (CONTINUED)

The recoverable amount of the goodwill is determined based on a value in use calculation which uses cash flow projections based on financial budgets of the Company's joint ventures approved by the management. The management believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed the recoverable amount.

### 5. INVESTMENTS IN JOINT VENTURES

The summarised interim financial information below presents amounts shown in the financial statements of the joint ventures as at June 30, 2016, which are presented in US\$'000 and are translated using an exchange rate of 3.64 in the below table:

#### i. Statement of financial position of joint venture entities

	Q-Chem I	Q-Chem II	QVC	Total
	June 30, 2016			
	QR '000	QR '000	QR '000	QR '000
Current assets	1,408,141	2,168,537	884,498	4,461,176
Non-current assets	2,479,197	6,131,016	1,306,341	9,916,554
Current liabilities	(403,308)	(849,430)	(118,020)	(1,370,758)
Non-current liability	(1,154,375)	(2,873,591)	(317,797)	(4,345,763)
<b>Equity</b>	<b>2,329,655</b>	<b>4,576,532</b>	<b>1,755,022</b>	<b>8,661,209</b>
<b>Proportion of the Company's ownership</b>	<b>49%</b>	<b>49%</b>	<b>55.20%</b>	
Company's share of net assets in the joint venture entities	1,141,531	2,242,501	968,772	4,352,804
Goodwill (Note 4)	3,549,403	4,878,711	354,245	8,782,359
<b>Investment in joint ventures</b>	<b>4,690,934</b>	<b>7,121,212</b>	<b>1,323,017</b>	<b>13,135,163</b>
	Q-Chem I	Q-Chem II	QVC	Total
	December 31, 2015			
	QR '000	QR '000	QR '000	QR '000
Current assets	1,894,957	2,530,007	905,650	5,330,614
Non-current assets	2,541,028	6,295,842	1,356,777	10,193,647
Current liabilities	(1,048,583)	(1,075,704)	(161,940)	(2,286,227)
Non-current liability	(1,181,377)	(3,086,917)	(305,851)	(4,574,145)
<b>Equity</b>	<b>2,206,025</b>	<b>4,663,228</b>	<b>1,794,636</b>	<b>8,663,889</b>
<b>Proportion of the Company's ownership</b>	<b>49%</b>	<b>49%</b>	<b>55.2%</b>	
Company's share of net assets in the joint venture entities	1,080,952	2,284,982	990,639	4,356,573
Goodwill (Note 4)	3,549,403	4,878,711	354,245	8,782,359
<b>Investment in joint ventures</b>	<b>4,630,355</b>	<b>7,163,693</b>	<b>1,344,884</b>	<b>13,138,932</b>



# MESAIEED PETROCHEMICAL HOLDING COMPANY Q.S.C.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS For the six month period ended June 30, 2016

### 5 INVESTMENT IN JOINT VENTURES (CONTINUED)

#### ii. Statement of profit or loss and other comprehensive income of joint venture entities

	Q-Chem I	Q-Chem II	QVC	Total
	For the six month period ended June 30, 2016			
	QR '000	QR '000	QR '000	QR '000
Revenue	1,140,055	1,350,651	654,064	3,144,770
Cost of sales	(611,997)	(741,912)	(516,764)	(1,870,673)
Other income	9,082	335	76	9,493
Administrative expenses	(16,515)	(12,281)	(60,934)	(89,730)
Finance income (cost)	5,973	(13,548)	3,837	(3,738)
<b>Profit before tax</b>	<b>526,598</b>	<b>583,245</b>	<b>80,279</b>	<b>1,190,122</b>
Deferred income-tax	18,637	(69,338)	(8,023)	(58,724)
Current income-tax	(203,199)	--	(24,517)	(227,716)
<b>Profit for the period</b>	<b>342,036</b>	<b>513,907</b>	<b>47,739</b>	<b>903,682</b>
<b>Company's share of profit for the period in joint ventures</b>	<b>167,598</b>	<b>251,814</b>	<b>26,352</b>	<b>445,764</b>

	Q-Chem I	Q-Chem II	QVC	Total
	For the six month period ended June 30, 2015			
	QR '000	QR '000	QR '000	QR '000
Revenue	1,198,434	1,281,633	609,773	3,089,840
Cost of sales	(666,830)	(751,052)	(529,292)	(1,947,174)
Other income	8,787	186	7	8,980
Administrative expenses	(28,963)	(21,669)	(74,070)	(124,702)
Finance income (cost)	1,958	(12,911)	1,991	(8,962)
<b>Profit before tax</b>	<b>513,386</b>	<b>496,187</b>	<b>8,409</b>	<b>1,017,982</b>
Deferred income-tax	(197,859)	(72,847)	(8,761)	(279,467)
Current income-tax	18,175	--	--	18,175
<b>Profit for the period</b>	<b>333,702</b>	<b>423,340</b>	<b>(352)</b>	<b>756,690</b>
<b>Company's share of profit for the period in joint ventures</b>	<b>163,514</b>	<b>207,437</b>	<b>(194)</b>	<b>370,757</b>



**MESAIEED PETROCHEMICAL HOLDING COMPANY Q.S.C.**

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

For the six month period ended June 30, 2016

**5 INVESTMENT IN JOINT VENTURES (CONTINUED)**

**iii. Additional disclosures of joint venture entities**

	<b>Q-Chem I</b>	<b>Q-Chem II</b>	<b>QVC</b>	<b>Total</b>
	<b>June 30, 2016</b>			
	<b>QR '000</b>	<b>QR '000</b>	<b>QR '000</b>	<b>QR '000</b>
Cash and cash equivalents	<u>481,011</u>	<u>897,467</u>	<u>385,643</u>	<u>1,764,121</u>
Interest bearing loans and borrowings	<u>--</u>	<u>2,363,598</u>	<u>--</u>	<u>2,363,598</u>
Deferred tax liabilities	<u>634,383</u>	<u>--</u>	<u>288,252</u>	<u>1,712,457</u>
Tax payable	<u>203,199</u>	<u>134,800</u>	<u>--</u>	<u>337,999</u>
Dividend declared	<u>218,400</u>	<u>600,600</u>	<u>87,360</u>	<u>906,360</u>
	<b>Q-Chem I</b>	<b>Q-Chem II</b>	<b>QVC</b>	<b>Total</b>
	<b>December 31, 2015</b>			
	<b>QR '000</b>	<b>QR '000</b>	<b>QR '000</b>	<b>QR '000</b>
Cash and cash equivalents	<u>982,651</u>	<u>1,055,767</u>	<u>446,402</u>	<u>2,484,820</u>
Interest bearing loans and borrowings	<u>--</u>	<u>2,619,344</u>	<u>--</u>	<u>2,619,344</u>
Deferred tax liabilities	<u>653,020</u>	<u>720,487</u>	<u>277,481</u>	<u>1,650,988</u>
Tax payable	<u>469,935</u>	<u>--</u>	<u>5,657</u>	<u>475,592</u>
Dividend declared	<u>428,064</u>	<u>527,946</u>	<u>52,241</u>	<u>1,008,251</u>

Q-Chem II's income tax liability will be undertaken and settled by QP or an entity owned by QP for the first 10 years from the commercial operations date of Q-Chem II.



# MESAIEED PETROCHEMICAL HOLDING COMPANY Q.S.C.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six month period ended June 30, 2016

### 5 INVESTMENT IN JOINT VENTURES (CONTINUED)

#### iv. Capital commitments and contingent liabilities

The below table provides details on the Company's share in the joint venture entities commitments and contingent liabilities incurred jointly with other entities:

	Q-Chem I	Q-Chem II	QVC	Total
	June 30, 2016			
	QR '000	QR '000	QR '000	QR '000
<b>Capital commitments</b>	<b>21,157</b>	<b>9,105</b>	<b>--</b>	<b>30,262</b>
<b>Operating lease commitments:</b>				
Future minimum lease payments:				
Within one year	6,756	14,292	8,927	29,975
After one year but not more than five years	18,792	59,107	15,111	93,010
More than five years	11,731	149,560	2,907	164,198
<b>Total</b>	<b>37,279</b>	<b>222,959</b>	<b>26,945</b>	<b>287,183</b>
<b>Contingent liabilities</b>	<b>--</b>	<b>1471</b>	<b>1,973</b>	<b>3,444</b>
	Q-Chem I	Q-Chem II	QVC	Total
	December 31, 2015			
	QR '000	QR '000	QR '000	QR '000
<b>Capital commitments</b>	<b>8,734</b>	<b>9,589</b>	<b>--</b>	<b>18,323</b>
<b>Operating lease commitments:</b>				
Future minimum lease payments:				
Within one year	7,068	14,281	8,182	29,531
After one year but not more than five years	21,257	58,729	23,139	103,125
More than five years	12,489	157,089	3,514	173,092
<b>Total</b>	<b>40,814</b>	<b>230,099</b>	<b>34,835</b>	<b>305,748</b>
<b>Contingent liabilities</b>	<b>--</b>	<b>1,459</b>	<b>1,330</b>	<b>2,789</b>



**MESAIEED PETROCHEMICAL HOLDING COMPANY Q.S.C.****NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

For the six month period ended June 30, 2016

**6. PREPAYMENTS AND OTHER DEBIT BALANCES**

	<b>June 30, 2016 (Reviewed)</b>	<b>December 31, 2015 (Audited)</b>
	<b>QR '000s</b>	<b>QR '000s</b>
Accrued tax refund (Note 13)	44,943	99,368
Interest receivable	2,742	5,480
Prepayments	2,104	59
	<b>49,789</b>	<b>104,907</b>

**7. CASH AND CASH EQUIVALENTS**

	<b>June 30, 2016 (Reviewed)</b>	<b>December 31, 2015 (Audited)</b>
	<b>QR. '000s</b>	<b>QR '000s</b>
Cash and bank balances	700,726	926,223
Less: Term deposits maturing after 90 days	(555,000)	(665,118)
Bank balances - dividends	(128,538)	(86,178)
Cash and cash equivalents	<b>17,188</b>	<b>174,927</b>

Cash at banks earn interest at fixed rates. Term deposits are made for varying periods of between three months and one year depending on the immediate cash requirements of the Company at interest varying between of 2.5% and 3.2% (December 31, 2015: 1.8% to 2.4%).

**8. TRADE PAYABLES AND ACCRUALS**

	<b>June 30, 2016 (Reviewed)</b>	<b>December 31, 2015 (Audited)</b>
	<b>QR '000s</b>	<b>QR '000s</b>
Dividends payable	128,538	86,178
Social contribution payable	--	27,177
Accruals	2,177	5,014
	<b>130,715</b>	<b>118,369</b>

**9. RELATED PARTIES**

These represent major shareholders, directors and key management personnel of the Company, and companies of which they are the principal owners. In the ordinary course of business, the Company enters into transactions with related parties and the pricing policies and terms of these transactions are approved by the Company's management.



**MESAIEED PETROCHEMICAL HOLDING COMPANY Q.S.C.****NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

For the six month period ended June 30, 2016

**9. RELATED PARTIES (CONTINUED)****Transaction with related parties**

Transactions with related parties included in the interim condensed statement of profit or loss and other comprehensive income for the period ended are as follows:

	<b>For the six months period ended June 30, 2016 (Reviewed) QR '000s</b>	<b>For the six months period ended June 30, 2015 (Reviewed) QR '000s</b>
Dividend income from Q-Chem I	<u>107,016</u>	<u>124,852</u>
Dividend income from Q-Chem II	<u>294,294</u>	<u>260,406</u>
Dividend income from QVC	<u>48,223</u>	<u>30,139</u>
Annual fee paid to QP	<u>3,831</u>	<u>4,144</u>

**Related party balances**

Balances with related parties included in the interim condensed statement of financial position are as follows:

	<b>June 30, 2016 (Reviewed) QR. '000s</b>	<b>December 31, 2015 (Audited) QR. '000s</b>
Dividend due from Q-chem	<u>53,508</u>	<u>142,688</u>
Amounts due to QP	<u>11,012</u>	<u>7,181</u>

**Compensation with key management personnel**

The remuneration of key management personnel during the period was as follows:

	<b>Six month period ended June 30, 2016 (Reviewed) QR '000s</b>	<b>Six month period ended June 30, 2015 (Reviewed) QR '000s</b>
Key management remuneration	<u>249</u>	<u>252</u>
Board of directors' remuneration	<u>1,890</u>	<u>2,226</u>
	<u>2,139</u>	<u>2,478</u>



## MESAIEED PETROCHEMICAL HOLDING COMPANY Q.S.C.

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six month period ended June 30, 2016

#### 10. SHARE CAPITAL

	<b>June 30, 2016 (Reviewed) QR '000s</b>	<b>December 31, 2015 (Audited) QR '000s</b>
<i>Authorised, issued and fully paid:</i>		
1,256,317,500 shares of QR 10 each	<b>12,563,175</b>	<b>12,563,175</b>

As explained in Note 1, pursuant to the share swap agreement, the share capital of the Company increased from QR 10,000,000 to QR. 12,563,175,000 based on the allocation and subsequent issuance of additional shares to QP for transferring its shareholding in the joint venture entities.

In 2015, 172,671 additional shares (2014: 78,397 shares) have been transferred from QP to the Public on account of incentive shares transferred due to death of original shareholder(s). As of December 31, 2015, QP continues to hold 932,878,755 shares (including 1 special share) comprising 74.255% of total shareholding.

#### 11. LEGAL RESERVE

MPHC was formed in accordance with the provisions of Article 68. As per Article 68 of the Qatar Commercial Companies' Law No. 5 of 2002, Companies covered by the said Article shall not be subject to the provisions of this Law, except to the extent that the provisions of the Law are not in contradiction with the Articles of Association of the Company.

The Articles of Association of the Company provides that prior to recommending any dividend distribution to the shareholders, the Board shall ensure proper reserves are established in respect of voluntary and statutory reserves considered by the Board. Such reserves as resolved by the Board, shall be the only reserves the Company is required to establish.

For the year ended December 31, 2015, the Company transferred QR. 7.92 million representing excess funds received over the IPO cost incurred to legal reserve.

#### 12. DIVIDENDS

The Board of Directors has proposed cash dividend distribution of QR. 0.7 per share for the year ended December 31, 2015. The final dividend for the year ended December 31, 2015 had been approved at the Annual General Meeting.

During the period, the Company paid a dividend amount of QR. 837 million. Below is the movement in dividends payable balance during the period:

	<b>June 30, 2016 (Reviewed) QR '000s</b>	<b>December 31, 2015 (Audited) QR '000s</b>
At January 1	<b>86,178</b>	55,761
Dividends declared during the period/year	<b>879,422</b>	1,381,949
Dividends paid during the period/year	<b>(837,062)</b>	(1,351,532)
At June 30/December 31	<b>128,538</b>	<b>86,178</b>



## **MESAIEED PETROCHEMICAL HOLDING COMPANY Q.S.C.**

### **NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

For the six month period ended June 30, 2016

---

#### **13. TAX REFUND**

On February 26, 2014, the Company was listed on Qatar Exchange. As at December 31, 2015, the public shareholding in the Company amounted to 25.745%. Subsequent to a receipt of clarification from the Public Revenue and Tax Department, the Company is eligible for a tax refund after fulfilling certain conditions. As of June 30, 2016, the Company's accrued tax refund amounted to QR. 44.9 million (2015: QR. 99.3 million).

#### **14. SEGMENT INFORMATION**

For management purposes, the Company is organised into business units based on their products and services, and has one reportable operating segment which is the petrochemical segment from its interest in the joint ventures, which produces and sells polyethylene, 1-hexene, normal alpha olefins, other ethylene derivatives, caustic soda, ethylene dichloride, vinyl chloride monomer and other petrochemical products.

Geographically, the Company only operates in the State of Qatar.

#### **15. FAIR VALUE MEASUREMENT**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. The carrying value of the Company's financial instruments as recorded could therefore be different from the fair value.

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Bank balances, amounts due from related parties, trade payables, and amounts due to a related party approximate their carrying amounts largely due to the short-term maturities of these instruments.

##### **Fair value hierarchy**

The different levels of fair value have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

For the six month period ended June 30, 2016, there were no transfers between level 1, level 2 and level 3 fair value measurements.



**16. CRITICAL JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Company's accounting policies, which are described in note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

*Going concern*

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

*Impairment of receivable*

An estimate of the collectible amount of receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due.

*Assessment of the investments as joint ventures*

Management evaluated the Company's interest in Q-Chem, Q-Chem II and QVC (together "the Entities"), and concluded that the joint arrangements are joint ventures where the Entities are jointly controlled. Hence, Management accounted for these investments under the equity method.

*Purchase price allocation*

In 2014, Management performed its purchase price allocation (PPA) exercise relating to acquisition of interests in Q-Chem, Q-Chem II and QVC and concluded that there is an increase of goodwill amount of QR. 101.6 million.

*Impairment of investment in joint ventures*

The Company assesses the impairment of non-financial assets, particularly its investment in joint ventures, whenever events or changes in circumstances indicate that the carrying amount of the non-financial asset may not be recoverable.

Impairment testing is an area involving management judgment, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters, including management's expectations of:

- growth in earnings before interest, tax, depreciation and amortisation ("EBITDA"), calculated as adjusted operating profit before depreciation and amortisation;
- timing and quantum of future capital expenditure;
- long term growth; and
- the selection of discount rates to reflect the risks involved.



## MESAIEED PETROCHEMICAL HOLDING COMPANY Q.S.C.

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six month period ended June 30, 2016

---

#### **16. CRITICAL JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)**

##### *Impairment of investment in joint ventures (Continued)*

An impairment loss is recognized whenever the carrying amount of an asset or investment exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Recoverable amounts are estimated for individual assets or investments or, if it is not possible, for the CGU to which the asset belongs.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Company is required to make estimates and assumptions that can materially affect the interim condensed financial statements.