

***Mesaieed Petrochemical Holding  
Company Q.P.S.C.***

**Financial statements and independent auditor's report  
for the year ended 31 December 2021**

**Mesaieed Petrochemical Holding Company Q.P.S.C.**  
Financial statements for the year ended 31 December 2021

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## *Independent auditor's report to the shareholders of Mesaieed Petrochemical Holding Company Q.P.S.C.*

### *REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS*

#### *Our opinion*

In our opinion, the financial statements of Mesaieed Petrochemical Holding Company Q.P.S.C. (the "Company") present fairly, in all material respects, the financial position of the Company as at 31 December 2021 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### **What we have audited**

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2021;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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#### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

#### *Independence*

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

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#### *Our audit approach*

##### **Overview**

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*Key audit matter* • *Revenue Recognition*

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

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



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### *Key audit matter*

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

#### *Key audit matter*

#### *How our audit addressed the key audit*

### **REVENUE RECOGNITION**

As disclosed in note 3(ii), the Company's share of the results of its joint ventures (Q-Chem, Q-Chem II and QVC) of QR 1,841 million for the year ended 31 December 2021 represents 98% of total income of the Company.

The revenue generated by the joint ventures amounted to QR 8,090 million for the year ended 31 December 2021.

The majority of the joint ventures' sales are made to Qatar Chemical and Petrochemical Marketing and Distribution Company Q.J.S.C. ("Muntajat"), a related party.

According to the revenue recognition policy applied by the joint ventures, revenue from sales of products is recognised when the joint ventures have transferred the control of the products to the customer at the point of delivery, where terms of delivery are specified in the Offtake Agreements.

We focused our audit on the sales revenue of the joint ventures because of the large product volumes and consequent high values of individual shipments, as we determined that errors in revenue recognition at the joint ventures' level could result in material misstatements in the financial statements of the Company when it recognises its share of the joint ventures' net income under the equity method of accounting.

Our procedures in relation to revenue recognition from sales made by the joint ventures included:

- Reviewing the terms of the relevant Offtake Agreements with Muntajat;
- Evaluating the joint ventures' accounting policy in relation to revenue recognition to determine whether or not they dealt appropriately with the sales made under the Offtake Agreements;
- Understanding, evaluating and testing internal controls over revenue recognition at the joint ventures' level, including the timing of revenue recognition;
- Inspecting, on a sample basis, the sales statements received from Muntajat; and
- Performing cut-off testing of sales transactions, on a sample basis, to test whether the revenue of the joint ventures has been recognised in the correct period.

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### *Other information*

The Directors are responsible for the other information. The other information comprises the Annual 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.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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



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### *Responsibilities of management and those charged with governance for the financial statements*

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and with the requirements of the Qatar Commercial Companies Law number 11 of 2015, as amended by Law number 8 of 2021, 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, the Directors are 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 the Directors either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

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### *Auditor's responsibilities for the audit of the financial statements*

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



### *Auditor's responsibilities for the audit of the financial statements (continued)*

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, actions taken to eliminate threats or safeguards applied.

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

### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

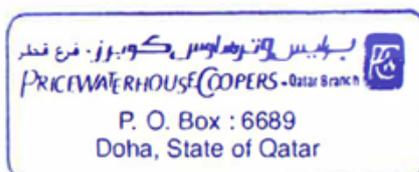
As disclosed in Note 1 to the financial statements, during the year Law Number 8 of 2021 came into effect amending certain provisions of the Qatar Commercial Companies' Law number 11 of 2015. As of the year ended 31 December 2021, the Company is in the process of assessing the impact of these amendments.

Further, as required by the Qatar Commercial Companies Law number 11 of 2015, as amended by Law number 8 of 2021, we report that:

- We have obtained all the information we considered necessary for the purpose of our audit;
- The Company has maintained proper books of account and the financial statements are in agreement there with;
- The financial information included in the Annual Report is in agreement with the books and records of the Company; and
- Nothing has come to our attention, which causes us to believe that the Company has breached any of the provisions of the Qatar Commercial Companies Law number 11 of 2015, as amended by Law number 8 of 2021, or of its Articles of Association, which would materially affect the reported results of its operations or its financial position as at 31 December 2021.

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

**Mark Menton**  
Auditor's registration number 364  
Doha, State of Qatar  
21 February 2022



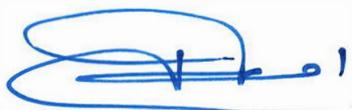
**Mesaieed Petrochemical Holding Company Q.P.S.C.**

Financial statements for the year ended 31 December 2021

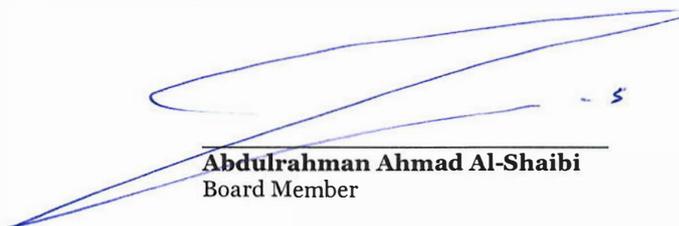
*(All amounts are expressed in thousands Qatari Riyals unless otherwise stated)***STATEMENT OF FINANCIAL POSITION**

		<b>As at</b>	
	<b>Note</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments in joint ventures	3	14,894,115	14,277,395
<b>Current assets</b>			
Other receivables	4	29,358	7,872
Other asset		-	62,234
Deposits and other bank balances	5.1	2,347,248	1,555,145
Cash and cash equivalents	5	148,996	177,486
<b>Total current assets</b>		<b>2,525,602</b>	<b>1,802,737</b>
<b>Total assets</b>		<b>17,419,717</b>	<b>16,080,132</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	8	12,563,175	12,563,175
Legal reserve	9	69,660	67,606
Retained earnings		4,435,597	3,125,167
<b>Total equity</b>		<b>17,068,432</b>	<b>15,755,948</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	7	346,134	319,525
Due to a related party	6	5,151	4,659
<b>Total liabilities</b>		<b>351,285</b>	<b>324,184</b>
<b>Total equity and liabilities</b>		<b>17,419,717</b>	<b>16,080,132</b>

The financial statements on pages 5 to 22 were approved and authorised for issue by the Board of Directors on 21 February 2022 and were signed on its behalf by:



**Ahmad Saif Al-Sulaiti**  
Chairman



**Abdulrahman Ahmad Al-Shaibi**  
Board Member



# Mesaieed Petrochemical Holding Company Q.P.S.C.

Financial statements for the year ended 31 December 2021

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

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	For the year ended 31 December	
		2021	2020
Share of results from joint ventures	3(ii)	1,841,010	596,116
Interest income		35,296	32,942
Other income		433	21,061
		1,876,739	650,119
General and administrative expenses		(15,856)	(14,038)
Impairment of other asset		-	(104,620)
Exchange and other gains		667	752
<b>Net profit for the year</b>		<b>1,861,550</b>	<b>532,213</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>1,861,550</b>	<b>532,213</b>
<b>Basic and diluted earnings per share (in QR)</b>	<b>11</b>	<b>0.148</b>	<b>0.042</b>



# Mesaieed Petrochemical Holding Company Q.P.S.C.

Financial statements for the year ended 31 December 2021

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

## STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	Legal reserve	Retained earnings	Total
<b>Balance at 1 January 2020</b>		12,563,175	61,934	3,513,469	16,138,578
Profit for the year		-	-	532,213	532,213
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		-	-	532,213	532,213
Social and sports fund contribution		-	-	(35,421)	(35,421)
Transfer to legal reserve		-	5,672	(5,672)	-
<i>Transaction with owners in their capacity as owners:</i>					
Dividends approved	10	-	-	(879,422)	(879,422)
<b>Balance at 31 December 2020</b>		12,563,175	67,606	3,125,167	15,755,948

<b>Balance at 1 January 2021</b>		<b>12,563,175</b>	<b>67,606</b>	<b>3,125,167</b>	<b>15,755,948</b>
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	10	-	-	(502,527)	(502,527)
<b>Balance at 31 December 2021</b>		<b>12,563,175</b>	<b>69,660</b>	<b>4,435,597</b>	<b>17,068,432</b>



# Mesaieed Petrochemical Holding Company Q.P.S.C.

Financial statements for the year ended 31 December 2021

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

## STATEMENT OF CASH FLOWS

	Note	For the year ended 31 December	
		2021	2020
<b>Cash flows from operating activities</b>			
Net profit for the year		1,861,550	532,213
Adjustments for:			
- Interest income		(35,296)	(32,942)
- Impairment of other asset		-	104,620
- Other income		(433)	(21,061)
- Share of results from joint ventures	3 (ii)	(1,841,010)	(596,116)
		(15,189)	(13,286)
Movement in working capital:			
- Other assets		62,234	-
- Prepayment and other receivables		(21,486)	-
- Trade and other payables		23,552	(1,722)
- Due to a related party		492	(2,227)
<b>Cash flows generated from/(used in) operations</b>		<b>49,603</b>	<b>(17,235)</b>
Interest received		13,810	32,847
Social and sports fund contribution paid		(35,421)	(29,788)
<b>Net cash generated from/(used in) operating activities</b>		<b>27,992</b>	<b>(14,176)</b>
<b>Cash flows from investing activities</b>			
Dividends received from joint ventures	3 (iii)	1,224,290	796,556
Placement of fixed term deposits		(2,196,332)	(4,008,713)
Maturity of fixed term deposits		1,418,087	3,528,098
<b>Net cash generated from investing activities</b>		<b>446,045</b>	<b>315,941</b>
<b>Cash flows from financing activities</b>			
Dividends paid to shareholders		(488,669)	(811,856)
Movement in unclaimed dividends account		(13,858)	(67,566)
<b>Cash used in financing activities</b>		<b>(502,527)</b>	<b>(879,422)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(28,490)</b>	<b>(577,657)</b>
Cash and cash equivalents at beginning of the year	5	177,486	755,143
<b>Cash and cash equivalents at end of the year</b>	<b>5</b>	<b>148,996</b>	<b>177,486</b>



# Mesaieed Petrochemical Holding Company Q.P.S.C.

Financial statements for the year ended 31 December 2021

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

## 1. CORPORATE INFORMATION AND ACTIVITIES

Mesaieed Petrochemical Holding Company Q.P.S.C (the “Company” or “MPHC”) is registered and incorporated in Qatar under commercial registration number 60843 as a Qatari 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 registered address of the Company is P.O. Box 3212, Doha, State of Qatar. The Company is listed on the Qatar Exchange and is a subsidiary of QatarEnergy. The Company commenced commercial activities on 1 September 2013.

During the year, the Qatar Commercial law number 11 of 2015 has been amended by Law number 8 of 2021.

As of the year ended 31 December 2021 the Company was in the process of assessing the impact of these amendments on the Company and its operations.

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

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

Entity Name	Country of incorporation	Relationship	Ownership interest
Qatar Chemical Company Limited	Qatar	Joint venture	49%
Qatar Chemical Company II Limited	Qatar	Joint venture	49%
Qatar Vinyl Company Limited	Qatar	Joint venture	55.2%

**Qatar Chemical Company Limited (“Q-Chem”)**, is a Qatari Private Joint Stock Company (Q.P.J.S.C.) incorporated in the State of Qatar and is a jointly controlled entity among 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 2021 was authorised for issue by the Board of Directors on 21 February 2022.

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

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

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

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

# Mesaieed Petrochemical Holding Company Q.P.S.C.

Financial statements for the year ended 31 December 2021

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

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

### i. *New standards and interpretations adopted by the Company*

A number of new or amended standards became applicable for the current reporting period. The Company did not have to change accounting policies or make retrospective adjustments as a result of adopting these standards

- (a) Covid-19 Related Rent Concessions- amendments to IFRS 16
- (b) Interest Rate Benchmark Reform- Phase 2-amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
- (c) Annual Improvements to IFRS Standards 2018-2020, and
- (d) Deferred Tax related to Assets and liabilities arising from a Single Transaction-amendments to IAS 12

The impact of the adoption of these standards and amendments are not material to the financial statements.

### ii. *New standards and interpretations not yet adopted*

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Company. The Company is in the process of assessing the impact of these new standards.

## 2.2 Significant accounting policies

### 2.2.1 Interest in joint venture

The results, assets and liabilities of joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in a joint venture is initially recognised in the statement of financial position at cost and adjusted thereafter to recognise the Company's share of the profit or loss of the joint venture.

When the Company's share of losses of a joint venture exceeds the Company's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Company's net investment in the joint venture) the Company discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the joint venture.

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

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

The Company discontinues the use of the equity method from the date when the investment ceases to be a joint venture, or when the investment is classified as held for sale. When the Company retains an interest in the former joint venture and the retained interest is a financial asset, the Company measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. If a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, then the Company also reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

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.

Financial statements for the year ended 31 December 2021

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

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

### 2.2.2 Current versus non-current classification

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

An asset is current when:

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

All other assets are classified as non-current.

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

The Company classifies all other liabilities as non-current.

### 2.2.3 Financial assets

#### *(a) Classification and measurement*

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

#### *(b) Impairment of financial assets*

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

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

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

### 2.2.4 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 amortised cost.

# Mesaieed Petrochemical Holding Company Q.P.S.C.

Financial statements for the year ended 31 December 2021

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

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

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.

#### 2.2.5 Cash and cash equivalents

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

#### 2.2.6 Debt instruments

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

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in exchange and other gains. Impairment losses are presented as separate line item in the statement of profit or loss and other comprehensive income.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in exchange and other gains. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in exchange and other gains and impairment expenses are presented as separate line item in the statement of profit or loss and other comprehensive income.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within exchange and other gains in the period in which it arises.

As of 31 December 2021, all of the Company's financial assets were classified and measured at amortised cost.

#### 2.2.7 Trade and other payables

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

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

# Mesaieed Petrochemical Holding Company Q.P.S.C.

Financial statements for the year ended 31 December 2021

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

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

### 2.2.8 Provisions

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

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

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

### 2.2.9 Foreign currency translation

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. 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.

### 2.2.10 Fair values

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

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

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

### 2.2.11 Dividend distributions

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

### 2.2.12 Social and Sports Fund Contribution

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

### 2.2.13 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.

# Mesaieed Petrochemical Holding Company Q.P.S.C.

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

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

### 2.2.14 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.

### 2.2.15 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 MPHC's share of tax to the General Tax Authority ("GTA").

## 3. INVESTMENTS IN JOINT VENTURES

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

<i>For the year ended</i>	<b>31 December 2021</b>
Balance at beginning of the year	<b>14,277,395</b>
Share of results from joint ventures for the year	<b>1,841,010</b>
Share of dividends from joint ventures	<b>(1,224,290)</b>
<b>Balance at the end of the year</b>	<b>14,894,115</b>

The below financial statements present amounts shown in the financial statements of the joint ventures as at 31 December 2021 which are presented in US\$'000 and are translated using an exchange rate of 3.64 (2020: 3.64).

### i. Statement of financial position of joint venture entities

	<b>As at 31 December 2021</b>			<b>Total</b>
	<b>Q-Chem</b>	<b>Q-Chem II</b>	<b>QVC</b>	
Current assets	<b>2,100,338</b>	<b>2,420,000</b>	<b>1,157,851</b>	<b>5,678,189</b>
Non-current assets	<b>2,090,983</b>	<b>4,832,569</b>	<b>926,955</b>	<b>7,850,507</b>
Current liabilities	<b>(834,029)</b>	<b>(991,961)</b>	<b>(474,448)</b>	<b>(2,300,438)</b>
Non-current liability	<b>(705,035)</b>	<b>(1,418,242)</b>	<b>(138,881)</b>	<b>(2,262,158)</b>
<b>Equity</b>	<b>2,652,257</b>	<b>4,842,366</b>	<b>1,471,477</b>	<b>8,966,100</b>
<b>Proportion of Company's ownership</b>	<b>49.0%</b>	<b>49.0%</b>	<b>55.2%</b>	
Company's share of net assets	<b>1,299,606</b>	<b>2,372,759</b>	<b>812,255</b>	<b>4,484,620</b>
Tax benefit from joint ventures (Note 12)	<b>399,918</b>	<b>966,998</b>	<b>260,220</b>	<b>1,627,136</b>
Goodwill	<b>3,549,403</b>	<b>4,878,711</b>	<b>354,245</b>	<b>8,782,359</b>
<b>Investment in joint ventures</b>	<b>5,248,927</b>	<b>8,218,468</b>	<b>1,426,720</b>	<b>14,894,115</b>

# Mesaieed Petrochemical Holding Company Q.P.S.C.

Financial statements for the year ended 31 December 2021

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

## 3. INVESTMENTS IN JOINT VENTURES (CONTINUED)

	As at 31 December 2020			
	Q-Chem	Q-Chem II	QVC	Total
Current assets	1,290,147	1,494,351	908,526	3,693,024
Non-current assets	2,062,435	5,213,361	892,007	8,167,803
Current liabilities	(485,212)	(229,214)	(235,668)	(950,094)
Non-current liability	(771,815)	(1,519,700)	(174,447)	(2,465,962)
<b>Equity</b>	<b>2,095,555</b>	<b>4,958,798</b>	<b>1,390,418</b>	<b>8,444,771</b>
<b>Proportion of Company's ownership</b>	<b>49.0%</b>	<b>49.0%</b>	<b>55.2%</b>	
Company's share of net assets	1,026,822	2,429,811	767,511	4,224,144
Tax benefit from joint ventures (Note 12)	404,319	687,080	179,493	1,270,892
Goodwill	3,549,403	4,878,711	354,245	8,782,359
<b>Investment in joint ventures</b>	<b>4,980,544</b>	<b>7,995,602</b>	<b>1,301,249</b>	<b>14,277,395</b>

### ii. Statement of profit or loss and other comprehensive income of joint venture entities

	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	(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
<b>Profit before tax</b>	<b>1,164,931</b>	<b>1,620,553</b>	<b>862,542</b>	<b>3,648,026</b>
Deferred income tax	65,411	98,269	34,806	198,486
Current income tax	(473,440)	(688,655)	(335,808)	(1,497,903)
<b>Profit/(loss) for the year</b>	<b>756,902</b>	<b>1,030,167</b>	<b>561,540</b>	<b>2,348,609</b>
<b>Proportion of the Company's ownership</b>	<b>49.0%</b>	<b>49.0%</b>	<b>55.2%</b>	
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
<b>Company's share of profit for the year from joint ventures</b>	<b>570,816</b>	<b>794,071</b>	<b>476,123</b>	<b>1,841,010</b>

	For the year ended 31 December 2020			
	Q-Chem	Q-Chem II	QVC	Total
Revenue	1,884,075	1,974,056	1,118,452	4,976,583
Cost of sales	(1,319,525)	(1,507,848)	(815,083)	(3,642,456)
Other income/(expenses)	906	(28,720)	(4,204)	(32,018)
Administrative expenses	(48,103)	(20,446)	(76,626)	(145,175)
Finance income/(cost)	2,017	(8,237)	4,470	(1,750)
<b>Profit before tax</b>	<b>519,370</b>	<b>408,805</b>	<b>227,009</b>	<b>1,155,184</b>
Deferred income tax	65,462	(118,922)	(170,643)	(224,103)
Current income tax	(247,575)	(1,958)	(110,674)	(360,207)
<b>Profit/(loss) for the year</b>	<b>337,257</b>	<b>287,925</b>	<b>(54,308)</b>	<b>570,874</b>
<b>Proportion of the Company's ownership</b>	<b>49.0%</b>	<b>49.0%</b>	<b>55.2%</b>	
Company's share of profit/(loss) before tax benefit	165,256	141,083	(29,978)	276,361
Tax benefit from joint ventures	105,237	59,231	155,287	319,755
<b>Company's share of profit for the year from joint ventures</b>	<b>270,493</b>	<b>200,314</b>	<b>125,309</b>	<b>596,116</b>

# Mesaieed Petrochemical Holding Company Q.P.S.C.

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

## 3. INVESTMENTS IN JOINT VENTURES (CONTINUED)

### iii. Additional disclosures of joint venture entities

	As at 31 December 2021			Total
	Q-Chem	Q-Chem II	QVC	
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

	As at 31 December 2020			Total
	Q-Chem	Q-Chem II	QVC	
Cash and cash equivalents	316,323	551,172	365,751	1,233,246
Depreciation and amortisation	260,191	390,601	133,956	784,748
Interest bearing loans and borrowings	-	31,268	-	31,268
Deferred tax liabilities	408,113	1,400,253	170,643	1,979,009
Tax payable	242,064	*24,705	110,674	377,443
Company's share of dividend declared/received	301,689	329,966	164,901	796,556
Current financial liabilities (excluding trade and other payables and provisions)	23,307	51,004	732	75,043
Non-current financial liabilities (excluding trade and other payables and provisions)	61,090	118,271	3,804	183,165

\*Q-Chem II's income tax liability will be undertaken and settled by QatarEnergy or an entity owned by QatarEnergy for the first 10 years from the commercial operations date of Q-Chem II.

### (iv) Capital commitments and contingent liabilities

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

	As at 31 December 2021			Total
	Q-Chem	Q-Chem II	QVC	
<b>Capital commitments</b>	<b>224,120</b>	<b>18,221</b>	<b>149,601</b>	<b>391,942</b>
<b>Purchase commitments</b>	<b>174,693</b>	<b>206,873</b>	<b>20</b>	<b>381,586</b>
<b>Contingent liabilities</b>	<b>-</b>	<b>-</b>	<b>21,700</b>	<b>21,700</b>

	As at 31 December 2020			Total
	Q-Chem	Q-Chem II	QVC	
Capital commitments	122,152	25,475	84,462	232,089
Purchase commitments	173,148	211,606	-	384,754
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.

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Financial statements for the year ended 31 December 2021

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

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## 3. INVESTMENTS IN JOINT VENTURES (CONTINUED)

### Other contingent liabilities

#### Site restoration obligations

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

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

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

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

#### Tax indemnity

Based on the MOU entered into between QatarEnergy, the Ministry of Finance and the 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 given an indemnity 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

During 2020, the GTA issued income tax assessments for the years from 2012 to 2014 for QVC, imposing additional taxes including penalties of QR 288 million which is disputed by the joint venture. The joint venture assessed the likely outcome of the assessments based on the status of latest discussions with the GTA and concluded that no provision is required.

Subsequent to the year end, the GTA issued income tax assessments to Qchem II imposing additional taxes and associated penalties of approximately QR 275 million. The assessments relate to years 2012,2013 and 2015. The joint venture reviewed its tax filings for these years and concluded that they accurately reflect the Qatar Income Tax Law and the terms of the JVA. Consequently, no provision for the assessments has been recognised in the financial statements of Qchem II. The joint venture is in the process of clarifying the matter with the GTA and plans to file a formal objection to the assessments in accordance with Qatar Income Tax Law.

Management concluded that the assessments will not impact the Company as its investment in the joint ventures is equity accounted for on a pre-tax basis, in accordance with the provisions of the MOU agreed between the relevant stakeholders.

## 4. OTHER RECEIVABLES

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

## 5. CASH AND CASH EQUIVALENTS

As at	2021	2020
Cash and cash equivalents	148,996	177,486

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# Mesaieed Petrochemical Holding Company Q.P.S.C.

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## 5.1 DEPOSITS AND OTHER BANK BALANCES

<i>As at</i>	2021	2020
Fixed deposits maturing after 90 days	2,054,008	1,275,763
Restricted bank balances - Dividends account	293,240	279,382
	<b>2,347,248</b>	1,555,145

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 2.66% (31 December 2020: 1.00% to 3.75%).

## 6. RELATED PARTIES

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

### *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>	2021	2020
Dividend income from Q-Chem	299,735	301,689
Dividend income from Q-Chem II	573,915	329,966
Dividend income from QVC	350,640	164,901
Annual fee paid to QatarEnergy	(5,101)	(4,548)

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

### *ii Related party balances:*

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

<i>As at</i>	2021	2020
Amounts due to QatarEnergy	5,151	4,659

### *iii Compensation of key management personnel:*

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

<i>For the year ended</i>	2021	2020
Key management remuneration	200	200
Board of directors' remuneration	5,900	4,130
	<b>6,100</b>	4,330

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

## 7. TRADE AND OTHER PAYABLES

<i>As at</i>	2021	2020
Dividends payable	293,240	279,382
Social and sports fund contribution payable	46,539	35,421
Accruals	6,355	4,722
	<b>346,134</b>	319,525

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## 8. SHARE CAPITAL

As at	2021	2020
Authorised, issued and fully paid: 12,563,175,000 shares of QR 1 each	12,563,175	12,563,175

As at 31 December 2021, QatarEnergy holds 8,220,262,250 shares including 1 special share (2020: 8,222,164,330 shares including 1 special share) comprising 65.43% (2020: 65.44%) of the total shareholding.

## 9. 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.

## 10. DIVIDENDS

The Board of Directors has proposed cash dividend distribution of QR 0.11 per share for the year ended 31 December 2021 (2020: QR 0.04 per share). The proposed final dividend for the year ended 31 December 2021 will be submitted for formal approval at the Annual General Meeting.

On 11 March 2021, the shareholders approved to distribute cash dividends of QR 503 million (2020: QR 879 million).

## 11. 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:

	2021	2020
Profit attributable to the equity holders for the year	1,861,550	523,213
Weighted average number of shares outstanding during the year ("in thousands")	12,563,175	12,563,175
Basic and diluted earnings per share (expressed in QR per share)	0.148	0.042

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.

## 12. 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 which gives the Company a right to a payment on its portion of tax incurred by the joint ventures.

## Mesaieed Petrochemical Holding Company Q.P.S.C.

Financial statements for the year ended 31 December 2021

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

### 12. INCOME TAX (CONTINUED)

As such, the Company is entitled to the pre-tax profits from the underlying joint ventures, therefore, 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 1,627 million as of the year ended 31 December 2021 (2020: QR 1,271 million).

The Ministry of Finance will then pay MPHC's share of tax to the General Tax Authority.

### 13. FINANCIAL RISK MANAGEMENT

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

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

#### **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

#### **Credit risk**

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

As at 31 December	2021	2020
Other receivable	29,358	7,872
Other asset	-	62,234
Cash and cash equivalents	148,996	177,486
Deposits and other bank balances	2,347,248	1,555,145
	<b>2,525,602</b>	<b>1,802,737</b>

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

Rating as at 31 December	2021	2020
A1	891,502	437,931
A2	870,052	557,667
A3	729,590	638,638
Aa3	5,100	98,395
	<b>2,496,244</b>	<b>1,732,631</b>

#### **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.

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## 13. FINANCIAL RISK MANAGEMENT (CONTINUED)

### *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 17.07 billion (2020: QR 15.76 billion).

## 14. 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.

## 15. 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:

### *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.

### *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.

As explained in Note 3 (iv), the Company may be required under a lease agreement entered into by its joint venture Q-Chem-II, to make payments for site restoration at the option of the ultimate parent (QatarEnergy). It has been assessed that the optionality given to QatarEnergy makes it more likely to acquire the plant from the joint venture rather than restoring the site at the cost of the joint venture. Therefore, the criteria to recognise provision for restoration obligation is not fully met and no provision has been recognised in these financial statements.

## **Mesaieed Petrochemical Holding Company Q.P.S.C.**

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

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### **15. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)**

#### *Income tax position*

- Income tax (Note 12)
- Tax assessments (Note 3 (iv))

### **16. SOCIAL AND SPORTS FUND CONTRIBUTION**

In accordance with Law No. 13 of 2008, the Company made an appropriation of profit of QR 46.5 million (2020: QR 35.4 million) equivalent to 2.5% of the net profit for the year for the support of sport, cultural, social and charitable activities.

### **17. 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.