

**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, 2014**

MESAIEED PETROCHEMICAL HOLDING COMPANY Q.S.C.

INTERIM CONDENSED FINANCIAL STATEMENTS

For the six month period ended June 30, 2014

INDEX	Pages
Independent auditor's review report	--
Interim statement of financial position	1
Interim statement of profit or loss and other comprehensive income	2
Interim statement of changes in equity	4
Interim statement of cash flows	5
Notes to the interim condensed financial statements	6 - 14

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 of June 30, 2014, 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 a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard No. 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 interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. Consequently, it 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

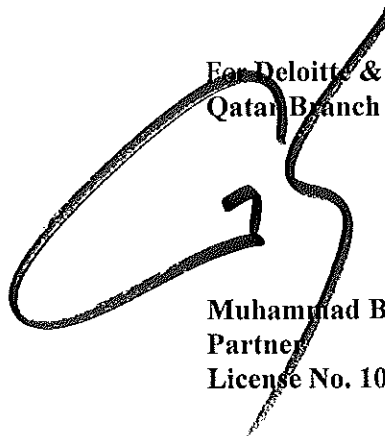
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with International Accounting Standard No. 34 – "Interim Financial Reporting".

Other matters

- 1.) As explained in Note 1 to the accompanying financial statements, the Company was incorporated on May 29, 2013 and finalized the swap share agreement with QP on September 1, 2013. As a result of the above, no comparative figures are presented in the statements of profit or loss and cash flows.
- 2.) The audited financial statements for the period ended December 31, 2013 were audited by another auditor who expressed an un-modified opinion on those statements in their report dated March 16, 2014.

**Doha – Qatar
July 24, 2014**

**For Deloitte & Touche
Qatar Branch**

A large, stylized handwritten signature in black ink, appearing to be 'M. Bahemia', is written over the printed name and title.

**Muhammad Bahemia
Partner
License No. 103**

MESAIEED PETROCHEMICAL HOLDING COMPANY Q.S.C.

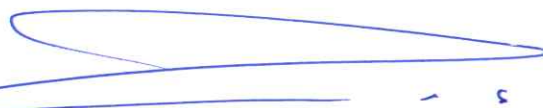
INTERIM STATEMENT OF FINANCIAL POSITION

As at June 30, 2014

	<u>Notes</u>	June 30, 2014 (Reviewed) QR'000s	December 31, 2013 (Audited) QR '000s
ASSETS			
Non-current asset			
Investment in joint ventures	5	<u>13,173,840</u>	<u>13,072,240</u>
Total non-current assets		<u>13,173,840</u>	<u>13,072,240</u>
Current assets			
Accounts receivable and other prepayments	6	54,952	--
Due from a related party	9	544	93,058
Cash and bank balances	7	<u>472,769</u>	<u>10,000</u>
Total current assets		<u>528,265</u>	<u>103,058</u>
Total assets		<u>13,702,105</u>	<u>13,175,298</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	10	12,563,175	12,563,175
Retained earnings		<u>1,069,307</u>	<u>609,576</u>
Total equity		<u>13,632,482</u>	<u>13,172,751</u>
Current liabilities			
Trade payables and accruals	8	65,444	726
Due to a related party	9	<u>4,179</u>	<u>1,821</u>
Total current liabilities		<u>69,623</u>	<u>2,547</u>
Total equity and liabilities		<u>13,702,105</u>	<u>13,175,298</u>



Dr. Mohammed Bin Saleh Al-Sada
Chairman - Minister of Energy and Industry



Abdulrahman Ahmad Al-Shaibi
Vice Chairman

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

MESAIEED PETROCHEMICAL HOLDING COMPANY Q.S.C.**INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
For the six month period ended June 30, 2014

	Note	Six month period ended June 30, 2014 (Reviewed) QR '000s
Share of profit from joint ventures	5	854,640
Interest income		1,586
Other income		184
		<u>856,410</u>
General and administrative expenses		<u>(9,021)</u>
Profit for the period		847,389
Tax refund	13	<u>52,053</u>
Net income for the period		899,442
Other comprehensive income		--
Total comprehensive income for the period	3	<u><u>899,442</u></u>
Basic earnings per share		<u><u>0.72</u></u>

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

MESAIEED PETROCHEMICAL HOLDING COMPANY Q.S.C.

INTERIM STATEMENT OF CHANGES IN EQUITY

For the six month period ended June 30, 2014

	<u>Share Capital</u> QR '000s	<u>Retained Earnings</u> QR '000s	<u>Total</u> QR '000s
Balance at December 31, 2013 (Audited)	12,563,175	609,576	13,172,751
Dividends declared (Note 12)	--	(439,711)	(439,711)
Total comprehensive income for the period	--	899,442	899,442
Balance at June 30, 2014 (Reviewed)	<u>12,563,175</u>	<u>1,069,307</u>	<u>13,632,482</u>

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

MESAIEED PETROCHEMICAL HOLDING COMPANY Q.S.C.

INTERIM STATEMENT OF CASH FLOWS
For the six month period ended June 30, 2014

	Six month period ended June 30, 2014 (Reviewed) QR '000s
OPERATING ACTIVITIES	
Profit for the period	847,389
Adjustments for:	
Interest income	(1,586)
Share of profit in joint ventures	<u>(854,640)</u>
	(8,837)
<i>Working capital changes:</i>	
Accounts receivable and prepayments	(2,123)
Due from a related party	92,514
Trade payables and accruals	1,871
Due to a related party	<u>2,358</u>
Cash from operations	85,783
Interest received	<u>810</u>
Net cash generated by operating activities	<u>86,593</u>
 INVESTING ACTIVITIES	
Dividends received	753,040
Increase in fixed term deposits	<u>(430,500)</u>
Net cash flows from investing activities	<u>322,540</u>
 FINANCING ACTIVITY	
Dividends paid	<u>(376,864)</u>
Cash used in financing activity	<u>(376,864)</u>
 Increase in cash and cash equivalents	32,269
Cash and cash equivalents at the beginning of the period	<u>10,000</u>
Cash and cash equivalents at the end of the period (Note 7)	<u>42,269</u>

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, 2014

1. GENERAL INFORMATION

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. The Company is an "Article 68 Company", having been 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 parent 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 companies 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 to be 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. However, an amendment was made to the Share Swap agreement on 30 January 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 four month period from September 1, 2013 to December 31, 2013.

The joint ventures of the Company, included in the 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%

The Company commenced commercial activities on September 1, 2013. As a result, these financial statements as at June 30, 2014 represent the first half year interim condensed financial statements of the Company.

These interim condensed financial statements of the Company for the six month period ended June 30, 2014 were authorised for issue on July 24, 2014.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The interim condensed financial statements for the six months ended June 30, 2014 have been prepared in accordance with IAS 34, *Interim Financial Reporting* under the historical cost convention except for certain financial instruments which are stated at fair value.

MESAIEED PETROCHEMICAL HOLDING COMPANY Q.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six month period ended June 30, 2014

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

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 period ended December 31, 2013. In addition, results for the six month period ended June 30, 2014 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2014.

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, 2013 except for the adoption of new and revised standards and interpretations effective as of January 1, 2014.

In the current financial year, the Company has adopted certain new and revised standards and interpretations, mainly including:

IAS 32 (Revised)	<i>Financial Instruments: Presentation</i>
IFRS 10	<i>Consolidated Financial Statements</i>
IFRS 12	<i>Disclosure of Interest in Other Entities</i>
IAS 27 (Revised)	<i>Separate Financial Statements</i>
IAS 36 (Revised)	<i>Impairment of Assets</i>
IAS 39	<i>Financial Instruments: Recognition and Measurement</i>

The adoption of these new / revised standards and interpretations did not have any impact on the financial position or financial performance of the Company as of and for the period ended June 30, 2014.

3. BASIC EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit attributable to the equity holders for the period by the weighted average number of shares outstanding during the period as follows:

	Six month period ended June 30, 2014 (Reviewed) QR
Profit for the period attributable to the owners of the Company	<u>899,442</u>
Weighted average number of shares outstanding during the period	<u>1,256,317</u>
Basic earnings per share	<u>0.72</u>

MESAIEED PETROCHEMICAL HOLDING COMPANY Q.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six month period ended June 30, 2014

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 financial statements.

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

The Company used provisional values instead of fair values of net assets acquired in determining its goodwill for the period ended June 30, 2014 as allowed by IFRS 3, provided a formal purchase price allocation exercise is performed within 12 months. The Company is currently performing purchase its price allocation exercise.

5. INVESTMENTS IN JOINT VENTURES

	June 30, 2014 (Reviewed) QR '000s	December 31, 2013 (Audited) QR '000s
Investment in Q-Chem I – Note 5.1	4,807,316	4,752,473
Investment in Q-Chem II – Note 5.2	7,020,098	6,926,521
Investment in QVC Note 5.3	<u>1,346,426</u>	<u>1,393,246</u>
	<u>13,173,840</u>	<u>13,072,240</u>

5.1 Investment in Qatar Chemical Company Limited

The Company has 49% ownership interest in Qatar Chemical Company Limited (“Q-Chem I”), a Qatari Shareholding Company incorporated in the State of Qatar. Q-Chem I is a jointly controlled entity among QP, Chevron Phillips Chemical International Qatar Holdings L.L.C. (“CPCIQH) and the Company. Q-Chem I is engaged in the production, storage and sale of polyethylene, 1-hexene and other petrochemical products

	June 30, 2014 (Reviewed) QR '000s	December 31, 2013 (Audited) QR '000s
At the beginning of the period/year	4,752,473	4,600,000
Share of profit during the period	313,465	193,187
Dividends received	<u>(258,622)</u>	<u>(40,714)</u>
At the end of the period/year	<u>4,807,316</u>	<u>4,752,473</u>

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

For the six month period ended June 30, 2014

5. INVESTMENTS IN JOINT VENTURES (CONTINUED)*5.2 Investment in Qatar Chemical Company Limited II*

The Company has 49% ownership interest in Qatar Chemical Company II Limited ("Q-Chem II"), is a Qatari Shareholding Company incorporated in the State of Qatar. Q-Chem II is a jointly controlled entity among QP, CPCIQH and the Company. Q-Chem II is engaged in the production, storage and sale of polyethylene, normal alpha olefins, other ethylene derivatives and other petrochemical products.

	June 30, 2014 (Reviewed)	December 31, 2013 (Audited)
	QR '000s	QR '000s
At the beginning of the period /year	6,926,521	6,600,000
Share of profit during the period	522,889	378,865
Dividends received	(429,312)	(52,344)
At the end of the period/year	<u>7,020,098</u>	<u>6,926,521</u>

5.3 Investment in Qatar Vinyl Company Limited

The Company has 55.2% ownership interest in Qatar Vinyl Company Limited ("QVC"), a Qatari Shareholding Company incorporated in the State of Qatar. QVC is a jointly controlled entity among QP, Qatar Petrochemical Company Limited ("QAPCO") and the Company. QVC is engaged in the production and sale of petrochemical products such as caustic soda, ethylene dichloride and vinyl chloride monomer.

	June 30, 2014 (Reviewed)	December 31, 2013 (Audited)
	QR '000s	QR '000s
At the beginning of the period	1,393,246	1,353,175
Share of profit/(loss) during the period	18,286	40,071
Dividends received	(65,106)	--
At the end of the period/year	<u>1,346,426</u>	<u>1,393,246</u>

MESAIEED PETROCHEMICAL HOLDING COMPANY Q.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six month period ended June 30, 2014

5. INVESTMENTS IN JOINT VENTURES (CONTINUED)

The table below shows Company's share in the profit and loss of the joint venture companies:

	<u>Q-Chem I</u> <u>QR'000</u>	<u>Q-Chem II</u> <u>QR'000</u>	<u>QVC</u> <u>QR'000</u>	<u>Total</u> <u>QR'000</u>
Revenue	847,273	1,017,546	348,258	2,213,077
Cost of sales	(362,396)	(419,046)	(285,222)	(1,066,664)
Gross profit	484,877	598,500	63,036	1,146,413
Selling and administration expense	(37,326)	(47,700)	(37,553)	(122,579)
Other income/(expense)	477	14,539	120	15,136
Operating profit	448,028	565,339	25,603	1,038,970
Finance income/(cost)	980	(7,243)	1,300	(4,963)
Profit before tax	449,008	558,096	26,903	1,034,007
Current income tax	(143,593)	--	(3,177)	(146,770)
Deferred income tax	8,050	(35,207)	(5,440)	(32,597)
Profit for the period	313,465	522,889	18,286	854,640
Unallocated income				1,770
Unallocated expense				(9,021)
Unallocated tax refund				52,053
Profit for the period				899,442

6. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	June 30, 2014 (Reviewed) QR '000s	December 31, 2013 (Audited) QR '000s
Tax receivable	52,053	--
Interest receivable	776	--
Prepayments	2,123	--
	54,952	--

7. BANK BALANCES

	June 30, 2014 (Reviewed) QR. '000s	December 31, 2013 (Audited) QR. '000s
Cash and bank balances	472,769	10,000

MESAIEED PETROCHEMICAL HOLDING COMPANY Q.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six month period ended June 30, 2014

7. BANK BALANCES (CONTINUED)

For the purpose of the interim statement of cash flows, cash and cash equivalents consist of the following:

	June 30, 2014 (Reviewed)	December 31, 2013 (Audited)
	QR. '000s	QR '000s
Cash and bank balances	472,769	10,000
Less: fixed deposits maturing after 90 days	<u>(430,500)</u>	<u>--</u>
	<u>42,269</u>	<u>10,000</u>

8. TRADE PAYABLES AND ACCRUALS

	June 30, 2014 (Reviewed)	December 31, 2013 (Audited)
	QR '000s	QR '000s
Dividends payable	62,847	--
Accruals	<u>2,597</u>	<u>726</u>
	<u>65,444</u>	<u>726</u>

9. RELATED PARTY TRANSACTIONS

Related parties represent associated companies, the shareholder, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties.

a) Transaction with related parties

	For the six months period ended June 30, 2014 (Reviewed)
	QR '000s
Dividend income from Q-Chem I	<u>258,622</u>
Dividend income from Q-Chem II	<u>429,312</u>
Dividends income from QVC	<u>65,106</u>
Annual fee paid to Qatar Petroleum	<u>4,179</u>

MESAIEED PETROCHEMICAL HOLDING COMPANY Q.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
For the six month period ended June 30, 2014

9. RELATED PARTY TRANSACTIONS (CONTINUED)

b) Related party balances

	June 30, 2014 (Reviewed) QR. '000s	December 31, 2013 (Audited) QR. '000s
Amounts due from QP	<u>544</u>	<u>93,058</u>
Amounts due to QP	<u>4,179</u>	<u>1,821</u>

c) Compensation with key management personnel

	Six month period ended June 30, 2014 (Reviewed) QR '000s
Key management remuneration	796
Board of directors' remuneration	<u>2,130</u>
	<u>2,926</u>

10. SHARE CAPITAL

	June 30, 2014 (Reviewed) QR '000s	December 31, 2013 (Audited) QR '000s
<i>Authorised, issued and fully paid:</i>		
1,256,317,500 shares of QR 10 each	<u>12,563,175</u>	<u>12,563,175</u>

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 companies.

MESAIEED PETROCHEMICAL HOLDING COMPANY Q.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six month period ended June 30, 2014

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. Accordingly, the Board have resolved not to transfer any profits to the legal reserve for the period.

12. DIVIDENDS

On April 9, 2014, the shareholders approved to distribute cash dividends of QR. 0.35 per share to all shareholders for the period extending from September 1, 2013 to December 31, 2013.

13. TAX REFUND

On February 26, 2014, the Company was listed in the Qatar Exchange. The shares offered to the public amounted to 25.725% of the total issued share capital of the Company. 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, 2014, the Company's expected tax refund amounted to QR 52 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, polyethylene, normal alpha olefins, other ethylene derivatives, caustic soda, ethylene dichloride and 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. However, Management is of the opinion that the fair values of the Company's financial assets and liabilities approximate to their carrying amounts.

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

For the six month period ended June 30, 2014

16. FAIR VALUE MEASUREMENT (CONTINUED)**Fair value hierarchy**

The table below analyses financial instruments carried at fair value, by valuation method. The different levels 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 period ended June 30, 2014, there were no transfers between level 1, level 2 and level 3 fair value measurements.

As of June 30, 2014, the Company held the following financial instruments measured at fair values:

	Carrying amounts	Fair values	Carrying amounts	Fair values
	June 30, 2014 (Reviewed)		December 31, 2013 (Audited)	
	QR. '000s	QR. '000s	QR. '000s	QR. '000s
Financial assets				
Bank balance	472,769	472,769	10,000	10,000
Accounts receivable	52,829	52,829	--	--
Due from a related party	544	544	93,058	93,058
Financial liabilities				
Trade payable and accruals	65,444	65,444	726	726
Due to a related party	4,179	4,179	1,821	1,821

16. FINANCIAL RISK MANAGEMENT

Financial risk management objective and policies

The Company's principal financial liabilities comprise trade accounts payable and due to a related party. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company has various financial assets such as amounts due from a related party and bank balance, which arise directly from its operations.

The main risks arising from the Company's financial instruments are interest rate risk, credit risk and liquidity risk. The management reviews and agrees policies for managing each of these risks which are summarized below:

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risks on its fixed deposits.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the creditworthiness of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. The Company's exposure to credit risk is as indicated by the carrying amount of its financial assets which consist principally of accounts receivable, amounts due from a related party and bank balance.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation and is to maintain a balance between continuity of funding and flexibility through the use of bank facilities. All financial liabilities will mature within 12 months from the end of the reporting period.

Capital management

The Company manages its capital structure and makes adjustments to it, in light of changes in economic and business conditions and shareholders' expectation. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares. Capital comprises share capital and retained earnings and is measured at QR. 13,632 million as of June 30, 2014.