

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

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2015**

MESAIEED PETROCHEMICAL HOLDING COMPANY Q.S.C.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the year ended December 31, 2015

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INDEPENDENT AUDITOR'S REPORT

The Shareholders

Mesaieed Petrochemical Holding Company Q.S.C.

Doha, Qatar

Report on the Financial Statements

We have audited the accompanying financial statements of Mesaieed Petrochemical Holding Company Q.S.C. (the "Company"), which comprise the statement of financial position as at December 31, 2015 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, the applicable provisions of Qatar Commercial Companies Law, Articles of Association, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Mesaieed Petrochemical Holding Company Q.S.C., as at December 31, 2015 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Legal and Regulatory Requirements

We are also of the opinion that proper books of account were maintained by the Company and the contents of the directors' report are in agreement with the Company's financial statements. We have obtained all the information and explanations which we considered necessary for the purpose of our audit. To the best of our knowledge and belief and according to the information given to us, no contraventions of the applicable provisions of Qatar Commercial Companies Law and the Company's Articles of Association were committed during the year which would materially affect the Company's activities or its financial position.

Emphasis of Matter

As mentioned in Note 3 to the financial statements, a new commercial companies law was issued in 2015. The Company's management is in the process of assessing the impact of the new law on their Articles of Association and financial statements.

Doha – Qatar
February 7, 2016



For Deloitte & Touche
Qatar Branch

Muhammad Bahemia
License No. 103

MESAIEED PETROCHEMICAL HOLDING COMPANY Q.S.C.

STATEMENT OF FINANCIAL POSITION

As at December 31, 2015

	Notes	2015 QR'000	2014 QR'000
ASSETS			
Non-current asset			
Investment in joint ventures	5	<u>13,138,932</u>	<u>13,152,985</u>
Current assets			
Prepayments and other debit balances	6	104,907	141,116
Due from related parties	8	142,688	80,414
Bank balances	7	<u>926,223</u>	<u>1,238,298</u>
Total current assets		<u>1,173,818</u>	<u>1,459,828</u>
TOTAL ASSETS		<u>14,312,750</u>	<u>14,612,813</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	10	12,563,175	12,563,175
Legal reserve	11	25,364	17,444
Retained earnings		<u>1,598,661</u>	<u>1,920,703</u>
Total equity		<u>14,187,200</u>	<u>14,501,322</u>
Current liabilities			
Trade payables and accruals	9	118,369	77,001
Due to a related party	8	<u>7,181</u>	<u>34,490</u>
Total current liabilities		<u>125,550</u>	<u>111,491</u>
TOTAL EQUITY AND LIABILITIES		<u>14,312,750</u>	<u>14,612,813</u>



.....
Ahmad Saif Al-Sulaiti
Chairman



.....
Mohamed Salem Al-Marri
Vice Chairman

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

MESAIEED PETROCHEMICAL HOLDING COMPANY Q.S.C.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended December 31, 2015

	<u>Notes</u>	<u>2015</u> <u>QR'000</u>	<u>2014</u> <u>QR'000</u>
Share of profit from joint ventures	5	994,198	1,668,554
Interest income		9,188	8,615
Other income		308	354
		<u>1,003,694</u>	<u>1,677,523</u>
General and administrative expenses		<u>(16,789)</u>	<u>(15,262)</u>
Profit for the year		986,905	1,662,261
Tax refund	19	100,179	133,470
		<u>1,087,084</u>	<u>1,795,731</u>
Net income for the year		<u>1,087,084</u>	<u>1,795,731</u>
Other comprehensive income		<u>--</u>	<u>--</u>
Total comprehensive income for the year		<u>1,087,084</u>	<u>1,795,731</u>
Basic and diluted earnings per share (expressed in QR per share)	13	<u>0.87</u>	<u>1.43</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

MESAIEED PETROCHEMICAL HOLDING COMPANY Q.S.C.

STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2015

	Share capital	Legal Reserve	Retained earnings	Total
	QR'000	QR'000	QR'000	QR'000
Balance at January 1, 2014	12,563,175	--	609,576	13,172,751
Dividends declared (Note 12)	--	--	(439,711)	(439,711)
Excess funds over IPO costs (Note 11)	--	17,444	--	17,444
Social fund contribution (Note 17)	--	--	(44,893)	(44,893)
Total comprehensive income for the year	--	--	1,795,731	1,795,731
Balance at December 31, 2014	12,563,175	17,444	1,920,703	14,501,322
Dividends declared (Note 12)	--	--	(1,381,949)	(1,381,949)
Excess funds over IPO costs (Note 11)	--	7,920	--	7,920
Social fund contribution (Note 17)	--	--	(27,177)	(27,177)
Total comprehensive income for the year	--	--	1,087,084	1,087,084
Balance at December 31, 2015	12,563,175	25,364	1,598,661	14,187,200

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

MESAIEED PETROCHEMICAL HOLDING COMPANY Q.S.C.

STATEMENT OF CASH FLOWS
For the year ended December 31, 2015

	Notes	2015 QR'000	2014 QR'000
OPERATING ACTIVITIES			
Profit for the year		1,087,084	1,795,731
Adjustments for :			
Interest income		(9,188)	(8,615)
Share of profit from joint ventures	5	(994,198)	(1,668,554)
		<u>83,698</u>	<u>118,562</u>
Working capital changes:			
Prepayments and other debit balances		41,689	(133,538)
Due from related parties		(54,354)	92,514
Due to a related party	8	25,883	6,073
Trade payables and accruals	9	(81,537)	(26,949)
Cash from operations		<u>15,379</u>	<u>56,662</u>
Interest received		<u>3,708</u>	<u>1,037</u>
Net cash generated from operating activities		<u>19,087</u>	<u>57,699</u>
INVESTING ACTIVITIES			
Dividends received		1,008,251	1,525,383
Net increase in term deposits		<u>490,382</u>	<u>(1,155,500)</u>
Cash generated from investing activities		<u>1,498,633</u>	<u>369,883</u>
FINANCING ACTIVITY			
Dividends paid	12	(1,351,532)	(383,950)
Social fund contribution		<u>(44,893)</u>	<u>--</u>
Cash used in financing activity		<u>(1,396,425)</u>	<u>(383,950)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of the year		<u>53,632</u>	<u>10,000</u>
CASH AND CASH EQUIVALENTS AT DECEMBER 31,	7	<u>174,927</u>	<u>53,632</u>

Non-cash transactions:

During the current year, the Company entered into the following non-cash operating activity which is not reflected in the statement of cash flows:

- The Company netted QR. 7.9 million of receivable from QP against payable to QP relating to the collection of IPO cost to legal reserve.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

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 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 transfer 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, Qatar Petroleum 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.

The joint ventures of the Company, equity accounted for, in these financial statements are as follows:

Entity name	Country of incorporation	Relationship	Ownership interest 2015
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"). Q-Chem is engaged in the production, storage and sale of polyethylene, 1-hexene and other petrochemical products.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

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. Q-Chem II 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"). QVC is engaged in the production and sale of petrochemical products such as caustic soda, ethylene dichloride and vinyl chloride monomer.

The Company commenced commercial activities on September 1, 2013.

The financial statements of the Company for the year ended December 31, 2015 were authorised for issue by the Board of Directors on February 7, 2016.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

2.1 New and revised IFRSs affecting amounts reported in the financial statements

The following are the revised IFRSs that were effective in the current year and have been applied in the preparation of these financial statements:

(i) Revised Standards:

Effective for annual periods beginning on or after July 1, 2014

- IAS 19 (Revised) *Amendments to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.*
- Annual improvements to IFRSs 2010-2012 cycle *Amendments to issue clarifications on IFRSs- IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38.*
- Annual Improvements 2011-2013 Cycle *Amendments to issue clarifications on IFRSs- IFRS 1, IFRS 3, IFRS 13 and IAS 40.*

The adoption of these new and revised Standards had no significant effect on the financial statements of the Company for the year ended December 31, 2015, other than certain presentation and disclosure changes.

2.2 New and revised IFRSs in issue but not yet effective (Early adoption allowed)

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

(i) New Standards:

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

- IFRS 14 *Regulatory Deferral Accounts.*

Effective for annual periods beginning on or after January 1, 2018

- IFRS 15 *Revenue from Contracts with Customers.*

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

2.2 New and revised IFRSs in issue but not yet effective (Early adoption allowed) (continued)

(ii) New Standards (continued):

- IFRS 9 *Financial Instruments.*
Effective for annual periods beginning on or after January 1, 2019

- IFRS 16 *Leases*

(iii) 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.*
- IAS 41 (Revised) *Amendments bringing bearer plants into the scope of IAS 16.*
- Annual Improvements 2012-2014 Cycle *Amendments to issue clarifications and add additional/specific guidance to IFRS 5, IFRS 7, IAS 19 and IAS 34.*

Effective for annual periods beginning on or after January 1, 2018 (or on early application of IFRS 9)

- IFRS 7 (Revised) *Financial Instruments Disclosures - Amendments requiring disclosures about the initial application of IFRS 9*
- IAS 39 (Revised) *Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception.*

Management anticipates that the adoption of the above Standards and Interpretations (except as described in next paragraph) in future years will have no material impact on the financial statements of the Company in the period of initial application.

Management anticipates that IFRS 15, IFRS 9, Revised IFRS 7 and IFRS 16 will be adopted in the Company's financial statements for the annual period beginning January 1, 2018 and January 1, 2019, as applicable. The application of these standards may have significant impact on amounts reported in the financial statements and result in more extensive disclosures in the financial statements. However, Management has not yet performed a detailed analysis of the impact of the application of these Standards and hence has not yet quantified the extent of the impact.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared on a historical cost basis.

The Company's functional and presentation currency is the Qatari Riyal ("QR"). These financial statements are presented in QR'000, except where otherwise indicated.

Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), the Company's Articles of Association, and the applicable provisions of Qatar Commercial Companies Law.

The Emir HH Sheikh Tamim Bin Hamad Al Thani issued Emiri decision No. 11 of 2015, replacing Law No. 5 of 2002. On July 7, 2015 the new commercial companies law was included in the official Gazette for effective use and application. The new law which came into force 30 days from the date of its official publication in the Gazette, granted a period of 6 months from its effective date (i.e. till February 7, 2016) to comply with the provisions of the law. Management is still in the process of assessing the impact of the new law on its financial statements.

Business combinations and goodwill

The management uses the following criteria to evaluate whether a business combination has substance, to apply the purchase method as described in IFRS 3 – Business Combinations or the pooling of interest method where the transaction lacks substance:

- (a) the purpose of the transaction;
- (b) the involvement of outside parties in the transaction, such as non- controlling interests or other third parties;
- (c) whether or not the transaction is conducted at fair value;
- (d) the existing activities of the entities involved in the transactions;
- (e) whether or not it is bringing entities together into a reporting entity that did not exist before; and
- (f) where a new company is established, whether it is undertaken in connection with an IPO or spin-off or other change in control and significant change in ownership.

Accounting for business combinations involving entities or businesses under common control

Accounting for business combinations involving entities or businesses under common control is outside the scope of IFRS 3 "Business Combinations". In the absence of specific guidance in IFRS, Management uses its judgment in developing and applying an accounting policy that is relevant and reliable. In making that judgment, Management may also consider the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards, to the extent that these do not conflict with the IFRS.

**3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Business combinations and goodwill (continued)

Management has adopted the purchase method to account for the business combinations of entities under common control considering the substance of the arrangement. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", which are recognised and measured at fair value less costs to sell.

Interest in joint venture

The results and assets and liabilities of joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in a joint venture is initially recognised in the statement of financial position at cost and adjusted thereafter to recognise the Company's share of the profit or loss of the joint venture. When the Company's share of losses of a joint venture exceeds the Company's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Company's net investment in the joint venture), the Company discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Company's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount.

The Company discontinues the use of the equity method from the date when the investment ceases to be a joint venture, or when the investment is classified as held for sale. When the Company retains an interest in the former joint venture and the retained interest is a financial asset, the Company measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. If a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, then the Company also reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

Unrealized gains and losses resulting from transactions between the Company and the joint venture are eliminated to the extent of the interest in the joint venture.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Current versus non-current classification

The Company presents assets and liabilities based on current/non-current classification.

An asset is current when:

- It is expected to be realised or intended to sold or consumed in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is expected to be realised within twelve months after the reporting period; or
- It is cash or a cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Financial assets

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Trade and other receivables

Trade and other receivables are carried at original invoiced amount less impairment for non-collectability of these receivables. An allowance for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows comprise of bank balances and fixed term deposits with an original maturity of less than three months.

Impairment of financial assets

Financial assets are assessed for impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- (i) significant financial difficulty of the issuer or counterparty; or
- (ii) default or delinquency in interest or principal payments; or
- (iii) it is becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- (iv) the disappearance of an active market for that financial asset because of financial difficulties.

**3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Financial assets (continued)

Derecognition of financial assets and liabilities

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The rights to receive cash flows from the asset have expired;
- The Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- The Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of existing financial liability are substantially modified, such an exchange or modification is treated as a derecognition of original financial liability and recognition of new liability, and the difference in the respective carrying amounts is recognised in the statement of profit or loss.

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 recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Foreign currency translation

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except as otherwise stated in the Standards.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

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

Fair values

The fair value of financial investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities at the close of business at the end of the reporting period.

For financial instruments where there is no active market, the fair value is determined by using valuation techniques. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same and/or discounted cash flow analysis. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar instrument.

If the fair values cannot be measured reliably, these financial instruments are measured at cost.

Dividend distributions

Dividend distributions are at the discretion of the Company. A dividend distribution to the Company's shareholders is accounted for as a deduction from retained earnings. A declared dividend is recognised as a liability in the period in which it is approved at the Annual General Assembly.

Contribution to Qatar Sports and Social Fund

Pursuant to the Qatar Law No. 13 of 2008 and the related clarifications issued in 2011, which is applicable for all Qatari listed shareholding companies with publicly traded shares, the Company has made an appropriation of 2.5% of its net profit to a state social fund.

Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic and diluted EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Use of estimates

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

The estimates and underlying assumptions are reviewed regularly. Revisions to accounting estimates are recognized 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

4. BUSINESS COMBINATION

On September 1, 2013, QP transferred its shareholding in the joint venture companies (the "transaction") through a share swap agreement with 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 MPHIC to QP, as detailed in Note 1 to the financial statements.

	<u>Q-Chem I 2015</u>	<u>Q-Chem II 2015</u>	<u>QVC 2015</u>	<u>Total 2015</u>
	QR '000	QR '000	QR '000	QR '000
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>
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 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

5. INVESTMENTS IN JOINT VENTURES

The summarised financial information below presents amounts shown in the financial statements of the joint ventures as of December 31, 2015, which are presented in US\$'000 and are translated using an exchange rate of 3.64 in the below table:

Statement of financial position of joint venture entities

	Q-Chem I 2015	Q-Chem II 2015	QVC 2015	Total 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)
Equity	2,206,025	4,663,228	1,794,636	8,663,889
Proportion of the Company's ownership	49%	49%	55.2%	
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
Investment in joint ventures	4,630,355	7,163,693	1,344,884	13,138,932
	Q-Chem I 2014	Q-Chem II 2014	QVC 2014	Total 2014
	QR '000	QR '000	QR '000	QR '000
Current assets	1,965,442	3,199,396	956,042	6,120,880
Non-current assets	2,680,729	6,400,398	1,441,549	10,522,676
Current liabilities	(1,140,190)	(1,539,247)	(276,189)	(2,955,626)
Non-current liability	(1,234,615)	(3,481,234)	(284,819)	(5,000,668)
Equity	2,271,366	4,579,313	1,836,583	8,687,262
Proportion of the Company's ownership	49%	49%	55.2%	
Company's share of net assets in the joint venture entities	1,112,969	2,243,863	1,013,794	4,370,626
Goodwill (Note 4)	3,549,403	4,878,711	354,245	8,782,359
Investment in joint ventures	4,662,372	7,122,574	1,368,039	13,152,985

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

5. INVESTMENT IN JOINT VENTURES (CONTINUED)

Statement of comprehensive income of joint venture entities

	Q-Chem I 2015 <u>QR '000</u>	Q-Chem II 2015 <u>QR '000</u>	QVC 2015 <u>QR '000</u>	Total 2015 <u>QR '000</u>
Revenue	2,585,110	2,886,154	1,250,440	6,721,704
Cost of sales	(1,316,675)	(1,516,735)	(1,049,485)	(3,882,895)
Other income	18,302	368	28,347	47,017
Administrative expenses	(49,708)	(37,361)	(156,080)	(243,149)
Finance income (cost)	6,061	(24,952)	3,753	(15,138)
Profit before tax	1,243,090	1,307,474	76,975	2,627,539
Deferred income-tax	35,104	(146,117)	(17,061)	(128,074)
Current income-tax	(469,935)	--	(7,222)	(477,157)
Profit for the year	808,259	1,161,357	52,692	2,022,308
Company's share of profit for the year in joint venture entities	396,047	569,065	29,086	994,198
	Q-Chem I 2014 <u>QR '000</u>	Q-Chem II 2014 <u>QR '000</u>	QVC 2014 <u>QR '000</u>	Total 2014 <u>QR '000</u>
Revenue	3,446,850	4,149,615	1,489,761	9,086,226
Cost of sales	(1,538,905)	(1,715,230)	(1,158,204)	(4,412,339)
Other income	23,329	39,166	317	62,812
Administrative expenses	(183,543)	(223,638)	(152,232)	(559,413)
Finance income (cost)	3,451	(28,254)	4,222	(20,581)
Profit before tax	1,751,182	2,221,659	183,864	4,156,705
Deferred income-tax	33,730	(144,599)	(8,196)	(119,065)
Current income-tax	(603,801)	--	(45,140)	(648,941)
Profit for the period	1,181,111	2,077,060	130,528	3,388,699
Company's share of profit for the period in joint venture entities	578,743	1,017,760	72,051	1,668,554

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

5. INVESTMENT IN JOINT VENTURES (CONTINUED)**Additional disclosures for interest in joint venture entities**

	Q-Chem I 2015 <u>QR '000</u>	Q-Chem II 2015 <u>QR '000</u>	QVC 2015 <u>QR '000</u>	Total 2015 <u>QR '000</u>
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>Note 1</u>	<u>5,657</u>	<u>475,592</u>
Company's share of Dividend declared/received	<u>428,064</u>	<u>527,946</u>	<u>52,241</u>	<u>1,008,251</u>
	Q-Chem I 2014 <u>QR '000</u>	Q-Chem II 2014 <u>QR '000</u>	QVC 2014 <u>QR '000</u>	Total 2014 <u>QR '000</u>
Cash and cash equivalents	<u>891,480</u>	<u>1,524,388</u>	<u>493,234</u>	<u>2,909,102</u>
Interest bearing loans and borrowings	<u>--</u>	<u>3,106,514</u>	<u>--</u>	<u>3,106,514</u>
Deferred tax liabilities	<u>688,127</u>	<u>574,370</u>	<u>260,418</u>	<u>1,522,915</u>
Tax payable	<u>602,875</u>	<u>Note 1</u>	<u>33,888</u>	<u>636,763</u>
Company's share of Dividend declared/received	<u>668,850</u>	<u>821,705</u>	<u>97,254</u>	<u>1,587,809</u>

Note 1: 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

5. INVESTMENT IN JOINT VENTURES (CONTINUED)

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 2015 QR '000	Q-Chem II 2015 QR '000	QVC 2015 QR '000	Total 2015 QR '000
Capital commitments	<u>8,734</u>	<u>9,589</u>	--	<u>18,323</u>
Operating lease commitments:				
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
Total	<u>40,814</u>	<u>230,099</u>	<u>34,835</u>	<u>305,748</u>
Contingent liabilities	--	<u>1,459</u>	<u>1,330</u>	<u>2,789</u>
	Q-Chem I 2014 QR '000	Q-Chem II 2014 QR '000	QVC 2014 QR '000	Total 2014 QR '000
Capital commitments	<u>12,683</u>	<u>21,362</u>	--	<u>34,045</u>
Operating lease commitments:				
Future minimum lease payments:				
Within one year	7,840	14,244	7,095	29,179
After one year but not more than five years	26,401	57,897	25,956	110,254
More than five years	15,138	131,296	4,016	150,450
Total	<u>49,379</u>	<u>203,437</u>	<u>37,067</u>	<u>289,883</u>
Contingent liabilities	--	<u>1,617</u>	--	<u>1,617</u>

6. PREPAYMENTS AND OTHER DEBIT BALANCES

	2015 QR '000	2014 QR '000
Tax receivable (Note 19)	99,368	133,470
Interest receivable	5,480	7,578
Prepayments	59	68
	<u>104,907</u>	<u>141,116</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

7. CASH AND CASH EQUIVALENTS

	<u>2015</u> QR '000	<u>2014</u> QR '000
Bank balances	926,223	1,238,298
Less: Term deposits maturing after 90 days	(665,118)	(1,155,500)
Less: Bank balances-Dividends	(86,178)	(29,166)
Cash and cash equivalents	<u>174,927</u>	<u>53,632</u>

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 1.8% to 2.4% (2014: 1.3% to 1.75%).

8. RELATED PARTY

Related parties, as defined in International Accounting Standard 24: Related Party Disclosures, include associate companies, major shareholders, directors and other key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties.

Related party transactions

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

	<u>2015</u> QR '000	<u>2014</u> QR '000
Dividend income from Q-Chem I	<u>428,064</u>	<u>668,850</u>
Dividend income from Q-Chem II	<u>527,946</u>	<u>821,705</u>
Dividend income from QVC	<u>52,241</u>	<u>97,254</u>
Annual fee to Qatar Petroleum	<u>7,181</u>	<u>7,894</u>

Related party balances

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

	<u>2015</u> QR '000	<u>2014</u> QR '000
Amount due from QP	--	17,988
Dividend due from Q-Chem	<u>142,688</u>	<u>62,426</u>
Amount due to QP	<u>7,181</u>	<u>34,490</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

8. RELATED PARTY (CONTINUED)**Compensation of key management personnel**

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

	<u>2015</u>	<u>2014</u>
	QR '000	QR '000
Key management remuneration	<u>1,152</u>	<u>1,352</u>
Board of directors' remuneration	<u>3,804</u>	<u>1,843</u>

The Company has established a remuneration policy for its Board of Directors. This policy is comprised of two components; a fixed component and a variable component. The variable component is related to the financial performance of the Company. The total Directors' remuneration is within the limit prescribed by the commercial companies law.

9. TRADE PAYABLES AND ACCRUALS

	<u>2015</u>	<u>2014</u>
	QR '000	QR '000
Dividends payable	86,178	29,165
Social contribution payable	27,177	44,893
Accruals	<u>5,014</u>	<u>2,943</u>
	<u>118,369</u>	<u>77,001</u>

10. SHARE CAPITAL

	<u>2015</u>	<u>2014</u>
	QR '000	QR '000
<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.

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 the closing date, 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 incorporated under this Article shall 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.

During the year, the Company transferred QR. 7.9 million (2014: QR. 17.44 million) representing excess funds received over the IPO cost incurred, to legal reserve.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

12. DIVIDENDS

The Board of Directors has proposed cash dividend distribution of QR. 0.7 per share for the year ended December 31, 2015 (2014: QR. 1.1 per share). The proposed final dividend for the year ended December 31, 2015 will be submitted for formal approval at the Annual General Meeting.

On February 16, 2015, the shareholders approved to distribute cash dividends of QR. 1.38 billion (2014:QR. 440 million).

13. BASIC AND DILUTED EARNINGS PER SHARE

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

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

	<u>2015</u>	<u>2014</u>
Profit attributable to the equity holders for the year (QR'000)	<u>1,087,084</u>	<u>1,795,731</u>
Weighted average number of shares outstanding during the year (in thousands)	<u>1,256,317</u>	<u>1,256,317</u>
Basic and diluted earnings per share (expressed in QR per share)	<u>0.87</u>	<u>1.43</u>

14. FINANCIAL RISK MANAGEMENT**Objective and policies**

The Company's principal financial liabilities, comprise trade accounts payable and due to a related party. The Company has various financial assets, namely, amounts due from related parties and bank balances, which arise directly from its operations.

The main risks arising from the Company's financial instruments are interest rate risk, credit risk, liquidity risk and foreign currency 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 following table demonstrates the sensitivity of the statement of profit or loss and other comprehensive income to reasonably possible changes in interest rates, with all other variables held constant.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

14. FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate risk (Continued)

	<i>Increase in basis points</i>	<i>Effect on profit 2015</i> QR'000	<i>Increase in basis points</i>	<i>Effect on profit 2014</i> QR'000
Term deposits	+/- 25	<u>+/-1,663</u>	+/- 25	<u>+/-2,889</u>

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's exposure to credit risk is as indicated by the carrying amount of its financial assets which consist principally of amounts due from related parties and bank balances, as follows:

	<u>2015</u> QR '000	<u>2014</u> QR '000
Amounts due from related parties	142,688	80,414
Bank balances	<u>926,223</u>	<u>1,238,298</u>
	<u>1,068,911</u>	<u>1,318,712</u>

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet financial obligations as they fall due. The Company's approach to managing liquidity risk 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'000 – 14,161,760 (2014: QR'000 – 14,501,322).

15. FAIR VALUES OF FINANCIAL INSTRUMENTS

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.

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.

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.

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.

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.

Impairment of investment in joint ventures

As required by IFRS, the Company assessed its investments in joint ventures for impairment by comparing the recoverable amount of each, to its carrying value. The recoverable amount is estimated by the Company using the "value in use". The value in use calculations are done based on the following assumptions

- Discount rates: 10%
- Earnings before Interest and Tax (EBITA): 22.92% for QVC and 52.6% to 53.5% for Q-Chem I and Q-Chem II
- Terminal period growth rate: 2%-3%

17. SOCIAL FUND CONTRIBUTION

In accordance with Law No. 13 of 2008, the Company made an appropriation of profit of QR. 27.18 million (2014: 44.9 million) equivalent to 2.5% of the net income for the year for the support of sports, cultural, social and charitable activities.

18. SEGMENT INFORMATION

For management purposes, the Company is organized into business units based on their products and services, and has one reportable operating segment which is the petrochemical segment from its interest in joint ventures, which produce and sell polyethylene, 1-hexene, 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.

19. 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 December 31, 2015, the Company's tax refund amounted to QR. 100.1 million of which QR. 99.3 million is receivable (2014: QR. 133.5 million). During 2014, the Company under accrued tax refund by QR. 0.8 million, which was recorded during this year.