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

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED DECEMBER 31, 2016

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INDEPENDENT AUDITOR'S REPORT

The Shareholders
Mesaieed Petrochemical Holding Company Q.S.C.
Doha - Qatar

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Mesaieed Petrochemical Holding Company Q.S.C. (the "Company") which comprise the statement of financial position as at December 31, 2016 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to the audit of the Company's financial statements in Qatar, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
The Company has investments in joint ventures with carrying amount of QR. 13,149 million as of December 31, 2016. Embedded in these investments is goodwill amounting to QR. 8,782 million, which was recognised at acquisition (Note 4). As per International Accounting Standard 36 "Impairment of Assets" the entire carrying amount of the investment including goodwill is tested for impairment whenever events or changes in circumstances indicate that it might be impaired. During the year, the Company undertook an assessment for impairment of its investments in joint ventures due to the below indicators: ✓ Significant embedded goodwill in the carrying value of the investment; ✓ Volatility in petrochemical prices which resulted to lower share in profits from joint ventures. The recoverable amount is estimated by the Company using the "value in use" method. The impairment test is a complex process requiring significant management judgment and is based on assumptions about future profitability and cash flows, appropriate discount rates and terminal period growth rate as disclosed in Note 16 of the financial statements.	We evaluated the appropriateness of management's identification of the Company's cash generating units (CGUs) and assessment of indicators of impairment. We focused our testing on impairment of investment on the key assumptions made by management. Our audit procedures included below procedures: ➢ Evaluating whether the model used by management to calculate the value in use of each CGU complies with IAS 36 Impairment of Assets. ➢ Obtained and analysed the business plans provided by management for each subject asset to determine whether they are reasonable and supportable; ➢ Analysed the discount rates calculated by management and recalculated Weighted Average Cost of Capital (WACC) independently to compare and verify management's calculations; ➢ Reviewed long term growth rates based on growth in Gross Domestic Product "GDP" and long term inflation rates expectation; ➢ We have further compared the assumptions to externally derived data and also agreed to approved budget. ➢ Cross checked values with market multiples where applicable; and ➢ Assessed the reasonableness of key cash flows assumptions by agreeing underlying data to supporting evidence. ➢ Assessed whether the related disclosures of this area were adequate in accordance to requirements of IFRS. We performed sensitivity analysis around the key assumptions used by management to ascertain the extent of change in those assumptions that either individually or collectively would be required for an additional impairment change.

Other Information

Management is responsible for the other information. The other information comprises Directors' Report and Chairman's Report, which we obtained prior to the date of this auditor's report. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, Articles of Association of the Company and applicable provisions of Qatar Commercial Companies Law, 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Obtain an understanding of internal control relevant to the audit 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law and regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Report on Other Legal and Regulatory Requirements

Further, as required by the Qatar Commercial Companies' Law, we report the following:

- We are also in the opinion that proper books of account were maintained by the Company.
- We obtained all the information and explanations which we considered necessary for our audit and the contents of the Directors' Report are in the agreement with the financial statements of the Company.
- 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 Associations were committed during the year which would materially affect the Company's financial position and its performance.

We draw attention to Note 3 to the financial statements which explains that a new Qatar Commercial Companies' law was issued, replacing Law No. 5 of 2002. On July 7, 2015 the new law was included in the official Gazette for effective use and application. All entities were granted extensions to comply with the provisions of the law until August 7, 2017. The Company's management is in the process of assessing the impact of the new law on their Articles of Association and the financial statements.

Doha – Qatar
February 5, 2017

For **Deloitte & Touche**
Qatar Branch

Muhammad Bahemia
Partner
License No. 103

MESAIEED PETROCHEMICAL HOLDING COMPANY Q.S.C.

STATEMENT OF FINANCIAL POSITION
As at December 31, 2016

	Notes	2016 QR'000	2015 QR'000
ASSETS			
Non-current asset			
Investment in joint ventures	5	**13,149,165**	13,138,932
Current assets			
Prepayments and other debit balances	6	**97,416**	104,907
Due from a related party	8	**98,098**	142,688
Bank balances	7	**1,081,859**	926,223
Total current assets		**1,277,373**	1,173,818
TOTAL ASSETS		**14,426,538**	14,312,750
EQUITY AND LIABILITIES			
Equity			
Share capital	10	**12,563,175**	12,563,175
Legal reserve	11	**25,364**	25,364
Retained earnings		**1,689,021**	1,598,661
Total equity		**14,277,560**	14,187,200
Current liabilities			
Trade payables and accruals	9	**140,812**	118,369
Due to a related party	8	**8,166**	7,181
Total current liabilities		**148,978**	125,550
TOTAL EQUITY AND LIABILITIES		**14,426,538**	14,312,750

....
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, 2016

	Notes	2016	2015
		QR'000	QR'000
Share of profit from joint ventures	5	**901,261**	994,198
Interest income		**19,779**	9,188
Other income		**1,118**	308
		922,158	1,003,694
General and administrative expenses		**(17,270)**	(16,789)
Profit for the year		**904,888**	986,905
Tax refund	19	**89,760**	100,179
Net income for the year		**994,648**	1,087,084
Other comprehensive income		--	--
Total comprehensive income for the year		**994,648**	1,087,084
Basic and diluted earnings per share (expressed in QR per share)	13	**0.79**	0.87

MESAIEED PETROCHEMICAL HOLDING COMPANY Q.S.C.

STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2016

	Share capital QR'000	Legal Reserve QR'000	Retained earnings QR'000	Total QR'000
Balance at January 1, 2015	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 and sports 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
Dividends declared (Note 12)	--	--	(879,422)	(879,422)
Social and sports fund contribution (Note 17)	--	--	(24,866)	(24,866)
Total comprehensive income for the year	--	--	994,648	994,648
Balance at December 31, 2016	**12,563,175**	**25,364**	**1,689,021**	**14,277,560**

MESAIEED PETROCHEMICAL HOLDING COMPANY Q.S.C.

STATEMENT OF CASH FLOWS
For the year ended December 31, 2016

	Notes	**2016**	2015
		QR'000	QR'000
OPERATING ACTIVITIES			
Profit for the year		**994,648**	1,087,084
Adjustments for :			
Interest income		**(19,779)**	(9,188)
Share of profit from joint ventures	5	**(901,261)**	(994,198)
		73,608	83,698
Working capital changes:			
Prepayments and other debit balances		**9,665**	41,689
Due from a related party		--	7,920
Due to a related party	8	**985**	25,883
Trade payables and accruals	9	**(548)**	(24,525)
Cash from operations		**83,710**	134,665
Interest received		**17,605**	3,708
Net cash generated from operating activities		**101,315**	138,373
INVESTING ACTIVITIES			
Dividends received		**935,618**	945,977
Net (increase)/ decrease in term deposits		**(187,622)**	490,382
Cash generated from investing activities		**747,996**	1,436,359
FINANCING ACTIVITY			
Dividends paid	12	**(854,120)**	(1,351,532)
Increase in unclaimed dividend bank accounts		**(25,302)**	(57,012)
Social and sports fund contribution		**(27,177)**	(44,893)
Cash used in financing activity		**(906,599)**	(1,453,437)
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		**(57,288)**	121,295
Cash and cash equivalents at beginning of the year		**174,927**	53,632
CASH AND CASH EQUIVALENTS AT DECEMBER 31,	7	**117,639**	174,927

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 from September 1 to 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 2016**
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 Chevrons 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.

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, 2016 were authorised for issue by the Board of Directors on February 5, 2017.

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

2.1 New and revised IFRSs IFRSs applied with no material effect on the financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after January 1, 2016, have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- IFRS 14 *Regulatory Deferral Accounts*
- Amendments to IAS 1 *Presentation of Financial Statements* relating to Disclosure initiative
- Amendments to IFRS 11 *Joint arrangements* relating to accounting for acquisitions of interests in joint operations
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* relating to clarification of acceptable methods of depreciation and amortization
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture*: Bearer Plants
- Amendments to IAS 27 *Separate Financial Statements* relating to accounting investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements
- Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 *Investment in Associates and Joint Ventures* relating to applying the consolidation exception for investment entities
- Annual Improvements to IFRSs 2012 – 2014 Cycle covering amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34

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

2.2 New and revised IFRSs in issue but not yet effective

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

New and revised IFRSs	**Effective for annual periods beginning on or after**
Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1, IFRS 12 and IAS 28	The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after January 1, 2018, the amendment to IFRS 12 for annual periods beginning on or after January 1, 2017
Amendments to IAS 12 *Income Taxes* relating to the recognition of deferred tax assets for unrealised losses	January 1, 2017
Amendments to IAS 7 *Statement of Cash Flows* to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.	January 1, 2017
IFRIC 22 *Foreign Currency Transactions and Advance Consideration* The interpretation addresses foreign currency transactions or parts of transactions where: • there is consideration that is denominated or priced in a foreign currency; • the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and • the prepayment asset or deferred income liability is non-monetary.	January 1, 2018
Amendments to IFRS 2 *Share Based Payment* regarding classification and measurement of share based payment transactions	January 1, 2018
Amendments to IFRS 4 *Insurance Contracts*: Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.	January 1, 2018
Amendments to IAS 40 *Investment Property*: Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.	January 1, 2018

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

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

Amendments to IFRS 7 *Financial Instruments: Disclosures* relating to disclosures about the initial application of IFRS 9	When IFRS 9 is first applied
IFRS 7 *Financial Instruments: Disclosures* relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	When IFRS 9 is first applied
IFRS 9 *Financial Instruments* (revised versions in 2009, 2010, 2013 and 2014)	January 1, 2018

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement.* The standard contains requirements in the following areas:

- **Classification and measurement**: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment**: The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised
- **Hedge accounting**: Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition**: The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

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

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

IFRS 15 *Revenue from Contracts with Customers* — January 1, 2018

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

Amendments to IFRS 15 *Revenue from Contracts* with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts. — January 1, 2018

IFRS 16 *Leases* — January 1, 2019

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture. — Effective date deferred indefinitely

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

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

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9, IFRS 15 and IFRS 16, may have no material impact on the financial statements of the Company in the period of initial application.

Management anticipates that IFRS 15 and IFRS 9 will be adopted in the Company's financial statements for the annual period beginning January 1, 2018 and that IFRS 16 will be adopted in the Company's financial statements for the annual period beginning January 1, 2019. The application of IFRS 15 and IFRS 9 may have significant impact on amounts reported and disclosures made in the Company's financial statements in respect of revenue from contracts with customers and the Company's financial assets and financial liabilities and the application of IFRS 16 may have significant impact on amounts reported and disclosures made in the Company's financial statements in respect of its leases.

However, it is not practicable to provide a reasonable estimate of effects of the application of these standards until the Company performs a detailed review.

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 effect 30 days from the date of its official publication in the Gazette. All entities were granted extensions to comply with the provisions of the law until August 7, 2017. The Company's management is in the process of assessing the impact of the new law on their Articles of Association and the financial statements.

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

Business combinations and goodwill

The management uses the following criteria to evaluate whether a business combination has substance, to apply the acquisition 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 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.

Management has adopted the acquisition 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 at lower of carrying value and 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 joint venture.

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

Interest in joint venture (continued)

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.

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.

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

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.

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.

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

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.

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.

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

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.

Social and Sports Fund Contribution

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.

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 MPHC to QP, as detailed in Note 1 to the financial statements.

	Q-Chem I 2016 QR '000	Q-Chem II 2016 QR '000	QVC 2016 QR '000	Total 2016 QR '000
Total consideration	4,600,000	6,600,000	1,353,175	12,553,175
Less: Fair values of net assets acquired	(1,050,597)	(1,721,289)	(998,930)	(3,770,816)
Embedded goodwill arising on acquisition	3,549,403	4,878,711	354,245	8,782,359

The Company used fair values of net assets acquired in determining its goodwill. 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.

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, 2016, 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 2016 QR '000	**Q-Chem II 2016 QR '000**	**QVC 2016 QR '000**	**Total 2016 QR '000**
Current assets	**1,816,777**	**2,356,434**	**1,057,848**	**5,231,059**
Non-current assets	**2,487,323**	**5,971,367**	**1,245,896**	**9,704,586**
Current liabilities	**(903,972)**	**(1,055,425)**	**(184,686)**	**(2,144,083)**
Non-current liability	**(1,118,692)**	**(2,651,722)**	**(335,033)**	**(4,105,447)**
Equity	**2,281,436**	**4,620,654**	**1,784,025**	**8,686,115**
Proportion of the Company's ownership	**49%**	**49%**	**55.2%**	
Company's share of net assets in the joint venture entities	**1,117,904**	**2,264,120**	**984,782**	**4,366,806**
Embedded goodwill (Note 4)	**3,549,403**	**4,878,711**	**354,245**	**8,782,359**
Investment in joint ventures	**4,667,307**	**7,142,831**	**1,339,027**	**13,149,165**

	Q-Chem I 2015 QR '000	Q-Chem II 2015 QR '000	QVC 2015 QR '000	Total 2015 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

5. INVESTMENT IN JOINT VENTURES (CONTINUED)

Statement of comprehensive income of joint venture entities

	Q-Chem I 2016 QR '000	**Q-Chem II 2016 QR '000**	**QVC 2016 QR '000**	**Total 2016 QR '000**
Revenue	**2,260,884**	**2,657,490**	**1,442,130**	**6,360,504**
Cost of sales	**(1,220,972)**	**(1,450,036)**	**(1,077,902)**	**(3,748,910)**
Other income (expense)	**564**	**(10,192)**	**337**	**(9,291)**
Administrative expenses	**(34,009)**	**(18,495)**	**(140,358)**	**(192,862)**
Finance income (cost)	**12,591**	**(26,732)**	**7,356**	**(6,785)**
Profit before tax	**1,019,058**	**1,152,035**	**231,563**	**2,402,656**
Deferred income-tax	**38,144**	**(139,004)**	**(18,735)**	**(119,595)**
Current income-tax	**(399,388)**	**--**	**(42,348)**	**(441,736)**
Profit for the year	**657,814**	**1,013,031**	**170,480**	**1,841,325**
Company's share of profit for the year in joint venture entities	**322,329**	**496,383**	**82,549**	**901,261**

	Q-Chem I 2015 QR '000	Q-Chem II 2015 QR '000	QVC 2015 QR '000	Total 2015 QR '000
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

5. INVESTMENT IN JOINT VENTURES (CONTINUED)

Additional disclosures for interest in joint venture entities

	Q-Chem I 2016 QR '000	**Q-Chem II 2016 QR '000**	**QVC 2016 QR '000**	**Total 2016 QR '000**
Cash and cash equivalents	**851,658**	**1,005,019**	**475,282**	**2,331,959**
Interest bearing loans and borrowings	**--**	**2,099,548**	**--**	**2,099,548**
Deferred tax liabilities	**614,876**	**859,491**	**302,633**	**1,777,000**
Tax payable	**399,370**	**Note 5.1**	**27,835**	**427,205**
Company's share of Dividend declared/received	**285,376**	**517,244**	**88,408**	**891,028**

	Q-Chem I 2015 QR '000	Q-Chem II 2015 QR '000	QVC 2015 QR '000	Total 2015 QR '000
Cash and cash equivalents	982,651	1,055,767	446,402	2,484,820
Interest bearing loans and borrowings	--	2,619,344	--	2,619,344
Deferred tax liabilities	653,020	720,487	277,481	1,650,988
Tax payable	469,935	Note 1	5,657	475,592
Company's share of Dividend declared/received	428,064	527,946	52,241	1,008,251

Note 5.1: 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.

5. INVESTMENT IN JOINT VENTURES (CONTINUED)

Contractual 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 2016 QR '000	**Q-Chem II 2016 QR '000**	**QVC 2016 QR '000**	**Total 2016 QR '000**
Capital commitments	**90,043**	**41,160**	**--**	**131,203**
Operating lease commitments:				
Future minimum lease payments:				
Within one year	**6,444**	**14,301**	**10,077**	**30,822**
After one year but not more than five years	**16,325**	**59,483**	**13,553**	**89,361**
More than five years	**10,974**	**142,032**	**2,803**	**155,809**
Total	**33,743**	**215,816**	**26,433**	**275,992**
Contingent liabilities	**--**	**1,459**	**--**	**1,459**

	Q-Chem I 2015 QR '000	Q-Chem II 2015 QR '000	QVC 2015 QR '000	Total 2015 QR '000
Capital commitments	8,734	9,589	--	18,323
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	40,814	230,099	34,835	305,748
Contingent liabilities	--	1,459	1,330	2,789

6. PREPAYMENTS AND OTHER DEBIT BALANCES

	2016 QR '000	2015 QR '000
Tax receivable (Note 19)	**89,760**	99,368
Interest receivable	**7,656**	5,480
Prepayments	**--**	59
	97,416	104,907

7. CASH AND CASH EQUIVALENTS

	2016	2015
	QR '000	QR '000
Bank balances	**1,081,859**	926,223
Less: Term deposits maturing after 90 days	**(852,740)**	(665,118)
Less: Bank balances-Dividends	**(111,480)**	(86,178)
Cash and cash equivalents	**117,639**	174,927

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 3.0% to 3.4% (2015: 1.8% to 2.4%).

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:

	2016	2015
	QR '000	QR '000
Dividend income from Q-Chem I	**285,376**	428,064
Dividend income from Q-Chem II	**517,244**	527,946
Dividend income from QVC	**88,408**	52,241
Annual fee to Qatar Petroleum	**7,913**	7,181

Related party balances

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

	2016	2015
	QR '000	QR '000
Dividend due from Q-Chem I	**98,098**	142,688
Amount due to QP	**8,166**	7,181

8. RELATED PARTY (CONTINUED)

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

	2016	2015
	QR '000	QR '000
Key management remuneration	**500**	1,152
Board of directors' remuneration	**3,800**	3,804

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 Qatar Commercial Companies' Law.

9. TRADE PAYABLES AND ACCRUALS

	2016	2015
	QR '000	QR '000
Dividends payable	**111,480**	86,178
Social and sports fund contribution payable	**24,866**	27,177
Accruals	**4,466**	5,014
	140,812	118,369

10. SHARE CAPITAL

	2016	2015
	QR '000	QR '000
Authorised, issued and fully paid:		
1,256,317,500 shares of QR 10 each	**12,563,175**	12,563,175

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 2016, 217,631 additional shares (2015: 172,671 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 holds 932,661,124 shares including 1 special share (2015: 932,878,755 shares including 1 special share) comprising 74.238% (2015: 74.255%) of total shareholding.

11. LEGAL RESERVE

MPHC was formed in accordance with the provisions of Article 68 of the Qatar Commercial Companies' Law No. 5 of 2002. As per Article 68, 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.

In 2015, the Company transferred QR. 7.9 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. 0.6 per share for the year ended December 31, 2016 (2015: QR. 0.7 per share). The proposed final dividend for the year ended December 31, 2016 will be submitted for formal approval at the Annual General Meeting.

On March 6, 2016, the shareholders approved to distribute cash dividends of QR. 879 million (2015:QR. 1.38 billion).

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:

	2016	2015
Profit attributable to the equity holders for the year (QR'000)	**994,648**	1,087,084
Weighted average number of shares outstanding during the year (in thousands)	**1,256,317**	1,256,317
Basic and diluted earnings per share (expressed in QR per share)	**0.79**	0.87

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 a related party, interest receivable 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.

14. FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate risk (Continued)

	Increase in basis points	*Effect on profit 2016*	*Increase in basis points*	*Effect on profit 2015*
		QR'000		QR'000
Term deposits	**+/- 25**	**+/-2,131**	+/- 25	+/-1,663

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 a related party and bank balances, as follows:

	2016	2015
	QR '000	QR '000
Amounts due from a related party	**98,098**	142,688
Interest receivable	**7,656**	5,480
Bank balances	**1,081,859**	926,223
	1,187,613	1,074,391

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. 14.25 billion (2015: QR. 14.16 billion).

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, interest receivable, amounts due from a related partys, 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): 17.8%, 52.1% and 49.6% for QVC, Q-Chem I and Q-Chem II, respectively.
- Terminal period growth rate: 3.5%

17. SOCIAL AND SPORTS FUND CONTRIBUTION

In accordance with Law No. 13 of 2008, the Company made an appropriation of profit of QR 24.87 million (2015: 27.18 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, 2016, the public shareholding in the Company amounted to 25.762%. 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, 2016, the Company's tax refund amounted to QR. 89.76 million (2015: QR. 101.18 million).

20. COMPARATIVE FIGURES

Comparative figures of prior year have been reclassified in order to conform to the presentation in the current year's financial statements. The reclassification relates to cash flow presentation and do not affect the previously reported profit or net assets.