

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

Condensed interim financial information
and independent auditor's review report
for the six month period ended 30 June 2020

Mesaieed Petrochemical Holding Company Q.P.S.C

Condensed interim financial information for the six month period ended
30 June 2020

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Mesaieed Petrochemical Holding Company Q.P.S.C

Condensed interim financial information for the six month period ended 30 June 2020

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

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

	Note	As at 30 June 2020 (Reviewed)	31 December 2019 (Audited) (Restated)
ASSETS			
Non-current assets			
Investments in joint ventures	4 (i)	14,228,235	14,623,628
Current assets			
Other receivables	5	15,867	7,777
Deposits and other bank balances	6.1	1,185,555	1,006,964
Cash and cash equivalents	6	275,963	755,143
Total current assets		1,477,385	1,769,884
Total assets		15,705,620	16,393,512
EQUITY AND LIABILITIES			
EQUITY			
Share capital	9	12,563,175	12,563,175
Legal reserve	10	61,934	61,934
Retained earnings		2,769,145	3,513,469
Total equity		15,394,254	16,138,578
LIABILITIES			
Current liabilities			
Trade and other payables	7	308,370	248,048
Due to a related party	8	2,996	6,886
Total liabilities		311,366	254,934
Total equity and liabilities		15,705,620	16,393,512

The financial information on pages 2 to 16 were approved and authorised for issue by the Board of Directors on **13 August 2020** and were signed on its behalf by:


Ahmad Saif Al-Sulaiti
Chairman


Mohamed Salem Al-Marri
Vice Chairman

Mesaieed Petrochemical Holding Company Q.P.S.C

Condensed interim financial information for the six month period ended 30 June 2020

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

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the six month periods ended 30 June	
	Note	2020 (Reviewed)	2019 (Reviewed) (Restated)
Share of results from joint ventures	4 (ii)	124,239	282,580
Interest income		18,303	30,519
Other income		812	2,990
		143,354	316,089
General and administrative expenses		(8,256)	(11,434)
Net profit for the period		135,098	304,655
Other comprehensive income		-	-
Total comprehensive income for the period		135,098	304,655
Basic and diluted earnings per share (in QR)	3	0.011	0.024

Mesaieed Petrochemical Holding Company Q.P.S.C

Condensed interim financial information for the six month period ended 30 June 2020

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

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	Legal reserve	Retained earnings	Total
Balance at 1 January 2019 (Audited)		12,563,175	57,600	2,443,892	15,064,667
Impact of IFRS 16 adoption from joint ventures		-	-	(1,533)	(1,533)
Adjusted balance at 1 January 2019		12,563,175	57,600	2,442,359	15,063,134
Profit for the period		-	-	304,655	304,655
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		-	-	304,655	304,655
<i>Transaction with owners in their capacity as owners:</i>					
Dividends approved	11	-	-	(1,005,054)	(1,005,054)
Balance at 30 June 2019 (Reviewed)		12,563,175	57,600	1,741,960	14,362,735
Balance at 1 January 2020 (as previously reported) (Audited)		12,563,175	61,934	2,628,857	15,253,966
Restatement (Note 14)		-	-	884,612	884,612
Balance at 1 January 2020 (Restated)		12,563,175	61,934	3,513,469	16,138,578
Profit for the period		-	-	135,098	135,098
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		-	-	135,098	135,098
<i>Transaction with owners in their capacity as owners:</i>					
Dividends approved	11	-	-	(879,422)	(879,422)
Balance at 30 June 2020 (Reviewed)		12,563,175	61,934	2,769,145	15,394,254

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

CONDENSED INTERIM STATEMENT OF CASH FLOWS

	Note	For the six month periods ended 30 June	
		2020 (Reviewed)	2019 (Reviewed)
Cash flows from operating activities			
Net profit for the period		135,098	304,655
Adjustments for:			
- Interest income		(18,303)	(30,519)
- Share of results from joint ventures	4 (ii)	(124,239)	(282,580)
		(7,444)	(8,444)
Movement in working capital:			
- Other receivables		(2,758)	(2,093)
- Trade and other payables		(32,467)	(35,597)
- Due to a related party		(3,890)	(4,834)
Cash flows used in operations		(46,559)	(50,968)
Interest received		12,971	47,840
Net cash used in operating activities		(33,588)	(3,128)
Cash flows from investing activities			
Dividends received from joint ventures	4 (iii)	519,632	433,320
Placement of fixed term deposits		(880,950)	(1,168,668)
Maturity of fixed term deposits		795,148	1,572,783
Net cash generated from investing activities		433,830	837,435
Cash flows from financing activities			
Dividends paid to shareholders		(786,633)	(938,337)
Movement in unclaimed dividends account		(92,789)	(66,717)
Cash used in financing activities		(879,422)	(1,005,054)
Net decrease in cash and cash equivalents		(479,180)	(170,747)
Cash and cash equivalents at beginning of the period	6	755,143	176,417
Cash and cash equivalents at end of the period	6	275,963	5,670

Mesaieed Petrochemical Holding Company Q.P.S.C

Condensed interim financial information for the six month period ended 30 June 2020

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

1. CORPORATE INFORMATION AND ACTIVITIES

Mesaieed Petrochemical Holding Company Q.P.S.C (the “Company” or “MPHC”) is registered and incorporated in Qatar under commercial registration number 60843 as a Qatari Public Shareholding Company by its founding shareholder, Qatar Petroleum (“QP”). The Company is incorporated under the Qatar Commercial Companies’ Law No. 11 of 2015. The Company was incorporated on 29 May 2013 for an initial period of 99 years, following the decision of H.E. the Minister of Economy and Commerce No. 22 of 2013, issued on 21 May 2013. The registered address of the Company is P.O. Box 3212, Doha, State of Qatar. The Company is listed on the Qatar Exchange and is a subsidiary of QP.

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

The joint ventures of the Company, included in the condensed interim financial information are as follows:

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

Qatar Chemical Company Limited (“Q-Chem”), is a Qatari Shareholding Company incorporated in the State of Qatar and is a jointly controlled entity among QP, MPHC and Chevrans Phillips Chemical International Qatar Holdings L.L.C. (“CPCIQH”). The company is engaged in the production, storage and sale of polyethylene, 1-hexene and other petrochemical products.

Qatar Chemical Company II Limited (“Q-Chem II”), is a Qatari Shareholding Company incorporated in the State of Qatar and is a jointly controlled entity among QP, MPHC and CPCIQH. The company is engaged in the production, storage and sale of polyethylene, normal alpha olefins, other ethylene derivatives and other petrochemical products.

Qatar Vinyl Company Limited (“QVC”), is a Qatari Private Shareholding Company incorporated in the State of Qatar and is a jointly controlled entity among QP, MPHC and Qatar Petrochemical Company Limited (“QAPCO”). The company is engaged in the production and sale of petrochemical products such as caustic soda, ethylene dichloride and vinyl chloride monomer.

These condensed interim financial information of the Company for the six month period ended 30 June 2020 were authorised for issue on 13 August 2020 by the Board of Directors.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The condensed interim financial information for the six month period ended 30 June 2020 have been prepared in accordance with IAS 34, Interim Financial Reporting under the historical cost convention.

Mesaieed Petrochemical Holding Company Q.P.S.C

Condensed interim financial information for the six month period ended 30 June 2020

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

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

Basis of preparation (Continued)

The condensed interim financial information do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2019. In addition, results for the six month period ended 30 June 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

The condensed interim financial information are presented in Qatari Riyal ("QR"), which is the Company's functional and presentation currency and all values are rounded to the nearest thousands (QR '000'), except otherwise indicated.

Significant accounting policies

i. New standards and interpretations adopted during the period

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

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

The impact of the adoption of these standards and the new accounting policies are not material to the condensed interim financial statements.

ii. New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period and have not been early adopted by the Company.

3. BASIC AND DILUTED EARNINGS PER SHARE

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

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

<i>For the six month period ended</i>	30 June 2020 (Reviewed)	30 June 2019 (Reviewed)
Profit for the period attributable to the equity holders of the parent (QR'000)	135,098	304,655
Weighted average number of shares outstanding during the period ("in thousands")	12,563,175	12,563,175
Basic and diluted earnings per share (expressed in QR per share)	0.011	0.024

The figures for basic and diluted earnings per share are the same, as the Company has not issued any instruments that would impact the earnings per share when exercised.

Mesaieed Petrochemical Holding Company Q.P.S.C

Condensed interim financial information for the six month period ended 30 June 2020

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

4. INVESTMENTS IN JOINT VENTURES

The carrying amount of the investments in joint ventures has changed as follows in the six month period ended 30 June 2020:

<i>For the six month period ended</i>	30 June 2020 (Reviewed)
Balance at beginning of the period (restated)	14,623,628
Share of results from joint ventures for the period	124,239
Share of dividends from joint ventures	(519,632)
Balance at the end of the period	14,228,235

The summarised interim financial information below presents amounts shown in the financial information of the joint ventures as at 30 June 2020 which are presented in United States Dollars ("USD") in the financial information of the joint ventures and are translated to QR using an exchange rate of 3.64 in the below tables:

i. Statement of financial position of joint venture entities

	As at 30 June 2020			
	Q-Chem	Q-Chem II	QVC	Total
Current assets	965,503	1,347,597	745,865	3,058,965
Non-current assets	2,017,914	5,320,675	917,477	8,256,066
Current liabilities	(229,800)	(284,222)	(117,772)	(631,794)
Non-current liability	(795,001)	(1,451,566)	(201,026)	(2,447,593)
Equity	1,958,616	4,932,484	1,344,544	8,235,644
Proportion of Company's ownership	49.0%	49.0%	55.2%	
Company's share of net assets	959,722	2,416,917	742,188	4,118,827
Tax benefit from joint ventures	352,656	830,527	143,866	1,327,049
Goodwill	3,549,403	4,878,711	354,245	8,782,359
Investment in joint ventures	4,861,781	8,126,155	1,240,299	14,228,235

	As at 31 December 2019 (Restated)			
	Q-Chem	Q-Chem II	QVC	Total
Current assets	1,390,515	2,375,319	912,047	4,677,881
Non-current assets	2,071,094	5,213,798	954,608	8,239,500
Current liabilities	(580,005)	(832,337)	(118,915)	(1,531,257)
Non-current liability	(832,097)	(1,412,502)	(4,535)	(2,249,134)
Equity	2,049,507	5,344,278	1,743,205	9,136,990
Proportion of Company's ownership	49.0%	49.0%	55.2%	
Company's share of net assets	1,004,258	2,618,696	962,249	4,585,203
Restatement (Note 14)	242,719	641,893	-	884,612
Tax benefit from joint ventures	215,366	131,753	24,335	371,454
Goodwill	3,549,403	4,878,711	354,245	8,782,359
Investment in joint ventures	5,011,746	8,271,053	1,340,829	14,623,628

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

4. INVESTMENTS IN JOINT VENTURES (CONTINUED)

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

	For the six month period ended 30 June 2020			
	Q-Chem	Q-Chem II	QVC	Total
Revenue	797,044	776,234	420,282	1,993,560
Cost of sales	(635,970)	(736,219)	(369,212)	(1,741,401)
Other income	3,378	521	8,044	11,943
Administrative expenses	(26,881)	(10,614)	(48,212)	(85,707)
Finance income / (cost)	2,865	(4,612)	(102)	(1,849)
Profit before tax	140,436	25,310	10,800	176,546
Deferred income tax	38,562	(73,098)	(197,310)	(231,846)
Current income tax	(87,881)	-	(19,241)	(107,122)
Profit/(loss) for the period	91,117	(47,788)	(205,751)	(162,422)
Company's share of profit/(loss) before tax benefit	44,647	(23,416)	(113,575)	(92,344)
Tax benefit from joint ventures	40,170	56,882	119,531	216,583
Company's share of profit for the period from joint ventures	84,817	33,466	5,956	124,239

	For the six month ended 30 June 2019			
	Q-Chem	Q-Chem II	QVC	Total
Revenue	1,143,553	1,393,523	638,674	3,175,750
Cost of sales	(709,494)	(803,963)	(408,692)	(1,922,149)
Other income / (expense)	4,124	335	(262)	4,197
Administrative expenses	(24,239)	(11,073)	(28,476)	(63,788)
Finance income / (cost)	6,148	(8,732)	4,419	1,835
Profit before tax	420,092	570,090	205,663	1,195,845
Deferred income tax	25,218	(69,102)	10,247	(33,637)
Current income tax	(172,248)	-	(65,065)	(237,313)
Profit for the period	273,062	500,988	150,845	924,895
Distributions to tax exempt shareholders	-	-	(18,782)	(18,782)
Profit for the period net of distributions to tax exempt shareholders	273,062	500,988	132,063	906,113
Company's share of profit for the period before other adjustments	133,800	245,484	72,899	452,183
Impairment of tax benefit from joint ventures	(83,034)	(62,234)	(24,335)	(169,603)
Company's share of profit for the period from joint ventures	50,766	183,250	48,564	282,580

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

4. INVESTMENTS IN JOINT VENTURES (CONTINUED)

iii. Additional disclosures of joint venture entities

	As at 30 June 2020			Total
	Q-Chem	Q-Chem II	QVC	
Cash and cash equivalents	189,942	512,239	393,462	1,095,643
Depreciation and amortisation	128,194	184,923	66,106	379,223
Interest bearing loans and borrowings	-	91,553	-	91,553
Deferred tax liabilities	435,013	1,354,429	197,310	1,986,752
Tax payable	82,370	-	19,241	101,611
Company's share of dividend declared/received	89,180	323,960	106,492	519,632
Current Financial liabilities (excluding trade and other payables and provisions)	12,864	108,330	34,871	156,065
Non- current financial liabilities (excluding trade and other payables and provisions)	359,989	97,137	3,716	460,842

	As at 31 December 2019			Total
	Q-Chem	Q-Chem II	QVC	
Cash and cash equivalents	347,849	933,289	458,818	1,739,956
Depreciation and amortisation	254,946	348,170	131,076	734,192
Interest bearing loans and borrowings	-	327,130	-	327,130
Deferred tax liabilities	473,575	1,281,331	213,573	1,968,479
Tax payable	318,980	* 213,511	141,169	673,660
Company's share of dividend declared/received	312,130	312,130	148,688	772,948
Current Financial liabilities (excluding trade and other payables and provisions)	13,956	307,478	700	322,134
Non- current financial liabilities (excluding trade and other payables and provisions)	44,029	130,112	4,536	178,677

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

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4. INVESTMENTS IN JOINT VENTURES (CONTINUED)

(iv) Capital commitments and contingent liabilities

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

	As at 30 June 2020			
	Q-Chem	Q-Chem II	QVC	Total
Capital commitments	169,319	58,161	57,783	285,263
Purchase commitments	164,906	203,336	-	368,242
Contingent liabilities	-	-	21,720	21,720

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

Other contingent liabilities

Site restoration obligations

The Company's joint venture Q-Chem II has entered into a land lease agreement with the Government of Qatar represented by QP for the purpose of construction of the plant facilities.

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

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

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

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

4. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Other commitments

Purchase commitments

The joint ventures have purchase commitments that consist primarily of major agreements for procuring of gas from QP. The joint ventures also have a number of agreements for electricity, industrial gases and manpower. In addition to those purchase commitments, the joint ventures enters into purchasing contracts as part of its normal operations which are less than 1 year.

The Company does not believe that these contracts have an adverse effect on its liquidity position.

5. OTHER RECEIVABLES

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

6. CASH AND CASH EQUIVALENTS

<i>As at</i>	30 June 2020 (Reviewed)	31 December 2019 (Audited)
Cash and cash equivalents	275,963	755,143

6.1 DEPOSITS AND OTHER BANK BALANCES

<i>As at</i>	30 June 2020 (Reviewed)	31 December 2019 (Audited)
Fixed deposits maturing after 90 days	880,950	795,148
Bank balances-Dividends account	304,605	211,816
	1,185,555	1,006,964

Cash at banks earn interest at fixed rates. Term deposits are made for varying periods of between three months and one year depending on the immediate cash requirements of the Company at average interest rate of 2.52 % (31 December 2019: 4.12%).

7. TRADE AND OTHER PAYABLES

<i>As at</i>	30 June 2020 (Reviewed)	31 December 2019 (Audited)
Dividends payable	304,605	211,816
Social contribution payable	-	29,788
Accruals	3,765	6,444
	308,370	248,048

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

8. RELATED PARTIES

These represent major shareholders, directors and key management personnel of the Company, and companies of which they are the principal owners. In the ordinary course of business, the Company enters into transactions with related parties and the pricing policies and terms of these transactions are approved by the Company's management.

i Transaction with related parties:

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

<i>For the six month period ended</i>	30 June 2020 (Reviewed)	30 June 2019 (Reviewed)
Dividend income from Q-Chem	89,180	178,360
Dividend income from Q-Chem II	323,960	160,524
Dividend income from QVC	106,492	94,436
Annual fee paid to QP	(2,878)	(3,606)

ii Related party balances:

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

<i>As at</i>	30 June 2020 (Reviewed)	31 December 2019 (Audited)
Amounts due to QP	2,996	6,886

iii Compensation of key management personnel:

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

<i>For the six month period ended</i>	30 June 2020 (Reviewed)	30 June 2019 (Reviewed)
Key management remuneration	100	100
Board of directors' remuneration	2,950	5,050
	3,050	5,150

9. SHARE CAPITAL

<i>As at</i>	30 June 2020 (Reviewed)	31 December 2019 (Audited)
Authorised, issued and fully paid: 12,563,175,000 shares of QR 1 each	12,563,175	12,563,175

In 2019, 5,561,880 (2018: 1,095,117,100) number of shares have been transferred from QP to the Public on account of incentive shares and due to the death of certain shareholders. As at 31 December 2019, Qatar Petroleum holds 8,223,610,460 shares including 1 special share (2018: 8,229,172,340 shares including 1 special share) comprising 65.46 % (2018: 65.5%) of total shareholding.

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10. LEGAL RESERVE

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

11. DIVIDENDS

The Board of Directors has proposed cash dividend distribution of QR 0.07 per share for the year ended 31 December 2019. The final dividend for the year ended 31 December 2019 had been approved at the Annual General Meeting held on 11 March 2020.

During the period, the Company paid a dividend of QR 786.63 million. Below is the movement in dividends payable balance during the period:

<i>As at</i>	30 June 2020 (Reviewed)	31 Dec 2019 (Audited)
Balance at the beginning of the period/year	211,816	162,464
Dividends approved during the period/year	879,422	1,005,054
Dividends paid during the period/year	(786,633)	(955,702)
Balance at the end of the period/year	304,605	211,816

12. SEGMENT INFORMATION

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

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

13. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Classification of the investments as joint ventures

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

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13. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Site restoration obligations

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

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

As explained in Note 4 (iv), the Company may be required under a lease agreement entered into by its joint venture Q-Chem-II, to make payments for site restoration at the option of the ultimate parent (QP). It has been assessed that the optionality given to QP makes it more likely to acquire the plant from the joint venture rather than restoring the site at the cost of the joint venture. Therefore, the criteria to recognise provision for restoration obligation is not fully met and no provision has been recognised in this condensed interim financial information.

Impairment of investment in joint ventures

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

Due to the economic downturn caused by the spread of novel coronavirus (Covid-19), management has performed an impairment test as at 30 June 2020. Impairment testing is an area involving management judgment, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters, including management’s expectations of:

- growth in earnings before interest, tax, depreciation and amortisation (“EBITDA”), calculated as adjusted operating profit before depreciation and amortisation which includes a forecast of commodity prices;
- timing and quantum of future capital expenditure without factoring any optimisation on deferment of forecast period capex to be on the conservative side;
- long term growth; and
- the selection of discount rates to reflect the risks involved.

Management used the current approved budget adjusted for commodity price and discount rate assumptions to reflect the current market conditions.

As of the period ended 30 June 2020, the company did not recognise any losses due to impairment in its joint ventures as the impairment testing showed headroom of net present value of cashflows compared to the carrying amount for all joint ventures’ investments.

Coronavirus (COVID-19) pandemic

The ongoing COVID-19 pandemic has increased the estimation uncertainty in the preparation of the condensed interim financial information.

Management has developed various accounting estimates in the condensed interim financial information based on forecasts of economic conditions which reflect expectations and assumptions as at 30 June 2020 about future events that the management believes are reasonable in the circumstances.

Mesaieed Petrochemical Holding Company Q.P.S.C

Condensed interim financial information for the six month period ended 30 June 2020

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

13. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

The underlying assumptions to arrive at those estimates are subject to uncertainties which are often outside the control of the Company. Accordingly, actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of those differences may impact accounting estimates included in the financial information. The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to investment in joint ventures.

14. RESTATEMENT

The Memorandum of Understanding ("MOU") was entered into between Qatar Petroleum (representing the Company), the Ministry of Finance and the General Tax Authority on 4 February 2020 setting out the Company and its joint ventures' tax status. The MOU made provision for the Company to receive a refund for the company's portion of taxes incurred in the underlying joint ventures. After considering the impact of the application of the MOU, it was determined that deferred tax relating to the underlying joint ventures should continue to be recognised for Q-Chem and Q-Chem II but not for QVC.

During the period, to ensure consistent application of similar arrangements the accounting treatment was reassessed by management. Management has re-assessed that all joint venture entities are taxable at a tax rate of 35%, and as such the arrangements are all similar in substance and should be accounted for consistently.

The MOU gives the Company the right to a refund on the Company's portion of tax and as such it is entitled to the pre-tax profits from all the underlying joint ventures. Therefore, applying the principles of equity accounting under IAS 28 "Investments and Associates and Joint Ventures", the Company should account for its underlying interest on a pre-tax basis and therefore any tax impact including deferred tax balances for the Company's share should be reversed.

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

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

- A reclassification adjustment to record the refund of the tax as part of the equity accounted earnings of the joint venture and not as other income as previously disclosed.
- A restatement adjustment to recognise all joint ventures on a consistent basis by recognising the pre-tax profits of the joint venture as equity accounted retained earnings and therefore reversing any tax impacts including any deferred tax balances relating to the Company's portion.

The impact of the change for the restatement on the comparative statement of profit or loss and other comprehensive income will only be reflected in Q4 results as this was the date of the MOU finalisation and when the other joint ventures recognised the impact thereof. There is no impact of this restatement on the statements of profit or loss and other comprehensive income in Q1, Q2 and Q3.

Condensed interim statement of financial position 31 December 2019	As previously reported	Reclassification	Restatement	Restated
Investments in joint ventures	13,367,562	371,454	884,612	14,623,628
Retained earnings	2,628,857	-	884,612	3,513,469
Other assets	371,454	(371,454)	-	-

Condensed interim statement of profit or loss and other comprehensive income 30 June 2019	As previously reported	Reclassification	Restatement	Restated
Share of results from joint ventures	452,183	(169,603)	-	282,580
Impairment of tax receivable	(169,603)	169,603	-	-