



# **MEGlobal Canada ULC**

**and its subsidiary**

**Consolidated financial statements and  
Independent auditor's report for the year ended  
31 December 2020**



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## Independent auditor's report

### The Shareholders

MEGlobal Canada ULC

Canada

#### Opinion

We have audited the consolidated financial statements of MEGlobal Canada ULC ("the Company") and its subsidiary (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

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

### Impairment assessment of carrying value of goodwill

Refer notes 3(f) and 5 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
<p>The Group has significant goodwill arising from the acquisition of a business. The Group's annual impairment testing on goodwill requires the Group to identify the cash generating unit in accordance with IAS 36 – <i>Impairment of Assets</i>. Impairment testing is then performed using free cash flow projections based on financial forecasts estimated by the Group's management. Due to the inherent uncertainty involved in forecasting future cash flows, which forms the basis of the assessment of recoverability, along with the judgmental aspects of the assessment of appropriate discount rate, these are the key areas that our audit concentrated on.</p>	<p>Our procedures included:</p> <p>In respect of the assessment of CGUs: We challenged the identification of CGUs by reference to the Group's operating and management structure, our understanding of the business and requirements of IAS 36 – <i>Impairment of Assets</i>.</p> <p>In respect of the cash flows: We considered the Group's procedures used to develop the forecasts and the principles and integrity of the Group's discounted cash flow model and re-performed the calculations of the model results to test their mathematical accuracy. To challenge the reasonableness of those cash flow estimates, we assessed the historical accuracy of the Group's forecasting activities and corroborated the forecasts with reference to publicly available information and other evidence that has been made available during the course of the audit. We conducted our own assessments to challenge other key inputs, such as the projected growth rate and terminal value growth rate.</p> <p>In respect of the discount rates: We used our valuation specialists to assist us in assessing the reasonableness of the significant assumptions used in arriving at the discount rates.</p> <p>In respect of the sensitivity to key assumptions: We assessed the impact to the calculated recoverable amount of the CGUs by changing discount rates and forecast future cash flows.</p> <p>We assessed the adequacy of the Group's disclosure in these respects.</p>

## Taxation

Refer notes 3(l) and 17 to the consolidated financial statements.

### The key audit matter

The calculation of the tax expense is a complex process that involves subjective judgments and uncertainties, and requires specific knowledge and competencies. The nature of the Group's operations and related transactions can give rise to uncertain tax treatments, thereby requiring the use of estimates and assumptions which may be subsequently challenged by the relevant tax authorities. This requires special audit consideration because of the likelihood and potential magnitude of misstatements to the accuracy of the tax expense.

### How the matter was addressed in our audit

Our procedures included:

Assessed the appropriateness of the current income tax computation for the current year, according to the tax laws applicable in the jurisdiction; We reviewed the treatment adopted and amounts recognised in relation to taxation and reviewed whether management's provisioning methodology includes a reasonable consideration of all uncertain positions.

We involved our internal tax specialists to evaluate and test management's assumptions in respect of these tax related provisions, including claims from tax authorities and review of supporting documentation. In assessing the provisions we have considered the outcome of past settlements and the status of matters being discussed with tax authorities. Our tax specialists reviewed correspondence with tax authorities and external tax opinions on tax related matters which management has considered in assessing the income tax provision.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the consolidated financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 consolidated 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.

Safi A. Al-Mutawa

License No 138 "A"

of KPMG Safi Al-Mutawa & Partners

Member firm of KPMG International

Kuwait: 5 April 2021



**Consolidated statement of financial position**  
as at 31 December 2020

	<i>Notes</i>	<b>USD million</b>	
		<b>2020</b>	<b>2019</b>
<b>Assets</b>			
Property, plant and equipment	4	476	483
Goodwill	5	1,461	1,461
Intangible assets	5	5	6
Deferred income taxes	17	9	4
Notes receivables	9,16	148	-
Deferred charges and other assets	6	260	274
<b>Non-current assets</b>		<b>2,359</b>	<b>2,228</b>
Inventories	10	14	8
Note receivables	9,16	28	277
Due from related parties	16	140	104
Trade and other receivables	8	83	55
Cash and bank balances	7	0	0
Deferred charges and other assets	6	16	21
<b>Current assets</b>		<b>281</b>	<b>465</b>
<b>Total assets</b>		<b>2,640</b>	<b>2,693</b>
<b>Equity</b>			
Class A - authorized, unlimited shares; Issued 200,000,100 shares in 2015	11	-	-
Class B - authorized, unlimited shares; Issued 0 shares in 2015	11	-	-
Additional paid in capital	12	200	200
Retained earnings		567	610
Pension plans reserve		(18)	(18)
Foreign currency translation reserve		9	5
<b>Total equity</b>		<b>758</b>	<b>797</b>
<b>Liabilities</b>			
Long term debt	13	1,600	1,457
Deferred income tax	17	131	141
Pension and other post-retirement benefits	19	41	36
Other deferred liabilities		2	-
<b>Non-current liabilities</b>		<b>1,774</b>	<b>1,634</b>
Notes payable	9,16	41	205
Due to related parties	16	4	9
Income taxes payable		4	5
Trade payables		38	31
Accrued and other liabilities	20	21	12
<b>Current liabilities</b>		<b>108</b>	<b>262</b>
<b>Total liabilities</b>		<b>1,882</b>	<b>1,896</b>
<b>Total equity and liabilities</b>		<b>2,640</b>	<b>2,693</b>

The attached notes on pages 10 to 48 form an integral part of these consolidated financial statements.



Sudhir Shenoy  
Director



Naser Al-Dousari  
Director



**Consolidated statement of profit or loss and other comprehensive income**  
*for the year ended 31 December 2020*

	<i>Note</i>	<b>USD million</b>	
		<b>2020</b>	<b>2019</b>
Net sales	21	506	541
Cost of sales	22	(485)	(483)
<b>Operating profit</b>		<b>21</b>	<b>58</b>
Interest expense		(90)	(62)
Interest income		10	3
<b>Loss from operation</b>		<b>(59)</b>	<b>(1)</b>
Taxation	17	16	20
<b>Net (loss) / profit for the year</b>		<b>(43)</b>	<b>19</b>
<b>Other comprehensive (loss) income</b>			
<i>Items that will be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign operations		4	10
Pension and other post-retirement benefits	19	0	(13)
Other comprehensive income / (loss) for the year		4	(3)
<b>Total comprehensive (loss) / income for the year</b>		<b>(39)</b>	<b>16</b>
Net (loss) / profit attributable to:			
<b>Shareholder of the Company</b>		<b>(43)</b>	<b>19</b>
Total comprehensive (loss) / income attributable to:			
<b>Shareholder of the Company</b>		<b>(39)</b>	<b>16</b>

The attached notes on pages 10 to 48 form an integral part of these consolidated financial statements.

**Consolidated statement of changes in equity**  
*for the year ended 31 December 2020*

	Attributable to shareholder of the Company				
	USD million				
	Additional paid in capital	Retained earnings	Pension plan reserve	Foreign currency translation reserve	Total
Balance as at 1 January 2019	200	591	(5)	(5)	781
Profit for the year	-	19	-	-	19
Other comprehensive (loss) / income	-	-	(13)	10	(3)
Total comprehensive income / (loss)	-	19	(13)	10	16
Balance as at 31 December 2019	200	610	(18)	5	797
Balance as at 1 January 2020	200	610	(18)	5	797
Loss for the year	-	(43)	-	-	(43)
Other comprehensive income	-	-	0	4	4
Total comprehensive (loss) / income	-	(43)	0	4	(39)
Balance as at 31 December 2020	200	567	(18)	9	758

The attached notes on pages 10 to 48 form an integral part of these consolidated financial statements.

**Consolidated statement of cash flows**  
*for the year ended 31 December 2020*

	Note	USD million	
		2020	2019
<b>Cash flows from operating activities</b>			
Net (loss) / profit for the year		(43)	19
<i>Adjustments for:</i>			
Depreciation of property plant and equipment	4	57	65
Gain on write off of catalyst		(2)	-
Amortisation of intangible assets and deferred assets		16	19
Interest expenses		90	62
Interest income		(10)	(3)
Taxation	17	(16)	(20)
		<u>92</u>	<u>142</u>
<i>Changes in:</i>			
Accounts and other receivables		(64)	53
Inventories		(6)	4
Accounts and other payables		2	(6)
Other assets and liabilities		<u>36</u>	<u>(3)</u>
		<u>60</u>	<u>190</u>
Income taxes paid	17	(13)	(47)
<b>Net cash generated from operating activities</b>		<u>47</u>	<u>143</u>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	4	(47)	(26)
Movement in deferred charges		-	(96)
Net movement in notes receivable		101	(37)
Interest income received		<u>10</u>	<u>3</u>
<b>Net cash from / (used in) investing activities</b>		<u>64</u>	<u>(156)</u>
<b>Cash flows from financing activities</b>			
Net movement in notes payable		(164)	74
Repayments of loans and borrowings	13	(1,457)	-
Proceeds from issue of new notes	13	1,600	-
Interest expenses paid		<u>(90)</u>	<u>(62)</u>
<b>Net cash generated (used in) / from financing activities</b>		<u>(111)</u>	<u>12</u>
<b>Net decrease in cash and bank balances</b>		-	(1)
Cash and bank balances at beginning of the year		<u>-</u>	<u>1</u>
Cash and bank balances at end of the year		<u>-</u>	<u>-</u>

The attached notes on pages 10 to 48 form an integral part of these consolidated financial statement.

**Notes to the consolidated financial statements**  
*for the year ended 31 December 2020*

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**1. Reporting entity**

MEGlobal Canada ULC ("the Company") was formed in December 2015 via a series of amalgamations and is a wholly owned subsidiary of EQUATE Petrochemical Company K.S.C.C. ("EQUATE"), which is owned by Dow Europe Holding B.V. ("DEHBV"), Petrochemical Industries Company K.S.C. ("PIC"), Boubyan Petrochemical Company K.S.C. ("BPC") and Al-Qurain Petrochemical Industries Company K.S.C. ("QPIC"). Prior to the change in shareholding, it operated as MEGlobal Canada Inc., a joint venture between Dow Chemical Canada ULC ("DCC ULC") and PicCan Holdings Inc. ("PicCan"). Each party held a 50% shareholding interest.

The Company's registered office is located at Suite 1300, 1969 Upper Water Street, Purdy's Wharf Tower II, Halifax, Nova Scotia, Canada.

The consolidated financial statements include the financial performance and position of the Company and its wholly owned subsidiary Alberta & Orient Glycol Company ULC ("A&O") (together referred to as the "Group").

The Group is a producer of monoethylene glycol ("MEG") and diethylene glycol ("DEG"), commonly referred to as ethylene glycol ("EG"). It operates three world scale EG facilities at Alberta, Canada.

These consolidated financial statements were authorised for issue by the Board of Directors on 5 April 2021.

**2. Basis of preparation**

a) Statement of compliance

The consolidated financial statements have been prepared in conformity with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the derivative financial instruments which are measured at fair value.

c) Functional and presentation currency

The consolidated financial statements are presented in United States Dollars ("USD"). The functional currency of the Company is USD. The Company's functional currency is not the currency of the country in which it is domiciled as majority of the transactions of the Company are denominated in USD. All amounts in these consolidated financial statements have been rounded to the nearest million and presented in USD which is Group's functional and presentation currency, unless otherwise indicated.

d) Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRSs require management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying value of assets and liabilities that are not readily apparent from other sources.

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

**Notes to the consolidated financial statements**  
*for the year ended 31 December 2020*

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Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are described in note 3(p).

e) Changes in accounting policies

A number of amendments to standards and interpretations are effective for annual periods beginning on 1 January 2020 as below, but they do not have material effect on the Group's consolidated financial statements.

- Amendments to IFRS 3: Definition of a Business;
- Adoption of profit rate benchmark reform (IBOR reform Phase 1);
- Amendments to IAS 1 and IAS 8: Definition of Material;
- Conceptual Framework for Financial Reporting issued on 29 March 2018; and
- Amendments to IFRS 16 Covid-19 Related Rent Concession

3. **Significant accounting policies**

The accounting policies as outlined below and used in the preparation of these consolidated financial statements are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2019, except those mentioned in section 2 (e) above.

a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company as at the reporting date and its subsidiary (investees which are controlled by the Group). Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Group's consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

**Notes to the consolidated financial statements**  
*for the year ended 31 December 2020*

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Profit or loss and each component of the other comprehensive income are attributed to the shareholder of the Parent Company of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between member of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group lose control over a subsidiary, it derecognises the related assets (including goodwill and intangible assets), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

*Business combination under common control*

With respect to business combinations arising from transfers of interests in entities that are under the control of the shareholders, the Group has chosen to apply IFRS 3 – *Business combinations*. Accordingly, transactions under common control are accounted for using the acquisition method whereby the assets and liabilities acquired are recognized at their fair value.

The cost of an acquisition is measured as the aggregate of the consideration transferred, and the identifiable assets acquired, and liabilities assumed in a business combination which are measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are recognized as expenses in the periods in which the costs are incurred. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the consolidated statement of profit and loss.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date and included in cost of acquisition in determination of goodwill. Any resulting gain or loss on re-measurement of previously held equity interest is recognised in consolidated statement of profit and loss. If the initial accounting for the business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete and retrospectively adjusts these amounts during the measurement period of one year from the acquisition date.

Goodwill is measured as the excess of the aggregate of the fair value of the consideration transferred in the business combination, the amount recognized for non-controlling interest, and the fair value of any previously held equity interest in the acquiree, over the fair value of the acquiree's net identifiable assets acquired and liabilities assumed. If the aggregate consideration transferred, is lower than the fair value of net assets acquired, the difference is recognised as gain on business combination in the consolidated statement of profit and loss on the acquisition date.

**b) Financial Instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**Notes to the consolidated financial statements**  
*for the year ended 31 December 2020*

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i) Financial assets

*Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, FVOCI or FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of due from a related party that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

*Subsequent measurement*

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments),
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments),
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments),
- Financial assets at FVTPL.

*Financial assets at amortised cost*

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost includes bank balances, trade and other receivables, due from related parties and notes receivables.

*(a) Business model assessment*

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:



**Notes to the consolidated financial statements**  
*for the year ended 31 December 2020*

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- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel; and
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

*(b) The SPPI test*

As a second step of its classification process, the *Group* assesses the contractual terms of financial asset to identify whether they meet the SPPI test.

Principal for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the *Group* applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimum exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and profit on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Further, financial assets carried at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Income from loans and advances, foreign exchange gains and losses and impairment are recognised in the statement of income. Any gain or loss on derecognition is recognised in the statement of income.

*Financial assets at FVOCI (debt instruments)*

The *Group* measures debt instruments at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss. The *Group* does not carry any debt instruments at fair value through OCI.

**Notes to the consolidated financial statements**  
*for the year ended 31 December 2020*

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*Financial assets designated at FVOCI (equity instruments)*

Upon initial recognition, the *Group* can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the consolidated statement of profit or loss when the right of payment has been established, except when the *Group* benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment. The *Group* does not carry any equity instrument designated at fair value through OCI.

*Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model.

Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss. The *Group* does not carry any financial assets at FVTPL.

*Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the *Group's* statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The *Group* has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the *Group* has transferred substantially all the risks and rewards of the asset, or (b) the *Group* has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the *Group* has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the *Group* continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the *Group* also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the *Group* has retained.

**Notes to the consolidated financial statements**  
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Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

*Impairment of financial assets*

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Group has established a policy to perform an assessment at the end of each reporting period of whether credit risk has increased significantly since initial recognition by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Under the lifetime ECL, the Group determines whether the financial asset is in one of the three stages in order to determine the amount of ECL to recognize:

**Stage 1: 12 months ECL**

For exposures where there has not been a significant increase in credit risk since initial recognition, the portion of the lifetime ECL associated with the probability of default events occurring within next 12 months is recognised.

**Stage 2: Lifetime ECL – not credit impaired**

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

**Stage 3: Lifetime ECL – credit impaired**

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. As this uses the same criteria as under IAS 39, the Group methodology for specific provisions remains largely unchanged.

Lifetime ECL are recorded on financial assets that is credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

For trade and other receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Group allocates each exposure to a credit risk grade based on the data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and available press information about customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default.

**Notes to the consolidated financial statements**  
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Exposures within each credit risk grade are segmented by geographic region and industry classification and an ECL rate is calculated for each segment based on delinquency status and actual credit loss experience over the past four years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

The Group has elected to measure loss allowances at an amount equal to 12 month ECLs for the bank balances, notes receivable from related party and due from related parties, for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. The Group has established a provision matrix based on quantitative and qualitative information and analysis, Group's historical credit loss experience, adjusted for forward-looking factors considering the country ratings specific to the receivables and the economic environment.

The Group evaluates the probability of default considering the period of past due receivables. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii) Financial liabilities

*Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include loans and borrowings, notes payable, trade payable, due to related parties and accruals and other liabilities.

*Subsequent measurement*

The measurement of financial liabilities depends on their classification, as described below:

- Financial liabilities at FVTPL
- Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9.

Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the consolidated statement of profit or loss.

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Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at FVTPL.

*Derecognition*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

c) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, bank balances and short-term deposits with an original maturity of three months or less from the date of placement.

d) Inventories

Inventories comprise of finished goods and raw materials. Inventories are stated at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost. In the case of manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and selling expenses.

e) Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is computed on the straight-line method based on estimated useful lives of assets as follows:

Waterway improvement	2 to 25 years
Buildings	5 to 40 years
Machinery and equipment	2 to 5 years

The estimated useful lives, residual values and depreciation methods are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalised with the carrying amount of the property, plant and equipment being replaced. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of fixed asset. All other expenditure is recognised in the consolidated statement of profit or loss when the expense is incurred. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. Significant improvements and replacements of assets are capitalised.

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Assets in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

The replacement costs of major components and overhaul costs which improve the economic benefit that can be generated are capitalised by the Group. The Group recognises and accounts for each component of its asset separately for depreciation. The component approach is also applied where regular major inspections of an asset are a condition of continuing to use it. The cost of each inspection is treated as a separate item (replacement) of property, plant and equipment provided recognition criteria are satisfied.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised on a net basis within other income in the consolidated statement of profit or loss.

At each reporting date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of profit or loss.

f) Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses. Goodwill is measured as the excess of the consideration transferred over the net fair value of the identifiable net assets recognised.

Goodwill is not amortised but is reviewed for impairment at least annually. Goodwill impairment is determined by assessing the recoverable amount of cash-generating unit to which goodwill relates. The recoverable amount is the value in use of the cash-generating unit, which is the net present value of estimated future cash flows expected from such cash-generating unit. If the recoverable amount of cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit prorated on the basis of the carrying amount of each asset in the unit.

Any impairment loss recognised for goodwill is not reversed in a subsequent period. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.



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*for the year ended 31 December 2020*

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g) Intangible assets

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses, if any. The estimated useful lives, residual values and amortisation methods are reviewed at each year end, with the effect of any changes in estimate being accounted for on a prospective basis.

The estimated useful lives, residual values and amortisation methods are reviewed at each year end, with the effect of any changes in estimate being accounted for on a prospective basis.

At each reporting date, the Group reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of profit or loss.

h) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets, other than inventories and deferred tax assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units ("CGUs"). Goodwill arising from business combination is allocated to CGU or groups of CGUs that are expected to benefit from the synergies of the combination. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. All impairment losses are recognised in the consolidated statement of profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. An impairment loss in respect of goodwill is not reversed.



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i) Fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The fair value of financial instruments carried at amortised cost, other derivative financial instruments, is estimated by discounting the future contractual cash flows at the current market interest rates for similar financial instruments.

j) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows that reflects current market assessments of the time value of money and the risks specific to the liability.

k) Income Taxes

Income tax comprises current and deferred tax. Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivables in respect of prior years.

Deferred income tax assets and liabilities are computed for differences between the financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future. Such deferred income tax asset and liability computations are based on substantially enacted tax laws and rates applicable to periods in which the differences are expected to affect taxable income. Current and deferred tax are recognized as an expense or income in consolidated statement of profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognized directly in equity.

The carrying amount of deferred tax assets is reviewed at each consolidated statement of financial position date and reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

l) Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognized revenue when it transfers control over a good or service to a customer. Revenue is measured at a fair value of the consideration received or receivable, taking into account defined terms of payment in a contract and net of applicable discounts.

**Notes to the consolidated financial statements**  
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*Revenue from sale of products:*

Revenue from the sale of products is recognised when a customer obtains control of those products, which normally is when title passes at point of delivery, based on the contractual terms of the agreements. The Group determines that the customer obtains control of the goods based on the following factors:

- The Group's right to reclaim / call back once the goods are on board;
- The Group's right to divert / sell the goods once on board;
- The primary beneficiary in the event of losses from the insurance company.

The following table provides information about the nature and timing of satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies:

<b>Nature and timing of satisfaction of performance obligations, including significant payment terms</b>	<b>Revenue recognition</b>
Customer obtain control of goods based on the agreed Incoterms. The invoices are generated at that point of time based on provisional pricing.	Recognition of the revenues is done separately for the two performance obligations as follows:
Invoices are usually paid within 90 days. Each such sale normally represents two performance obligations as below:	- Sale of goods: At the time the control passes from the Company to the customer based on the agreed Incoterms.
<ul style="list-style-type: none"> <li>- Sale of goods</li> <li>- Shipping, Insurance and logistics</li> </ul>	- Shipping, Insurance and logistics income and costs are recognised over the period of delivery.

*Revenue from shipping and handling services*

The shipping and handling occur after a customer obtains control of the goods, the Group considered shipping and handling services to be a distinct service, in which the Group allocates a portion of the transaction price to the shipping and handling. Revenue allocated to the goods is recognized when control of the goods transfers to the customer i.e. point in time. Revenue allocated to the shipping and handling is recognized as the shipping and handling performance obligation is satisfied i.e. over the time. The related costs are generally expensed as incurred. As a practical expedient, if an entity has a right to consideration (i.e. a right to an invoice) from a customer in an amount that corresponds directly to the value transferred to the customer to date, the entity may recognize revenue in that amount in line with IFRS 15.

*Variable pricing - preliminary pricing*

Certain products in certain markets may be sold with variable pricing arrangements. Such arrangements determine that a preliminary price is charged to the customer at the time of transfer of the control of products, while the price of products can only be determined by reference to a time period ending after that time. In such cases, and irrespective of the formula used for determining preliminary and final prices, revenue is recorded at the time of transfer of control of products at an amount representing the expected final amount of consideration that the Group receives.

Where the Group records receivable for the preliminary price, subsequent changes in the estimated final price will not be recorded as revenue until such point in time at which the final price is determined.

**Notes to the consolidated financial statements**  
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*Interest income*

Interest income is accrued on effective yield basis, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

m) Translation of foreign currencies

Transactions in foreign currencies are translated into USD at rates of exchange prevailing at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into USD at rates of exchange prevailing at the consolidated statement of financial position date. The resultant exchange differences are recorded in the consolidated statement of profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured in terms of historical cost are translated using the exchange rate at the date of transaction.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in the consolidated statement of profit or loss.

The assets and liabilities of foreign operations are translated to USD at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to USD at the average exchange rates for current year. Foreign exchange differences arising on translation are recognized in consolidated statement of other comprehensive income and presented in the foreign currency translation reserve in equity.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to the non-controlling interests.

n) Employee benefits

i. Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

ii. Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

**Notes to the consolidated financial statements**  
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Remeasurements of the net defined liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in consolidated statement of other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in consolidated statement of profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in consolidated statement of profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

iii. Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in the consolidated statement of profit or loss in the period in which they arise.

o) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

**As a lessee**

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes adjustments to reflect the terms of the lease and type of the asset leased.

**Notes to the consolidated financial statements**  
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Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- amounts expected to be payable under a residual value guarantee; and
- Payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

***Short-term leases and leases of low-value assets***

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below \$ 5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

***Significant judgement in determining the lease term of contracts with renewal options***

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

p) **Critical accounting judgments and key sources of estimation uncertainty**

The following are the critical accounting judgements, apart that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the consolidated statement of financial statements.

***Retirement Benefit Obligation***

The cost of providing retirement benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each consolidated statement of financial position date. Actuarial valuations are based on a number of assumptions and require significant judgements made by the management. The management believes that the assumptions used in determining the retirement benefit obligation using actuarial valuation method are reasonable.

**Notes to the consolidated financial statements**  
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*Determination of functional currency*

Functional currency is the currency of the primary economic environment in which the Group operates. When indicators of the primary economic environment are mixed, management uses its judgment to determine the functional currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The management have determined that the functional currency of the Company is USD since the majority of the Company's transactions are denominated in USD. Sales and purchases are also received and paid in USD.

*Acquisition accounting*

The Group assesses the fair value of assets and liabilities assumed in an acquisition on a provisional basis. If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the assessed fair values, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

*Deferred tax assets*

The net deferred tax asset represents income taxes recoverable through future deductions from taxable profits and are recorded in the consolidated statement of financial position. Deferred income tax assets are recorded to the extent that realization of the related tax benefit is probable. In determining future taxable profits and the amount of tax benefits that are probable in the future, management makes reasonable judgements and estimates based on taxable profits and expectations of future income. Projections of future profitability used for the purpose of assessing usage of tax assets is consistent with considerations elsewhere, such as in impairment analyses.

**Key sources of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the consolidated statement of financial position date are discussed below:

*Measurement of fair values*

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).



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The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement.

For financial instruments carried at amortized cost, fair values are not materially different from their carrying values and are used only for disclosure purpose. Fair value of such financial instruments are classified under level 3 determined based on discounted cash flow basis, with most significant inputs being the discount rate that reflects the credit risk of counterparties.

*Measurement of ECL*

The measurement of ECLs on financial assets involves complex estimations. ECLs are probability weighted estimates of credit losses and are measured as the present value of all cash shortfalls discounted at the effective profit rate of the financial instrument. Cash shortfall represent the difference between cashflows due to the Group in accordance with the contract and the cashflows that the Company expects to receive. The key elements in the measurement of ECL include probability of default, loss given default and exposure at default.

The Probability of Default (“PD”) is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the financial asset has not been previously derecognized and is still in the portfolio.

The Exposure at Default (“EAD”) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and profit, whether scheduled by contract or otherwise, expected drawdowns on committed facilities.

The Loss Given Default (“LGD”) is an estimate of the loss arising in the case where a default occurs at a given time.

*Impairment of property, plant and equipment and intangible assets with finite useful lives*

The Group assesses the carrying value of property, plant, equipment, identifiable intangible assets, and long-lived assets annually, or more frequently if events or changes in circumstances indicate that such carrying value may not be recoverable. Factors that trigger an impairment review include underperformance relative to historical or projected future results, significant changes in the manner of use of the assets or the strategy for the overall business and significant negative industry or economic trends. The most significant variables in determining cash flows used to assess the carrying value are discount rates, terminal values, the number of years on which to base the cash flow projections, as well as the assumptions and estimates used to determine the cash inflows and outflows. Amounts estimated could differ materially from what will actually occur in the future.

*Impairment of goodwill*

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.



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*Legal contingencies*

Legal contingencies cover a wide range of matters threatened in various jurisdictions against the Group. Provisions are recorded for pending litigation when it is determined that an unfavorable outcome is probable and the amount of loss can be reasonably estimated, after consideration of advice from attorneys. Due to the inherent uncertain nature of litigation, the ultimate outcome or actual cost of the settlement may materially vary from estimates.

q) Standards and interpretations issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2021 with earlier application permitted, however, the Group has not early adopted any of these new or amended standards in preparing these consolidated financial statements.

- Reference to the Conceptual Framework – Amendments to IFRS 3;
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16;
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities;
- Profit Rate Benchmark Reform (Phase 2); and
- IFRS 17 – Insurance contracts.

The new standards and amendments are not expected to have a material impact on the Group's consolidated financial statements in the period of initial application.

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**4. Property, plant and equipment**

	USD million				
	Land and waterway improvements	Buildings	Machinery and equipment	Construction in progress	Total
<b>Cost</b>					
Balance at 1 January 2019	8	45	614	29	696
Additions	-	2	7	17	26
Transfers	-	2	24	(26)	-
Foreign currency translation	-	-	13	-	13
Balance at 31 December	8	49	658	20	735
Additions	-	-	25	22	47
Transfers	-	-	15	(15)	-
Write off	-	-	(26)	-	(26)
Foreign currency translation	-	-	7	-	7
Balance at 31 December	8	49	679	27	763
<b>Accumulated depreciation and impairment losses</b>					
Balance at 1 January 2019	1	6	177	-	184
Charge for the year	-	2	63	-	65
Foreign currency translation	-	-	3	-	3
Balance at 31 December	1	8	243	-	252
Charge for the year	1	2	54	-	57
Related to write off	-	-	(24)	-	(24)
Foreign currency translation	-	-	2	-	2
Balance at 31 December	2	10	275	-	287
<b>Carrying amounts</b>					
At 31 December 2019	7	41	415	20	483
At 31 December 2020	6	39	404	27	476

Construction in progress comprise of improvement projects for the existing plants. Such assets are not subject to depreciation until the improvements are tested and available and ready for use.

Notes to the consolidated financial statements  
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**5. Goodwill and other intangible assets**

	USD million			
	Goodwill	Intellectual property	Software	Total
<b>Cost</b>				
Balance at 1 January 2019	1,461	10	1	1,472
Additions	-	-	-	-
Balance at 31 December 2019 and 2020	1,461	10	1	1,472
<b>Accumulated amortisation and impairment losses</b>				
Balance at 1 January 2019	-	3	1	4
Charge for the year	-	1	-	1
Balance at 31 December 2019	-	4	1	5
Charge for the year	-	1	-	1
Balance at 31 December 2020	-	5	1	6
<b>Carrying amounts</b>				
At 31 December 2019	1,461	6	-	1,467
At 31 December 2020	1,461	5	-	1,466

Goodwill acquired in a business combination is allocated at acquisition to the Cash Generating Unit ('CGU') that is expected to benefit from that business combination. Goodwill represents expected economic benefits from the business combination including the future growth of the operations, synergies expected from supply chain and logistics, reduction of cost and access to global market and network. The impairment testing for Goodwill is carried out annually. The Group has one CGU for the purpose of impairment testing. The carrying amount of goodwill has been allocated to this CGU.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the cash generating units are determined based on the value in use method. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using rates that reflect current market assessments of the time value of money and the risks specific to the cash generating units. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The key assumption used in the estimation of the recoverable amount are set out below:

	2020	2019
Weighted Average Cost of Capital	8.01%	8% to 9%
Terminal value growth rate	2.5%	2%
Budgeted EBITDA growth rate (average of next five years)	24%	32%

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Weighted Average Cost of Capital was estimated based on estimated rate of return (cost of equity) and Cost of debt, with a possible debt leveraging of 77% (2019: 74%) at the market interest of 3.77% (2019: 3.18%).

The cashflow projections includes specific estimate for five years and a terminal growth rate thereafter. The terminal growth rate determined based on management's estimate of the long-term compound annual EDITDA growth rate, consistent with the assumptions that are market participant would make.

Budgeted EBITDA was based on expectation of future outcomes taking into account past experience, adjusted for anticipated revenue growth. Revenue growth was projected taking into account the average growth level experienced over the past five years and the estimated sales volume and price growth for the next five years. It was assumed that sales prices would grow at a constant margin above forecast inflation over the next five years.

Based on the impairment analysis as at 31 December 2020, the estimated recoverable amount of the CGUs exceeded their carrying amounts. Management has not identified any reasonably possible change in the key assumptions which could cause the carrying amount to exceed the recoverable amount. Management is confident that based on its assessment goodwill is recoverable and accordingly, no impairment loss has been recorded.

**6. Deferred charges and other assets**

	<b>USD million</b>	
	<b>2020</b>	<b>2019</b>
Ethylene supply agreement	268	280
Ethylene storage cavern	2	3
Financing cost – Bank	6	12
	<u>276</u>	<u>295</u>
Classified as: -		
Current	16	21
Non-current	260	274
	<u>276</u>	<u>295</u>

Ethylene supply agreement: This represents amounts paid to Dow towards the Ethylene supply rights for various plants. These amounts are amortised over the life of the contract. In the year 2019, the Group paid an additional amount of USD 96 million to DOW towards Ethylene supply agreement rights for Alberta plant.

**7. Cash and bank balances**

	<b>USD million</b>	
	<b>2020</b>	<b>2019</b>
Cash balances	0	0
Bank balances	0	0
Cash and bank balance	<u>0</u>	<u>0</u>

Notes to the consolidated financial statements  
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**8. Trade and other receivables**

	USD million	
	2020	2019
Trade receivables	2	2
Less: Provision for ECL	0	0
	2	2
Other receivables	81	53
	83	55

**9. Notes**

	USD million	
	2020	2019
<i>Notes Payables</i>		
Notes payable to MEGlobal B.V. (Note 16)	41	205
<i>Notes receivables</i>		
Notes receivable from EQUATE petrochemical K.S.C.C (Note 16)	148	-
Notes receivable from MEGlobal B.V. (Note 16)	28	277
	176	277
Non-current	148	-
Current	28	277
	176	277

*MEGlobal B.V. Revolving Credit Facility* - The Group has a multi-currency revolving credit facility in place with MEGlobal B.V., for working capital financing up to a maximum of USD 500 million (2019: USD 500 million) at an interest rate of LIBOR plus 0.46% to 0.65% (2019: LIBOR plus 0.43%). The facility can also be used to deposit excess funds. As of 31 December, the Group had borrowed from MEGlobal B.V. USD 13 million (2019: lent USD 72 million) in various currencies with effective interest rates ranging from 0.60% to 0.81% (2019: 2.12% to 2.38%). The facility does not have a specific tenure and is repayable on demand. Interest is accrued monthly.

*EQUATE petrochemical K.S.C.C Loan Facility* - The Group has entered into long term loan facility with EQUATE Kuwait for lending of its funds amounting to USD 143 million on long term basis at interest of 2.95% per annum maturing on 31 May 2027.

**10. Inventories**

	USD million	
	2020	2019
Finished goods	8	4
Raw materials	2	1
MRO inventory	4	3
	14	8

**Notes to the consolidated financial statements**  
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**11. Common stock**

The Group has two classes of common stock: Class A and Class B. Both classes of shares carry no par value per share.

Class A Shares:

Authorized: unlimited shares

Issued and outstanding: 200,000,100 shares

Stockholder: EQUATE Petrochemical Company K.S.C.C

Class B Shares:

Authorized: unlimited shares

Issued and outstanding: 0 shares

These classes of common stock have the same rights, preferences and restrictions.

**12. Additional paid in capital**

The additional paid in capital of USD 200 million represents equity contributed by the shareholder of the Company. The amount is interest free and is repayable at the discretion of the Company.

**13. Long term debt**

The movement in loans and borrowings is as follows:

	<b>USD million</b>	
	<b>2020</b>	<b>2019</b>
Balance at 1 January	1,457	1457
Repayment of long-term loan	(1,457)	-
Issue of conventional bonds	1,600	-
Balance at 31 December	1,600	1,457

In 2016, the Group along with the Parent Company (“the Borrowers”) had secured a USD 5 billion long term loan (“Term Loans”) from a consortium of banks. The Term Loan consisted of USD 2 billion Tranche A 5-year bullet facility, USD 2 billion Tranche B 3-year bullet facility, and USD 1 billion 3-year revolving credit facility. The Borrowers were jointly and severally a guarantor along with The Kuwait Olefins Company K.S.C.C. (“TKOC”) for these term Loans and the credit facilities included customary covenants. In 2016, the Borrowers had drawdown USD 2 billion and USD 0.5 billion from Tranche A and Tranche B, respectively.

In 2017, the Borrowers early settled Tranche B 3-year bullet facility amounting to USD 500 million and cancelled the undrawn available facility of Tranche B.

In 2018, the Borrowers completed the restructuring and extended the Tranche A term loan facility until 23 June 2023, revolver credit facility until 23 June 2022 and spread on both term loan and the revolver credit facility was reduced. As part of the amendment and extension of the facilities, the Borrowers repaid an amount of USD 100 million, thereby reducing the Tranche A Term Loan Facility outstanding balance to USD 1.9 billion.

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During 2020, the Borrowers fully settled Tranche A Term Loan amounting to USD 1,900 million using the proceeds from issue of new notes amounting to USD 1,600 million and a new 3-year term and murabaha loans amounting to USD 300 million. Murabaha and Term Loan is repayable in 2023 and is guaranteed by TKOC. This revolving credit facilities are jointly guaranteed by the Borrowers and TKOC.

Additionally, the existing revolver facility commitment was reduced from USD 1 billion to USD 500 million, valid until June 2022. The tenor was further extended to June 2023 with a commitment amount of 425 million. The Borrowers has the option to extend the revolver facility for one more year until June 2024.

The Company is a joint guarantor to the unutilized revolving credit facility of USD 500 million. The Company has access to the revolving credit facility.

*Medium term notes*

During the year, EQUATE established a USD 4 billion Global Medium-Term Note Programme (“GMTN”), and on 18 May 2020, the Company issued notes (“GMTN notes”) amounting to US\$ 1,600 million with various tenors.

The payments due in respect of GMTN notes are unconditionally and irrevocably guaranteed, jointly and severally, and not severally, by EQUATE and TKOC. All the notes are listed on EURONEXT.

At the reporting date, the Group had issued following outstanding Notes:

	<b>USD million</b>	
	<b>2020</b>	<b>2019</b>
i) Fixed interest rate Notes amounting to USD 1,000, million having a term of 5 years, maturing in 2025, with an effective interest rate of 5.000% and carrying a coupon rate of 5.000% per annum payable on a semi-annual basis.	1,000	-
ii) Fixed interest rate Notes amounting to USD 600, million having a term of 10 years, maturing in 2030, with an effective interest rate of 5.875% and carrying a coupon rate of 5.875% per annum payable on a semi-annual basis.	600	-
	<b>1,600</b>	<b>-</b>

As at 31 December 2020, the medium-term notes described in i) and ii) are quoted at USD 113 and USD 124.87 respectively. These quotes are based on level 1 inputs of fair value.



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#### 14. Derivatives Instruments and Hedging

The Group's operations require active participation in foreign exchange markets. The Group enters into foreign exchange forward contracts to hedge various currency exposures. Exposures primarily relate to assets and liabilities denominated in foreign currencies. The primary business objective of the activity is to optimize the U.S. dollar value of the Group's assets and liabilities with respect to exchange rate fluctuations. Assets and liabilities denominated in the same foreign currency are netted, and only the net exposure is hedged. At 31 December 2020, the Group had forward contracts to buy, sell or exchange foreign currencies. These contracts had various expiry dates and are with MEGlobal BV.

	USD million	
	2020	2019
Foreign currency mark to market impact on profit or loss	0	(2)

As at 31 December, the Group had the following net notional forward exchange contracts (amounts in millions of respective currency):

	2020	2019
<b>CAD\$</b>		
Long position	61	471
Short position	50	231
<b>US\$</b>		
Long position	19	158
Short position	4	77

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The net mark to market loss on the above currencies amounting to USD 0 million (2019: USD 2 million) as at 31 December 2020 is shown under level 2 inputs.

#### 15. Contingencies and commitments

##### *Contingent liabilities*

Following the completion of audit report for the tax years 2013, 2014 and 2015, the Company received a Corporation Income Tax re-assessment from the Canadian Revenue Agency (CRA) for a transfer pricing adjustment amounting to CAD\$ 61.6 million (USD 48.2 million) for 2013, CAD\$ 75 million (USD 58.7 million) for 2014 and CAD \$75.8 million (USD 59.2 million) for 2015. This has resulted in additional assessed federal, provincial and Part XIII tax impact of CAD\$ 31.6 million (USD 24.7 million) for 2013, tax impact of CAD\$ 38.3 million (USD 30 million) for 2014 and tax impact of CAD\$ 38.1 million (USD 29.8 million) for 2015.

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The Management has filed notice of objections for each of the re-assessments and is confident that it can defend their filed positions using its transfer pricing methodology and get the assessments reversed through the appeal process, similar to prior years. It is also of the view that no additional tax liability is required for these assessments.

*Other commitments*

MEGlobal International FZE ("the related party") has entered into short term arrangements to obtain the right to use of 9,784,704 troy ounces (2019: 9,135,774 troy ounces) of silver worth US\$ 217 (2019:US\$ 153) with a number of banks. The title and ownership of the silver rests with banks. These arrangements mature over various dates in 2021. A related party of the Group pays service fees for these arrangements which are expensed over the terms of such arrangements. The related party also bears the risk of loss of silver resulting from usage. The related party assigned the right to use silver to the Company and its wholly owned subsidiary Alberta & Orient Glycol Company ULC for utilization in its manufacturing operations on similar terms.

*Capital commitments*

MEGlobal Canada ULC has entered into an agreement for replacement of catalyst with an affiliate for its production facility at Fort Saskatchewan and Prentiss. The capital commitments relating to this replacement amounts to USD 9 million (2019: USD 24 million).

**16. Related party transactions**

The Group has entered into certain commercial arrangements with related parties which includes:

- Ethylene Supply Agreement
- Ethylene Oxide (EO)/EG Swap Agreement
- Technology License Intellectual Property (IP) Agreement
- Transfer Pricing Sales Agreement
- Catalyst Supply Agreement
- Storage Sublease
- Silver Lease
- Ground Lease
- Utilities Services Agreements
- Technical Services Agreement
- General Services Agreement
- Secrecy Agreement
- Employee Seconding Agreement
- Other Assignment and Assumption Agreements.

In addition to the above there are number of arrangements with the related parties which are disclosed below.

	USD million	
	2020	2019
<b>a) Sales and other income</b>		
Sales of EG to Dow consolidated companies	4	7
Sales of EG to EQUATE Petrochemical BV	149	478
Sales of EG to EQUATE Petrochemical K.S.C.C	338	-
Rendering of services to Dow consolidated companies	10	8
Rendering of services to EQUATE Petrochemical BV	2	2
Rendering of services to EQUATE Petrochemical K.S.C.C	2	-
Interest income from MEGlobal B. V	7	3
Interest income from EQUATE Petrochemical K.S.C.C	5	-

**Notes to the consolidated financial statements**  
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	USD million	
	2020	2019
<b>b) Purchases and expenses</b>		
Purchase of ethylene from Dow consolidated companies	193	190
Service costs reimbursed to Dow consolidated companies	62	75
Service costs reimbursed to EQUATE Petrochemical BV	-	3
Service costs reimbursed to EQUATE Petrochemical K.S.C.C	6	-
Interest expenses to MEGlobal BV	-	6
Interest expenses to EQUATE Petrochemical K.S.C.C	10	-
<b>c) Due from related parties</b>		
Due from Dow consolidated companies	8	2
Due from EQUATE Petrochemical BV	95	102
Due from EQUATE Petrochemical K.S.C.C	37	
	<u>140</u>	<u>104</u>
<b>d) Due to related parties</b>		
Due to Dow consolidated companies	2	4
Due to EQUATE Petrochemical K.S.C.C	2	5
	<u>4</u>	<u>9</u>
<b>e) Notes receivable</b>		
Notes receivable from MEGlobal B.V. (Note 9)	28	277
Notes receivable from EQUATE Petrochemical K.S.C.C (Note 9)	148	-
	<u>176</u>	<u>277</u>
<b>f) Notes payable</b>		
Notes payable from MEGlobal B.V. (Note 9)	41	205
	<u>41</u>	<u>205</u>

Dow Consolidated Companies includes: The Dow Chemical Group ("TDCC"), Union Carbide Corporation, DCC ULC, Dow Europe Holding B.V. and other TDCC subsidiaries and or related companies to a smaller extent.

EQUATE Petrochemical B.V. includes: MEGlobal B.V., MEGlobal Americas Inc., MEGlobal Europe GmbH, MEGlobal Asia Limited, MEGlobal Mexico S.A. de C.V., MEGlobal Trading Co. Ltd., MEGlobal Comercio Do Brasil Ltda, MEGlobal EG Singapore PTE LTD, Equipolymers GmbH and Equipolymers SRL.

Transaction with EQUATE Petrochemical Company K.S.C.C. includes transactions with MEGlobal International FZE.

All outstanding balances with these related parties are at agreed upon prices and are to be settled in accordance with standard terms of the agreements.

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The Ethylene Supply Agreement commits the Group to purchase and obligates DCC ULC to supply a contract quantity of ethylene each year through 2024 with additional two five-year extensions through to 2034, on a predetermined contract pricing formula. The provisions of the agreement allow for certain cost adjustments based on contractual formulas and raw material inputs and are generally settled in conjunction with the monthly related Group settlement and reconciliation process. Management believes that the impacts of these settlements are not significant. The Company has no key managerial personnel employed.

On 1 October 2020, MEGlobal Canada ULC agreed to update the terms of transfer pricing for its sales to MEGlobal International FZE and MEGlobal America Inc. whereby updating the pricing terms to be cost plus and arms-length element of profit (15%) margin, with retrospective effect from 1 January 2019. This resulted in an adjustment to MEGlobal Canada ULC's current year sales, which is reduced by USD 18.6 million.

On 31 October 2020, MEGlobal Canada ULC terminated the transfer pricing agreement with MEGlobal International FZE and entered into a separate transfer pricing agreement with MEGlobal EG Singapore Pte. Ltd. with effect from 1 November 2020 for the purchases from MEGlobal Canada at cost plus 15% margin.

## 17. Taxation

The provision for income taxes consists of the following:

	USD million	
	2020	2019
Income tax-net		
Current	(4)	6
Deferred	(12)	(26)
	<u>(16)</u>	<u>(20)</u>

Net income taxes paid in 2020 were USD13 million (2019: USD 47 million). This represents deferred tax assets and liabilities of subsidiary.

	USD million	
	2020	2019
Deferred tax assets		
Post – retirement benefit obligations	<u>9</u>	<u>4</u>
Deferred tax liabilities		
Property	88	92
Other assets and intangible	<u>43</u>	<u>49</u>
	<u>131</u>	<u>141</u>

During 2020, the Group reported non-capital losses of USD 50.5 million (2019: nil). These losses can and will be carried back three years to reduce previously reported non-capital gains or can be carried forward for a period of 20 years to reduce future reported gains. At 31 December 2020, the Group has no unused non-capital losses.

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Reconciliation of effective tax rate as follows:

	<b>USD million 2020</b>	<b>USD million 2019</b>
Loss before tax from continuing operation	(59)	(1)
Tax using the Company's domestic tax rate	24% (14)	27% 0
Impact of changes in future enacted tax rates	(2)	(17)
Other	0	(3)
Tax benefits	<u>(16)</u>	<u>(20)</u>

**18. Employee benefit program**

Benefit program cost which include compensation and all Group benefit programs totalled USD 49 million in 2020 (2019: USD 33 million). Employees of the Group maintained their participation in all DCC ULC sponsored health and welfare benefit programs for the year ended 2020. The Group pays for the costs incurred under these plans. The employee savings and pension plans are in the name of the Group.

**19. Pension and other post-retirement benefits**

The Group operates a non-contributory Defined Benefit Plan ("Plan") for its employees. The Plan became effective July 1, 2004 replacing the Dow Chemical Canada Inc. Salaried Employees Pension Plan and the Union Carbide Pension Plan for Canadian employees; both plans had been in place for the Group's employees up until that time. All former Dow Chemical Canada Inc. ("DCCI") employees, who were also members of their respective plans, transferred to employment with the Group on July 1, 2004 and became employees of the Group and members of the Plan on that date. As of December 31, 2011, the defined benefit plan was closed to new entrants. The Group introduced a new defined contribution plan for employees hired on or after January 1, 2012.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out in 2020. These valuations reflect the past service costs and asset transfers of the Union Carbide Canada and the DCCI Salaried Employees Pension plans to the Plan. The Plan's liabilities were assessed by utilizing the Projected Unit Credit actuarial method.

The pension plan exposes the Group to actuarial risks such as longevity risk, currency risk, interest rate risk and investment risk.

The Group provides certain health and welfare benefits to retired employees. These benefits which are supplemental to provincial health care plans cover eligible employees age 50 and over who have completed a minimum often years of credited active service. The Group and the retiree share the costs of these benefits. This unfunded benefit plan is cancellable by the Group.

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	Defined pension benefit plans		Other post-retirement benefits	
	2020	2019	2020	2019
<u>Actuarial assumptions:</u>				
Discount Rate	2.58%	3.14%	2.6%	3.15%
Salary Increases – Current	0.0%	5.00%	0.0%	3.50%
Salary Increases - Subsequent Year	3.5%	3.50%	3.5%	-
Salary Increase - Thereafter	3.5%	3.50%	3.5%	-
Inflation	2.0%	2.00%	-	-
<u>Heather Care Trend Rates:</u>				
Drugs – Initial			5.5%	5.5%
Drugs - Ultimate Trend			4.5%	4.5%
Drugs - Year Ultimate Trend Rate Reached			2026	2026
Other Health Care			4%	4%
	USD Million			
	Defined pension benefit plans		Other post-retirement benefits	
	2020	2019	2020	2019
Defined benefit cost:				
Profit & loss (P&L)				
Current services costs	4	3	-	-
Net interest cost	1	1	-	-
Cost recognized in P&L	5	4	-	-
Other comprehensive income (OCI)				
Actuarial loss due to:				
- Liability experience	-	3	-	-
- Liability assumption changes	9	15	1	1
Actuarial loss arising during year	9	18	1	1
Return on plan assets	(4)	(5)	-	-
Adjustment to deferred tax	(5)	-	-	-
Remeasurement effects recognized in OCI before tax	0	13	-	-
<b>Defined benefit cost</b>	<b>5</b>	<b>17</b>	<b>1</b>	<b>1</b>

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	USD Million			
	Defined pension benefit plans		Other post-retirement benefits	
	2020	2019	2020	2019
<u>Net financial position:</u>				
Development of Net Financial Position				
Defined benefit obligation	(116)	(106)	(8)	(7)
Fair value of assets	83	77	-	-
<b>Net Defined Benefit Liability</b>	<b>(33)</b>	<b>(29)</b>	<b>(8)</b>	<b>(7)</b>

Reconciliation of benefit obligation

	USD Million			
	Defined pension benefit plans		Other post-retirement benefits	
	2020	2019	2020	2019
Acquired in a Business Combination				
Benefit Liability at January 1	106	80	7	7
Current services cost	4	3	-	-
Interest cost	1	1	-	-
Actuarial (gain)/losses arising from:				
- Demographic assumptions	-	-	-	-
- Financial assumptions	9	15	1	-
- Experience assumptions	-	3	-	-
Benefits paid	(8)	-	-	-
Gain due to exchange rate movements	4	4	-	-
<b>Benefit liability at December 31</b>	<b>116</b>	<b>106</b>	<b>8</b>	<b>7</b>



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Reconciliation of fair value or plan assets:

	<b>Defined pension benefit plans</b>	
	<b>USD Million</b>	
	<b>2020</b>	<b>2019</b>
Fair value of plan assets at 1 January	77	64
Company contributions	5	5
Benefits paid	(8)	(1)
Interest income on plan assets	4	3
Return on plan assets greater than discount rate	4	5
Gain due to exchange rate movements	1	1
<b>Fair value of plan assets at 31 December</b>	<b>83</b>	<b>77</b>

The fair value of plan assets is analysed as follows:

Cash and cash equivalents	11	14
Bonds	27	24
Equity	45	39
<b>Total</b>	<b>83</b>	<b>77</b>

The Group's 2020 funding requirements for the defined benefit pension plans is expected to be USD 3 million (2019: USD 3 million).

Contributions to the defined contribution plan for other post-retirement benefits were immaterial in 2020 and will remain so in 2021.

Pension and post-retirement costs are included in the employee benefits component of labour and thus follow labour costs to various line items of the consolidated statement of profit or loss and other comprehensive income.

Change of 1% percentage in the discount rate would have an impact of USD 25 million (2019: USD 22 million) on the defined benefit obligation of the pension plans and a USD 2 million (2019: USD 2 million) impact on the defined benefit obligation of other post-retirement obligations.

The plan assets do not include any of the Group's financial instruments, or property occupied by, or other assets used by the Group.

**20. Accrued and other liabilities**

	<b>USD million</b>	
	<b>2020</b>	<b>2019</b>
Accrued interest	10	1
Silver loss accruals	5	1
Accrued payroll	2	-
Others	4	10
	<b>21</b>	<b>12</b>

Notes to the consolidated financial statements  
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**21. Net sales**

**Net sales by geography**

	USD million	
	2020	2019
Americas	506	504
North Asia	-	37
	<u>506</u>	<u>541</u>

	USD million	
	2020	2019
Products transferred at a point in time	484	509
Products and services transferred over time	17	28
<b>Revenue from contracts with customers</b>	<u>501</u>	<u>537</u>
Other revenue	<u>5</u>	<u>4</u>
	<u>506</u>	<u>541</u>

**22. Cost of sales**

	USD million	
	2020	2019
Materials	299	289
Distribution expenses	49	55
Staff cost	32	46
Depreciation and amortisation	73	82
Other	32	11
	<u>485</u>	<u>483</u>

**23. Financial risk management**

**Overview**

The Group is exposed to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

**Financial management framework**

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

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The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Finance Committee, which is responsible for developing and monitoring the Group's risk management policies. The Committee reports regularly to the Board of Directors on its activities.

The Group's Corporate Treasury function provides treasury services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks.

**Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's trade and other receivables, due from related parties, loans to related parties and bank balances.

The Group is protected from third party credit risk due to the EQUATE B.V. distribution channels. In addition, the Group is selling products to local customers on open account and secured terms and engages in an active and conservative credit management policy that includes credit insurance. Management believes there are no significant past due receivables subject to credit risk. In accordance with management procurement policies, trade payables are settled in accordance with normal credit terms. With respect to financial assets, the maximum exposure is equal to the carrying amount of the assets on the statement of financial position. Temporary surplus cash is placed with MEGlobal B.V.

The carrying amount of following financial assets represents the maximum credit exposure of the Group:

	<b>USD million</b>	
	<b>2020</b>	<b>2019</b>
Notes receivables	176	277
Trade receivables	2	2
Due from related parties	140	104
Other receivables	81	53
Bank balances	0	0
<b>Total</b>	<b>399</b>	<b>436</b>

*Trade receivables*

The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Company uses other publicly available financial information and its own trading records to rate its major customers.

The Company's exposure to and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management annually.

The balances are neither due nor impaired.

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*Due from related parties and Notes receivables*

Transactions with related parties are carried out on a negotiated contract basis. The related parties are with high credit rating and repute in the market. Impairment on the due from a related party have been measured on the basis of lifetime expected credit losses. The Company considers that these have low credit risk based on historical experiences, available press information and experienced credit judgment. As on 31 December 2020, these are neither impaired nor due. The management considered notes receivables to be fully recoverable.

*Other receivables*

As at the reporting date, the majority of the Group's counterparty exposure has a low risk of default and does not include any past-due amounts.

*Bank balances*

Bank balances are held with bank and financial institution counterparties, which are highly rated. Impairment on bank balances has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that its bank balances have low credit risk based on the external credit ratings of the counterparties. The 12-month ECL computed on the bank balances are insignificant.

*Concentration*

The Group participates in the manufacturing and trade industry sector and can be analysed by the following geographic regions post intergroup eliminations:

	USD Million			
	2020		2019	
	Assets	Liabilities	Assets	Liabilities
<i>Geographic Region:</i>				
North America	2,464	241	2,416	234
Middle East	148	-	-	1,457
Europe	28	1,641	277	205

**Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity 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 Group's reputation.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The dividend policy of the Group is driven by a targeted debt to equity ratio, cash flow and liquidity, and is restricted by certain tax and legal provisions prevailing in various jurisdictions in which the Group operates.

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The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest / profit payments:

	<b>0 to 3 months</b>	<b>3 to 12 months</b>	<b>&gt;1 year</b>	<b>Total</b>	<b>Carrying amount</b>
<b>As at 31 December 2020</b>					
Long term debt	-	43	2,001	2,044	1,600
Notes payable	41	-	-	41	41
Trade payables	38	-	-	38	38
Due to related parties	4	-	-	4	4
Income tax payable	4	-	-	4	4
Accrued and other liabilities	21	-	-	21	21
<b>Total</b>	<b>108</b>	<b>43</b>	<b>2,001</b>	<b>2,152</b>	<b>1,708</b>
	<b>0 to 3 months</b>	<b>3 to 12 months</b>	<b>&gt;1 year</b>	<b>Total</b>	<b>Carrying amount</b>
<b>As at 31 December 2019</b>					
Long term debt	9	34	1,565	1,608	1,457
Notes payable	206	-	-	206	205
Trade payables	31	-	-	31	31
Due to related parties	9	-	-	9	9
Income tax payable	5	-	-	5	5
Accrued and other liabilities	12	-	-	12	12
<b>Total</b>	<b>272</b>	<b>34</b>	<b>1,565</b>	<b>1,871</b>	<b>1,719</b>

**Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

**Foreign currency risk**

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. The following exchange rates were applied to translate the monetary assets and liabilities at 31 December 2020:

	<b><u>Average rates</u></b>		<b><u>Year-end rates 31 December</u></b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b><u>USD</u></b>	<b><u>USD</u></b>	<b><u>USD</u></b>	<b><u>USD</u></b>
1 CAD\$				
(Canadian Dollar)	0.744	0.756	0.785	0.769

*Foreign currency sensitivity analysis*

**Notes to the consolidated financial statements**  
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As at 31 December 2020, if the USD had weakened / strengthened by 5% against the Canadian dollar with all other variables held constant, profit for the year would have been lower / higher by USD 1 million (2019: USD 13 million).

**Interest rate risk**

The Group is exposed to interest rate risk as it borrows and places funds.

During the year, if interest rates on USD denominated borrowings had been 1% higher/lower with all other variables held constant, profit for the year would have been USD 13 million (2019: USD 15 million) lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings.

The Group's exposure to interest rates on financial assets and financial liabilities are disclosed in Notes 9 and 13 to the consolidated financial statements.

**Determination of fair values**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention, or need, to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

The fair value of financial assets and financial liabilities (excluding derivative instruments, medium term notes) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions. The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (level II inputs). The fair value of medium-term notes is determined using quoted prices (level I inputs). All other financial instruments are classified as Level III.

**24. COVID -19**

Coronavirus ("COVID-19") a global pandemic. The COVID-19 pandemic and related economic repercussions have created significant volatility, uncertainty and turmoil in the oil and gas and related industries. This outbreak and the related responses of governmental authorities to limit the spread of the virus have significantly reduced global economic activity, resulting in an unprecedented decline in the demand for commodities. This supply-and-demand imbalance coincided with decisions of various global oil producers to increase the production levels, putting severe downward pressure on commodity prices. These factors caused a swift and material deterioration in commodity prices during the year. Due to above, the Group experienced among other things decline in revenue and profit. leading to an impact on the Group's financial results and financial position.

The full extent and impact of the COVID-19 pandemic and related factors is unknown at this time and the degree to which it may impact the Group's business operations and financial results will depend on future developments, which are highly uncertain and cannot be predicted with any degree of confidence, including: the duration, severity and geographic spread of the COVID-19 virus.

In response to the event, the Group has taken several executive decisions in response to minimise the financial impact as a result of the pandemic. In addition to the above, the Group also expects the market to recover in the coming months with an upward trend in the market prices subsequent to the year end.

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The Group is closely monitoring the situation and has activated its Business Continuity Planning and risk management practices to manage the potential business disruption that COVID-19 outbreak may have on its operations and financial performance.

The Group has considered potential impacts of the current economic volatility in determination of the reported amounts of the Group's financial and non-financial assets and these are considered to represent management's best assessment based on available or observable information. Markets however remain volatile and the recorded amounts remain sensitive to market fluctuations.