NOTICE TO THE SHAREHOLDERS OF MESAIEED PETROCHEMICAL HOLDING COMPANY Q.P.S.C.

Mesaieed Petrochemical Holding Company

We are pleased to invite you to attend the Company's Ordinary General Assembly meeting to be held on Wednesday, March 11th, 2020 at 3:30 pm in Al Rayan Ballroom, Sheraton Hotel, Doha. In the case a quorum is not met, a second meeting will be held on Sunday, March 15th, 2020 at the same time and location.

Agenda of the Ordinary General Assembly meeting

1. Listen to the Chairman's Message for the financial year ended December 31, 2019.
2. Listen and approve the Board of Directors' Report on MPHC's operations and financial performance for the financial year ended December 31, 2019, and the plans of the company.
3. Listen and approve the Auditors' Report on MPHC's consolidated financial statements for the financial year ended December 31, 2019.
4. Discuss and approve MPHC's consolidated financial statements for the financial year ended December 31, 2019.
5. Present and approve 2019 Corporate Governance Report.
6. Approve the Board's recommendation for a dividend payment of QR 0.07 per share, representing 7% of the nominal share value.
7. Absolve the Board of Directors from responsibility for the financial year ended 31 December 2019 and approve their remuneration.
8. Appoint an external auditor for the financial year ending December 31, 2020 and approve their fees.

Ahmad Saif Al-Sulaiti
Chairman

Notes:

1. Please bring your Identity Card and NIN number issued by the Qatar Stock Exchange to the venue of the General Assembly meeting for registration, which will commence at 2:30 pm.
2. If you are not able to attend personally, you may wish to authorize another MPHC shareholder to attend and vote on your behalf in the General Assembly meeting. You can do this by using a proxy form, which you can download from the Company's website: www.mphc.com.qa.
3. Once completed and signed, the proxy form must be delivered to MPHC no less than 48 hours prior to the commencement of the General Assembly meeting.
4. Shareholder may act as proxy to one or more shareholders, provided that such shareholder shall not own more than (5%) of the Company's share capital.

Board of Directors' Review

The Board of Directors is pleased to present its annual review of the financial and operational performance of MPHC for 2019.

MPHC overview

MPHC's ownership structure comprises Qatar Petroleum, with a 65.5% stake and the Company is publicly listed on the Qatar Exchange.

Competitive advantages

All MPHC Group companies are strategically equipped with competitively priced and assured feedstock supplies, solid liquidity position with the ability to generate strong cash flows and key relationships with reputable, globally recognised JV partners. Our partnership with Muntajat, a global leader in the marketing and distribution of chemical products, gives us greater access to global markets.

These benefits helped the Group grow its production facilities, product range, geographical footprint, operating asset base and cash position in 2019.

Our strategy

MPHC's core business strategy focuses on market development through productivity and efficiency gains enabled by cost optimization and operational excellence programs. Additionally, we selectively invest in capital projects that increase our competitive position and shareholder value.

Macroeconomic conditions

Macroeconomic conditions turned negative in 2019 amid global economic uncertainty and muted GDP growth, which lowered demand across our two petrochemical and chlor-alkali segments. Ongoing trade conflicts exacerbated the market slowdown. Additional capacity, particularly in the US polymers sector, caused prices for these commodities to decline and created a supply-demand imbalance for petrochemical products. By contrast, the expansion of capacity was more limited for normal alpha olefins (NAOs) because of plant disruptions and startup delays. Supplies for NAOs became more balanced in the latter part of 2019.

HSE achievements

MPHC's Health, Safety and Environment (HSE) performance in 2019 was again exemplary, reflecting its importance as a critical part of the Company's core business strategy. In 2019, MPHC's key HSE achievements included receiving certification to multiple international standards; further improving process safety; and completing more than a decade without a single recordable incident of heat stress illness at several facilities.

Going forward, we will continue to pursue excellence and greater efficiencies in these areas, which will continue to enhance our existing HSE standards and working towards becoming a leading organization in HSE in the region, in line with global HSE standards.

Cost efficiencies and output optimization: towards operational excellence

MPHC places great emphasis on efficiency and cost competitiveness to maintain its position as a leading low-cost operator. Our cost optimization efforts continued in 2019, producing a string of successes and recognitions.

The Group's companies undertook further efforts during the year to improve their cost competitiveness, enabling the Group to unlock its full potential. MPHC continues to invest in people, processes, and technologies to maintain its status as a lean organization that operates at the highest quality standards, with a core focus of operational excellence.

Some of the Group's cost efficiency highlights in 2019 included: reducing controllable operating costs and maintaining its excellent cost positioning, delivering synergies with other companies in Qatar's downstream sector; working with leading global consultancies to improve processes and optimize CAPEX and OPEX; and executing a comprehensive cost optimization program.

In all its efforts, the Group maintained optimal production levels without compromising on quality or safety standards, achieving production within budgeted parameters. Performance gains in this area were particularly strong for the Group's polyethylene (PE) and NAO facilities.

Unplanned maintenance shutdowns occurred at several Group facilities during 2019, but were quickly addressed, providing valuable information to avert future shutdowns and maximize efficiency.

Continuous quality improvement efforts were maintained. In 2019, one of our petrochemical joint ventures, Q-Chem, was presented with the Chevron Phillips Chemical 2018 President's Award for Operational Excellence at Large Facilities. Q-Chem also won the Korn Ferry Engaged Performance Award for 2019.

In 2019, we again set new safety records in our Petrochemicals segment, completing 12 consecutive years without a recordable instance of heat stress and not a single recordable injury in Tier 1 and 2 process safety events.

Selling and marketing activities

Our partnership with Muntajat, a global leader in the marketing and distribution of chemicals, fertilizers and steel products, provided the Group with greater access to international markets, which partially offset adverse market conditions. From a geographical perspective, Asia remains MPHC's largest market, with a substantial presence in the Indian sub-continent and Europe.

Financial performance

MPHC reported a net profit of QR 1.2 billion for the year ended 31 December 2019, down by 15% compared to the last year. The decline was largely the result of slowing global economic growth mainly due to trade conflicts, which weighed on demand for MPHC products. Global surplus capacities pressured commodity prices lower, especially for petrochemicals and chlor-alkali products made by MPHC.

At the Group level, blended selling prices declined by 15% during 2019, contributing to a decrease in Group net profit of QR 552 million. Group sales volumes declined by 5% year-on-year and contributed to a decrease of QR 133 million in Group earnings.

MPHC's production levels were down by 3% from 2018 levels, amid planned and unplanned maintenance shutdowns.

The liquidity of the Group remained robust throughout the year. Cash held by MPHC at the end of 2019 was QR 1.8 billion, with total assets of QR 15.5 billion, compared with QR 15.3 billion at the end of 2018.

During the year, the Group also received an income tax exemption, with effect from 1 January 2019, where its share of profit in all of the Group's joint ventures will be fully exempt from income tax liability.

Petrochemicals

The overall profitability of our Petrochemicals segment remained under pressure, with a decline in bottom-line earnings of 16% compared with 2018. This was mainly due to softening demand for petrochemical products in key markets, combined with declining market prices.

Blended product prices in the Petrochemicals segment declined by 16% in 2019, coupled with a decline in sales volumes of 2% due to imbalances in supply and demand. This caused overall revenues to decline by 18%.

Production volumes declined 2% from last year, as a result of shutdowns aimed at improving health, safety and environmental standards, whilst also focusing on enhancing asset performance and efficiency.

Chlor-Alkali

Revenue in the Chlor-alkali segment declined in 2019 by 21% compared to 2018 to reach QR 680 million for the year ended 31 December 2019. The decline in revenue was mainly attributed to the decrease in selling prices of 13%, with sales volumes also declining by 9%. Sales prices and sales volumes fell amid the well-documented macroeconomic slowdown, which affected the industry globally. The decline in sales volumes was also affected by declining production volumes, which decreased by 4% as compared to the last year amid preventive maintenance.

During the year, the segment reported a net profit of QR 274 million compared to QR 141 million in 2018, with an increase of 94%. Net profits rose as operating costs fell and where the Group's joint venture executed additional feedstock supply agreements with international suppliers on terms that were favorable given the prevailing market conditions. The effects of tax exemption for the full-year of 2019 also had a positive effect on profits. Decline in revenue was partially offset by the noted favorable effects of lower operating costs and taxes.

CAPEX updates

Capital expenditure for 2019 amounted to QR 220 million.

In 2019, Q-Chem shareholders agreed to support expanding JV's ethylene production facilities in Mesaieed Industrial City. When completed in 2022, the Sixth Furnace expansion project will provide a sustained increase of approximately 7% in ethylene production, increasing the utilization of Q-Chem's existing derivatives production capacity. At an estimated cost of QR 391 million, this investment is predicated on positive capital returns and increased operational flexibility.

Going forward, the Group will continue to consider CAPEX investments to enhance capacity, reliability, efficiency and HSE performance.

Proposed dividend distribution

The Board of Directors proposes a total annual dividend distribution for the year ended December 31, 2019 of QR 0.9 billion, equivalent to a payout of QR 0.07 per share, representing a payout ratio of 74%.

Conclusion

The Board of Directors expresses its gratitude to His Highness Sheikh Tamim bin Hamad Al Thani, the Amir of the State of Qatar, for his wise guidance and strategic vision. Our gratitude is also extended to H.E. Mr. Saad Sherida Al-Kaabi, Minister of State for Energy Affairs, for his vision and leadership, and to the management and employees of the Group's companies for their hard work, commitment and dedication. We would also like to thank our esteemed shareholders for the great trust you place in us.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Mesaieed Petrochemical Holding Company Q.P.S.C. (the "Company") present fairly, in all material respects, the financial position of the Company as at 31 December 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Company's financial statements comprise:
- the statement of financial position as at 31 December 2019;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the financial statements in the State of Qatar. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our audit approach

Overview

Key audit matters	• *Revenue recognition* • *Income tax position*

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

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 period. 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*
REVENUE RECOGNITION	
As disclosed in note 3.ii, the Company's share of the combined results of the joint ventures (QChem, Q-Chem II and QVC) of QR 946 million for the year ended 31 December 2019 represents 94% of total revenues of the Company. The results of operations of these joint ventures of QR 1,869 million for the year ended 31 December 2019 represent 31% of sales revenue generated by these joint ventures. The majority of the joint ventures' sales are made to one customer "Qatar Chemical and Petrochemical Marketing and Distribution Company" ("Muntajat"). According to the revenue recognition policy applied by each of the joint venture companies, revenue from sales of products is recognised when the joint venture has transferred the control of the products to the customer at the point of delivery, where terms of delivery are specified in the offtake requirement agreements. We focused our audit on the sales revenue of the joint ventures because of the large product volumes and consequent high values of individual shipments, as we determined that errors in revenue recognition at the joint venture company level could result in material misstatements in the financial statements of the Company when it recognises its share of each investee's net income under the equity method of accounting.	Our procedures in relation to revenue recognition from sales made by the individual joint ventures included: • Reviewing the terms of the relevant sales agreements with Muntajat; • Evaluating the joint venture companies' accounting policies in relation to revenue recognition to determine whether or not they dealt appropriately with the sales made under offtake requirements; • Understanding, evaluating and testing internal controls over revenue recognition at the joint venture level, including the timing of revenue recognition; • Inspecting, on a sample basis, the sales statements received from Muntajat; and • Performance of cut-off testing of sales transactions, on a sample basis, to test whether the revenue of each entity has been recognised in the correct period.
INCOME TAX POSITION	
As disclosed in note 17, the new income tax law 24/2018 came into effect in 2019 which impacts the tax status of the Company and its joint ventures. Subsequently, a Memorandum of Understanding ("MOU") was signed between the appropriate government authorities and a key shareholder agreeing to certain variations on how to apply the income tax provisions to the Company. As a result of the terms of the MOU, the Company has now treated its share of profits in one joint venture as tax exempt and recognised a tax refund under Other Assets for QR371 million, within current assets in the Statement of Financial Position, as at 31 December 2019 including QR169 million for 2018 relating to its share of tax payable by its other joint ventures. We focused on this area because the financial consequences of applying the MOU are material to the financial statements of the Company and also the interaction of the new tax law, the MOU and certain joint ventures legal agreements required management to apply significant judgment to determine their tax position and recognition of the tax refund under Other Asset.	Our procedures in relation to management's assessment of the tax position and recoverability of the tax refund under Other Assets included: · Reading and evaluating the different correspondence, legal documents and minutes of meetings held between the key shareholder and the relevant government authorities to assess the validity of the main judgements made by management; · Consulting with our internal tax specialist to assess whether the application of the various joint ventures agreements was appropriate in light of the new income tax law; · Discussing the tax positions of the Company and its joint ventures with those charged with governance and ensuring consistency with external legal advice where relevant; · Assessing the requirements of IAS – "37 *Provisions, contingent liabilities and contingent assets"* to assess the appropriateness of the recognition of the tax refund under Other Assets; and IAS 12 -"*Income taxes"* to assess whether the variations included in the MOU were substantially enacted by the reporting date and tax accounting applied was consistent with the standard; and · Assessing the appropriateness of disclosures in the financial statements relating to the judgments made by management in relation to the Company's tax position.

Other information

Management is responsible for the other information. The other information comprises Board of Directors' Report (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the complete Annual Report, which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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.

When we read the complete Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 International Financial Reporting Standards and with the requirements of the Qatar Commercial Companies Law number 11 of 2015, 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.

Those charged with governance 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 ISAs, we exercise professional judgment and maintain professional scepticism 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 risks, 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- 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 Company's 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.

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 period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Further, as required by the Qatar Commercial Companies Law number 11 of 2015, we report that:

- We have obtained all the information we considered necessary for the purpose of our audit;

- The Company has maintained proper books of account and the financial statements are in agreement there with;

- The financial information included in the Board of Directors' report is in agreement with the books and records of the Company; and

- Nothing has come to our attention, which causes us to believe that the Company has breached any of the provisions of the Qatar Commercial Companies Law number 11 of 2015, or of its Articles of Association, which would materially affect the reported results of its operations or its financial position as at 31 December 2019.

For and on behalf of PricewaterhouseCoopers – Qatar Branch
Qatar Financial Market Authority registration number 120155

Mohamed Elmoataz
Auditor's registration number 281
Doha, State of Qatar
20 February 2020

STATEMENT OF FINANCIAL POSITION
As at 31 December

	Notes	2019	2018
ASSETS			
Non-current assets			
Investments in joint ventures	3	**13,367,562**	13,161,558
Current assets			
Prepayments and other receivables	4	**7,777**	31,718
Other asset	17	**371,454**	169,603
Deposits and other bank balances	5.1	**1,006,964**	1,735,247
Cash and cash equivalents	5	**755,143**	176,417
Total current assets		**2,141,338**	2,112,985
Total assets		**15,508,900**	15,274,543
EQUITY AND LIABILITIES			
EQUITY			
Share capital	8	**12,563,175**	12,563,175
Legal reserve	9	**61,934**	57,600
Retained earnings		**2,628,857**	2,443,892
Total equity		**15,253,966**	15,064,667
LIABILITIES			
Current liabilities			
Trade and other payables	7	**248,048**	201,436
Due to a related party	6	**6,886**	8,440
Total liabilities		**254,934**	209,876
Total equity and liabilities		**15,508,900**	15,274,543

The financial statements on pages 1 to 20 were approved and authorised for issue by the Board of Directors on 20 February 2020 and were signed on its behalf by:

Ahmad Saif Al-Sulaiti
Chairman

Mohamed Salem Al-Marri
Vice Chairman

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

	Notes	2019	2018
Share of results from joint ventures	3	**946,319**	1,188,347
Interest income		**59,592**	51,120
Gross profit		**1,005,911**	1,239,467
Exchange and other gains		**3,828**	4,829
General and administrative expenses		**(20,082)**	(19,476)
Other income	17	**201,851**	169,316
Net profit for the year		**1,191,508**	1,394,136
Other comprehensive income		**-**	-
Total comprehensive income for the year		**1,191,508**	1,394,136
Earnings per share			
Basic and diluted earnings per share (expressed in QR per share)	11	**0.095**	0.111

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December

	Notes	Share Capital	Legal Reserve	Retained Earnings	Total
Balance at 1 January 2018		12,563,175	37,020	1,984,611	14,584,806
Profit for the year		-	-	1,394,136	1,394,136
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		-	-	1,394,136	1,394,136
Social and sports fund contribution	15	-	-	(34,853)	(34,853)
Transfers to legal reserve		-	20,580	(20,580)	-
Transaction with owners in their capacity as owners:					
Dividends declared	10	-	-	(879,422)	(879,422)
Balance at 31 December 2018		12,563,175	57,600	2,443,892	15,064,667
Balance at 1 January 2019		**12,563,175**	**57,600**	**2,443,892**	**15,064,667**
Impact of IFRS 16 adoption from joint ventures		**-**	**-**	**(1,533)**	**(1,533)**
Adjusted balance at 1 January 2019		**12,563,175**	**57,600**	**2,442,359**	**15,063,134**
Profit for the year		**-**	**-**	**1,191,508**	**1,191,508**
Other comprehensive income for the year		**-**	**-**	**-**	**-**
Total comprehensive income for the year		**-**	**-**	**1,191,508**	**1,191,508**
Social fund contribution	15	**-**	**-**	**(29,788)**	**(29,788)**
De-recognition of dividend equivalisation reserve	17	**-**	**-**	**34,166**	**34,166**
Transfer to legal reserve		**-**	**4,334**	**(4,334)**	**-**
Transaction with owners in their capacity as owners:					
Dividends declared	10	**-**	**-**	**(1,005,054)**	**(1,005,054)**
Balance at 31 December 2019		**12,563,175**	**61,934**	**2,628,857**	**15,253,966**

STATEMENT OF CASH FLOWS
For the year ended 31 December

	Notes	2019	2018
Cash flows from operating activities			
Net profit for the year		**1,191,508**	1,394,136
Adjustments for:			
- Other income		**(201,851)**	(169,316)
- Interest income		**(59,592)**	(51,120)
- Share of results from joint ventures	3	**(946,319)**	(1,188,347)
		(16,254)	(14,647)
Working capital changes:			
- Prepayments and other debit balances		**2**	-
- Due to a related party		**(1,554)**	538
- Trade and other payables		**2,324**	(214)
Cash used in operations		**(15,482)**	(14,323)
Interest received		**83,532**	31,920
Other income received		**-**	190,269
Social and sports fund contribution paid		**(34,853)**	(27,206)
Net cash generated from operating activities		**33,197**	180,660
Cash flows from investing activities			
Dividends received from joint ventures		**772,948**	1,189,173
Placement of fixed term deposits		**(1,043,181)**	(2,907,963)
Maturity of fixed term deposits		**1,820,816**	2,543,730
Net cash generated from investing activities		**1,550,583**	824,940
Cash flows from financing activities			
Dividends paid to shareholders	10	**(955,702)**	(855,122)
Movement in unclaimed dividends account		**(49,352)**	(24,300)
Cash used in financing activities		**(1,005,054)**	(879,422)
Net increase in cash and cash equivalents		**578,726**	126,178
Cash and cash equivalents at beginning of year	5	**176,417**	50,239
Cash and cash equivalents at end of year	5	**755,143**	176,417

1. CORPORATE INFORMATION AND ACTIVITIES

Mesaieed Petrochemical Holding Company Q.P.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 the Qatar Commercial Companies' Law No. 5 of 2002 (replaced by the new Qatar Commercial Companies' Law No. 11 of 2015). The Company was incorporated on 29 May 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 21 May 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 Company commenced commercial activities on 1 September 2013.

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

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

Entity Name	Country of incorporation	Relationship	Ownership interest
Qatar Chemical Company Limited (Q-Chem)	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 Private Joint Stock Company (Q.P.J.S.C.) 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.

Qatar Chemical Company II Limited ("Q-Chem II"), is a Qatari Private Joint Stock Company (Q.P.J.S.C.) 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 Private Joint Stock Company (Q.P.J.S.C.) 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 financial statements of the Company for the year ended 31 December 2019 were authorised for issue by the Board of Directors on 20 February 2020.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB). The financial statements also comply with the Company Articles of Association and the applicable provisions of Qatar Commercial Companies Law.

The financial statements have been prepared on a historical cost basis, and the accounting policies adopted are consistent with those of the previous financial year.

The financial statements are prepared in Qatari Riyals ("QR"), which is the Company's functional and presentation currency and all values are rounded to the nearest thousands (QR'000), except otherwise indicated.

i. New and amended standards adopted by the Company
A number of new or amended standards became applicable for the Company and its joint ventures for the current reporting period. As explained in more details below, the standards were generally adopted without restating comparative information.

Changes in accounting policies

IFRS 16 Leases

Impact of adoption

This note explains the impact of the adoption of IFRS 16 Leases on the Company's financial statements. The standard has affected primarily the accounting for leases pertaining to the Company's joint ventures. IFRS 16 was issued in January 2016. It has resulted in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors has not significantly changed.

The Company does not have any non-cancellable lease commitments and therefore right-of-use assets and lease liabilities were not recognised in the current year. However, the Company's joint ventures' have applied the standard from 1 January 2019 using the modified retrospective approach. As a result, the net impact on the Company's retained earnings as of the date of adoption was a decrease of QR 1.5 million.

ii. New standards and interpretations not yet adopted
Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period and have not been early adopted by the Company.
Effective for annual periods beginning on or after 1 January 2020
- Amendments regarding the definition of materiality
- Amendments to clarify the definition of a business
- 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.

2.2 Significant accounting policies

2.2.1 Interest in joint venture

The results, 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.

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 IFRS 9. 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.

2.2.2 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.

2.2.3 Financial assets

(a) Classification and measurement

The Company's management has assessed which business models apply to the financial assets held by the Company and ensured its financial instruments were classified into the appropriate IFRS 9 categories. The Company assessed that other receivables, and deposits are debt instruments and meet the conditions for classification at amortised cost (AC) under IFRS 9 since they are cash flows solely payments of principal and interest (SPPI) and the Company's business model is to hold and collect the debt instrument. Cash and cash equivalents' definition as per IAS 7 remains unchanged with the application of IFRS 9, short-term investments and time deposits continued to be presented under cash and cash equivalents, being highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. No reclassification resulted from the implementation of IFRS 9.

(b) Impairment of financial assets

The Company has the following financial assets that are subject to IFRS 9's new expected credit loss model:

- Cash and cash equivalents
- Other receivables (excluding non-financial assets)
- Deposits and other bank balances

The Company was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. To measure the expected credit losses, other receivables that are measured at amortised cost are grouped based on shared credit risk characteristics and the days past due. The Company applied the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all other receivables. While cash and cash equivalents and fixed deposits are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

No changes to the statement of profit or loss and other comprehensive income resulted from the adoption of the new standard.

2.2.4 Investment and other financial assets

(b) Classification

The Company classifies its financial assets in the following measurement categories:
- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

(a) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

2.2.5 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.

2.2.6 Debt Instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in exchange and other gains. Impairment losses are presented as separate line item in the statement of profit or loss and other comprehensive income.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in exchange and other gains. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in exchange and other gains and impairment expenses are presented as separate line item in the statement of profit or loss and other comprehensive income.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within exchange and other gains in the period in which it arises.

As of 31 December 2019, all of the Company's financial assets were classified and measured at amortised cost.

2.2.7 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers prior to the end of financial year which are unpaid. Trade and other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.2.8 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.

2.2.9 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.

2.2.10 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.

2.2.11 Dividend distributions

Dividend distributions are at the discretion of the shareholders. 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.

2.2.12 Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic 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. Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the effect of any dilutive potential ordinary shares.

2.2.13 Non-financial assets

Non-financial assets are initially measured at cost, which equates to fair value at inception, and subsequently measured at amortised cost, less provision for impairment.

3. INVESTMENTS IN JOINT VENTURES

The carrying amount of the investments in joint ventures has changed as follows:

For the year ended	**31 December 2019**	31 December 2018
Balance at beginning of the year	**13,161,558**	13,162,384
Share of results from joint ventures for the year	**946,319**	1,188,347
Impact of adoption of IFRS 16 (note 2)	[illegible]	-
Reversal of dividend equivalisation reserve (note 17)	**34,166**	-
Less: share of dividends received from joint ventures	**(772,948)**	(1,189,173)
Balance at end of year	**13,367,562**	13,161,558

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.

The below financial statements present amounts shown in the financial statements of the joint ventures as of 31 December 2019, which are presented in US$'000 and are translated using an exchange rate of 3.64 (2018: 3.64):

i. Statement of financial position of joint venture entities

	As at 31 December 2019			
	Q-Chem	**Q-Chem II**	**QVC**	**Total**
Current assets	**1,390,515**	**2,375,319**	**912,047**	**4,677,881**
Non-current assets	**2,071,094**	**5,213,798**	**954,608**	**8,239,500**
Current liabilities	**(580,005)**	**(832,337)**	**(118,915)**	**(1,531,257)**
Non-current liabilities	**(832,097)**	**(1,412,502)**	**(4,535)**	**(2,249,134)**
Net assets	**2,049,507**	**5,344,278**	**1,743,205**	**9,136,990**
Adjustment for dividends equalisation account	-	-	-	-
Net assets after adjustment	**2,049,507**	**5,344,278**	**1,743,205**	**9,136,990**
Proportion of the Company's ownership	**49.0%**	**49.0%**	**55.2%**	
Company's share of net assets	**1,004,258**	**2,618,696**	**962,249**	**4,585,203**
Goodwill	**3,549,403**	**4,878,711**	**354,245**	**8,782,359**
Investment in joint ventures	**4,553,661**	**7,497,407**	**1,316,494**	**13,367,562**

	As at 31 December 2018			
	Q-Chem	Q-Chem II	QVC	Total
Current assets	1,730,558	2,641,475	997,265	5,369,298
Non-current assets	2,104,182	5,196,027	1,041,852	8,342,061
Current liabilities	(818,643)	(1,260,716)	(339,142)	(2,418,501)
Non-current liabilities	(830,066)	(1,467,532)	(180,635)	(2,478,233)
Net assets	2,186,031	5,109,254	1,519,340	8,814,625
Adjustment for dividends equalisation account	-	-	(61,895)	(61,895)
Net assets after adjustment	2,186,031	5,109,254	1,457,445	8,752,730
Proportion of the Company's ownership	49.0%	49.0%	55.2%	
Company's share of net assets	1,071,155	2,503,534	804,510	4,379,199
Goodwill	3,549,403	4,878,711	354,245	8,782,359
Investment in joint ventures	4,620,558	7,382,245	1,158,755	13,161,558

ii. Statement of comprehensive income of joint venture entities

	For the year ended 31 December 2019			
	Q-Chem	**Q-Chem II**	**QVC**	**Total**
Revenue	**2,158,069**	**2,609,501**	**1,231,459**	**5,999,029**
Cost of sales	**(1,350,626)**	**(1,561,312)**	**(855,051)**	**(3,766,989)**
Other income/expenses	**2,459**	**561**	**(3,221)**	**(201)**
Administrative expenses	**(49,038)**	**(22,987)**	**(67,333)**	**(139,358)**
Net finance income/(cost)	**9,675**	**(11,866)**	**9,515**	**7,324**
Profit before tax	**770,539**	**1,013,897**	**315,369**	**2,099,805**
Deferred income tax	**48,917**	**(141,873)**	-	**(92,956)**
Current income tax	**(318,980)**	-	-	**(318,980)**
Deferred tax reversal	-	-	**180,635**	**180,635**
Profit for the year	**500,476**	**872,024**	**496,004**	**1,868,504**
Distributions to tax exempt shareholders	-	-	-	-
Profit for the year net of distributions to tax exempt shareholders	**500,476**	**872,024**	**496,004**	**1,868,504**
Proportion of the Company's ownership	**49.0%**	**49.0%**	**55.2%**	
Company's share of profit for the year in joint ventures	**245,233**	**427,292**	**273,794**	**946,319**

	For the year ended 31 December 2018			
	Q-Chem	**Q-Chem II**	**QVC**	**Total**
Revenue	2,752,979	3,100,061	1,549,144	7,402,184
Cost of sales	(1,450,646)	(1,601,895)	(1,097,118)	(4,149,659)
Other income/expenses	(4,257)	967	21,162	17,872
Administrative expenses	(42,635)	(19,827)	(90,658)	(153,120)
Net finance income /(cost)	13,941	(24,947)	11,058	52
Profit before tax	1,269,382	1,454,359	393,588	3,117,329
Deferred income tax	46,894	(142,946)	25,571	(70,481)
Current income tax	(491,178)	-	(127,851)	(619,029)
Profit for the year	825,098	1,311,413	291,308	2,427,819
Distributions to tax exempt shareholders	-	-	(35,046)	(35,046)
Profit for the year net of distributions to tax exempt shareholders	825,098	1,311,413	256,262	2,392,773
Proportion of the Company's ownership	49%	49%	55.2%	-
Company's share of profit for the year in joint ventures	404,298	642,592	141,457	1,188,347

iii. Additional disclosures of joint venture entities

	As at 31 December 2019			
	Q-Chem	**Q-Chem II**	**QVC**	**Total**
Cash and cash equivalents	**347,849**	**933,289**	**458,818**	**1,739,956**
Depreciation and amortisation	**254,946**	**348,170**	**131,076**	**734,192**
Interest bearing loans and borrowings	-	**327,130**	-	**327,130**
Deferred tax liabilities	**473,575**	**1,281,331**	-	**1,754,906**
Tax payable	**318,980**	*** 213,511**	**27,216**	**559,707**
Company's share of dividend declared/received	**312,130**	**312,130**	**148,688**	**772,948**
Current Financial liabilities (excluding trade and other payables and provisions)	**13,956**	**307,478**	**700**	**322,134**
Non- current financial liabilities (excluding trade and other payables and provisions)	**44,029**	**130,112**	**4,536**	**178,677**

The initial cost of the investment in the Company's joint ventures amounted to QR 12,553 million.

*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.

	As at 31 December 2018			
	Q-Chem	Q-Chem II	QVC	Total
Cash and cash equivalents	631,354	1,079,133	502,851	2,213,338
Depreciation and Amortisation	241,452	336,926	133,683	712,061
Interest bearing loans and borrowings	-	934,363	-	934,363
Deferred tax liabilities	522,493	1,139,458	180,635	1,842,586
Tax payable	491,178	*368,139	127,848	987,165
Company's share of dividend declared/received	463,736	428,064	297,373	1,189,173
Current Financial liabilities (excluding trade and other payables and provisions)	-	607,236	91,087	698,323
Non- current financial liabilities (excluding trade and other payables and provisions)	-	327,127	-	327,127

*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.

iv. Capital commitments and contingent liabilities

The Company's share in the joint ventures' commitments and contingent liabilities is as follows:

	As at 31 December 2019			
	Q-Chem	**Q-Chem II**	**QVC**	**Total**
Capital commitments	**230,541**	**182,218**	**40,163**	**452,922**
Purchase commitment	**155,471**	**173,698**	-	**329,169**
Contingent liabilities	-	-	**21,700**	**21,700**

	As at 31 December 2018			
	Q-Chem	Q-Chem II	QVC	Total
Capital commitments	83,579	75,976	42,786	202,341
Operating lease commitments:				
Future minimum lease payments:				
Within one year	8,729	5,379	494	14,602
After one year but not more than five years	27,603	19,441	2,108	49,152
More than five years	13,136	66,787	1,724	81,647
Total operating lease commitments	49,468	91,607	4,326	145,401
Purchase commitment	211,283	252,445	-	463,728
Contingent liabilities	-	-	15,849	15,849

The joint ventures have purchase commitments that consist primarily of major agreements for procuring of gas from QP. The joint ventures also have a number of agreements for electricity, industrial gases and manpower.

Other contingent liabilities

Site restoration obligations

Ras Laffan Olefins Company Limited Q.P.J.S.C. (a joint venture of Q-Chem II) has entered into a land lease agreement with the Government of Qatar represented by QP for the purpose of construction of the plant facilities.

Under the original and revised lease agreement, the lessor has the right, upon termination or expiration of the lease term, to notify the joint venture that it requires to either:

- transfer all the facilities to the lessor or a transferee nominated by the lessor, against a price acceptable by the joint venture, or;
- remove the facilities and all the other property from the land and restore it to at least the condition in which it was delivered to the joint venture, at the joint venture's cost and expense, unless otherwise is agreed with the lessor.

The financial statements of Q-Chem II is prepared based on an assumption that QP is unlikely to opt for the second option, that is to impose site restoration on the joint venture. Therefore, no provision has been provided for such obligation.

As mentioned above, the Company may be required under a lease agreement entered into by its joint venture Q-Chem-II, to make payments for site restoration at the option of the ultimate parent (QP). It has been assessed that the optionality given to QP makes it more likely to acquire the plant from the joint venture rather than restoring the site at the cost of the joint venture. Therefore, the criteria to recognise provision for restoration obligation is not fully met and no provision has been recognised in these financial statements.

4. PREPAYMENTS AND OTHER RECEIVABLES

Prepayments and other receivables comprise of the interest receivable on the term deposits made with various banks and prepayments.

5. CASH AND CASH EQUIVALENTS

	2019	2018
Cash and cash equivalents	**755,143**	176,417

5.1 DEPOSITS AND OTHER BANK BALANCES

	2019	2018
Fixed deposits maturing after 90 days	**795,148**	1,572,783
Bank balances-Dividends account	**211,816**	162,464
	1,006,964	1,735,247

Cash at banks earn interest at fixed rates. Term deposits are made for varying periods of between three months and one year depending on the immediate cash requirements of the Company at interest varying between of 2.75% to 4.65% (2018: 2.50 % to 4.55 %).

6. RELATED PARTIES

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:

For the year ended	**2019**	2018
Dividend income from		
Q-Chem	**312,130**	463,736
Q-Chem II	**312,130**	428,064
QVC	**148,688**	297,373
	772,948	1,189,173
Annual service fee to Qatar Petroleum	**(6,850)**	(8,366)

Qatar Petroleum is the ultimate parent company, which is state-owned public corporation established by Emiri Decree No. 10 in 1974.

Related party balances

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

As at	**2019**	2018
Amount due to QP	**6,886**	8,440

Compensation of key management personnel

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

	2019	2018
Key management remuneration	**200**	200
Board of directors' remuneration	**8,000**	5,900

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.

7. TRADE AND OTHER PAYABLES

	2019	2018
Dividends payable	**211,816**	162,464
Social and sports fund contribution payable (Note 15)	**29,788**	34,853
Accruals	**6,444**	4,119
	248,048	201,436

8. SHARE CAPITAL

	2019	2018
Authorised, issued and fully paid: 12,563,175,000 shares of QR 1 each	**12,563,175**	12,563,175

In 2019, 5,561,880 (2018: 1,095,117,100) number of shares have been transferred from QP to the Public on account of incentive shares and due to the death of certain shareholders. As at 31 December 2019, Qatar Petroleum holds 8,223,610,460 shares including 1 special share (2018: 8,229,172,340 shares including 1 special share) comprising 65.46 % (2018: 65.5%) of total shareholding.

The Board of Directors of Qatar Financial Markets Authority ("QFMA") issued its resolution at its 4th meeting for the year 2018 held on 16 December 2018, to reduce the nominal value of shares of listed companies in Qatar to be (1) one Qatari Riyal, so that each existing share will split into ten (10) shares.

On 12 March 2019, the Company held an Extraordinary General Meeting of Shareholders to approve the share split and amended the Article of Association in accordance with the said resolution.

9. LEGAL RESERVE

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.

10. DIVIDENDS

The Board of Directors has proposed cash dividend distribution of QR 0.07 per share for the year ended 31 December 2019 (2018: QR 0.80 per share, before the share spilt). The proposed final dividend for the year ended 31 December 2019 will be submitted for formal approval at the Annual General Meeting.

On 12 March 2019, the shareholders approved to distribute cash dividends of QR 1,005 million (2018: QR 879 million).

11. 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:

	2019	2018
Profit attributable to the equity holders for the year	**1,191,508**	1,394,136
Weighted average number of shares outstanding during the year (in thousands)	**12,563,175**	12,563,175
Basic and diluted earnings per share (expressed in QR per share)	**0.095**	0.111

The figures for basic and diluted earnings per share are the same, as the Company has not issued any instruments that would impact the earnings per share when exercised.

As disclosed in Note 8, the Company held an Extraordinary General Meeting of Shareholders on 12th of March 2019 approving the share split with a ratio of 1:10 in accordance with the said resolution. As a result, the number of shares became 12,563 million with a nominal value of one (1) Qatari Riyal each. Therefore, the earnings per share has become QR 0.095 and QR 0.111 (QR 1.11 as previously disclosed in the statement of profit or loss and other comprehensive income for the year ended 31 December 2018) for the years ended 31 December 2019 and 31 December 2018 respectively.

12. FINANCIAL RISK MANAGEMENT

The Company's principal financial liabilities comprise trade and other payable and due to a related party. The Company has various financial assets, namely, 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.

	Increase in basis points	**Effect on profit 2019**	**Increase in basis points**	**Effect on profit 2018**
Term deposits	**+/-25**	**+/- 3,993**	+/-25	+/- 2,901

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 interest receivable and bank balances, as follows:

	2019	2018
Interest receivable	**7,776**	31,718
Bank balances	**1,762,107**	1,911,664
	1,769,883	1,943,382

The tables below show the distribution of bank balances at the date on which the financial statements are issued:

Rating	**2019**	2018
A1	**550,351**	1,227,524
A2	**566,635**	32
A3	**607,570**	589,546
Aa3	**37,551**	94,562
	1,762,107	1,911,664

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 15.25 billion (2018: QR 15.07 billion).

13. 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, trade and other payables, and amount due to a related party approximate their carrying amounts largely due to the short-term maturities of these instruments.

14. CRITICAL JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 2, 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.

The following are the critical judgments, apart from those involving estimations, that management has made in process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

- Classification of the investments as joint ventures (note 3)
- Site restoration obligations (note 3(iv))
- Other income (note 17)

15. SOCIAL AND SPORTS FUND CONTRIBUTION

In accordance with Law No. 13 of 2008, the Company made an appropriation of profit of QR 29.79 million (2018: QR 34.85 million) equivalent to 2.5% of the net profit for the year for the support of sports, cultural, social and charitable activities.

16. 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.

17. INCOME TAX

On 17 January 2019, Qatar published Income Tax Law No. 24 of 2018 (the "New Tax Law") and its executive regulation in December 2019, which suggested that the companies operating in the Petrochemical industry including MPHC's joint ventures are subject to income tax.

As a result of these changes, Qatar Petroleum, the Ministry of Finance and the General Tax Authority have reached an agreement through a Memorandum of Understanding ("hereby referred to as the MOU") that the share of profit attributable to certain companies listed on stock market and included in the MOU will be considered tax exempt. MPHC is included in the MOU.

Management have assessed that the terms of the MOU apply to QVC instead of the income tax law and have treated their share in QVC's profit as exempt from tax. Moreover, management considered that the exemption does not extend to Q-Chem and Q-Chem II (together "Q-Chems") for the current year as both ventures are governed by specific tax clauses stipulated in their Joint Venture Agreements ("JVAs"), endorsed and approved by an Emiree Decree and Council of Ministers respectively, which states that both ventures' entire profits are taxable.

However, under the terms of the MOU, the income tax on the Company's share in the profits of these entities is reimbursable to MPHC. Therefore, management recognised other income equivalent to the Company's share of Q-Chems' 2019 income tax of QR 202 million, as the amount was virtually certain to be received as at 31 December 2019. The MOU also confirms that the tax refund amounting to QR 169 million relating to 2018 will now be received.

Under the MOU, all shareholders in QVC now have an equal tax status. Management of QVC has derecognised an amount of distributable reserves that was reserved for a different shareholder due to their preferential tax status. MPHC's share of this change is QR 34 million as recognised in the statement of changes in equity.

18. COST METHOD

The Company's statement of financial position and statement of profit or loss and other comprehensive income prepared using the cost method is as follows:

Statement of financial position

As at	**2019**	2018
Non-Current assets		
Investment in joint ventures	**12,553,175**	12,553,175
Total	**12,553,175**	12,553,175
Current Assets		
Other asset	**371,454**	169,603
Prepayments and other receivable	**7,777**	31,718
Cash, deposits and other bank balances	**1,762,107**	1,911,664
Total current assets	**2,141,338**	2,112,985
Total assets	**14,694,513**	14,666,160
Equity and liabilities		
Equity		
Share capital	**12,563,175**	12,563,175
Legal reserve	**61,934**	37,020
Retained earnings	**1,814,470**	1,856,089
Total equity	**14,439,579**	14,456,284
Liabilities		
Current liabilities		
Trade and other payables	**248,048**	201,436
Due to a related party	**6,886**	8,440
Total	**254,934**	209,876
Total equity and liability	**14,694,513**	14,666,160

Statement of profit or loss and other comprehensive income

For the year ended	**2019**	2018
Income from joint ventures	**772,948**	1,189,173
Interest income	**59,592**	51,120
Exchange gain	**3,828**	4,829
General and administrative expenses	**(20,082)**	(19,476)
Other income	**201,851**	[illegible]
Net profit for the year	**1,018,137**	1,394,962
Other comprehensive income	**-**	
Total comprehensive income for the year	**1,018,137**	1,394,962