

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

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2022**

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

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2022

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RN: 477/YM/FY2023

INDEPENDENT AUDITOR'S REPORT

**The Shareholders of
Mesaieed Petrochemical Holding Company Q.P.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.P.S.C.** (the "Company") which comprise the statement of financial position as at December 31, 2022, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the group as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs').

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 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 our audit of the Company's financial statements in State of Qatar, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. 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. 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.

<i>Key Audit Matters</i>	<i>How the our audit addressed the key audit matter</i>
<i>Revenue Recognition in Joint Venture</i>	
<p>As disclosed in note 4(ii) to the financial statements , the Company's share of the results of its joint ventures (Q-Chem, Q-Chem II and QVC) of QR 1,699 million for the year ended 31 December 2022 represents 96% of the total income of the Company.</p> <p>The joint ventures recognized revenue of QR 7,966 million during the year ended December 31, 2022 The majority of the revenue is earned from a single third party (the "customer").</p> <p>Revenue is recognised by Joint Ventures of the Company when control related to the products is transferred to the customer. This is defined in the contracts between the Joint Ventures and the customer.</p> <p>We identified revenue recognition by the joint ventures as a key audit matter as any errors in the recording of the volume and value of shipments could lead to a material misstatement in the determination of the share of results presented in the statement of profit or loss and other comprehensive income.</p>	<p>Our procedures in relation to revenue recognition from revenue recognised by the joint ventures included, but were not limited to, the following:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the revenue process and identifying relevant controls over revenue recognition implemented by the joint ventures. • Determining if the controls implemented by the joint venture had been appropriately designed and implemented and are operating effectively. • Reviewing the contracts between the joint ventures and the customer; • Performed test of details to verify occurrence and accuracy of revenue transactions on a sample basis. • Select samples and verify the cut off of sales from statements received from Muntajat; • Select samples and perform verification of whether the revenue transactions have been recognised in the correct accounting period.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Other Matter

The financial statements of the Company for the year ended December 31, 2021, were audited by another auditor who expressed an unmodified opinion on those statements on 21 February 2022.

Other Information

Management is responsible for the other information. The other information comprises the Board of Director's 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 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 or 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 IFRSs 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.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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 judgement 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.
- 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 controls.
- 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 disclosure 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 represents 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 group 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 or regulations 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 communications.

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:

- he Company has maintained proper books of account and the financial statements are in agreement therewith;
- We obtained all the information and explanations which we considered necessary for our audit; and
- 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 Group's financial position or its financial performance.

Doha - Qatar
February 15, 2023

For Deloitte & Touche
Qatar Branch



Midhat Salha
Partner
License No. 257

MESAIIEED PETROCHEMICAL HOLDING COMPANY Q.P.S.C.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

(All amounts are expressed in thousands Qatari Riyals unless otherwise stated)

	Note	31 December 2022	31 December 2021
ASSETS			
Non-current assets			
Investments in joint ventures	4	14,608,608	14,894,115
Current assets			
Other receivables	5	32,125	29,358
Deposits and other bank balances	6	1,846,658	2,347,248
Cash and cash equivalents	7	1,345,834	148,996
Total current assets		3,224,617	2,525,602
Total assets		17,833,225	17,419,717
EQUITY AND LIABILITIES			
EQUITY			
Share capital	10	12,563,175	12,563,175
Legal reserve	11	76,481	69,660
Retained earnings		4,769,796	4,435,597
Total equity		17,409,452	17,068,432
LIABILITIES			
Current liabilities			
Due to a related party	8	5,477	5,151
Trade and other payables	9	418,296	346,134
Total liabilities		423,773	351,285
Total equity and liabilities		17,833,225	17,419,717

The financial statements on pages 1 to 35 were approved and authorised for issue by the Board of Directors on 15 February 2023 and were signed on its behalf by:



Ahmad Saif Al-Sulaiti
Chairman



Abdulrahman Ahmad Al-Shaibi
Member

This statement has been prepared by the Company and stamped by the Auditors for identification purposes only.



THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

(All amounts are expressed in thousands Qatari Riyals unless otherwise stated)

	Note	2022	2021
Share of results from joint ventures	4(ii)	1,698,930	1,841,010
Interest income		85,201	35,296
Other income		(827)	433
		<u>1,783,304</u>	<u>1,876,739</u>
General and administrative expenses		(16,156)	(15,856)
Exchange and other gains		--	667
Profit for the year		1,767,148	1,861,550
Other comprehensive income		--	--
Total comprehensive income for the year		1,767,148	1,861,550
Basic and diluted earnings per share (in QR)	13	0.141	0.148



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MESAEED PETROCHEMICAL HOLDING COMPANY Q.P.S.C.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

(All amounts are expressed in thousands Qatari Riyals unless otherwise stated)

	Note	Share capital	Legal reserve	Retained earnings	Total
Balance at 1 January 2021		12,563,175	67,606	3,125,167	15,755,948
Profit for the year		--	--	1,861,550	1,861,550
Other comprehensive income for the year		--	--	--	--
Total comprehensive income for the year		--	--	1,861,550	1,861,550
Social and sports fund contribution		--	--	(46,539)	(46,539)
Transfer to legal reserve		--	2,054	(2,054)	--
<i>Transaction with owners in their capacity as owners:</i>					
Dividends approved	12	--	--	(502,527)	(502,527)
Balance at 31 December 2021		12,563,175	69,660	4,435,597	17,068,432
Balance at 1 January 2022		12,563,175	69,660	4,435,597	17,068,432
Profit for the year		--	--	1,767,148	1,767,148
Other comprehensive income for the year		--	--	--	--
Total comprehensive income for the year		--	--	1,767,148	1,767,148
Social and sports fund contribution		--	--	(44,179)	(44,179)
Transfer to legal reserve		--	6,821	(6,821)	--
<i>Transaction with owners in their capacity as owners:</i>					
Dividends approved	12	--	--	(1,381,949)	(1,381,949)
Balance at 31 December 2022		12,563,175	76,481	4,769,796	17,409,452

DELOITTE & TOUCHE
Doha - Qatar

15 FEB 2023
Signed for Identification
Purposes Only

This statement has been prepared by the Company and stamped by the Auditors for identification purposes only.

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

STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

(All amounts are expressed in thousands Qatari Riyals unless otherwise stated)

	Note	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		1,767,148	1,861,550
Adjustments for:			
- Interest income		(85,201)	(35,296)
- Other income		827	(433)
- Share of results from joint ventures	4 (ii)	(1,698,930)	(1,841,010)
		(16,156)	(15,189)
Movement in working capital:			
- Other assets		--	62,234
- Prepayment and other receivables		(2,767)	(21,486)
- Trade and other payables		72,162	23,552
- Due to a related party		326	492
Cash flows generated from operations		53,565	49,603
Social and sports fund contribution paid		(46,539)	(35,421)
Net cash from operating activities		7,026	14,182
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from joint ventures	4 (iii)	2,027,637	1,224,290
Additional investment in joint venture		(43,200)	--
Placement of fixed term deposits		(1,478,904)	(2,196,332)
Interest received		82,433	13,810
Maturity of fixed term deposits		1,983,795	1,418,087
Net cash from investing activities		2,571,761	459,855
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to shareholders		(1,307,435)	(488,669)
Movement in unclaimed dividends account		(74,514)	(13,858)
Net cash used in financing activities		(1,381,949)	(502,527)
Net increase / (decrease) in cash and cash equivalents		1,196,838	(28,490)
Cash and cash equivalents at beginning of the year		148,996	177,486
Cash and cash equivalents at end of the year	7	1,345,834	148,996

This statement has been prepared by the Company and stamped by the Auditors for identification purposes only.



THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

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

For the year ended 31 December 2022

*(All amounts are expressed in thousands Qatari Riyals unless otherwise stated)***1. INCORPORATION 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 Public Shareholding Company by its founding shareholder, QatarEnergy. The Company is incorporated under the 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 Company is listed on the Qatar Exchange and is a subsidiary of QatarEnergy. 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 registered address of the Company is P.O. Box 3212, Doha, State of Qatar.

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

Entity Name	Country of incorporation	Relationship	Ownership interest 2022	Ownership interest 2021
Qatar Chemical Company Limited	Qatar	Joint venture	49%	49%
Qatar Chemical Company II Limited	Qatar	Joint venture	49%	49%
Qatar Vinyl Company Limited	Qatar	Joint venture	55.2%	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 QatarEnergy, MPHC and Chevrans Phillips Chemical International Qatar Holdings L.L.C. (“CPCIQH”). Q-Chem is engaged in the production, storage and sale of polyethylene, 1-hexene and other petrochemical products.

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 QatarEnergy, 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 QatarEnergy, MPHC and Qatar Petrochemical Company Limited (“QAPCO”). The company is engaged in the production and sale of petrochemical products such as caustic soda, ethylene dichloride and vinyl chloride monomer.

The financial statements of the Company for the year ended 31 December 2022 was authorised for issue by the Board of Directors on 15 February 2023.

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

For the year ended 31 December 2022

*(All amounts are expressed in thousands Qatari Riyals unless otherwise stated)***2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS recently issued by the IASB and International Financial Reporting Interpretations Committee (“IFRIC”) interpretations effective as of January 1, 2022:

2.1 New and amended IFRS Standards and interpretations that are effective for the current year

The following new and revised IFRSs, which became effective for annual periods beginning on or after January 1, 2022, have been adopted in these financial statements.

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
<p><i>Amendments to IFRS 3 – Reference to the Conceptual Framework</i></p> <p>In May 2020 the IASB issued amendments to update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.</p> <p>They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.</p> <p>Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.</p>	<p>Beginning on or after January 1, 2022</p>
<p><i>Amendments to IAS 16 Property, Plant and Equipment— Proceeds before Intended Use</i></p> <p>The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The Company measures the cost of those items in accordance with IAS 2 Inventories.</p> <p>The amendments also clarify the meaning of ‘testing whether an asset is functioning properly’. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.</p>	<p>January 1, 2022</p>

MESAIIEED PETROCHEMICAL HOLDING COMPANY Q.P.S.C.**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2022

*(All amounts are expressed in thousands Qatari Riyals unless otherwise stated)***2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)****2.1 New and amended IFRS Standards and interpretations that are effective for the current year (continued)**

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
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<i>Amendments to IAS 16 Property, Plant and Equipment— Proceeds before Intended Use (continued)</i>	January 1, 2022
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If not presented separately in the statutory statement of profit or loss and other comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statutory statement of profit or loss and other comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the Company first applies the amendments.

The Company shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

<i>Amendments to IAS 37 Onerous Contracts—Cost of Fulfilling a Contract</i>	January 1, 2022
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The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the Company has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the Company first applies the amendments. Comparatives are not restated.

Instead, the Company shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

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

For the year ended 31 December 2022

*(All amounts are expressed in thousands Qatari Riyals unless otherwise stated)***2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)****2.1 New and amended IFRS Standards and interpretations that are effective for the current year (continued)****New and revised IFRSs****Effective for
annual periods
beginning on or after***Annual Improvements to IFRS Standards 2018–2020*

January 1, 2022

The Annual Improvements include amendments to four Standards.

IFRS 1 First-time Adoption of International Financial Reporting Standards- Subsidiary as a first time adopter

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Accounting Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a).

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition on financial liabilities

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The amendment is applied prospectively to modifications and exchanges that occur on or after the date first applies the amendment.

IFRS 16 Leases

The amendment removes the illustration of the reimbursement of leasehold improvements. As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

IAS 41 Agriculture

The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 *Fair Value Measurement* to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pre-tax or post-tax cash flows and discount rates for the most appropriate fair value measurement. The amendment is applied prospectively, i.e. for fair value measurements on or after the date an entity initially applies the amendment.

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

For the year ended 31 December 2022

*(All amounts are expressed in thousands Qatari Riyals unless otherwise stated)***2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)****2.2 New and amended IFRSs in issue but not yet effective and not early adopted**

The Company has not early adopted the following new and amended standards and interpretations that have been issued but are not yet effective.

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
<p><i>IFRS 17 Insurance Contracts (including the June 2020 and December 2021 amendments to IFRS 17)</i></p> <p>IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.</p> <p>IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.</p> <p>The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.</p> <p>In June 2020, the IASB issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after January 1, 2023. At the same time, the IASB issued Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after January 1, 2023.</p> <p>IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.</p> <p>For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.</p>	<p>January 1, 2023</p>

MESAIIEED PETROCHEMICAL HOLDING COMPANY Q.P.S.C.**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2022

*(All amounts are expressed in thousands Qatari Riyals unless otherwise stated)***2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)****2.2 New and amended IFRSs in issue but not yet effective and not early adopted (continued)**

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
<p><i>Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i></p> <p>The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent’s profit or loss only to the extent of the unrelated investors’ interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent’s profit or loss only to the extent of the unrelated investors’ interests in the new associate or joint venture.</p>	<p>Available for optional adoption/ effective date deferred indefinitely</p>
<p><i>Amendments to IAS 1 Presentation of Financial Statements Classification of Liabilities as Current or Non-current</i></p> <p>The amendments to IAS 1 published in January 2020 affect only the presentation of liabilities as current or noncurrent in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.</p> <p>The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.</p> <p>In November 2022, IAS 1 has been amended to specify that only covenants an entity must comply with on or before the reporting period should affect classification of the corresponding liability as current or noncurrent.</p>	<p>January 1, 2023. Early application permitted</p>

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

For the year ended 31 December 2022

*(All amounts are expressed in thousands Qatari Riyals unless otherwise stated)***2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)****2.2 New and amended IFRSs in issue but not yet effective and not early adopted (continued)**

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
<p><i>Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates</i></p> <p>The IASB has amended IAS 8 to define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. Accounting policies may require items in financial statements to be measured in a way that involves measurement uncertainty—that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.</p> <p>The IASB has retained the concept of changes in accounting estimates in the Standard, even though the definition was deleted, with the following clarifications:</p> <ul style="list-style-type: none"> - A change in accounting estimate that results from new information or new developments is not the correction of an error - The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. <p>The IASB added two examples (Examples 4-5) to the Guidance on implementing IAS 8, which accompanies the Standard. The IASB has deleted one example (Example 3) as it could cause confusion in light of the amendments.</p>	<p>January 1, 2023. Early application permitted</p>
<p><i>Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i></p> <p>The amendments provide a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.</p> <p>Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease.</p>	<p>January 1, 2023. Early application permitted</p>

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

(All amounts are expressed in thousands Qatari Riyals unless otherwise stated)

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

2.2 New and amended IFRSs in issue but not yet effective and not early adopted (continued)

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
<p><i>Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction (continued)</i></p> <p>Following the amendments to IAS 12, an entity is required to recognize the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.</p> <p>The IASB also adds an illustrative example to IAS 12 that explains how the amendments are applied.</p> <p>The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognises:</p> <ul style="list-style-type: none"> • A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with: <ul style="list-style-type: none"> – Right-of-use assets and lease liabilities – Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset • The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date 	<p>January 1, 2023. Early application permitted</p>
<p><i>Amendments to IFRS 16 Leases: Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions</i></p> <p>The amendments requires a seller-lessee to subsequently measure lease liabilities by determining “lease payments” and “revised lease payments” arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease.</p> <p>Without these new requirements, a seller-lessee may have recognised a gain on the right of use it retains solely because of a remeasurement of the lease liability (for example, following a lease modification or change in the lease term) applying the general requirements in IFRS 16. This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate.</p>	<p>January 1, 2024. Early application permitted</p>

MESAIIEED PETROCHEMICAL HOLDING COMPANY Q.P.S.C.**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2022

*(All amounts are expressed in thousands Qatari Riyals unless otherwise stated)***2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)****2.2 New and amended IFRSs in issue but not yet effective and not early adopted (continued)**

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
<p><i>Amendments to IFRS 16 Leases: Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions (continued)</i></p> <p>A seller-lessee applies the amendments retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, which is defined as the beginning of the annual reporting period in which the entity first applied IFRS 16.</p>	<p>January 1, 2024. Early application permitted</p>

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 as highlighted in previous paragraphs, may have no material impact on the financial statements of the Company in the period of initial application.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**Statement of compliance**

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

Basis of preparation

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

These financial statements are presented in QAR, which is the Company's functional and presentation currency. All the financial information has been presented in these financial statements has been rounded off to nearest thousands (QAR. '000) except when otherwise indicated.

The Company has prepared the financial statements on the basis that it will continue to operate as a going concern.

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

For the year ended 31 December 2022

(All amounts are expressed in thousands Qatari Riyals unless otherwise stated)

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Investment in Joint Ventures**

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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 and other comprehensive income of the associate or 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 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. 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 joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

Unrealised 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.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

(All amounts are expressed in thousands Qatari Riyals unless otherwise stated)

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

Current versus non-current classification

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

An asset is current when:

- It is expected to be realised or intended to sold or consumed in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is expected to be realised within twelve months after the reporting period (or receivable on demand); 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.

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 payable on demand); or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other assets and liabilities are classified as non-current.

Fair value measurement

For measurement and disclosure purposes, the Company determines the fair value of an asset or liability at initial measurement or at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

For the year ended 31 December 2022

(All amounts are expressed in thousands Qatari Riyals unless otherwise stated)

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Fair value measurement (continued)**

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. Fair value for measurement and/or disclosure purposes in these financial statements is determined on the basis as explained above, except for share-based payment transactions that are within the scope of IFRS 2; leasing transactions that are within the scope of IFRS 16 and measurements that have some similarities to fair value, but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting date.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the statement of profit or loss.

Financial assets***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 those 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.

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

NOTES TO THE FINANCIAL STATEMENTS

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(All amounts are expressed in thousands Qatari Riyals unless otherwise stated)

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Financial assets (continued)*****Impairment of financial assets***

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

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

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

To measure the expected credit losses, other receivables that are measured at amortized cost are grouped based on shared credit risk characteristics and the days past due. The Company applies 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.

Investment and other financial assets***(a) 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 amortized 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).

(b) 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.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

For the year ended 31 December 2022

(All amounts are expressed in thousands Qatari Riyals unless otherwise stated)

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Financial assets (continued)***Derecognition of financial assets (continued)*

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity**Classification as debt or equity**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs. Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Company exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognised in profit or loss as the modification gain or loss within other gains and losses.

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

For the year ended 31 December 2022

(All amounts are expressed in thousands Qatari Riyals unless otherwise stated)

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Trade payable and accruals**

Liabilities are recognised for amounts to be paid in the future for goods, assets or services received, whether billed by the supplier or not. The financial liabilities are subsequently measured at amortised cost using the (Effective Interest Rate) EIR method.

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if there is a currently legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default insolvency or bankruptcy of the Company or counter party.

Provisions

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. Nonmonetary 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.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

Dividend distributions

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

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

For the year ended 31 December 2022

(All amounts are expressed in thousands Qatari Riyals unless otherwise stated)

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

Segment reporting

Segment results that are reported include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Financial information on operating segments is presented in note 4 to the financial statements

Events after the reporting date

The financial statements are adjusted to reflect events that occurred between the reporting date and the date when the financial statements are authorised for issue, provided they give evidence of conditions that existed at the reporting date. Any post year-end events that are non-adjusting are discussed on the financial statements when material.

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.

Tax

The Company’s profits are exempt from income tax given its status as a Qatari listed company.

QatarEnergy (representing the Company), the Ministry of Finance and the General Tax Authority have reached an agreement through Memorandum of Understanding (hereby referred to as the “MOU”). The MOU gives the Company the right to a refund on its portion of tax from the joint ventures. As such, the Company is entitled to the pre-tax profits from the underlying joint venture, therefore applying the principles of equity accounting under IAS 28 “Investments in Associates and Joint Ventures”, the Company accounted for its underlying interest on a pre-tax basis. The Ministry of Finance will then pay MPHIC’s share of tax to the General Tax Authority (“GTA”).

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

For the year ended 31 December 2022

*(All amounts are expressed in thousands Qatari Riyals unless otherwise stated)***4. INVESTMENTS IN JOINT VENTURES**

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

<i>For the year ended</i>	31 December 2022	31 December 2021
Balance at beginning of the year	14,894,115	14,277,395
Additional investment during the year	43,200	--
Share of results from joint ventures for the year	1,698,930	1,841,010
Share of dividends from joint ventures	(2,027,637)	(1,224,290)
Balance at the end of the year	14,608,608	14,894,115

The below financial statements present amounts shown in the financial statements of the joint ventures as at 31 December 2022 which are presented in US\$'000 and are translated using an exchange rate of 3.64 (2021: 3.64).

i. Statement of financial position of joint venture entities

	As at 31 December 2022			
	Q-Chem	Q-Chem II	QVC	Total
Current assets	1,699,716	2,333,985	1,298,692	5,332,393
Non-current assets	2,259,869	4,453,710	892,603	7,606,182
Current liabilities	(705,010)	(1,032,526)	(471,847)	(2,209,383)
Non-current liability	(628,042)	(1,323,671)	(104,146)	(2,055,859)
Equity	2,626,533	4,431,498	1,615,302	8,673,333
Proportion of Company's ownership	49%	49%	55.2%	
Company's share of net assets	1,287,001	2,171,434	891,646	4,350,081
Tax benefit from joint ventures (Note 14)	315,048	909,282	251,838	1,476,168
Goodwill	3,549,403	4,878,711	354,245	8,782,359
Investment in joint ventures	5,151,452	7,959,427	1,497,279	14,608,608
	As at 31 December 2021			
	Q-Chem	Q-Chem II	QVC	Total
Current assets	2,100,338	2,420,000	1,157,851	5,678,189
Non-current assets	2,090,983	4,832,569	926,955	7,850,507
Current liabilities	(834,029)	(991,961)	(474,448)	(2,300,438)
Non-current liability	(705,035)	(1,418,242)	(138,881)	(2,262,158)
Equity	2,652,257	4,842,366	1,471,477	8,966,100
Proportion of Company's ownership	49.0%	49.0%	55.2%	
Company's share of net assets	1,299,606	2,372,759	812,255	4,484,620
Tax benefit from joint ventures (Note 14)	399,918	966,998	260,220	1,627,136
Goodwill	3,549,403	4,878,711	354,245	8,782,359
Investment in joint ventures	5,248,927	8,218,468	1,426,720	14,894,115

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

*(All amounts are expressed in thousands Qatari Riyals unless otherwise stated)***4. INVESTMENTS IN JOINT VENTURES (CONTINUED)***ii. Statement of profit or loss and other comprehensive income of joint venture entities*

	For the year ended 31 December 2022			
	Q-Chem	Q-Chem II	QVC	Total
Revenue	2,341,469	3,430,113	2,193,942	7,965,524
Cost of sales	(1,445,898)	(1,851,217)	(1,226,501)	(4,523,616)
Administrative expenses	(46,119)	(18,850)	(86,790)	(151,759)
Other income	(8,897)	(6,129)	15,146	120
Finance income / (cost)	16,363	26,735	18,189	61,287
Profit before tax	856,918	1,580,653	913,986	3,351,556
Deferred income tax	60,585	96,809	33,856	191,251
Current income tax	(360,829)	(650,533)	(354,477)	(1,365,839)
Profit/(loss) for the year	556,674	1,026,929	593,365	2,176,968
Proportion of the Company's ownership	49.0%	49.0%	55.2%	
Company's share of profit/(loss) before tax benefit	272,771	503,195	327,537	1,103,503
Tax benefit from joint ventures	147,119	271,325	176,983	595,427
Company's share of profit for the year from joint ventures	419,890	774,520	504,520	1,698,930
	For the year ended 31 December 2021			
	Q-Chem	Q-Chem II	QVC	Total
Revenue	2,729,039	3,460,603	1,900,571	8,090,213
Cost of sales	(1,519,463)	(1,811,832)	(979,342)	(4,310,637)
Other income/(expenses)	(3,833)	(9,912)	(9,915)	(23,660)
Administrative expenses	(46,185)	(19,369)	(55,641)	(121,195)
Finance income/(cost)	5,373	1,063	6,869	13,305
Profit before tax	1,164,931	1,620,553	862,542	3,648,026
Deferred income tax	65,411	98,269	34,806	198,486
Current income tax	(473,440)	(688,655)	(335,808)	(1,497,903)
Profit/(loss) for the year	756,902	1,030,167	561,540	2,348,609
Proportion of the Company's ownership	49.0%	49.0%	55.2%	
Company's share of profit/(loss) before tax benefit	370,882	504,782	309,970	1,185,634
Tax benefit from joint ventures	199,934	289,289	166,153	655,376
Company's share of profit for the year from joint ventures	570,816	794,071	476,123	1,841,010

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

*(All amounts are expressed in thousands Qatari Riyals unless otherwise stated)***4. INVESTMENTS IN JOINT VENTURES (CONTINUED)***iii. Additional disclosures of joint venture entities*

	As at 31 December 2022			
	Q-Chem	Q-Chem II	QVC	Total
Cash and cash equivalents	280,859	1,155,165	743,015	2,179,039
Depreciation and amortisation	293,795	411,080	145,676	850,551
Deferred tax liabilities	282,115	1,205,175	101,982	1,589,272
Tax payable	360,830	650,534	354,489	1,365,853
Company's share of dividend declared/received	285,376	704,522	291,346	1,281,244
Current financial liabilities (excluding trade and other payables and provisions)	12,645	14,185	841	27,671
Non-current financial liabilities (excluding trade and other payables and provisions)	37,517	117,088	2,166	156,771
	As at 31 December 2021			
	Q-Chem	Q-Chem II	QVC	Total
Cash and cash equivalents	494,938	1,183,484	661,836	2,340,258
Depreciation and amortisation	270,474	409,074	135,302	814,850
Deferred tax liabilities	342,702	1,301,984	135,838	1,780,524
Tax payable	473,458	665,956	335,808	1,475,222
Company's share of dividend declared/received	299,735	573,915	350,640	1,224,290
Current financial liabilities (excluding trade and other payables and provisions)	15,011	10,239	790	26,040
Non-current financial liabilities (excluding trade and other payables and provisions)	60,373	114,966	3,043	178,382

(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 2022			
	Q-Chem	Q-Chem II	QVC	Total
Capital commitments	72,915	50,724	515,109	638,748
Purchase commitments	240,586	250,758	--	491,344
Contingent liabilities	--	--	22,285	22,285
	As at 31 December 2021			
	Q-Chem	Q-Chem II	QVC	Total
Capital commitments	224,120	18,221	149,601	391,942
Purchase commitments	174,693	206,873	20	381,586
Contingent liabilities	--	--	21,700	21,700

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

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

For the year ended 31 December 2022

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4. INVESTMENTS IN JOINT VENTURES (CONTINUED)**Other contingent liabilities***Site restoration obligations*

As required by IAS 37 - Provisions, Contingent Liabilities and Contingent Assets”, the Company assess whether the following criteria is met to recognise provisions:

- whether the Company has a present obligation as a result of a past event,
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and;
- a reliable estimate can be made of the amount of the obligation.

The Company may be required under a land lease agreement to make payments for site restoration at the option of the Lessor. It has been assessed that the option given to the Lessor makes it more likely to acquire the plant built at the lease site from the Company rather than restoring the site. Therefore, the criteria to recognise provision for restoration obligation is not fully met and no provision has been recognised in these financial statements.

Income tax position

- Income tax (Note 14)
- Tax assessments (Note 4 (iv))

Tax indemnity

Based on the Memorandum of Understanding (“MOU”) entered into between QATARENERGY, the Ministry of Finance and the General Tax Authority (“GTA”) on 4 February 2020, the joint ventures shall pay the income tax amount payable for the ownership interests pertaining to the foreign shareholder to the GTA and the tax pertaining to the public shareholding company directly to the public shareholding company.

In relation to this, MPHIC has agreed to indemnify to Q-Chem and Q-Chem II in case of any tax exposure in the future as a result of the two joint ventures not paying the full tax liability to the GTA.

*Tax assessments***QVC**

In 2020, the GTA issued an income tax assessment for the years from 2012 to 2014 requiring the Qatar Vinyl Company Limited (QVC) Q.P.J.S.C. to pay additional taxes of USD 79 million. This includes penalties amounting to USD 39.6 million.

As per the terms of the MOU, the MoF undertakes to settle the income tax amounts payable by the Company for the previous years. It is expected that the assessments will be withdrawn and accordingly the Company has not recorded a provision for the assessments received.

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

For the year ended 31 December 2022

*(All amounts are expressed in thousands Qatari Riyals unless otherwise stated)***5. OTHER RECEIVABLES**

Other receivables comprise of interest receivable on term deposits made with various banks.

6. DEPOSITS AND OTHER BANK BALANCES

<i>As at 31 December</i>	<u>2022</u>	<u>2021</u>
Fixed deposits maturing after 90 days	1,478,904	2,054,008
Restricted bank balances - Dividend account	367,754	293,240
	<u>1,846,658</u>	<u>2,347,248</u>

Cash in 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 average interest rate of 1.6% to 5.81% (31 December 2021: 1.60% to 2.66%).

7. CASH AND CASH EQUIVALENTS

<i>As at 31 December</i>	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	1,345,834	148,996

Balances with banks are assessed to have low credit risk of default since these banks are highly regulated by the central banks of the respective countries. Accordingly, management of the Company estimates the loss allowance on balances with banks at the end of the reporting period at an amount equal to 12-month ECL. None of the balances with banks at the end of the reporting period are past due and taking into account the historical default experience and the current credit ratings of the bank, the management of the Company have assessed that there is no impairment, and hence have not recorded any loss allowances on these balances.

8. 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.

i. Transaction with related parties:

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

<i>For the year ended</i>	Relationship	<u>2022</u>	<u>2021</u>
Dividend income from Q-Chem	Joint Venture	517,363	299,735
Dividend income from Q-Chem II	Joint Venture	1,033,563	573,915
Dividend income from QVC	Joint Venture	476,712	350,640
Annual fee paid to QatarEnergy	Parent Company	(5,373)	(5,101)

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

For the year ended 31 December 2022

*(All amounts are expressed in thousands Qatari Riyals unless otherwise stated)***8. RELATED PARTIES (CONTINUED)**

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

ii. Balances arising from transactions with the related parties

The following are the balances arising on transactions with related parties:

	<u>Relationship</u>	<u>2022</u>	<u>2021</u>
Payables to related parties:			
Amounts due to QatarEnergy	Parent Company	<u>5,477</u>	<u>5,151</u>

iii. Compensation of key management personnel:

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

<i>For the year ended</i>	<u>2022</u>	<u>2021</u>
Key management remuneration	200	200
Board of directors' remuneration	<u>5,900</u>	<u>5,900</u>
	<u>6,100</u>	<u>6,100</u>

The Company has established a remuneration policy for its Board of Directors. This policy is comprised of two components: a fixed component and a variable component. The variable component is related to the financial performance of the Company. The total Directors' remuneration is within the limit prescribed by the Qatar Commercial Companies' Law.

9. TRADE AND OTHER PAYABLES

<i>As at 31 December</i>	<u>2022</u>	<u>2021</u>
Dividends payable	367,754	293,240
Social and sports fund contribution payable	44,179	46,539
Accruals	<u>6,363</u>	<u>6,355</u>
	<u>418,296</u>	<u>346,134</u>

10. SHARE CAPITAL

<i>As at 31 December</i>	<u>2022</u>	<u>2021</u>
Authorised, issued and fully paid:		
12,563,175,000 shares of QR 1 each	<u>12,563,175</u>	<u>12,563,175</u>

As at 31 December 2022, QatarEnergy holds 8,220,262,250 shares including 1 special share (2021: 8,222,164,330 shares including 1 special share) comprising 65.43% (2021: 65.45%) of the total shareholding.

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

For the year ended 31 December 2022

*(All amounts are expressed in thousands Qatari Riyals unless otherwise stated)***11. LEGAL RESERVE**

The Articles of Association of the Company states that prior to recommending any dividend for distribution to the Shareholders, the Board shall ensure proper reserves are established in respect of voluntary and statutory reserves considered by the Board to be necessary or appropriate. Such reserves as resolved by the Board, shall be the only reserves the Company is required to have.

12. DIVIDENDS

The Board of Directors has proposed cash dividend distribution of QR 0.11 per share for the year ended 31 December 2022 (2021: QR 0.11 per share). The proposed final dividend for the year ended 31 December 2022 will be submitted for formal approval at the Annual General Meeting.

On 15 March 2022, the shareholders approved to distribute cash dividends of QR. 1.38 billion (2021: QR 503 million).

13. BASIC AND DILUTED EARNINGS PER SHARE

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

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

	<u>2022</u>	<u>2021</u>
Profit attributable to the equity holders for the year	<u>1,767,148</u>	<u>1,861,550</u>
Weighted average number of shares outstanding during the year (“in thousands”)	<u>12,563,175</u>	<u>12,563,175</u>
Basic and diluted earnings per share (expressed in QR per share)	<u>0.141</u>	<u>0.148</u>

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.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

(All amounts are expressed in thousands Qatari Riyals unless otherwise stated)

14. INCOME TAX

The Company's profits are exempt from income tax in accordance with the provisions of Qatar's Income Tax Law No. 24. of 2018. However, the Company's joint ventures' profits are subject to income tax in accordance with the applicable law in Qatar for QVC and in accordance with the Joint Venture Agreements of Q-Chem and Q-Chem II as endorsed by an Emiree Decree and Council of Ministers Decision respectively.

During 2020, QATARENERGY, the Ministry of Finance and the General Tax Authority have reached an agreement through an MOU. According to this MOU and as directed by higher authorities and in accordance with the requirements of the public interest, the Ministry of Finance shall pay MPHC portion of income tax incurred by the joint ventures attributed to MPHC's shareholding in these joint ventures.

The mechanism described under the MOU is the following:

1. The joint ventures pay the portion of income tax incurred by the joint ventures attributed to MPHC's shareholding in these joint ventures directly to MPHC for the Ministry of Finance; and
2. The Ministry of Finance pays the portion of income tax incurred by the joint ventures attributed to MPHC's shareholding in these joint ventures directly to the GTA for the joint ventures.

Applying the principles of equity accounting under IAS 28 "Investments in Associates and Joint Ventures", the Company accounted for its underlying interests in the joint ventures on a pre-tax basis. This resulted in a tax adjustment amounting to QR 1,476 million (2021: QAR 1,627 million) for the year ended December 31, 2022.

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

For the year ended 31 December 2022

*(All amounts are expressed in thousands Qatari Riyals unless otherwise stated)***15. FINANCIAL INSTRUMENTS***Significant accounting policies*

Details of significant policies and methods adopted including the criteria for recognition for the basis of measurement in respect of each class of financial assets and financial liabilities are disclosed in Note 3 to the financial statements.

*Categories of financial instruments***December 31, 2022**

	Financial assets			Financial liabilities			Hierarchy levels			
	FVTPL	FVTOCI	Amortised cost	FVTPL	Amortised cost	Total	1	2	3	Total
Deposits and bank balances	--	--	1,846,658	--	--	1,846,658	--	1,846,658	--	1,846,658
Cash and cash equivalents	--	--	1,345,834	--	--	1,345,834	--	1,345,834	--	1,345,834
Other receivables	--	--	32,125	--	--	32,125	--	32,125	--	32,125
Trade and other payables	--	--	--	--	418,296	418,296	--	--	418,296	418,296
Due to related party	--	--	--	--	5,477	5,477	--	--	5,477	5,477
December 31, 2021										

	Financial assets			Financial liabilities			Hierarchy levels			
	FVTPL	FVTOCI	Amortised cost	FVTPL	Amortised cost	Total	1	2	3	Total
Deposits and bank balances	--	--	2,347,248	--	--	2,347,248	--	2,347,248	--	2,347,248
Cash and cash equivalents	--	--	148,996	--	--	148,996	--	148,996	--	148,996
Other receivables	--	--	29,358	--	--	29,358	--	29,358	--	29,358
Trade and other payables	--	--	--	--	346,134	346,134	--	--	346,134	346,134
Due to related party	--	--	--	--	5,151	5,151	--	--	5,151	5,151

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

For the year ended 31 December 2022

*(All amounts are expressed in thousands Qatari Riyals unless otherwise stated)***16. FINANCIAL RISK MANAGEMENT****Financial risk management objective**

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 summarised below:

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The Company enters into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Foreign currency risk management

The Company undertakes certain transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2022	2021	2022	2021
	QAR	QAR	QAR	QAR
<i>USD</i>	--	--	2,290,688	1,224,772

The Company is mainly exposed to USD.

The following paragraph details the Company's sensitivity to a 10% increase and decrease in the QAR against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

At December 31, 2022, if the QAR had weakened/strengthened by 10% against the USD with all other variables held constant, profit for the year would have been QAR 229 million (2021: 122 million) higher/lower, mainly as a result of foreign exchange gains/losses on translation of USD denominated trade receivables, due from/to related parties and foreign exchange losses/gains on translation of Euro denominated borrowings.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period does not reflect the exposure during the year.

MESAIIEED PETROCHEMICAL HOLDING COMPANY Q.P.S.C.**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2022

*(All amounts are expressed in thousands Qatari Riyals unless otherwise stated)***16. FINANCIAL RISK MANAGEMENT (CONTINUED)****Foreign currency risk management (continued)*****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.

Interest rate sensitivity analysis

At December 31, 2022, if interest rates on QAR denominated deposits had been 50 basis point higher/lower with all other variables held constant, profit for the year would have been QAR 10 million (2021: 8.5 million) lower/higher, mainly as a result of higher/lower interest income on floating rate fixed term deposits and call deposits.

Credit risk

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:

As at 31 December	<u>2022</u>	<u>2021</u>
Other receivable	32,125	29,358
Deposits and other bank balances	1,846,658	2,347,248
Cash and cash equivalents	1,345,834	148,996
	<u>3,224,617</u>	<u>2,525,602</u>

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

Rating as at 31 December	<u>2022</u>	<u>2021</u>
A1	742,684	891,502
A2	400,090	870,052
A3	841,775	729,590
Aa3	1,207,943	5,100
	<u>3,192,492</u>	<u>2,496,244</u>

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

For the year ended 31 December 2022

*(All amounts are expressed in thousands Qatari Riyals unless otherwise stated)***16. FINANCIAL RISK MANAGEMENT (CONTINUED)****Financial risk management objective (continued)*****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.

At December 31, 2022	Weighted average effective interest rate	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	%					
Trade and other payables	--	418,296	--	--	--	418,296
Due to a related party	--	5,477	--	--	--	5,477
At December 31, 2021	Weighted average effective interest rate	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	%					
Trade and other payables	--	346,134	--	--	--	346,134
Due to a related party	--	5,151	--	--	--	5,151

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 17.41 billion (2021: QR 17.07 billion).

17. FAIR VALUE 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 related parties approximate their carrying amounts largely due to the short-term maturities of these instruments.

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

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18. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, 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:

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Company monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Significant increase in credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Company takes into account qualitative and quantitative reasonable and supportable forward-looking information.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

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 a going concern. Therefore, the financial statements are prepared on a going concern basis.

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

For the year ended 31 December 2022

(All amounts are expressed in thousands Qatari Riyals unless otherwise stated)

18. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)**Estimates**

The key assumptions concerning the future and other sources of estimation uncertainty at the financial position date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Calculation of loss allowance

When measuring ECL the Company uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. The Company uses estimates for the computation of loss rates.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Fair value measurements

Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Company engages qualified external valuers to perform the valuation. The management/valuation committee if any works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in respective notes.

Classification 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, the management accounted for these investments under the equity method.

19. SOCIAL AND SPORTS FUND CONTRIBUTION

In accordance with Law No. 13 of 2008, the Company made an appropriation of profit of QR 44 million (2021: QR 46.5 million) equivalent to 2.5% of the net profit for the year for the support of sport, cultural, social and charitable activities.

20. SEGMENT INFORMATION

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

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