

EQUATE Petrochemical B.V. and subsidiaries
Amsterdam, The Netherlands



Consolidated financial statements and
Independent auditor's report for the year ended
31 December 2021

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Independent auditor's report

The Shareholders
EQUATE Petrochemical B.V.
The Netherlands

Opinion

We have audited the consolidated financial statements of EQUATE Petrochemical B.V. ("the Company") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021, 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.

KPMG Safi Al-Mutawa & Partners, a Kuwaiti Public Accountant and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

Valuation of goodwill and brand

See Note 5 to the consolidated financial statements.

The key audit matter

At 31 December 2021, the total carrying value of goodwill amounted to USD 225 million and the carrying value of brand amounted to USD 90 million. Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating units (CGU's) to which goodwill has been allocated. Determining whether brand is impaired requires an estimation of the discounted value of the future cash flows for the total group in order to justify the carrying value of the brand. The value in use calculations require management to estimate the future cash flows expected to arise from the cash-generating unit (goodwill) respectively for the total group (brand) and an appropriate discount rate in order to calculate present value. Considering the significance of the carrying value of goodwill and brand and the estimates management is required to make we consider this a key audit matter.

How the matter was addressed in our audit

As part of our audit, we assessed the methods used by management of the Group to determine the discounted value of the future cash flows for the total Group, the recoverable amount of the CGUs as well as the key assumptions utilized in management's annual impairment analysis. We performed audit procedures over the significant forecast assumptions for 2022, including volume, capacity, sales price and cost. We analysed cash flows for the years 2023 and beyond based on the base forecast for 2022 and market data for the Ethylene Glycol ("EG") business. Additionally, we validated that the result and cash flow projections used in the impairment analysis are consistent with the long-range plan approved by the Board of Directors.

We performed our own sensitivity analysis, which included assessing the effect of reasonably possible reductions in growth rates and forecast cash flows to evaluate the impact on the currently estimated headroom.

We evaluated the adequacy of the financial statement disclosures, including disclosures of key assumptions and judgements.

Finally, with the assistance of KPMG valuation specialist we verified the appropriateness of the model and discount rate (WACC) used to discount the cash flow projections.

Revenue recognition

See Note 3(n) to the consolidated financial statements.

The key audit matter

Fraudulent revenue recognition, in particular existence of revenue, including proper cut-off, is considered a significant audit risk. It relates to potential manipulation of cut-off, recognition of not realised sales and management override of controls. Management override relevant to internal controls is an action or a series of actions performed by management to bypass established internal controls. Management override may be driven by a desire to reach targets. It relates to cut-off of revenue and recognition of not realised sales whereby revenue is overstated.

How the matter was addressed in our audit

Our audit procedures included, amongst others, assessing the appropriateness of the Group's revenue recognition accounting policies and testing the effectiveness of the Group's controls to assess the correct amount and timing of revenue recognition. Furthermore, we have performed the following substantive audit procedures:

- Comparing, on a sample basis, specific revenue transactions recorded before and after the financial year end date with the underlying goods delivery notes and/or invoices to assess whether the related revenue had been recognized in the correct financial period;
- Tested sales reversals and credit memos subsequent to the balance sheet date to verify whether revenue for the period is to be adjusted;
- Tested manual journal entries pertaining to sales close to year-end. We tested all the manual journal vouchers for the month of December 2021 pertaining to unbilled sales accruals based on the bills of lading, sales contracts and invoices;

Valuation of inventories

See Note 3(e) to the consolidated financial statements.

The key audit matter

At 31 December 2021, the total value of inventories amounted to USD 84 million. Inventories are valued at the lower of cost (based on weighted average costs) or net realizable value. The net realizable value is highly dependent of market prices in the petrochemical segment. As these market prices are volatile there is a risk that the value of inventories is materially misstated.

How the matter was addressed in our audit

We have performed the following substantive audit procedures to mitigate this risk:-

- We have selected inventory items by sampling from various subsidiaries. For the samples selected, we obtained an understanding of how management monitors and identifies products where costs exceed the net realizable value and how these products are considered in the calculation of the inventory reserve. In addition, we have obtained management's lower of cost or net realizable value (NRV) analysis and verified whether this has been done in accordance with IAS 2. We ensured that the adjustment, if required, has been recorded in the financial statements.
- We have also analyzed the movement in ICIS price, which is an independent price report for the global petrochemical, energy and fertilizer markets, in the month of January 2022 in order to verify the risk of a decrease in price trend resulting in a NRV being lower than cost. In addition, we traced subsequent selling prices of January 2022 to the invoices, contracts and cash receipts of sales transactions subsequent to the balance sheet date.

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: 29 April 2022




Consolidated statement of financial position
as at 31 December 2021

	<i>Notes</i>	USD million	
		2021	2020
Assets			
Property, plant and equipment	4	1,124	1,183
Goodwill	5	225	225
Intangible assets	5	229	262
Right-of-use assets	6	230	241
Deferred tax assets	20	63	64
Notes receivable	8&18	711	404
Deferred charges and other assets	7	612	636
Non-current assets		3,194	3,015
Inventories	9	84	68
Notes receivable	8&18	205	253
Due from related parties	18	96	25
Accounts and other receivables	11	317	164
Deferred charges and other assets	7	29	29
Cash and cash equivalents	10	67	189
Current assets		798	728
Total assets		3,992	3,743
Equity			
Common stock, 1 Euro par per share - authorized, issued and outstanding - 1 share	12	-	-
Additional paid in capital	13	10	10
Retained earnings		76	77
Foreign currency translation reserve		13	25
Total stockholders' equity		99	112
Liabilities			
Long term debt	14	1,938	2,235
Lease liabilities	6	221	229
Deferred tax liabilities	20	33	37
Deferred income	15	177	187
Other deferred liabilities		1	1
Non-current liabilities		2,370	2,689
Short term debt	14	426	-
Lease liabilities	6	18	18
Deferred income	15	9	8
Due to related parties	18	337	131
Notes payable	8&18	514	632
Income taxes payable		56	32
Accounts and other payables	19	138	91
Accrued and other current liabilities		25	30
Current liabilities		1,523	942
Total liabilities		3,893	3,631
Total equity and liabilities		3,992	3,743

The attached notes on pages 9 to 47 form an integral part of these consolidated financial statements.


Naser Al-Dousari
Director A


Mohammad Usman Sohail Hadi
Director B



Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 December 2021

		USD million	
	<i>Notes</i>	2021	2020
Sales	22	1,941	1,015
Cost of sales	17	(1,785)	(988)
Selling, general and administrative expenses		(45)	(42)
Operating profit / (loss)		111	(15)
Net gain / (loss) on foreign currency transactions		5	(3)
Impairment loss on trade receivables	11	-	(1)
Finance costs		(121)	(108)
Finance income		15	5
Other income	15	9	9
Profit (Loss) before income taxes		19	(113)
Tax (expense) / benefit	20	(20)	1
Net loss for the year		(1)	(112)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign operations		(12)	10
Other comprehensive (loss) /income for the year		(12)	10
Total comprehensive loss for the year		(13)	(102)
Net loss attributable to:			
Equity holders of the parent		(1)	(112)
Total comprehensive loss attributable to:			
Equity holders of the parent		(13)	(102)

The attached notes on pages 9 to 47 form an integral part of these consolidated financial statements.



Consolidated statement of changes in equity
for the year ended 31 December 2021

	USD million			
	<u>Additional paid in capital</u>	<u>Retained earnings</u>	<u>Foreign currency translation reserve</u>	<u>Total</u>
Balance as at 1 January 2020	10	215	15	240
Loss for the year	-	(112)	-	(112)
Other comprehensive income for the year	-	-	10	10
Total comprehensive loss	-	(112)	10	(102)
Transaction with shareholders				
Distribution to shareholders (note 18)	-	(26)	-	(26)
Balance as at 31 December 2020	<u>10</u>	<u>77</u>	<u>25</u>	<u>112</u>
Balance as at 1 January 2021	10	77	25	112
Loss for the year	-	(1)	-	(1)
Other comprehensive income for the year	-	-	(12)	(12)
Total comprehensive loss	-	(1)	(12)	(13)
Balance as at 31 December 2021	<u>10</u>	<u>76</u>	<u>13</u>	<u>99</u>

The attached notes on pages 9 to 47 form an integral part of these consolidated financial statements.



Consolidated statement of cash flows
for the year ended 31 December 2021

		USD million	
	Notes	2021	2020
Cash flows from operating activities			
Net loss for the year		(1)	(112)
<i>Adjustments for:</i>			
Depreciation of PPE and ROU	4 & 6	72	74
Amortisation of intangible and deferred charges	5 & 7	62	62
Amortization of deferred income	15	(9)	(9)
Provision for ECL	11	-	1
Finance costs		121	108
Finance income		(15)	(5)
Tax expense / (benefit)		20	(1)
		<u>250</u>	<u>118</u>
<i>Changes in:</i>			
Accounts and other receivables		(153)	105
Net changes from related parties		135	127
Inventories		(16)	26
Accounts and other payables		58	(260)
Accrued and other liabilities		(13)	(11)
Cash generated from operating activities		<u>261</u>	<u>105</u>
Income taxes paid	20	<u>(3)</u>	<u>(5)</u>
Net cash from operating activities		<u>258</u>	<u>100</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(6)	(9)
Purchase of right of use assets		-	-
Movement in notes receivables		(259)	94
Finance income received		15	5
Net cash (used in) / generated from investing activities		<u>(250)</u>	<u>90</u>
Cash flows from financing activities			
Movement in notes payables		(118)	12
Buy back of bonds		(572)	-
Proceeds from issue of conventional bond		699	-
Proceeds from transfer of a subsidiary		-	1
Finance costs paid		(121)	(108)
Payment of lease liabilities	6	<u>(18)</u>	<u>(18)</u>
Net cash used in financing activities		<u>(130)</u>	<u>(113)</u>
Net change in cash and cash equivalents		(122)	77
Cash and cash equivalents at 1 January		<u>189</u>	<u>112</u>
Cash and cash equivalents at 31 December	10	<u>67</u>	<u>189</u>

The attached notes on pages 9 to 47 form an integral part of these consolidated financial statements.



1. Reporting entity

EQUATE Petrochemical B.V. (“the Company”) was formed in November 2015 and is domiciled in The Netherlands. The Company’s registered office is at Prins Bernhardplein 200, 1097 JB Amsterdam, The Netherlands. These consolidated financial statements comprise of the Company and its subsidiaries (together referred to as “the Group” and individually “the Group entities”). A list of owned subsidiaries are as follows:

Name of entity	Country of incorporation	Principal business	Percentage of holdings	
			31 December 2021	31 December 2020
MEGlobal B.V (“MEG B.V.”)	Netherlands	Holding Company	100%	100%
MEGlobal Americas Inc	USA	Manufacturing and sales of EG	100%	100%
MEGlobal Asia Limited	Hong Kong	Marketing and distribution of EG	100%	100%
MEGlobal Mexico S.A.	Mexico	Marketing and distribution of EG	100%	100%
MEGlobal Trading	China	Marketing and distribution of EG	100%	100%
MEGlobal Europe GmbH	Switzerland	Marketing and distribution of EG	-	100%
MEGlobal Comercio Do Brasil Ltda	Brazil	Marketing and distribution of EG	100%	100%
MEGlobal EG Singapore PTE LTD	Singapore	Marketing and distribution of EG	100%	100%
Equipolymers GmbH	Germany	Manufacturing and sales of PET	100%	100%
Equipolymers Srl	Italy	Marketing of PET	100%	100%

These consolidated financial statements were authorised for issue by the Board of Directors on 29 April 2022.

EQUATE Petrochemical B.V. is a wholly owned subsidiary of EQUATE Kuwait, 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”). On December 23, 2015, through a series of transactions, the Company became 100% owner of the shares of MEGlobal B.V. and its subsidiaries listed above. Prior to the change in shareholding, MEGlobal B.V., a Limited Liability Company incorporated in The Netherlands, was a joint venture between Dow Europe Holding B.V. (“DEH”) and Petrochemical Industries Company (“PIC”). Each party held a 50% shareholding interest.

On 23 December 2021. MEGlobal Europe GmbH is fully liquidated and there is no financial impact on these consolidated financial statements.

The Company is mainly involved in financing activities for the companies in the Group and managing its investments therein. The Group is involved in the manufacturing, marketing and distribution of monoethylene glycol and diethylene glycol and manufacturing and marketing of polyethylene terephthalate.

2. Base of preparation

a) Statement of compliance

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

In addition to these consolidated financial statements, the Company also prepares another set of consolidated financial statements for statutory reporting purposes.

Notes to the consolidated financial statements
for the year ended 31 December 2021

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost or amortized 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”) which is the functional currency of the Company. 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 financial information presented in USD has been rounded to the nearest million.

d) Use of estimates and judgments

The preparation of 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.

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(s).

e) Changes in accounting policies

The below amendment to standards and interpretations became effective on 1 January 2021, but it does not have material effect on the Group’s financial statements:

Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (“IBOR”) is replaced with an alternative nearly risk-free interest rate (“RFR”).

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued; and
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

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 2020, except those mentioned in section 2 (e) above.



Notes to the consolidated financial statements
for the year ended 31 December 2021

a) Operating Segments and its basis

Segment reporting requires a “management approach” under which segment information is presented on the same basis as that used for internal reporting purposes. This leads to segments being reported in a manner that is more consistent with the internal reporting provided to the chief operating decision maker. A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs costs. The operating segments are used by the management of the Group to allocate resources and assess performance.

The Group has one business segment i.e; Performance Materials & Chemicals (“PMC”), which is the reportable segment. This business segment manufactures and markets different types of basic petrochemical products, monoethylene glycol, diethylene glycol and polyethylene terephthalate. The EQUATE Management Team (“EMT”), a committee comprising of certain board members and key members of management, review the internal management reports for the PMC segment to monitor the performance and allocate capital. Earnings before Interest, Tax, Depreciation and Amortization (“EBITDA”) is the key measure used to monitor the performance of business because management believes that this information is the most relevant in evaluating the results of the business relative to other entities that operate in the similar industries.

b) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company as at the reporting date and its subsidiaries (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.

Profit or loss and each component of the other comprehensive income are attributed to the shareholders 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 members 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 loses 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 the consolidated statement of 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 income statement.

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 income statement. 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 income statement on the acquisition date.

c) 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.

i) Financial assets

Initial recognition and measurement

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

Notes to the consolidated financial statements
for the year ended 31 December 2021

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 deposits, trade receivables and 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 loan to related party, due from related parties, trade and other receivables and bank balances.

(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:

- 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.

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 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 fair value through profit or loss, 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 fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the 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.

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 fair value through profit or loss. 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.

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, loans to a 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 fair value through profit or loss, 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 long term debt, due to related parties, notes payable, accounts and other payables and accrued and other current liabilities.

Subsequent measurement

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

- Financial liabilities at fair value through profit or loss
- Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

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.

Financial liabilities designated upon initial recognition at fair value through profit or loss 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 fair value through profit or loss.

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.

d) Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand and bank balances.

e) Inventories

Inventories comprise of finished goods, raw materials and supplies. Inventories are stated at the lower of cost and net realizable 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 realizable value is the estimated selling price in the ordinary course of business less estimated cost of completion and selling expenses.



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f) 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:

	2021	2020
Buildings	5 to 40 years	5 to 40 years
Machinery and equipment	1 to 25 years	1 to 25 years
Land and improvements	20 years	20 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.

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.

g) Goodwill

Goodwill arising on the acquisition of a subsidiary is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the consideration transferred over the net fair value of the identifiable net assets recognised.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the consideration transferred, the excess is recognised immediately in the consolidated statement of profit and loss as a bargain purchase gain.

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.

h) Intangible assets

Intangibles are measured at cost less accumulated amortisation and any accumulated impairment losses.

Customer relationships acquired by the Group have finite useful lives and are measured at cost less accumulated amortization and any accumulated impairment losses. 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 amortization period is 10 years.

Brands recognized by the Group on business combination have an infinite life and are considered for annual impairment testing.

License represents technology license acquired from a related party for use in a manufacturing plant with a finite useful life and measured at cost less accumulated amortization. The estimated useful lives, residual values and amortization methods are reviewed at each year end, with effect of any changes in estimate being accounted for on a prospective basis. The amortization period is 25 years.

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.

i) Impairment

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 and intangible assets with infinite lives are 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 recognized 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 recognized 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 amortization, if no impairment loss had been recognized. An impairment loss in respect of goodwill is not reversed.

Cash Generating Units

The Group has three cash generating units ("CGU"):

- Ethylene Glycol ("EG") distribution – The Group globally markets and distributes monoethylene glycol ("MEG") and diethylene glycol ("DEG"), collectively known as EG through its MEGlobal subsidiaries.
- Polyethylene Terephthalate ("PET") – The Group is a regional manufacturer and marketer of PET in Europe through its Equipolymers subsidiaries. There are two manufacturing facilities located in Schkopau Germany, which utilize MEG and Purified Terephthalic Acid ("PTA") as the primary raw materials.
- Ethylene Glycol ("EG") manufacturing – The Group has started operations of a new world-scale glycol plant in the Gulf Coast of the United States of America in October 2019.

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j) 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 amortized cost, other than long-term and medium-term notes and derivative financial instruments, is estimated by discounting the future contractual cash flows at the current market interest rates for similar financial instruments.

k) 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.

l) Income taxes and deferred tax

Deferred income tax assets and liabilities are computed for differences between the financial statements 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 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 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. 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 previous years.

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.

m) Deferred income

Government grants related to assets are recognized in the consolidated statement of financial position as deferred income. The grants are presented as deferred income and recognized to income on a systematic and rational basis over a period of 25 years, which is the average life of the assets to which the grant relates.

Excess capacity reservation fees received from a related party for reserving excess capacity of the USGC plant's production is recognized as income on a systematic and rational basis over a period of 25 years which is the useful life of the USGC plant.

n) Revenue Recognition

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises 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.

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 has no right to reclaim/ call back once the goods are on board;
- The customer has right to divert/ sell the goods once on board
- The customer is 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:

Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition
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.
-Sale of goods	- Shipping, Insurance and logistics income and costs are recognised over the period of delivery.
-Shipping, Insurance and logistics	

Revenue from shipping and handling services

The shipping and handling occurs 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, which is the freight cost incurred as the Group does not charge its customers any mark up over the freight cost. Revenue allocated to the goods is recognized when control of the goods transfers to the customer i.e. point in time. Revenue and related costs allocated to the shipping and handling is recognized as the shipping and handling performance obligation is satisfied i.e. over the time.

Variable pricing – provisional pricing

Certain products in certain markets may be sold with variable pricing arrangements. Such arrangements determine that a provisional 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 provisional 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.

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Any subsequent changes in the estimated final price after the year end will not be recorded as revenue until such point in time at which the final price is determined.

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.

o) Retirement benefit costs

The Group has various pension plans in accordance with the local conditions and practices in the countries in which they operate. Payments to defined contribution plans are charged to expense as services are provided. Payments made to state-managed retirement benefit plans are charged to expense where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

p) Borrowing costs

Borrowing costs directly attributable to the construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets by applying a capitalization rate on the expenditure on such assets, until such time as the assets are substantially ready for their intended use. The capitalization rate used by the Group is the weighted average of the borrowing costs applicable to the outstanding borrowings during the period. Borrowing costs that are not directly attributable to the acquisition, construction, or production of qualifying assets are recognized in the consolidated statement of profit or loss using the effective interest method in the period in which they are incurred. Cash outflows related to capitalised interest are presented under cash flows from financing activities as finance cost paid, consistent with borrowing costs not capitalised.

Finance income and finance costs - The Group's finance income and finance costs include interest income and interest expense. Interest income or expense is recognized using the effective interest method.

q) 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 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 recognised 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 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.

r) 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.

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 USD 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.

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate. The weighted-average rates applied are 3.25% to 4.33% (2020: 3.25% to 4.33%) (depending on the term of lease).

s) 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 financial statements.

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.

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).

Key sources of estimation uncertainty

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

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Measurement of fair values of financial instruments

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).

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 and other intangible assets with indefinite useful lives

The Group assesses the carrying value of goodwill and other intangible assets with indefinite useful lives annually. Determining whether an intangible asset with indefinite useful life is impaired requires an estimation of the value in use of the cash-generating units to which that asset 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. The most significant variables in determining cash flows used to assess the carrying value are discount rates, terminal value 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.

Deferred tax assets

The net deferred tax asset represents income taxes recoverable through future deductions from taxable profits and are recorded in the 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.

As tax losses do not expire in America, Germany and Italy, utilization of these tax losses require management to consider taxable profits well into the future. This significant long-term view increases the uncertainty of such projections.

As a result of this and certain limits on annual tax loss usage, the Group limits its consideration of German and Italian tax losses to 10 years, which is considered a more foreseeable future, even though the ability to potentially utilize the tax losses extends beyond this period. Projections of future profitability used for the purpose of assessing usage of tax assets is consistent with considerations elsewhere, such as in impairment analyses.

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.

t) Standards and interpretations issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

- IFRS 17 – Insurance Contracts;
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current;
- Reference to the Conceptual Framework – Amendments to IFRS 3;
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16;
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37;
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter;
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities;
- IAS 41 Agriculture – Taxation in fair value measurements;
- Definition of Accounting Estimates - Amendments to IAS 8;
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2.
- Deferred tax related to assets and liabilities arising from a single transaction (amendment to IAS 12).

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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.

4. Property, plant and equipment

	USD million				
	Land and improvements	Buildings	Machinery & Equipment	Construction in Progress	Total
Cost					
Balance at 1 January 2020	166	150	945	10	1,271
Additions	-	-	6	3	9
Transfers	(70)	237	(157)	(12)	(2)
Disposal	-	-	(2)	-	(2)
Foreign currency translation	-	-	9	-	9
Balance at 31 December 2020	96	387	801	1	1,285
Additions	-	-	4	2	6
Foreign currency translation	-	-	(2)	-	(2)
Balance at 31 December 2021	96	387	803	3	1,289
Accumulated depreciation and impairment losses					
Balance at 1 January 2020	1	4	36	-	41
Depreciation	-	22	40	-	62
Disposals	-	-	(2)	-	(2)
Foreign currency translation	-	-	1	-	1
Balance at 31 December 2020	1	26	75	-	102
Depreciation	-	15	45	-	60
Foreign currency translation	-	-	3	-	3
Balance at 31 December 2021	1	41	123	-	165
Carrying amounts					
At 31 December 2020	95	361	726	1	1,183
At 31 December 2021	95	346	680	3	1,124

Assets under construction 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.



5. Goodwill and other intangible assets

	USD million				
	Goodwill	Customer relationships	Brands	Software	Total
Cost					
Balance at 1 January 2020	225	319	90	28	662
Additions	-	-	-	-	-
Transfer from PPE	-	-	-	2	2
Balance at 31 December 2020 and 2021	225	319	90	30	664
Accumulated amortisation and impairment losses					
Balance at 1 January 2020	-	130	-	14	144
Amortization expense	-	32	-	1	33
Balance at 31 December 2020	-	162	-	15	177
Amortization expense	-	32	-	1	33
Balance at 31 December 2021	-	194	-	16	210
Carrying amounts					
At 31 December 2020	225	157	90	15	487
At 31 December 2021	225	125	90	14	454

Goodwill and indefinite useful life intangibles 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, silver leasing programs and access to global market and network. The impairment testing for Goodwill is carried out annually. The carrying amount of goodwill has been allocated to the Ethylene Glycol (EG) CGU. The recoverable amount of this cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on future production volume increases, financial budgets, market prices, and the industry supply demand balance of glycol as reviewed by the directors.



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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:

	2021	2020
Weighted Average Cost of Capital	6.36%	8.01%
Terminal value growth rate	2.5%	2.5%
Budgeted EBITDA growth rate (average of next five years)	7%	12%

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 68% (2020: 77%) at the market interest of 4.53% (2020: 3.77%).

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 historical data 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 prices for the next five years.

Based on the impairment analysis as at 31 December 2021, 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.

In conjunction with the business combination, the Company obtained access to the distribution channels and customer relationships of the acquiree. These relationships have been recognized on acquisition and are being amortized over a 10 year period.

The amortization period of customer relationships represents management's best estimate of the expected usage or consumption of the economic benefits of the acquired assets, which is based on historical experience of customer attrition rates. The amortization of customer relationships is included in selling, general and administrative expenses.

The Group has also recognized the MEGlobal brands as an intangible asset on its acquisition of MEGlobal's business. The brand is attributed to MEGlobal's EG business and has an indefinite life, to be tested annually for impairment along with the goodwill (see above). The MEGlobal brand is a well-recognized brand in the EG industry. Based on an analysis of the product life cycle and market and competitive trends, management expects the product will generate net cash flows for an indefinite period.

Software is amortized over its useful life of 2 years.



6. Leases

The Group leases many assets including plants, equipment and vehicles. The leases typically run for a period of 2 – 24 years, with an option to renew the lease after that date. The weighted average rate applied is within the range of 3.25% - 4.33% (2020: 3.25% - 4.33%).

Information about leases for which the Group is a lessee is presented below:

	USD million	
	Right-of-use assets	Lease liabilities
As at 1 January 2020	251	253
Addition	2	2
Depreciation	(12)	-
Finance cost	-	10
Lease payments	-	(18)
As at 31 December 2020	241	247
Depreciation	(12)	-
Addition	1	-
Finance cost	-	10
Lease payments	-	(18)
As at 31 December 2021	230	239

Amounts recognised in the consolidated statement of profit or loss and other comprehensive income as follows:

	USD million	
	2021	2020
Interest on lease liabilities	10	10
Depreciation	12	12
	22	22

Amounts recognised in the consolidated statement of cash flow as follows:

	USD million	
	2021	2020
Total cash outflow for leases	18	18

The current and non-current portion of lease liabilities is set out below:

	USD million	
	2021	2020
Current	18	18
Non-current	221	229
	239	247



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7. Deferred charges and other assets

	2021 USD million			2020 USD million		
	Current	Non-Current	Total	Current	Non-Current	Total
Ethylene subscription – USGC plant	29	612	641	29	636	665

Ethylene subscription rights – Oyster Creek Plant: The Group, under the Ethylene Subscription Agreement, has committed to purchase and obligates DOW to supply 20% of output of one of the Dow' ethylene crackers (TX-9), for Oyster Creek plant in United States of America, through the earlier of a) Dow Cracker facility permanently cease to operate or b) MEGlobal Americas plant ceases to operate, subject to certain other conditions. These amounts are amortised over a useful life of 25 years.

8. Notes receivable / payable

	2021		2020	
	Notes Receivable	Notes Payable	Notes Receivable	Notes Payable
EQUATE Petrochemical Company K.S.C.C.	711	374	549	603
MEGlobal Canada ULC	205	33	41	29
The Kuwait Olefins Company K.S.C (TKOC)	-	107	67	-
Total	916	514	657	632
Current	205	514	253	632
Non-current	711	-	404	-
	916	514	657	632

EQUATE Petrochemical Company K.S.C.C. Credit Facility – The Group has a revolving credit facility in place with EQUATE Kuwait for working capital financing up to a maximum of USD 1,000 (2020: USD 1,000) at an interest rate of 1.53% above LIBOR (2020: 0.61%). As of 31 December, the Group has borrowed from EQUATE Kuwait a net amount of USD nil (2020: USD 603) at a rate of 2.73% (2020: 0.76%). Interest is accrued monthly. Interest on the above facility was USD 7 (2020: USD 3)

The Group also has a term loan facility with EQUATE Kuwait for parking of funds on long term basis up to a maximum of USD 1,500 (2020: USD 1,500) at an interest rate of 1.23% (2020: 0.20%) above the cost of funds. As of 31 December, the Group has lent EQUATE Kuwait USD 711 (2020: USD 549) at a rate of 2.73% (2020: 0.76 %). Interest on the above facility was USD 14 (2020: USD 5) and is accrued monthly.

The Kuwait Olefins Company K.S.C (TKOC) – The Group has a revolving credit facility in place with TKOC for working capital financing up to a maximum of USD 750 (2020: USD 750) at an interest rate of 1.23% to 1.53% above LIBOR (2020: 0.8025 to 0.9975%). As of 31 December, the Group has borrowed from TKOC an amount of USD 107 (2020: notes receivable of USD 67) at a rate of 1.09% to 1.62% (2020: 0.60% to 1.15%). Interest is accrued monthly. Interest on the above facility was USD 2 (2020: USD 1).

There is no specific tenure of this facility and the current and non-current classification of amount outstanding against this facility is based on management's estimate of the period over which the amount is expected to be repaid.



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Intra / Inter- JV Revolving Credit Facilities – The Group has various revolving credit facilities in place for working capital financing with its foreign direct and indirect subsidiaries, as well as with MEGlobal Canada ULC for working capital financing up to a maximum of USD 500 (2020: USD 500). These facilities can also be used to deposit excess funds with the Group. The respective borrowing rate for the Group's direct and indirect subsidiaries is at LIBOR + 0.94% to 0.99.% (2020: LIBOR + 0.46% to 0.65%). At 31 December, the Group has a net receivable amount of USD 172 (2020: net receivable of USD 12) from MEGlobal Canada ULC at interest rates of 0.52% to 1.10% (2020: 0.60% to 0.81%). The facility does not have a specific tenure and is repayable on demand. Interest on the above facility was USD 0.1 (2020: USD 7).

Guarantees – The Group has guaranteed the following facilities:

- USD 20 import trade facility with National Bank of Kuwait PLC on behalf of MEGlobal Europe GmbH.
- Tank car agreement with GATX on behalf of MEGlobal Americas Inc.
- PTA delivery agreement with BP Aromatics Limited N.V.
- PTA delivery agreement with Orlen.
- Guarantee to GE Oil&Gas towards payments related to USGC plant
- The Company is a joint guarantor to the EQUATE group's unutilized revolving credit facility of USD 500.

9. Inventories

	USD million	
	2021	2020
Finished Goods	68	49
Raw Materials & Supplies	16	19
Total inventories	84	68

10. Cash and cash equivalents

	USD million	
	2021	2020
Cash in banks	67	189
Short term deposits	-	-
	67	189

The deposits carry an effective interest rate of 0% per annum (2020: 0.33% per annum)



11. Accounts and other receivables

	USD million	
	2021	2020
Accounts receivable	297	127
Less: Provision for ECL	(10)	(10)
Prepayment and other receivables	30	47
	<u>317</u>	<u>164</u>

Movement of impairment provision for expected credit loss during the year is as follows:

	USD million	
	2021	2020
At 1 January	10	9
Impairment loss	-	1
At 31 December	<u>10</u>	<u>10</u>

12. Common Stock

The Group has one class of common stock. Shares carry a par value of 1 Euro per share.

Authorized: 1 share

Issued and outstanding: 1 share

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

13. Additional paid in capital

The additional paid in capital of USD 10 represents equity contributed by the shareholder of the Company. The amount is interest free and is repayable at the discretion of the Company.

14. Long Term Debt

The movement in loans and borrowings is as follows.

	USD million	
	2021	2020
Balance at 1 January	2,235	2,229
Loan origination Fees	(5)	(1)
Amortization for the year	7	7
Issue of conventional bonds	699	-
Buy back of bonds	(572)	-
Balance as at 31 December	<u>2,364</u>	<u>2,235</u>



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Medium Term Notes

At the reporting date, the Issuer had issued following outstanding Notes.

	USD million	
	2021	2020
i) Fixed interest rate Notes (GMTN 1) amounting to USD 1,000 having a term of 5 years maturing in 2022 with an effective interest rate of 3.338% and carrying a coupon rate of 3% per annum payable on a semi-annual basis.		
During the year, the Group bought back GMTN 1 amounting to USD 572 million which was to mature in 2022 at a price of 102.375 per cent. The loss on buy back net of write off of unamortised loan origination fees, amounting US\$ 14 million is included in finance cost.	426	996
ii) Fixed interest rate Notes amounting to USD 1,250 having a term of 10 years maturing in 2026 with an effective interest rate of 4.402% and carrying a coupon rate of 4.25% per annum payable on a semi-annual basis.	1,239	1,239
iii) Fixed interest rate Notes (GMTN 3 notes) amounting to USD 700 having a term of 7 years, maturing in April 2028, with an effective interest rate of 2.641% and carrying a coupon rate of 2.625% per annum payable on a semiannual basis.	699	-
	<u>2,364</u>	<u>2,235</u>

During the year, the group updated the GMTN 1 and on 28 April 2021 EQUATE B.V issued notes amounting to US\$ 700 million with 7 years tenor maturing in 2028. The note is described above.

As at 31 December 2021, 5 year and 10-year medium term notes are quoted at USD 100.387 and USD 109.10 respectively (31 December 2020: 5 year and 10 year medium term notes were quoted at USD 102.18 and USD 111.93 respectively), based on level 1 inputs of fair value and listed in EURONEXT.

15. Deferred Income

The Group received a total of US\$ 34 million in 2005 and 2006 in government grants for the construction of the PET manufacturing facility at its Schkopau site. The government grants are presented as deferred income and recognized to income on a systematic and rational basis over a period of 20 years.

The Group received an amount of USD 200 from EQUATE Petrochemical Company K.S.C.C for excess capacity reservation in MEGlobal Americas' USGC Plant which will be amortised over 25 years. Amortisation starting period is 1 October 2019.

	USD million	
	2021	2020
Deferred Income – Government grants	4	5
Deferred Income - Excess capacity reservation fees	182	190
Total	<u>186</u>	<u>195</u>
Current	9	8
Non-current	177	187
	<u>186</u>	<u>195</u>

The income recorded during the year amounting to USD 9 (2020: USD 9) is included under other income.



16. Commitments and Contingencies

The Group under the Ethylene Supply Agreement has a commitment to purchase and obligates The Dow Chemical Company to supply 20% of output of one of Dow's ethylene crackers (TX-9), for USGC project, through the earlier of A) Dow Cracker facility permanently cease to operate or B) MEGlobal USGC plants cease to operate, subject to certain other conditions. The useful life of this asset 25 years, starting from 2019.

MEGlobal Americas Inc. has entered into an agreement related to an expansion at Dow's ethylene cracker in accordance with the Ethylene Supply Agreement. The capital commitment relating to this expansion amounts to USD 0 (2020: USD 5).

The Group is committed to purchase from DOW under the Excess EG Marketing Agreement an annual volume of EG until 2024.

17. Cost of sales

	USD million	
	2021	2020
Materials	1,383	734
Distribution expenses	136	50
Staff cost	24	17
Depreciation and amortisation	134	127
Other	108	60
	1,785	988

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 Americas Inc's current year cost of sales, which is reduced by USD 13.2. 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.

18. Related Party Transactions

The Group has entered into certain commercial arrangements with some of its ultimate stockholders or affiliates as part of the formation of the Company. They include:

- Excess EG Marketing Agreement
- Excess EG Reservation agreement
- General Services Agreement
- Secrecy Agreement
- Long Term Land Lease Agreement
- Site Services Agreement
- Employee Seconding Agreement
- Catalyst License Agreement
- Binding Term sheet – Gulf Coast



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- Other Assignment and Assumption Agreements

A summary of the transactions and balances with related entities in addition to transactions disclosed elsewhere in these consolidated financial statements are as follows:

	2021				2020			
	Dow Consolidated Companies	MEGlobal Canada	EQUATE Petrochemical K.S.C.C.*	PIC and TKOC	Dow Consolidated Companies	MEGlobal Canada	EQUATE Petrochemical K.S.C.C.	PIC and TKOC
Purchase								
Inventory	165	576	88	-	107	149	108	-
Ethylene	240	-	-	-	149	-	-	-
Services	43	3	89	-	48	2	19	-
Sales								
Inventory	37	1	275	-	23	-	288	-
Services	-	-	-	-	-	-	9	-
Interest expenses	-	1	4	1	-	7	3	1
Interest income	-	1	11	3	-	-	4	2

Statement of financial position are the following:

Due to related parties	4	217	116	-	14	94	23	-
Due from related parties	7	2	87	-	4	-	21	-
Notes receivable	-	205	711	-	-	41	549	67
Notes payable	-	33	374	107	-	29	603	-

The Group received an amount of USD 200 from Equate Kuwait in prior year for excess capacity reservation in MEGlobal Americas' USGC Plant which will be amortised over 25 years.

With effective date 1 January 2020, MEGlobal International FZE (subsidiary) was transferred to the Group's parent company, EQUATE Petrochemical Company K.S.C.C. The transfer price equalled the historic cost of the investment (USD 1). The difference between the fair value of MEGlobal International FZE and the transfer price amounts to USD 26 and is recognized in equity as a deemed distribution to the shareholder.

The Group also acts as the host to key seconded employees from PIC and subsidiaries of DOW. These individuals retain benefits from their respective employers. The Group reimburses the relevant PIC or DOW subsidiaries for employment costs incurred.

- Dow consolidated companies includes: DOW, Union Carbide Corporation, Dow Chemical Canada ULC, Dow Europe Holding, DCOMCO Inc., and other TDCC subsidiaries and or related companies to a smaller extent.
- MEGlobal Canada includes: MEGlobal Canada ULC and Alberta & Orient Glycol Company ULC.
- PIC, TKOC includes: Petrochemical Industries Company (K.S.C.C.) and its subsidiaries, and TKOC.
- EQUATE Petrochemical Company K.S.C.C. is the Parent Company

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

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



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19. Accounts and other payables

	USD million	
	2021	2020
Trade payables	125	76
Others	13	15
	<u>138</u>	<u>91</u>

20. Income Taxes

	USD million	
	2021	2020
Current	23	12
Deferred	(3)	(13)
	<u>20</u>	<u>(1)</u>
Tax rate reconciliation:	2021	2020
Profit / (loss) before income taxes	19	(113)
Tax expense at the Netherlands rate	25% 5	25% (28)
Effect of different tax rates of subsidiaries operating in other jurisdictions		-
Tax effect of expenses that are not deductible in determining taxable profit	5	21
Tax effect of previous year losses for which deferred tax assets have been unrecognized	10	6
Recognition of previously unrecognized tax losses		-
Tax benefit(expenses)	<u>20</u>	<u>(1)</u>

Net income taxes paid in 2021 were USD 3 (2020: USD 5).

As at 31 December, deferred income tax assets and liabilities consist of the following:

	USD million	
	2021	2020
Tax losses	168	156
Property, plant and equipment	(158)	(142)
Intangible assets	(33)	(37)
Excess capacity reservation fees	40	42
Interest	10	6
Others	3	2
Net deferred income tax assets	<u>30</u>	<u>27</u>



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The deferred tax assets and deferred tax liabilities are presented in the statement of consolidated financial position as follows:

	USD million	
	2021	2020
Deferred income tax assets	63	64
Deferred income tax liabilities	(33)	(37)
Net deferred income tax assets	30	27

At 31 December 2021, the Group has unused significant tax losses of USD 914 (2020: USD 920) available for offset against future profits, with no expiration date as follows:

	Equipolymers GmbH (Germany)	Equipolymers S.r.l. (Italy)	Equate Petrochemical BV	MEGlobal Americas	Others	Total
31 December 2021						
Recognized tax losses	139	-	-	569	4	712
Unrecognized tax losses	-	89	113	-	-	202
Total tax losses	139	89	113	569	4	914

	Equipolymers GmbH (Germany)	Equipolymers S.r.l. (Italy)	Equate Petrochemical BV	MEGlobal Americas	Others	Total
31 December 2020						
Recognized tax losses	139	-	-	509	-	648
Unrecognized tax losses	43	108	121	-	-	272
Total tax losses	182	108	121	509	-	920

Tax losses in Germany do not expire and can be utilized to offset the first million and 60% of the remaining balance of taxable income in a given year. The Group started utilizing the German tax losses from 2018. The Group applied a tax rate of 29.125% for 2021 (2020: 29.125%).

Tax losses in Italy do not expire and can be utilized to offset 80% of the balance of taxable income in a given year. As this Group is not expected to realize significant earnings, the majority of tax losses remain unrecognized. The Group applied a tax rate of 24.% for 2021. (2020: 24%).

Tax losses in Equate Petrochemical BV can in principal be compensated with taxable profits from one year prior to and nine years following the period in which the loss are occurred. The Group applied a tax rate of 25% for 2021 (2020: 25%)

Tax losses for MEGlobal America Inc. do not expire and can be utilized to offset 80% of the balance of taxable income in a given year. The Group applied a federal tax rate of 21% and blended state tax rate of 1.25% for 2020 (2020: federal tax rate of 21% and blended state tax rate of 1.25%).

21. Employee Benefit Programs

All Group retirement benefit programs, including compensation expenses were USD 24 for 2021 and USD 17 for 2020.

Employees in MEGlobal Americas Inc. and MEGlobal Europe GmbH participate in Group sponsored health, welfare and pension programs.

Employees in MEGlobal Asia Limited participate in Group sponsored health and welfare programs as well as the Group sponsored pension plans since Feb 1st 2018.



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Employees in MEGlobal Trading Group Ltd. participate in Dow China sponsored health, welfare and pension programs.

Employees in Equipolymers Srl participate in legally mandatory and Dow Italy sponsored health, welfare and pension programs.

22. Additional Business and Geographic Information

Basis for Segmentation

The Group has one significant business segment i.e.; Performance Materials & Chemicals (“PMC”), which is the reportable segment. This business segment manufactures and markets different types of basic petrochemical products.

EQUATE B.V.’s results, in its entirety all belong to the PMC segment.

Information about reportable segments

	PMC	
	USD million	
	2021	2020
External segment revenue	1,941	1,015
EBITDA	250	117
Net loss	(1)	(112)
Interest income	15	5
Interest expenses	(121)	(108)
Depreciation and amortization	(125)	(127)
Tax Expenses	(20)	1
Segment assets	3,992	3,743
Segment liabilities	3,893	3,631

Revenue by products

	PMC	
	USD million	
	2021	2020
Ethylene Glycol	1,585	745
Polyethylene Terephthalate	356	270
Total	1,941	1,015

Geographical information

PMC business is managed on a global basis, but operate manufacturing facilities and sales offices primarily in United States, Shanghai, Canada, Germany, Singapore and Hong Kong. In presenting the geographical information, the segment revenue has been based on geographic location of customers.



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	USD million	
	2021	2020
Americas	818	573
North Asia	617	81
Southeast Asia	6	-
India Sub-continental	-	-
Europe (including Turkey)	500	361
MENA	-	-
Total	1,941	1,015

Geographical location of non-current assets

	USD million	
	2021	2020
Americas	1,910	1,996
Southeast Asia	1	1
Europe	572	614
MENA	711	404
Total	3,194	3,015

	USD million	
	2021	2020
Products transferred at a point in time (Sale of goods)	1,831	985
Products and services transferred over time (Shipping and handling)	110	30
Revenue from contracts with customers	1,941	1,015

23. Financial Instruments and 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 the consolidated financial statements.

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.



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The Parent company's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Parent company's Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

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.

Exposure to credit risk

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

	USD million	
	2021	2020
Accounts and other receivables	317	164
Due from related parties	96	25
Notes receivable	916	657
Bank balances	67	189
	<u>1,396</u>	<u>1,035</u>

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the country in which customers operate. The Group have a credit evaluation and customer acceptance system in place. The Group 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 Group is selling products to customers on open account and secured terms and applies an active and conservative credit management policy, which includes credit insurance, appropriate credit-limits for open account customers, risk categories and order control mechanisms on medium-high risk accounts. The Group is insuring selective high sovereign risks derived from letters of credit with banks through a major credit insurer in the Middle East.

The Group 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 Group uses other publicly available financial information and its own trading records to rate its major customers. Further, qualitative factors are also considered as a part of credit evaluation process. The Group'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. If no credit ratings of customers are available, the Group ensures that any sales with them are fully insured and are covered with collaterals. The Credit exposure is controlled by counterparty limits that are reviewed and approved by the management annually.



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Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of trade receivables. The average credit period on sales is 45 days (2020: 44 days) except for some customers where a longer credit period has been approved. The average age of these receivables is 49 days (2020: 48 days). The Group has provided fully for all receivables over 90 days because historical experience is that, such receivables past due beyond 90 days are generally not recoverable. Trade receivables between 60 days and 90 days are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience and historical data of payment statistics.

Included in the Group's trade receivables balance are debtors with a carrying amount of USD 10 (2020: USD 10) which are past due and fully impaired.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated.

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	USD million	
	2021	2020
Domestic & Gulf Cooperation Council countries (GCC)	-	-
North America	66	42
Asia	139	46
Europe	72	24
Other regions	10	5
	287	117

A summary of the Group's exposure for trade receivables are as follows:

	USD million			
	2021		2020	
	<i>Non-credit impaired</i>	<i>Credit impaired</i>	<i>Non-credit impaired</i>	<i>Credit impaired</i>
Not due	260	-	97	-
Past due				
- Secured with collaterals	27	-	20	-
- Not secured	-	10	-	10
Gross carrying amount	287	10	117	10
Loss allowance		(10)		(10)
	287	-	117	-

Due from related parties

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 2021, these are neither impaired nor due.



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Bank balances and time deposits

Bank balances and time deposits 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, therefore, the 12-month ECL computed on the bank balances and term deposits are considered negligible.

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 table below analyses the Group's non-derivative financial liabilities based on the remaining period at the consolidated statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	USD million					
	0 to 3 months	3 to 12 months	1 and 4 years	Over 5 years	Total	Carrying amount
As at 31 December 2021						
Long Term Debt	-	504	1,534	725	2,763	2,364
Lease liabilities	-	25	112	141	277	239
Accounts payable, related party and accrual	500	-	-	-	500	500
Notes payable	514	-	-	-	514	514
Total	1,014	529	1,646	866	4,054	3,617
As at 31 December 2020						
Long Term Debt	-	83	1,218	1,299	2,600	2,235
Lease liabilities	7	18	112	150	287	247
Accounts payable and accrual	252	-	-	-	252	252
Notes payable	632	-	-	-	632	632
Total	891	101	1,330	1,449	3,771	3,366

Markets 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.



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

Foreign currency risk

The Group is exposed to foreign currency translation and translation gains and losses based on the nature and structure of its operations and changes in reporting and transaction currencies. The Group manages these foreign currency risks with foreign exchange contracts. The Group has receivable and payables denominated in EUR and other currencies. Any change in exchange rate would have minimal impact on the statement of comprehensive income.

The principal currency translation rates are as follows:

	<u>Average rates</u>		<u>Period-end rates</u>	
	<u>December 31</u>		<u>December 31</u>	
	2021	2020	2021	2020
	USD	USD	USD	USD
1 CAD Canadian Dollar	0.798	0.744	0.787	0.785
1 EUR Euro	1.188	1.139	1.132	1.227
1 BRL Brazilian Real	0.186	0.197	0.179	0.193
1 CNY Chinese Yuan Renminbi	0.155	0.144	0.157	0.153
1 MXN Mexican Peso	0.049	0.050	0.048	0.046

Foreign currency sensitivity analysis

As at 31 December 2021, if the USD had weakened / strengthened by 5% against the Canadian dollar, Euro, Brazilian real, Chinese yuan and Mexican peso with all other variables held constant, profit for the year would have been lower / higher by USD (1.98) (2020: USD (9.14)).

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, the Group had forward contracts to buy, sell or exchange foreign currencies. These contracts had various expiration dates and are with Citibank London and ING bank NV. The Group has not engaged in any cash flow hedges.

	2021		2020	
	Gain	Loss	Gain	Loss
Derivatives relating to: Foreign Currency mark to market impact for the year	-	7.8	1	-



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Foreign currency exposure risks are managed by dealing in forward contracts within approved limits. As at 31 December 2021, the Group had following net notional forward exchange contracts (off balance sheet exposure):

	USD million	
	2021	2020
Long position		
CAD	148	138
Euro	28	36
BRL	35	85
MXN	151	177
Short position		
CAD	78	120
Euro	61	19
BRL	68	165
MXN	261	346

Interest rate risk

The Group is exposed to interest rate risk as it borrows and places funds. These are discussed in detail in Note 8 and Note 14.

Interest rate sensitivity analysis

During the year, if interest rates on USD denominated borrowings had been 10 basis points higher/lower with all other variables held constant, profit for the previous year would have been USD 6 (2020: USD 0.25) lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings.

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. Capital management

The group manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. There were no changes in the group's approach to capital management during the year.

The capital structure of the group consists of debt, which includes the loans and borrowings net of loans to and from related parties, cash and bank balances and equity, comprising issued capital, treasury shares, statutory reserves and retained earnings.

25. COVID -19

The outbreak of Novel Coronavirus (COVID-19) continues to progress and evolve. While COVID-19 is a health crisis, it has caused socioeconomic disruption on a global scale. More countries have imposed travel bans on millions of people, and more people in more locations are placed with quarantine measures. The restrictions were partially lifted in some jurisdictions at the end of the year 2020. However, due to several waves of COVID-19 pandemic and cases diagnosed with new variants of the virus, some jurisdictions reimposed lockdowns and movement restrictions during 2021.

The Group is carefully monitoring the evolving situation around the spreading of the COVID-19 and its impact on the business.

The impact of COVID-19 on the recoverability of receivables from customers have been considered. While the methodologies applied in the base expected credit loss calculations remain unchanged from those applied in the prior financial year, the assumptions used for the expected credit loss calculation ("ECL") as at 31 December 2021 were updated by the Group to reflect the economic uncertainties that resulted due to the COVID-19.

The Group conducts an annual impairment review of goodwill as outlined in note 5. While the ongoing economic uncertainty from the COVID-19 global pandemic has impacted the cash flow forecasts and estimate and assumptions inherent in the goodwill impairment test, the results of the annual impairment test determined the goodwill allocated to the cash-generating units (CGUs) is recoverable and no impairment as of 31 December 2021.

The management of the Group is of the view that there is no material impact of COVID-19 on the carrying amounts of assets and liabilities as at 31 December 2021, especially contingent liabilities under IAS 37 Provisions, contingent liabilities and contingent assets. As the crisis evolves and the market conditions are unpredictable, the recorded amounts remain sensitive to market fluctuations.