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

Financial statements and independent auditor's report for the year ended 31 December 2020

CONTENTS

PAGES

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 2020 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 2020;
- 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.

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.

Our audit approach

Overview

Key audit matters	• *Impairment assessment of investments in joint ventures* • *Income tax position*

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

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

Key audit matters

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

Key audit matter	*How our audit addressed the Key audit matter*

IMPAIRMENT ASSESSMENT OF INVESTMENTS IN JOINT VENTURES

The Company's investments in three joint ventures amounted to QR 14.28 billion at 31 December 2020, representing 89% of the Company's total assets at that date. These investments are accounted for using the equity method because of the Company's joint control of these entities.

The Company assesses at each reporting date whether there is any objective evidence that investments accounted for using the equity method are impaired. The decrease in sale prices in the market due to the impact of the spread of COVID-19 virus was a possible indicator that an impairment may exist. Therefore, according to IAS 36 'Impairment of Assets', an impairment review of its investments in joint ventures was performed by management by comparing the recoverable amounts (higher of value in use and fair value less costs to sell) with their carrying amounts.

Based on the impairment review, the discounted value of the expected future cash flows from the investments exceeded the carrying values and accordingly no impairment was recognised during the year ended 31 December 2020.

Management's impairment review involved significant judgements in estimating future cash flows attributable to the Company and the rate at which they are discounted, amongst other estimates. Refer to Note 14 for more details about critical accounting estimates and assumptions used.

We focused on this area because of the materiality of the investments in joint ventures, and an impairment, if it exists, could have a material impact on the financial statements. We also focused on this area due to the significant judgments and estimates involved in performing the impairment assessment as discussed in Note 14 to the financial statements.

Our procedures in relation to management's impairment review of its investments in the joint ventures included:

- We assessed management's identification of impairment indicators including the conclusions reached. We also evaluated the design and implementation of key controls over the impairment assessment process comprising of identification of impairment indicators and estimation of recoverable amounts;
- We obtained the Company's impairment assessment and discussed the critical assumptions used with management. The discussions focused on the assumptions used to estimate the future cash flows from the latest Board approved budgets of the joint ventures, discount rates and terminal growth rates applied;
- Our internal valuation experts were engaged to assist us in the review of the methodology underlying the value-in-use calculations and to assess the reasonableness of discount rates and terminal growth rates. They independently recalculated the discount rates applied to the cash flows in the models based on their assessment of the Company's specific financing and capital costs;
- We tested the key inputs used in the determination of the future estimated cash flows to third-party sources and other relevant evidences as appropriate. For example, we compared forecast sales prices to external and independent price forecasts and future capital expenditure to actual historical capital expenditure levels for reasonableness;
- We tested the mathematical accuracy and logical integrity of the underlying calculations in the impairment models. We also assessed the adequacy of the disclosures in the financial statements made in relation to the impairment assessment for compliance with accounting standards; and
- We performed sensitivity analysis over key assumptions in the calculation of the value-in-use in order to assess the potential impact of a range of possible outcomes.

Key audit matter	How our audit addressed the Key audit matter

INCOME TAX POSITION

As disclosed in Note 19, during the year, a Memorandum of Understanding ("MOU") was entered into between the appropriate government authorities and Qatar Petroleum ("QP") (representing the Company) agreeing to make a provision for the Company to receive a refund for its portion of taxes incurred in the underlying joint ventures.

In the prior year, after considering the impact of the application of the MOU, it was determined that deferred tax relating to the Company's joint ventures should continue to be recognised for Q-Chem and Q-Chem II but not for QVC.

However, during the year, to ensure consistent application of similar arrangements the accounting treatment was reassessed by management. Management determined that the MOU gives the Company the right to a refund on its portion of tax and as such it is entitled to the pre-tax profits from all the underlying joint ventures. Therefore, applying the principles of equity accounting under IAS 28 "Investments and Associates and Joint Ventures", the Company concluded to account for its underlying interest on a pre-tax basis and as such, any tax impact including deferred tax balances for the Company's share was reversed.

The change has resulted in the restatement of comparative amounts to recognise this interest in joint ventures appropriately within the Company's equity accounted investments.

Furthermore, as described in Note 3 (iv), two of the Company's joint ventures received material tax assessments from the General Tax Authority for previous financial years, which included tax penalties. Management has concluded that these assessments and the associated penalties will not impact the Company's investments in joint ventures, given that the Company accounts for its share in joint ventures' profits on a pre-tax basis.

Moreover, as disclosed in Note 17, management applied judgments to conclude that there is no longer reasonable assurance over the collectability of certain tax refund relating to Q-ChemII based on current ongoing commercial discussions and therefore an impairment was recognsied during the year of QR 105 million. Judgments were also applied by management to determine the recoverability of the other asset amount due from the Ministry of Finance as disclosed in Note 17.

Our procedures in relation to management's reassessment of its tax position and the conclusion reached on the joint ventures' tax assessments included:

- Reading and evaluating the different correspondences, legal documents and minutes of meetings held between the key shareholder and the relevant government authorities to assess the reasonableness of the key judgements made by management;
- Consulting with our internal accounting experts to assess the appropriateness of management's accounting application of the MOU and the restatement made to prior year's financial statements;
- Discussing the tax positions of the Company and its joint ventures with those charged with governance and ensuring consistency with external legal advice where relevant;
- Consulting with our internal tax specialist to assess management's conclusion on the impact of the tax assessment received by the joint ventures on the Company's financial statements;
- Assessing the market practice adopted by other listed companies in accounting for the MOU based on publicly available information;
- Evaluating the impairment assessment made by management of the other asset and management's assessment of potential future outcomes of the ongoing commercial discussions with relevant stakeholders; and
- Assessing the appropriateness of disclosures in the financial statements relating to the restatement of prior year's financial statements and the judgments made by management in relation to the Company's tax position.

We focused on this area because the financial consequences of applying the MOU and the restatement made by management are material to the financial statements. Further, the interaction of Qatar's Income Tax Law No. 24 of 2018, the MOU and certain joint ventures legal agreements required management to apply significant judgment to determine their tax position.

Other information

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

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

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

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

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

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, 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 intend 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.

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.

Auditor’s responsibilities for the audit of the financial statements (continued)

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.

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

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

- We have obtained all the information we considered necessary for the purpose of our audit;
- The Company has maintained proper books of account and the financial statements are in agreement there with;
- The financial information included in the Board of Directors' report is in agreement with the books and records of the Company; and
- Nothing has come to our attention, which causes us to believe that the Company has breached any of the provisions of the Qatar Commercial Companies Law number 11 of 2015, or of its Articles of Association, which would materially affect the reported results of its operations or its financial position as at 31 December 2020.

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
4 March 2021

برايس ووترهاوس كوبرز - فرع قطر
PRICEWATERHOUSECOOPERS - Qatar Branch
P. O. Box : 6689
Doha, State of Qatar

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

STATEMENT OF FINANCIAL POSITION
As at 31 December

	Notes	2020	2019 (Restated)
ASSETS			
Non-current assets			
Investments in joint ventures	3	**14,277,395**	14,477,835
Current assets			
Prepayments and other receivables	4	**7,872**	7,777
Other asset	17	**62,234**	145,793
Deposits and other bank balances	5.1	**1,555,145**	1,006,964
Cash and cash equivalents	5	**177,486**	755,143
Total current assets		**1,802,737**	1,915,677
Total assets		**16,080,132**	16,393,512
EQUITY AND LIABILITIES			
EQUITY			
Share capital	8	**12,563,175**	12,563,175
Legal reserve	9	**67,606**	61,934
Retained earnings		**3,125,167**	3,513,469
Total equity		**15,755,948**	16,138,578
LIABILITIES			
Current liabilities			
Trade and other payables	7	**319,525**	248,048
Due to a related party	6	**4,659**	6,886
Total liabilities		**324,184**	254,934
Total equity and liabilities		**16,080,132**	16,393,512

The financial statements on pages 1 to 21 were approved and authorised for issue by the Board of Directors on **4 March 2021** and were signed on its behalf by:

Ahmad Saif Al-Sulaiti
Chairman

Mohamed Salem Al-Marri
Vice Chairman

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

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

	Notes	2020	2019 (Restated)
Share of results from joint ventures	3	**596,116**	1,949,222
Other income		**21,061**	83,560
Interest income		**32,942**	59,592
Gross profit		**650,119**	2,092,374
Exchange and other gains		**752**	3,828
Impairment of other asset	17	**(104,620)**	-
General and administrative expenses		**(14,038)**	(20,082)
Profit for the year		**532,213**	2,076,120
Other comprehensive income		**-**	-
Total comprehensive income for the year		**532,213**	2,076,120
Earnings per share			
Basic and diluted earnings per share (expressed in QR per share)	11	**0.042**	0.165

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

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December

	Notes	Share Capital	Legal Reserve	Retained Earnings	Total
				(Restated)	
Balance at 1 January 2019		12,563,175	57,600	2,443,892	15,064,667
Impact of IFRS 16 adoption from joint ventures		-	-	(1,533)	(1,533)
Adjusted balance at 1 January 2019		12,563,175	57,600	2,442,359	15,063,134
Profit for the year (as previously reported)		-	-	1,191,508	1,191,508
Restatement (Note 19)		-	-	884,612	884,612
Profit for the year (Restated)		-	-	2,076,120	2,076,120
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year (Restated)		-	-	2,076,120	2,076,120
Social and sports fund contribution	15	-	-	(29,788)	(29,788)
De-recognition of dividend equivalisation reserve		-	-	34,166	34,166
Transfers to legal reserve		-	4,334	(4,334)	-
Transaction with owners in their capacity as owners:					
Dividends approved	10	-	-	(1,005,054)	(1,005,054)
Balance at 31 December 2019 (Restated)		12,563,175	61,934	3,513,469	16,138,578
Balance at 1 January 2020		**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	15	**-**	**-**	**(35,421)**	**(35,421)**
Transfer to legal reserve		**-**	**5,672**	**(5,672)**	**-**
Transaction with owners in their capacity as owners:					
Dividends approved	10	**-**	**-**	**(879,422)**	**(879,422)**
Balance at 31 December 2020		**12,563,175**	**67,606**	**3,125,167**	**15,755,948**

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

STATEMENT OF CASH FLOWS
For the year ended 31 December

	Notes	2020	2019
Cash flows from operating activities			
Net profit for the year		**532,213**	2,076,120
Adjustments for:			
- Interest income		**(32,942)**	(59,592)
- Impairment of other asset	17	**104,620**	-
- Other income		**(21,061)**	(83,560)
- Share of results from joint ventures	3	**(596,116)**	(1,949,222)
		(13,286)	(16,254)
Working capital changes:			
- Prepayments and other debit balances		**-**	2
- Due to a related party		**(2,227)**	(1,554)
- Trade and other payables		**(1,722)**	2,324
Cash used in operations		**(17,235)**	(15,482)
Interest received		**32,847**	83,532
Social and sports fund contribution paid		**(29,788)**	(34,853)
Net cash (used in)/ generated from operating activities		**(14,176)**	33,197
Cash flows from investing activities			
Dividends received from joint ventures	3	**796,556**	772,948
Placement of fixed term deposits		**(4,008,713)**	(1,043,181)
Maturity of fixed term deposits		**3,528,098**	1,820,816
Net cash generated from investing activities		**315,941**	1,550,583
Cash flows from financing activities			
Dividends paid to shareholders		**(811,856)**	(955,702)
Movement in unclaimed dividends account		**(67,566)**	(49,352)
Cash used in financing activities		**(879,422)**	(1,005,054)
Net (decrease)/ increase in cash and cash equivalents		**(577,657)**	578,726
Cash and cash equivalents at beginning of year	5	**755,143**	176,417
Cash and cash equivalents at end of year	5	**177,486**	755,143

(All amounts 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 Shareholding Company by its founding shareholder, Qatar Petroleum ("QP"). The Company was incorporated under the Qatar Commercial Companies' Law No. 5 of 2002 (replaced by the new Qatar Commercial Companies' Law No. 11 of 2015). The Company was incorporated on 29 May 2013 for an initial period of 99 years, following the decision of H.E. the Minister of Economy and Commerce No. 22 of 2013, issued on 21 May 2013. The registered address of the Company is P.O. Box 3212, Doha, State of Qatar. The Company is listed on the Qatar Exchange and is a subsidiary of QP. The Company commenced commercial activities on 1 September 2013.

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

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

Entity name	**Country of incorporation**	**Relationship**	**Ownership interest**
Qatar Chemical Company Limited (Q-Chem)	Qatar	Joint venture	49%
Qatar Chemical Company (II) Limited (Q-Chem II)	Qatar	Joint venture	49%
Qatar Vinyl Company Limited (QVC)	Qatar	Joint venture	55.2%

Qatar Chemical Company Limited ("Q-Chem"), is a Qatari Private Joint Stock Company (Q.P.J.S.C.) incorporated in the State of Qatar and is a jointly controlled entity among QP, MPHC and Chevrons Phillips Chemical International Qatar Holdings L.L.C. ("CPCIQH"). Q-Chem is engaged in the production, storage and sale of polyethylene, 1-hexene and other petrochemical products.

Qatar Chemical Company II Limited ("Q-Chem II"), is a Qatari Private Joint Stock Company (Q.P.J.S.C.) incorporated in the State of Qatar and is a jointly controlled entity among QP, MPHC and CPCIQH. Q-Chem II is engaged in the production, storage and sale of polyethylene, normal alpha olefins, other ethylene derivatives and other petrochemical products.

Qatar Vinyl Company Limited ("QVC"), is a Qatari Private Joint Stock Company (Q.P.J.S.C.) incorporated in the State of Qatar and is a jointly controlled entity among QP, MPHC and Qatar Petrochemical Company Limited ("QAPCO"). QVC is engaged in the production and sale of petrochemical products such as caustic soda, ethylene dichloride and vinyl chloride monomer.

The financial statements of the Company for the year ended 31 December 2020 were authorised for issue by the Board of Directors on **4 March 2021.**

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

i. New and amended standards adopted by the Company

The Company has applied the following standards and amendments when applicable for the first time for their annual reporting commencing 1 January 2020:

- Definition of Material – amendments to IAS 1 and IAS 8
- Definition of a Business – amendments to IFRS 3
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7
- Revised Conceptual Framework for Financial Reporting

ii. New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2 Significant accounting policies

2.2.1 Interest in joint venture

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

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

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

2. Basis of preparation and significant accounting policies (continued)

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

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

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

2.2.2 Current versus non-current classification

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

An asset is current when:

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

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

2.2.3 Financial assets

(a) Classification and measurement

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

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

(b) Impairment of financial assets

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

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

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

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

2.2.4 Investment and other financial assets

(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.

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.

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

- 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 2020, all of the Company's financial assets were classified and measured at amortised cost.

2.2.7 Trade and other payables

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

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

2.2.8 Provisions

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

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

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

2.2.9 Foreign currency translation

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

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

2.2.10 Fair values

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

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

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

2.2.11 Dividend distributions

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

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.

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.

Qatar Petroleum (representing the Company), the Ministry of Finance and the General Tax Authority have reached an agreement through a 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").

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

3. Investments in joint ventures

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

For the year ended	**31 December 2020**
Balance at beginning of the year	**14,477,835**
Share of results from joint ventures for the year	**596,116**
Less: share of dividends received from joint ventures	**(796,556)**
Balance at end of year	**14,277,395**

The below financial statements present amounts shown in the financial statements of the joint ventures as of 31 December 2020, which are presented in US$'000 and are translated using an exchange rate of 3.64 (2019: 3.64).

i. Statement of financial position of joint venture entities

	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 liabilities	**(771,815)**	**(1,519,700)**	**(174,447)**	**(2,465,962)**
Net assets	**2,095,555**	**4,958,798**	**1,390,418**	**8,444,771**
Proportion of the Company's ownership	**49.0%**	**49.0%**	**55.2%**	
Company's share of net assets	**1,026,822**	**2,429,811**	**767,511**	**4,224,144**
Tax benefit from joint ventures (Note 2.2.15)	**404,319**	**687,080**	**179,493**	**1,270,892**
Goodwill	**3,549,403**	**4,878,711**	**354,245**	**8,782,359**
Investments in joint ventures	**4,980,544**	**7,995,602**	**1,301,249**	**14,277,395**

	As at 31 December 2019 (Restated)			
	Q-Chem	Q-Chem II	QVC	Total
Current assets	1,390,515	2,375,319	912,047	4,677,881
Non-current assets	2,071,094	5,213,798	954,608	8,239,500
Current liabilities	(580,005)	(832,337)	(118,915)	(1,531,257)
Non-current liabilities	(832,097)	(1,412,502)	(4,535)	(2,249,134)
Equity	2,049,507	5,344,278	1,743,205	9,136,990
Proportion of the Company's ownership	49.0%	49.0%	55.2%	
Company's share of net assets	1,004,258	2,618,696	962,249	4,585,203
Restatement (Note 19)	242,719	627,853	-	870,572
Tax benefit from joint ventures (Note 2.2.15)	215,366	-	24,335	239,701
Goodwill	3,549,403	4,878,711	354,245	8,782,359
Investments in joint ventures	5,011,746	8,125,260	1,340,829	14,477,835

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

3. Investments in joint ventures (continued)

ii. Statement of comprehensive income of joint venture entities

	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)**
Net finance income/(cost)	**2,017**	**(8,237)**	**4,470**	**(1,750)**
Profit before tax	**519,370**	**408,805**	**227,009**	**1,155,184**
Deferred income tax	**65,462**	**(118,922)**	**(170,643)**	**(224,103)**
Current income tax	**(247,575)**	**(1,958)**	**(110,674)**	**(360,207)**
Profit/ (loss) for the year	**337,257**	**287,925**	**(54,308)**	**570,874**
Proportion of the Company's ownership	**49.0%**	**49.0%**	**55.2%**	
Company's share of profit/(loss) before tax benefit	**165,256**	**141,083**	**(29,978)**	**276,361**
Tax benefit from joint ventures (Note 2.2.15)	**105,237**	**59,231**	**155,287**	**319,755**
Company's share of profit for the year from joint ventures after tax benefit	**270,493**	**200,314**	**125,309**	**596,116**

	For the year ended 31 December 2019			
	Q-Chem	**Q-Chem II**	**QVC**	**Total**
Revenue	2,158,069	2,609,501	1,231,459	5,999,029
Cost of sales	(1,350,626)	(1,561,312)	(855,051)	(3,766,989)
Other income/(expenses)	2,459	561	(3,221)	(201)
Administrative expenses	(49,038)	(22,987)	(67,333)	(139,358)
Net finance income/(cost)	9,675	(11,866)	9,515	7,324
Profit before tax	770,539	1,013,897	315,369	2,099,805
Deferred income tax	48,917	(141,873)	180,635	87,679
Current income tax	(318,980)	-	-	(318,980)
Profit for the year	500,476	872,024	496,004	1,868,504
Proportion of the Company's ownership	49.0%	49.0%	55.2%	
Company's share of profit for the year from joint ventures before tax benefit	245,233	427,292	273,794	946,319
Tax benefit from joint ventures (Restated) Note 19	242,720	627,851	-	870,571
Tax benefit from joint ventures (Reclassed) Note 19	132,332	-	-	132,332
Company's share of profit for the year from joint ventures after tax benefit	620,285	1,055,143	273,794	1,949,222

(All amounts 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 2020			
	Q-Chem	**Q-Chem II**	**QVC**	**Total**
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**

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

*Q-Chem II's income tax liability was undertaken and settled by QP or an entity owned by QP for the first 10 years from the commercial operations date of Q-Chem II. During the year, the tax pay on behalf period has ended on 2 December 2020 with the completion of 10 years of commercial operation.

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 2020			
	Q-Chem	**Q-Chem II**	**QVC**	**Total**
Capital commitments	**122,152**	**25,475**	**84,462**	**232,089**
Purchase commitment	**173,148**	**211,606**	**-**	**384,754**
Contingent liabilities	**-**	**-**	**21,700**	**21,700**

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

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

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

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 QP for the purpose of construction of the plant facilities.

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

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

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

Tax assessments

During 2020, the GTA issued income tax assessments for the years from 2012 to 2014 for QVC and for the years from 2011 to 2018 for Q-Chem II, imposing additional taxes including penalties of QR 2.4 billion which is disputed by the ventures. The joint ventures assessed the likely outcome of the assessments based on the status of latest discussions with the GTA and concluded that no provision is required.

Management concluded that the assessments will not impact the Company as its investments in joint ventures are equity accounted for on a pre-tax basis, in accordance with the provisions of the MOU agreed between the relevant stakeholders (refer to note 2.2.15).

4. Prepayment and other receivables

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

5. Cash and cash equivalents

	2020	2019
Cash and cash equivalents	**177,486**	755,143

5.1 Deposits and other bank balances

	2020	2019
Fixed deposits maturing after 90 days	**1,275,763**	795,148
Bank balances-Dividends account	**279,382**	211,816
	1,555,145	1,006,964

Cash at banks earn interest at fixed rates. Term deposits are made for varying periods of between three months and one year depending on the immediate cash requirements of the Company at interest varying between 1.00% to 3.75% (2019: 2.75% to 4.65%).

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

6. Related parties

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

Related party transactions

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

For the year ended	**2020**	2019
Dividend income from		
Q-Chem	**301,689**	312,130
Q-Chem II	**329,966**	312,130
QVC	**164,901**	148,688
	796,556	772,948
Annual service fee to Qatar Petroleum	**(4,548)**	(6,850)

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

Related party balances

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

As at	**2020**	2019
Amount due to QP	**4,659**	6,886

Compensation of key management personnel

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

	2020	2019
Key management remuneration	**200**	200
Board of directors' remuneration	**4,130**	8,000

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

	2020	2019
Dividends payable	**279,382**	211,816
Social and sports fund contribution payable (Note 15)	**35,421**	29,788
Accruals	**4,722**	6,444
	319,525	248,048

8. Share capital

	2020	2019
Authorised, issued and fully paid:		
12,563,175,000 shares of QR 1 each	**12,563,175**	12,563,175

As at 31 December 2020, Qatar Petroleum holds 8,222,164,330 shares including 1 special share (2019: 8,223,610,460 shares including 1 special share) comprising 65.44% (2019: 65.46 %) of the total shareholding.

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

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

9. Legal reserve

The Articles of Association of the Company provides that prior to recommending any dividend distribution to the shareholders, the Board shall ensure proper reserves are established in respect of voluntary and statutory reserves considered by the Board. Such reserves as resolved by the Board, shall be the only reserves the Company is required to establish.

10. Dividends

The Board of Directors has proposed cash dividend distribution of QR 0.04 per share for the year ended 31 December 2020 (2019: QR 0.07 per share). The proposed final dividend for the year ended 31 December 2020 will be submitted for formal approval at the Annual General Meeting.

On 11 March 2020, the shareholders approved to distribute cash dividends of QR 879 million (2019: QR 1,005 million).

11. Basic and diluted earnings per share

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

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

	2020	2019 (Restated)
Profit attributable to the equity holders for the year	**532,213**	2,076,120
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)	**0.042**	0.165

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.

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

12. FINANCIAL RISK MANAGEMENT

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

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

	2020	2019
Interest receivable	**7,872**	7,777
Other asset	**62,234**	145,793
Bank balances	**1,732,631**	1,762,107
	1,740,565	1,915,677

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

Rating	**2020**	2019
A1	**437,931**	550,351
A2	**557,667**	566,635
A3	**638,638**	607,570
Aa3	**98,395**	37,551
	1,732,631	1,762,107

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation and is to maintain a balance between continuity of funding and flexibility through the use of bank facilities. All financial liabilities will mature within 12 months from the end of the reporting period.

Capital management

The Company manages its capital structure and makes adjustments to it, in light of changes in economic and business conditions and shareholders' expectation. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares. Capital comprises share capital and retained earnings and is measured at QR 15.76 billion (2019: QR 16.14 billion).

13. Fair values of financial instruments

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

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

14. Critical judgment and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in Note 2, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

Classification of the investments as joint ventures

Management evaluated the Company's interest in Q-Chem, Q-Chem II and QVC (together "the Entities"), and concluded that the joint arrangements are joint ventures where the Entities are jointly controlled. Hence, Management accounted for these investments under the equity method.

Site restoration obligations

As required by IAS 37 - Provisions, Contingent Liabilities and Contingent Assets", the Company assesses 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 (QP). It has been assessed that the optionality given to QP makes it more likely to acquire the plant from the joint venture rather than restoring the site at the cost of the joint venture. Therefore, the criteria to recognise provision for restoration obligation is not fully met and no provision has been recognised in these financial statements.

Impairment of investments in joint ventures

The Company assesses the impairment of non-financial assets, particularly its investments in joint ventures, whenever events or changes in circumstances indicate that the carrying amount of the non-financial asset may not be recoverable.

Due to the economic downturn caused by the spread of novel coronavirus (Covid-19), management has performed an impairment test as at 31 December 2020. Impairment testing is an area involving management judgment, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters, including management's expectations of:

14. CRITICAL JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

- growth in earnings before interest, tax, depreciation and amortisation ("EBITDA"), calculated as adjusted operating profit before depreciation and amortisation which includes a forecast of commodity prices and raw material purchases;
- timing and quantum of future capital expenditure;
- useful life of the operating plants;
- long term growth; and
- the selection of discount rates to reflect the risks involved.

As of the year ended 31 December 2020, the company did not recognise any losses due to impairment in its joint ventures as the impairment testing showed headroom of net present value of cash flows compared to the carrying amount for all joint ventures' investments.

Income tax position

Tax assessments (Refer to Note 3 [iv])
Restatement of comparative figures (Refer to Note 19)
Impairment of other asset (Refer to Note 17)

15. SOCIAL AND SPORTS FUND CONTRIBUTION

In accordance with Law No. 13 of 2008, the Company made an appropriation of profit of QR 13.3 million (2019: QR 29.79 million) equivalent to 2.5% of the net profit for the year in addition to 2.5% of the prior year's restatement (QR 22.1 million) for the support of sport, cultural, social and charitable activities.

16. SEGMENT INFORMATION

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

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

17. IMPAIRMENT OF OTHER ASSET

In previous years, the Company was entitled to a benefit equivalent to its share of the tax paid on behalf of Q-Chem II. As of 31 December 2020, the outstanding tax receivable was QR 167 million. Based on discussion with the relevant stakeholders, management concluded that there is no longer reasonable assurance over the collectability of part of this amount and therefore an impairment was recognised during the year of QR 105 million in relation to 2019.

Further, management believes that reasonable assurance exists based on currently available information over the collectability of the amounts due from the MoF relating to 2018 totaling to QR 170 million as of 31 December 2020, of which QR 62 million is included in other asset pertaining to Q-Chem II paid taxes, QR 84 million and QR 24 million relating to Q-Chem and QVC paid taxes respectively, included within tax benefit from joint ventures in Note 3 (i).

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

18. COST METHOD

The Company's statement of financial position and statement of profit or loss and other comprehensive income prepared using the cost method is presented below to only assist the Company in its reporting to the Qatar Financial Markets Authority.

Statement of financial position

As at 31 December	**2020**	2019
Non-Current assets		
Investments in joint ventures	**12,533,175**	12,553,175
Total	**12,533,175**	12,553,175
Current Assets		
Prepayments and other receivable	**7,872**	7,777
Cash, deposits and other bank balances	**1,732,631**	1,762,107
Total current assets	**1,740,503**	1,769,884
Total assets	**14,273,678**	14,323,059
Equity and liabilities		
Equity		
Share capital	**12,563,175**	12,563,175
Legal reserve	**67,606**	61,934
Retained earnings	**1,315,819**	1,443,016
Total equity	**13,946,600**	14,068,125
Liabilities		
Current liabilities		
Trade and other payables	**322,419**	248,048
Due to a related party	**4,659**	6,886
Total liabilities	**327,078**	254,934
Total equity and liabilities	**14,273,678**	14,323,059

Statement of profit or loss and other comprehensive income

For the year ended 31 December	**2020**	2019
Income from joint ventures	**796,556**	772,948
Interest income	**32,942**	59,592
Exchange gain	**752**	3,828
General and administrative expenses	**(14,038)**	(20,082)
Net profit for the year	**816,212**	816,286
Other comprehensive income	**-**	-
Total comprehensive income for the year	**816,212**	816,286

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

19. Restatement of comparative figures

The Memorandum of Understanding was entered into between Qatar Petroleum (representing the Company), the Ministry of Finance and the General Tax Authority on 4 February 2020 setting out the Company and its joint ventures' tax status. The MOU made provision for the Company to receive a refund for the Company's portion of taxes incurred in the underlying joint ventures. In prior year, after considering the impact of the application of the MOU, it was determined that deferred tax relating to the underlying joint ventures should continue to be recognised for Q-Chem I and II but not for QVC. During the year, to ensure consistent application of similar arrangements the accounting treatment was reassessed by management.

Management has re-assessed that all joint venture entities are taxable at a tax rate of 35% payable to the GTA and as such the arrangements are all similar in substance and should be accounted for consistently. The MOU gives the Company the right to a refund on the Company's portion of tax and as such it is entitled to the pre-tax profits from all the underlying joint ventures. Therefore, applying the principles of equity accounting under IAS 28 "Investments and Associates and Joint Ventures", the Company should account for its underlying interest on a pre-tax basis and as such any tax impact including deferred tax balances for the Company's share should be reversed.

The change has resulted in the restatement of comparative amounts to recognise this interest in joint ventures appropriately within the Company's equity accounted interest. The restatement did not impact the Company's cash flows for the comparative period.

The impact of the changes on the comparative financial information is as follows:

- A reclassification adjustment to record the refund of the tax as part of the equity accounted earnings of the joint venture and not as other income as previously disclosed for Q-Chem and QVC. However, Q-ChemII's related amounts were appropriately presented as other income/other asset, as while they exist because of the Company's ownership of the joint venture, these do not directly represent MPHC interest in the venture's underlying net assets.

- A restatement adjustment to recognise all joint ventures on a consistent basis by recognising the pre-tax profits of the joint venture as equity accounted retained earnings and therefore reversing any tax impacts including any deferred tax balances relating to the Company's portion. The line items impacted are as follows:

Statement of financial position as at 31 December 2019	**As previously reported**	**Reclassification**	**Restatement**	**Restated**
Investments in joint ventures	13,367,563	239,701	870,571	**14,477,835**
Retained earnings	2,628,857	-	884,612	**3,513,469**
Other asset	371,454	(239,701)	14,040	**145,793**

Statement of profit or loss and other comprehensive income for the year ended 31 December 2019	**As previously reported**	**Reclassification**	**Restatement**	**Restated**
Share of results from joint ventures	946,319	132,332	870,571	**1,949,222**
Other income	201,852	(132,332)	14,040	**83,560**
Profit for the year	1,191,508	-	884,612	**2,076,120**