Industries Qatar Q.S.C.

Consolidated financial statements and Independent Auditor's Report

For the year ended 31 December 2016

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF INDUSTRIES QATAR Q.S.C.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Industries Qatar Q.S.C. and its subsidiaries (together the "Group") as at 31 December 2016 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Qatar. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our audit approach

Overview

Key audit matters	The areas of focus for our audit, which involved the greatest allocation of our resources and effort, were: • Employee benefits obligations • Impairment of investment in associates and joint ventures

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF INDUSTRIES QATAR Q.S.C.

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

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.

Key audit matter	How our audit addressed the Key audit matter
Employee benefits obligations	
As disclosed in note 31, the Group has restated its financial statements to recognise pension obligations in relation to certain employees retired before 2003. The obligation relates to two joint ventures that are accounted for using the equity method, where the Group share in the overall adjustment is QR 247m at the beginning of 2016. Note 31 to the consolidated financial statements discuss further the background to the restatement. The Group operates different employee benefit plans, some of which are contribution benefit plans where the Group obligations are limited to payments made to an independent entity. Other plans constitute defined benefit plans including pension payments to retired employees and their heirs and end of service indemnity. Late in 2016, Qatar Petroleum (QP), the parent, introduced a new defined benefit plan where Qatari employees receive, in addition to social insurance payments, an additional end of service indemnity when they complete 20 years of service within the wider group of QP. Further details of employee benefit plans are given in note 2.15, 3.2 and 17. Under IAS 19 'Employee Benefits', the measurement of post-employment benefits and pension obligations requires estimates relating to expected future payments and the application of actuarial assumptions in connection of salary growth rates, staff turnover, and use of an appropriate discount rate. The assumptions used, and the sensitivities to their changes, are disclosed in note 17.1. The Group appointed an independent actuary to develop an estimate of the end of service and pension obligations.	To evaluate the accounting treatments applied by the Group and to test the accuracy of management's restatement of the prior year's comparative information, we undertook the following procedures: • We obtained an understanding of the different benefit schemes available to employees of the Group and assessed whether the Group's accounting policies had been applied consistently to each of them, and whether techniques applied to calculate obligations at the year-end were appropriate. This covered key subsidiaries, associates and joint ventures. • We discussed the critical assumptions used by the Group with management and the Board Audit Committee (BAC) and compared them with historical information when they are based on experience or market information where relevant. • Where significant, we obtained reports of independent actuary used by management to develop more reliable estimate of pension obligations in relation to employees retired before 2003 and end of service liabilities for one major subsidiary of the Group. We assessed the independence and professional qualifications of the actuaries used. • We used our internal actuarial specialists to assess the reasonableness of the key actuarial assumptions (discount rate, inflation rates, and mortality assumptions) adopted by the independent actuary for the valuation of pension and end of service benefit

Key audit matter	How our audit addressed the Key audit matter
We were appointed as auditors of the Group for the year ended 31 December 2016 in February 2016. While planning our audit, we identified certain areas of increased risk with respect to the determination of employee benefit obligations by the different entities of the Group and the consistency of application of the Group's accounting policies in relation to the recognition and measurement of pension obligations by Group companies. We focused on this area given the materiality of the accounting error, which led to restatement of previous year amounts. We assessed that the use of significant judgments, notably concerning the discount and inflation rates, in addition to the introduction of new benefit plan towards end of year, would increase the risk that inappropriate measurement of employee benefits may occur at year-end.	obligations. They compared the assumptions used to their experience in equivalent industries. • We utilised simple internal models to assess the reasonableness of end of service obligations where no actuary was appointed by the Group. • Reviewed the disclosures made in the financial statements to assess adequacy of disclosures. • We also assessed whether the accounting treatment of the restatement and its related disclosures were in accordance with the requirements of IAS 8 'Accounting policies, accounting estimates and errors'.

Key audit matter	How our audit addressed the Key audit matter
Impairment of investments in associates and joint ventures	
The Group's investment in associates and joint ventures amounted to QR 1.5 billion and QR 18.3 billion, respectively, totalling QR 19.8 billion at 31 December 2016, representing 56% of total Group assets at that date. These investments are accounted for using the equity method, because of the Group's significant influence over, or joint control of, these entities that comes from its shareholdings (note 2.2.4). The Group assesses at each reporting date whether there is any objective evidence that an investment accounted for using the equity method is impaired. The decrease in sale prices in the market, reduced profitability and increasing cost pressures were considered to be possible indicators that an impairment may exist. Therefore, according to IFRS and the Group's accounting policies, an impairment review of certain investments in associates and joint ventures was performed by management using a value in use model to estimate the	We obtained management's impairment model and discussed the critical assumptions used by them with the Board Audit Committee (BAC). The discussion focussed on the growth rates used to estimate future cash flows and the discount rates used. Additional level of discussion was made when estimated cash flows were not based on Board approved business plans or the plans are not very recent. These are difficult to substantiate and require management to form a view on future growth in the steel, petrochemicals, and fertilisers segments of activities, and the Qatar, Bahrain and the Kingdom of Saudi Arabia markets where the Group mainly operates. • Our internal valuation experts reviewed the appropriateness of the model and the inputs selected to calculate the value in use. They independently recalculated the discount rates applied to the cash flows in the model based

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF INDUSTRIES QATAR Q.S.C.

Key audit matter	How our audit addressed the Key audit matter
investments' values assuming the investments continue to be held rather than sold. When deemed necessary, management performed a further impairment review at the level of subsidiaries, associates, and joint venture entities indirectly held by the Group through its associates and joint ventures. Based on the impairment review, the Group recognised a loss of QR 389 million, being its share in impairment losses recognised for assets of one joint venture at 31 December 2016. The many assumptions used in the model to estimate future profits attributable to the Group are derived from a combination of analysts' forecasts and management's best estimates and are highly judgemental. Refer to Note 3 for more details about critical accounting estimates and assumptions used. We focused on this area because of the materiality of investments in associates and joint ventures, and an impairment, if it exists, could have a material impact on the financial statements. We also focused on this area due to the significant judgments involved in performing the impairment test as set out above.	on their assessment of the Group's specific financing and capital costs. • We tested the inputs used in the determination of the assumptions for the calculation of the value in use to third-party sources, where available, including external data from analysts' reports. • The mathematical accuracy of the model was tested. • Disclosures in the financial statements made in relation to impairment testing were reviewed.

Other matter - prior period financial statements audited by predecessor auditor

The Group's financial statements for the year ended 31 December 2015 were audited by another firm of auditors whose report dated 4 February 2016 expressed an unqualified opinion on those financial statements.

Other information

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

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF INDUSTRIES QATAR Q.S.C.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial reporting Standards and with the requirements of Qatar Commercial Companies law number 11 of 2015, 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 scepticism 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF INDUSTRIES QATAR Q.S.C.

- 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 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Qatar Commercial Companies law number 11 of 2015, we report that:

- We have obtained all the information we considered necessary for the purposes of our audit;

- The Group has maintained proper books of account and the consolidated financial statements are in agreement therewith;

- The Group has carried out physical count of inventory in accordance with observed principles;

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF INDUSTRIES QATAR Q.S.C.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS (CONTINUED)

- The financial information included in the Board of Directors' report is in agreement with the books and records of the Group; and

- Nothing has come to our attention, which causes us to believe that the Group has breached any of the applicable provisions of the Qatar Commercial Companies law number 11 of 2015, or of its Articles of Association, which would materially affect the reported results of its operations or its financial position as of 31 December 2016.

For and on behalf of PricewaterhouseCoopers- Qatar branch

Mohamed Elmoataz

Auditor's registration number 281
Doha, Qatar
2 February 2017

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 December 2016	31 December 2015 Restated	31 December 2014 Restated
ASSETS				
Non-current assets				
Property, plant and equipment	6	**3,670,978**	3,828,156	3,893,565
Investment properties		**-**	3,553	198,364
Investment in associates	7	**1,451,409**	1,396,261	1,478,554
Investment in joint ventures	8	**18,342,580**	19,557,130	20,489,115
Available-for-sale investments	9	**674,295**	682,694	863,348
		24,139,262	25,467,794	26,922,946
Current assets				
Inventories	10	**1,243,570**	1,435,720	2,143,430
Trade and other receivables	11	**1,727,900**	1,831,442	1,220,490
Fixed deposits	5	**6,973,371**	5,925,814	4,711,200
Financial asset carried at fair value		**3,585**	3,585	3,585
Cash and cash equivalents	4	**1,098,144**	1,095,279	1,481,127
		11,046,570	10,291,840	9,559,832
Total assets		**35,185,832**	35,759,634	36,482,778
EQUITY AND LIABILITIES				
EQUITY				
Share capital	12	**6,050,000**	6,050,000	6,050,000
Legal reserve	13	**74,999**	74,999	74,999
Fair value reserve	13	**373,346**	370,807	500,668
Hedging reserve	13	**(54,142)**	(131,794)	(203,074)
Retained earnings		**27,069,762**	27,211,529	27,089,287
Total equity		**33,513,965**	33,575,541	33,511,880
LIABILITIES				
Non-current liabilities				
Borrowings	16	**225,758**	676,328	451,802
Employee benefit obligations	17	**214,983**	207,470	143,402
		440,741	883,798	595,204
Current liabilities				
Borrowings	16	**450,571**	450,571	1,210,664
Trade and other payables	18	**780,555**	849,724	1,110,407
Other financial liabilities		**-**	-	54,623
		1,231,126	1,300,295	2,375,694
Total liabilities		**1,671,867**	2,184,093	2,970,898
Total equity and liabilities		**35,185,832**	35,759,634	36,482,778

These consolidated financial statements were approved by the Board of Directors and signed on their behalf on 2 February 2017 by:

Saad Sherida Al Kaabi
Chairman and Managing Director

Mohammed Nasser Al Hajri
Vice Chairman

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Year ended 31 December	
	Note	**2016**	**2015 Restated**
Revenues	21	**4,674,300**	5,227,558
Cost of sales	22	**(3,529,365)**	(4,120,372)
Gross profit		**1,144,935**	1,107,186
General and administrative expenses	25	**(230,625)**	(174,948)
Selling expenses		**(38,658)**	(56,602)
Impairment of available-for-sale financial assets		**-**	(50,793)
Impairment of investment properties		**-**	(194,811)
Other income	23	**101,119**	87,082
Income from investments	24	**226,355**	130,986
Finance cost		**(13,135)**	(21,871)
Share of results of joint ventures	8	**1,716,339**	3,720,718
Share of results of associates	7	**48,660**	(78,293)
Total profit for the year		**2,954,990**	4,468,654
Earnings per share			
Basic and diluted earnings per share (QR per share)	20	**4.88**	7.39

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
	Note	**2016**	**2015 Restated**
Profit for the year		**2,954,990**	4,468,654
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Available for sale financial assets			
Net movement in cumulative changes in fair value		**2,539**	(180,654)
Net amount of impairment transferred to profit or loss	9	**-**	50,793
		2,539	(129,861)
Cash flow hedges			
Share of other comprehensive income of joint venture accounted for using the equity method		**66,164**	71,280
Share of other comprehensive income of associates		**11,488**	-
		77,652	71,280
Other comprehensive income/ (loss) for the year		**80,191**	(58,581)
Total comprehensive income for the year		**3,035,181**	4,410,073

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	Legal reserve	Fair value reserve	Hedging reserve	Retained earnings (Restated)	Total
Balance at 1 January 2015 (as previously stated)		6,050,000	74,999	500,668	(203,074)	27,162,033	33,584,626
Prior year adjustment (note 31)						(72,746)	(72,746)
Restated balance at 1 January 2015		6,050,000	74,999	500,668	(203,074)	27,089,287	33,511,880
Profit for the year		-	-	-	-	4,468,654	4,468,654
Other comprehensive loss for the year		-	-	(129,861)	71,280	-	(58,581)
Total comprehensive income for the year		-	-	(129,861)	71,280	4,468,654	4,410,073
Dividends declared for 2014	15	-	-	-	-	(4,235,000)	(4,235,000)
Social fund contribution	14	-	-	-	-	(111,412)	(111,412)
Balance at 31 December 2015		6,050,000	74,999	370,807	(131,794)	27,211,529	33,575,541
Balance at 1 January 2016 (as previously reported)		**6,050,000**	**74,999**	**370,807**	**(131,794)**	**27,260,592**	**33,624,604**
Prior year adjustments (note 31)		-	-	-	-	**(49,063)**	**(49,063)**
Restated balance at 1 January 2016		**6,050,000**	**74,999**	**370,807**	**(131,794)**	**27,211,529**	**33,575,541**
Profit for the year		-	-	-	-	**2,954,990**	**2,954,990**
Other comprehensive income for the year		-	-	**2,539**	**77,652**	-	**80,191**
Total comprehensive income for the year		-	-	**2,539**	**77,652**	**2,954,990**	**3,035,181**
Dividends declared for 2015	15	-	-	-	-	**(3,025,000)**	**(3,025,000)**
Social fund contribution	14	-	-	-	-	**(71,757)**	**(71,757)**
Balance at 31 December 2016		**6,050,000**	**74,999**	**373,346**	**(54,142)**	**27,069,762**	**33,513,965**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2016	2015
Cash flows from operating activities			
Profit for the year		**2,954,990**	4,468,654
Adjustments for:			
Depreciation and amortisation	6	**225,353**	211,955
Employees' end of service benefits – net	17	**7,513**	13,825
Share of results from joint ventures	8	**(1,716,339)**	(3,720,718)
Share of results from associates	7	**(48,660)**	78,293
Loss on disposal of property, plant and equipment		**15,832**	6,052
Dividend received on available-for-sale investments	24	**(25,521)**	(29,255)
Finance costs		**13,135**	21,871
Interest income	24	**(200,834)**	(101,731)
Impairment of investment properties		**-**	194,811
Impairment of property, plant and equipment		**64,594**	-
Gain on disposal of investment in joint venture		**-**	(1,455)
Loss on disposal of available-for-sale financial assets	9	**8,207**	50,793
		1,298,270	1,193,095
Changes in working capital			
Inventories		**192,150**	707,710
Trade and other receivable		**26,851**	10,971
Trade and other payable		**(19,121)**	(220,146)
Cash generated from operations		**1,498,150**	1,691,630
Finance charges paid		**(13,135)**	(21,871)
Social fund contribution		**(111,412)**	(151,949)
Net cash flows generated from operating activities		**1,373,603**	1,517,810
Cash flows from investing activities			
Proceeds from disposals of property, plant and equipment		**2,380**	1,674
Additions to property, plant and equipment and catalysts	6	**(150,981)**	(154,272)
Dividend received from associates	7	**5,000**	4,000
Proceeds from disposal of available-for-sale investments		**2,729**	-
Dividend received on available-for-sale investments	24	**25,521**	29,255
Disposal of interest in joint venture		**-**	5,000
Dividends received from joint ventures		**3,086,811**	4,148,758
Movement in fixed deposits	5	**(1,047,557)**	(1,214,614)
Interest income received		**191,317**	101,731
Net cash flows generated from investing activities		**2,115,220**	2,921,532
Cash flows from financing activities			
Repayment of borrowings		**(450,570)**	(1,941,901)
Proceeds from borrowings		**-**	1,351,711
Dividends paid to equity holders		**(3,030,194)**	(4,238,348)
Net cash flows used in financing activities		**(3,480,764)**	(4,828,538)
Net increase/ (decrease) in cash and cash equivalents		**8,059**	(389,196)
Cash and cash equivalents at beginning of year		**956,264**	1,345,460
Cash and cash equivalents at end of year	4	**964,323**	956,264

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

1 CORPORATE INFORMATION

Industries Qatar Q.S.C. (the "Company" or "IQ") is a public shareholding company, incorporated in the State of Qatar on 19 April 2003, in accordance with Article No. 68 of the Qatar Commercial Companies Law No. 5 of year 2002, for a 50 year term by resolution No. 33 of 2003 from the Ministry of Economy and Commerce of the State of Qatar. The Company's shares are listed on the Qatar Exchange (QE). The Company's registered office is situated in Doha, State of Qatar.

The Parent Company is Qatar Petroleum, a state-owned public corporation established by Emiri Decree No. 10 in 1974.

IQ and its subsidiaries (together referred to as "the Group") operate mainly in the State of Qatar.

The main activity of IQ is to act as a holding company. The key entities of the Group included in these consolidated financial statements is as follows:

	Type of interest	Country of incorporation	Percentage of holding
Qatar Steel Company Q.S.C.	Subsidiary	Qatar	100%
Qatar Steel Company FZE (Dubai)	Subsidiary	UAE	100%

Also, included in the consolidated financial statements, the share of profit or loss and other comprehensive income of the following joint venture and associate companies using equity accounting:

	Type of interest	Country of incorporation	Percentage of holding
Qatar Petrochemical Company (QAPCO) Q.S.C.	Joint venture	Qatar	80%
Qatar Fertiliser Company (QAFCO) Q.S.C.C.	Joint venture	Qatar	75%
Qatar Fuel Additives Company (QAFAC) Limited Q.S.C.	Joint venture	Qatar	50%
SOLB Steel Company(SSC)	Associate	KSA	31.03%
Qatar Metals Coating Company W.L.L.	Associate	Qatar	50%
Foulath Holding B.S.C.	Associate	Bahrain	25%

Qatar Steel Company Q.S.C. ("QATAR STEEL"), a Qatari Shareholding Company incorporated in the State of Qatar, is wholly owned by IQ. Qatar Steel is engaged in manufacturing of steel billets and reinforcing bars for sale in the domestic and export markets.

Qatar Steel Company FZE (Dubai), a fully owned subsidiary with limited liability on 22 July 2003, pursuant to Dubai Law No. 9 of 1992 and implementing the regulations of the Jebel Ali Free Zone Authority.

Qatar Petrochemical Company (QAPCO) Q.S.C. ("QAPCO"), a Qatari Shareholding Company incorporated in the State of Qatar, is a joint venture between IQ (80%) and Total Petrochemicals (France) (TPF) (20%). QAPCO is engaged in the production and sale of ethylene, polyethylene, hexane and other petrochemical products.

Qatar Fertiliser Company (Q.S.C.C.) ("QAFCO"), a Qatari Shareholding Company incorporated in the State of Qatar, is a joint venture between IQ (75%) and Yara Netherland BV (25%). QAFCO is engaged in the production and sale of ammonia and urea.

Qatar Fuel Additives Company Limited Q.S.C. ("QAFAC"), a Qatari Shareholding Company incorporated in the State of Qatar, is a joint venture between IQ (50%), OPIC Middle East Corporation (20%), International Octane Limited (15%) and by LCY Middle East Corporation (15%), a body corporate formed under the laws of the British Virgins Islands. QAFAC is engaged in the production and export of methyl-tertiary-butyl-ether (MTBE) and methanol.

The Qatar Companies Law No. 11 of 2015 (Companies Law) which is applicable to the Group has come into effect from 16 June 2015. The Group has until August 2017 to fully comply with the Companies Law under the transitional provisions set out therein. However, the Executive Regulations necessary to apply the Companies Law have not been yet issued by the Minister of Economy and Commerce. Therefore, the Group has to continue to apply the provisions of the preceding Companies Law No. 5 of 2002, as long as they do not contradict with the new Companies Law. The Group is currently assessing and evaluating the relevant provisions of the Companies Law and do not anticipate significant impact on its current activities or Articles of Incorporation.

The consolidated financial statements of the Group for the year ended 31 December 2016 was approved and authorised for issue by the Board of Directors on 2 February 2017.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of Industries Qatar Q.S.C. and its subsidiaries.

2.1 Basis of preparation

2.1.1 Compliance with IFRS

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

2.1.2 Historical cost convention

The financial statements have been prepared on a historical cost basis, except for assets at fair value through profit and loss and available-for-sale financial investments, which are measured at fair value.

2.1.3 New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2016:

- Accounting for acquisitions of interests in joint operations – Amendments to IFRS 11
- Clarification of acceptable methods of depreciation and amortisation - Amendments to IAS 16 and IAS 38
- Annual improvements to IFRSs 2012 – 2014 cycle, and
- Disclosure initiative – amendments to IAS 1.

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

2.1.4 New and amended standards not yet adopted by the Group

- Disclosure Initiative: Amendments to IAS 7 is effective for annual periods on or after 1 January 2017. The Group did not elect to early adopt the amendment.

- Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2016 reporting period and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

Title of standard	*IFRS 9 Financial instruments*
Nature of change	IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.
Impact	While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, equity investments currently classified as available-for-sale (AFS) financial assets would appear to satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets. Accordingly, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets. There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from IAS 39 *Financial Instruments: Recognition and Measurement* and have not been changed. The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. While the Group is yet to undertake a detailed assessment, it would appear that the Group's current hedge relationships would qualify as continuing hedges upon the adoption of IFRS 9. Accordingly, the Group does not expect a significant impact on the accounting for its hedging relationships. The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 *Revenue from Contracts with Customers*, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses. The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

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

Title of standard	*IFRS 9 Financial instruments*
Mandatory application date/Date of adoption by Group	Must be applied for financial years commencing on or after 1 January 2018. The Group does not intend to adopt IFRS 9 before its mandatory date.

Title of standard	*IFRS 15 Revenue from Contracts with Customers*
Nature of change	The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.
Impact	Management is currently assessing the effects of applying the new standard on the Group's financial statements and has identified the following areas that are likely to be affected: - accounting for certain costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under IFRS 15, and - rights of return – IFRS 15 requires separate presentation on the statement of financial position of the right to recover the goods from the customer and the refund obligation. At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months.
Mandatory application date/ Date of adoption by Group	Mandatory for financial years commencing on or after 1 January 2018. Expected date of adoption by the Group: 1 January 2018.

Title of standard	*IFRS 16 Leases*
Nature of change	IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the consolidated statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

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

Title of standard	*IFRS 16 Leases*
Impact	The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of QR 199,681, see note 26.2. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.
Mandatory application date/Date of adoption by Group	Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

2.2 Principles of consolidation and equity accounting

2.2.1 Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

2.2.2 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see 2.2.4 below), after initially being recognised at cost.

2.2.3 Joint arrangements

Under IFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has only joint ventures.

An investment in joint venture is accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position.

2.2.4 Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.6.

2.2.5 Changes in ownership interest

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Industries Qatar Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer (CEO) who is Chief Operating Decision Maker of the Group. The CEO is responsible for allocating resources and assessing performance of the operating segments. Additional disclosures on each of these segments are shown in note 28, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.4 Foreign currency translation

2.4.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Qatari Riyals (QR), which is Industries Qatar Q.S.C's functional and presentation currency.

2.4.2 Translations and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

2.4.3 Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and;

- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.5 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the consolidated statement of profit or loss and other comprehensive income during the reporting period in which they are incurred.

Depreciation is calculated to allocate the cost of assets over their estimated useful lives on a straight-line basis commencing when the assets become ready for their intended use. The estimated useful lives, residual values and depreciation methods are reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

The Group's estimated useful lives on each asset classification are as follows:

Buildings	25 years
Plant and structures	25 years
Heavy duty equipment	15 years
Motor vehicles	4 years
Furniture and fixtures	10 years
Office equipment	5 years

Items 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. Such items are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the consolidated statement of profit or loss and other comprehensive income as the expense is incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss and other comprehensive income in the year the asset is derecognised.

2.6 Impairment of non-financial assets

Non-financial assets that are subject to depreciation or amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Non- financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows, which are largely independent of the cash inflows from other assets or Groups of assets (cash-generating units).

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.7 Financial assets

2.7.1 Classification

The Group classifies its financial assets in the following categories 'loans and receivable', 'assets at fair value through profit and loss' and 'available for sale (AFS)'.

The classification depends on the purpose for which the financial assets were acquired and whether the assets were quoted in the active market. Management determined the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held-for-trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes held for trading investments and derivative financial instruments entered into by the Group that do not meet the hedge accounting criteria as defined by IAS 39. Financial assets at fair value through profit and loss are carried in the consolidated statement of financial position at fair value with gains or losses recognised in the consolidated statement of profit or loss.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the consolidated statement of financial position (notes 11 and 4).

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in other category. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period (note 9).

2.7.2 Recognition and measurement

Regular purchase and sale of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Loans and receivables are subsequently carried at amortised cost using the effective interest method. Investments designated as available-for-sale financial assets are initially recorded at cost. After initial measurement, these investments are subsequently measured at fair value on an individual basis.

Unrealized gains and losses are recognised directly in other comprehensive income and accumulated in the consolidated statement of changes in equity under the 'fair value reserve'. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

When the security is disposed of, the cumulative gain or loss previously recognised in the consolidated statement of comprehensive income as other comprehensive income and accumulated in equity is recognised in the consolidated statement of profit or loss.

Dividends earned whilst holding available-for-sale financial investments are recognised in the consolidated statement of profit or loss and other comprehensive income as 'Dividend income'.

For available-for-sale investments, which are traded in organised financial markets, fair value is determined by reference to the quoted market price at the close of the business on the reporting date. For investments, which are listed in an inactive stock market, traded in small quantities or have no current prices, the fair value is measured using the present value of cash flows or any other method adopted.

If there is no reliable method for the measurement of these investments, then they arc stated at cost less any impairment in their value.

Financial assets are derecognised when the rights to receive cash flows from the asset have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

2.7.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.7.4 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a Group of financial assets is impaired. For debt securities, the Group uses the criteria referred to in (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated statement of comprehensive income on equity instruments are not reversed through the consolidated statement of profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in consolidated statement of profit or loss, the impairment loss is reversed through the statement of consolidated statement of profit or loss.

2.8 Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges), or
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges)

The group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(a) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in consolidated statement of profit or loss within other income or other expense.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in consolidated statement of profit or loss within 'finance costs'. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in consolidated statement of profit or loss within 'sales'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets) the gains and losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss as cost of goods sold in the case of inventory, or as depreciation or impairment in the case of fixed assets.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to consolidated statement of profit or loss.

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in consolidated statement of profit or loss and are included in other income or other expenses.

2.9 Cash and cash equivalents

For the purpose of the presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of 90 days or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

2.10 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are classified under the financial asset category of loans and receivables. Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets.

Other receivables generally arise from transactions outside the normal operating activities of the group. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less any provision for impairment. They are classified as current assets if collectible within one year or less.

The Group's impairment policies for trade and other receivables are outlined in note 2.7.4.

2.11 Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition, as follows:

- Warehouse inventory - purchase cost after deducting rebates and discounts, on a moving weighted average basis.
- Work- in- progress and finished product inventories - production costs on a weighted average basis. The production costs include the cost of direct materials, direct labour and an appropriate allocation of overheads allocated on the basis of normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and that to be incurred to make the sale.

2.12 Trade and other payables

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

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

2.13 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.14 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction, or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are recognised in consolidated statement of profit or loss in the period in which they are incurred.

2.15 Employee benefits

2.15.1 Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating annual and sick leaves that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are included in trade and other payables.

2.15.2 Post-employment benefits

The Group operates defined contribution and defined benefit retirement plans.

(a) Defined contribution pension plan

The Group pays contributions to publicly administered pension insurance plans on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Defined benefit plan

The liability recognised in the statement of financial position in respect of end of service benefits and defined benefit pension plans should be the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. When no deep market in such bonds, the market rates on government bonds are used.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised, when material, in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the consolidated statement of changes in equity and in the statement of financial position, if any.

2.15.3 Other short-term employees' benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be measured reliably.

Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.16 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of rebates, trade allowances, returns and amounts collected on behalf of third parties including value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the Group; and specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of steel products

The Group manufactures and sells a range of steel products and by-products. Sales of goods are recognised when the Group has delivered products to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from sales is measured based on the price specified in the sales contracts, net of the estimated volume discounts and returns at the time of sale. Accumulated experience is used to estimate and provide for the discounts and returns. The volume discounts are assessed based on anticipated annual purchases. No element of financing is deemed present as the sales are made with a credit term of 30 to 90 days.

(b) Service and management charges

Service and management charges are recognised in the accounting period in which the services are rendered.

(c) Interest income

Interest income is recognised using the effective interest method. When a financial asset classified under the loan and receivable category is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

(d) Dividend income

Dividend income is recognised when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence, refer to note 2.7.4.

2.17 Operating leases

Leases in which a significant portion of risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

2.18 Social fund contribution

The Group makes contributions equivalents to 2.5% of the consolidated net profit for the year into a state social fund for the support of sports, cultural, social and charitable activities. This is presented in the statement of changes of equity as appropriation of profit in accordance with Law No. 13 of 2008.Dividends distribution

2.19 Dividends distribution

Liabilities for dividend distributions are recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period. Dividend distribution liabilities are recognised as a direct charge to retained earnings in the consolidated statement of changes in equity, with any unpaid amount is presented under trade and other payables in the consolidated statement of financial position.

2.20 Exceptional items

Exceptional items are disclosed separately in the consolidated financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

2.21 Earnings per share

Basic earnings per share is calculated by dividing:
- the profit or loss attributable to ordinary owners of the Group
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the effect of any dilutive potential ordinary shares.

3 CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are summarised below:

3.1 Critical judgments in applying accounting policies

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

(a) Site restoration obligations

As required by IAS 37, the Group assess the following criteria is met to recognise provisions:

- whether the Group 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 28, certain companies comprising the Group main entities have entered into different land lease agreements with Qatar Petroleum ("QP"), the Parent company. Under these lease agreements, the Group might be required to make payments for site restoration at the option of the Parent company. It has been assessed that the optionality given to the Parent company makes it more likely to acquire the plant from the Group rather than restoring the site at the cost of the Group. Therefore, the probability criteria required to recognise provision for restoration obligation is not met and accordingly, no provision has been recognised in these consolidated financial statements.

(b) Classification of associates

The Group has 50% interest in Qatar Metals Coating W.L.L., with the remaining 50% is held by Qatar Industrial Manufacturing Company. The articles of association and shareholder agreement of Qatar Metals Coating W.L.L. requires appointment of 2 board members by each company from which the Chairman is selected on rotation bases between Qatar Steel Company and Qatar Industrial Manufacturing Company, where the Chairman has voting casting power; therefore, control is not demonstrated by the entity that does not appoint the Chairman. The current term of office requires appointment of the Chairman by Qatar Steel Company. The Group has assessed that although the Chairman appointed by Qatar Steel Company in the current term of office, the rotation of position limits the ability of the Group to exercise control and therefore, is classifying its interest in Qatar Metal Coating W.L.L. as an associate and is accounted for using the equity method as described in note 2.2.4.

(c) Going concern

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on a going concern basis.

3.2 Key sources of estimation uncertainty

(a) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and residual values of its property, plant and equipment for calculating depreciation as outlined in note 2.5. This estimate is determined after considering the expected usage of the asset, physical wear and tear, technical or commercial obsolescence. The estimated useful lives, residual values and depreciation methods are reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis. At year-end, management assessed that no changes occurred to these estimates.

(b) Provision for employee's end of service benefits

The assumptions used in determining the cost for employees' end of service obligations include the discount rate, staff turnover, and expected future salary increments. Any changes in these assumptions will impact the amount of end of service obligations. The Group determines the appropriate discount rate at the end of each year. This discount rate should be used to determine the present value of estimated future cash outflows expected to be required to settle the employees' end of service obligations. Where the assumptions used differ by 10% from management's estimates, the amount of employees' end of service obligations will not differ significantly from management's estimates.

In addition to receiving pension benefits from the Government Pension Fund, Qatar Petroleum, the Parent company, introduced in 2016 a new end of service scheme to employees with Qatar nationality. In accordance with that new scheme, an employee who serves within the group for 20 years or more receives a lump sum payment on retirement or resignation based on latest salary and number of service years in excess of 20 years. The fact that benefit only starts to accrue after 20 years of service means that the benefit formula includes a back end load and therefore accrual should be made on a straight-line basis over the entire service life. However, based on an alternative approach of accounting, management has concluded that only service after 20 years in the industry leads to benefit and therefore attribution should be in line with the benefit formula, i.e. accrual only starts once the industry service eligibility has been met. This new plan was already in place for entities consolidated in these financial statements. Only joint ventures accounted for using the equity method are affected by the introduction of this new benefit plan.

The discount rate used for estimating end of service liabilities ranges between 3.75% to 5.00% and the average future salary increases is 4%. Therefore the discounting future salaries results in approximately current levels of salary.

Therefore, the management calculated the employees' end of service obligations as the amount that would be paid if all employees retire and receive their entitlements at the date of financial position, that is the final monthly salary at year-end multiplied by the number of years in service to arrive at the employee benefit at that date.

(c) Pension for retired Qatari Nationals

The Group makes pension payments to Qatari employees, or their heirs, who retired prior to 2003 in accordance with an old pension scheme that was terminated. These payments meet the definition of a defined benefit plan under IAS19. The calculation of the defined benefit obligation involves using an actuarial technique to make a reliable estimate of the current obligation of the Group. The key assumptions used to develop this estimate are disclosed in note 17.

(d) Value in use (VIU) calculations

Whenever objective evidence of impairment is present in accordance with the accounting policy, note 2.6, the Group tests whether the significant investments in associates and joint ventures (note 7 and 8) have suffered impairment at each reporting period. The recoverable amount of each individual investment is determined based on the VIU calculations, which require the use of assumptions.

The calculations use cash flow projections based on financial budgets approved by the respective entity's management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates. These growth rates are consistent with forecasts included in industry reports specific to the country in which each entity operates. Management has determined the values assigned to each of the key assumptions as follows:

Assumption	**Approach used to determining values**
Sales volume	Average annual growth rate over the five-year forecast period; based on past performance and management's expectations of market development.
Sales price	Average annual growth rate over the five-year forecast period; based on current industry trends and including long-term inflation forecasts for each territory.
Budgeted gross margin	Based on past performance and management's expectations for the future.
Other operating costs	Management forecasts these costs based on the current structure of the business, adjusting for inflationary increases but not reflecting any future restructurings or cost saving measures. The amounts disclosed above are the average operating costs for the five-year forecast period.
Annual capital expenditure	This is based on the historical experience of management, and the planned refurbishment expenditure.
Long-term growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rates are consistent with forecasts included in industry reports.
Discount rates	Reflect specific risks relating to the relevant industry and the countries in which the associates and joint ventures operate.

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

Investment in associates

The table below sets out the key assumptions used to assess VIU for key associates at year-end:

	Foulath Holding B.S.C. ©	SOLB Steel Company
Sales volume (% annual growth rate)	**15%**	**7%**
Long term growth rate (%)	**3%**	**4%**
Discount rate (%)	**12%**	**12%**

No impairment was recognised in 2016 for investment in associates based on VIU analysis. Management have determined that it is currently inappropriate to consider any reversal of impairment recognised in previous years for Foulath Holding. This decision was taken in light of market uncertainty. The Group has plans to engage professional consultants to develop a realistic business plan for Foulath to be tested in practice before impairment provision is reversed.

Investment in joint ventures

The Group recognised QR 389 million being its share in impairment provisions made by QAFCO. This relates to the following:

- Impairment in one of the subsidiary (Qatar Melamine Company ("QMC") amounting to QR 698 million (Group share is QR 314 million)

- Management of Qatar Melamine Company, a subsidiary of QAFCO, has impaired the value of property, plant and equipment and license fees by QR 698 million based on calculating the plant's value in use.

- Impairment of revamp project amounting to QR 100 million (Group share is QR 75 million), where the Board of QAFCO decided not to continue.

(e) Income tax

As a company listed in Qatar Stock Exchange, IQ is exempt from tax under Law 17 of 2014 (replacing Law 20 of 2008). Industry tax practice has developed such that this exemption extends to subsidiaries, associates and joint ventures of listed companies. Any tax clauses agreed under a joint venture agreement ("JVA") and approved by the Ministry of Finance / Qatar Tax Department ("QTD") will take precedence over the Qatar tax law. The main joint ventures of the Group (QAFAC, QAPCO, and QAFCO) are subject to different income tax arrangements and they adopt different accounting practices for the recognition of the tax due to QTD.

It has been agreed by the parties to the joint venture agreements, that each party is responsible for its own tax and therefore, the foreign shareholder's share of profits is adjusted for 100% of the tax payable to the QTD.

In practice, QAFAC and QAPCO make payments to the QTD for the taxes due on the share of foreign shareholders and make payments to IQ in amounts equal to assumed tax on IQ share. The amounts received by IQ from the joint venture are recognised as dividend income. For QAFCO, the foreign shareholders compensate the joint venture for the tax payable to QTD.

When it is virtually certain that the foreign shareholders of the Group's joint ventures compensate the venture for their share of the results in the respective joint ventures, a tax indemnity is recognised as a tax reimbursement asset in the financial statements of the joint ventures.

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

The management of the Group assessed that no further tax liability exist on the Group beyond what is recorded and remitted to the QTD and that the dividends received from the joint ventures in lieu of tax reflects the understanding between the parties of the joint ventures.

4 CASH AND CASH EQUIVALENTS

	2016	**2015**
Cash in bank	**1,098,052**	1,095,195
Cash on hand	**92**	84
	1,098,144	1,095,279

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise:

	2016	**2015**
Bank balances and cash	**1,098,144**	1,095,279
Less: Dividend accounts	**(133,821)**	(139,015)
	964,323	956,264

Dividend accounts are the amount deposited in the bank for the amount of dividends declared for the respective year, which are yet to be collected by the shareholders. Dividends for shareholders who are registered to the Qatar Central Securities Depository ("QCSD") are automatically transferred to their respective bank accounts. For the shareholders who are not registered in QCSD, dividends are deposited in call bank accounts.

5 FIXED DEPOSITS

As at 31 December 2016, fixed deposits with maturities after 90 days amounted to QR 6,973,371 (2015: QR 5,925,814). Fixed deposits are held with banks and denominated mainly in Qatari Riyals with average effective interest rates of 1.36% to 3.6% (2015: 1.5% to 3%).

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

6 PROPERTY, PLANT AND EQUIPMENT

	Building	Plant machinery and equipment	Furniture and other equipment	Capital work in progress	Total
Cost					
As at 1 January 2015	691,326	5,490,380	93,666	197,136	6,472,508
Reclassification	-	(1,172)	1,172	-	-
Additions	-	-	-	154,272	154,272
Transfers	436	124,271	4,248	(128,955)	-
Disposals	(1,483)	(18,915)	(8,021)	-	(28,419)
As at 31 December 2015	690,279	5,594,564	91,065	222,453	6,598,361
Reclassification	-			-	-
Additions	-	**34,124**	-	**116,857**	**150,981**
Transfers	**9,445**	**109,756**	**6,425**	**(125,626)**	-
Disposals	-	**(41,927)**	**(2,881)**	-	**(44,808)**
As at 31 December 2016	**699,724**	**5,696,517**	**94,609**	**213,684**	**6,704,534**
Accumulated depreciation:					
As at 1 January 2015	315,515	2,192,336	76,398	-	2,584,249
Reclassification	-	(99)	99	-	-
Charge for the year	22,370	183,996	5,589	-	211,955
Disposals	(1,483)	(16,529)	(7,987)	-	(25,999)
As at 31 December 2015	336,402	2,359,704	74,099	-	2,770,205
Reclassification	-	**1**	**(1)**	-	-
Impairment	-	**64,594**	-	-	**64,594**
Charge for the year	**22,834**	**197,025**	**5,494**	-	**225,353**
Disposals	-	**(24,202)**	**(2,394)**	-	**(26,596)**
As at 31 December 2016	**359,236**	**2,597,122**	**77,198**	-	**3,033,556**
Net book value:					
As at 31 December 2016	**340,488**	**3,099,395**	**17,411**	**213,684**	**3,670,978**
As at 31 December 2015	353,877	3,234,860	16,966	222,453	3,828,156

Notes:

(i) Buildings with net book value of QR 340 million (31 December 2015: QR 353 million) represent the industrial plant, offsite and administrative facilities constructed on land leased from Qatar Petroleum for the duration of the Company's existence.

(ii) Depreciation charge has been allocated in the consolidated statement of profit or loss as follows:

	2016	**2015**
Cost of sales	**221,831**	202,982
General and administrative expenses	**2,884**	3,299
Selling expenses	**638**	638
	225,353	206,919

(iii) During the year, the Group decided the closure and impairment of certain production plants in Qatar due to their negative contribution margin and higher operating cost. Total impairment amounted to QR 65 million (2015: nil).

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

7 INVESTMENTS IN ASSOCIATES

Set out below are the associates of the Group as at 31 December 2016. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

	Place of business/ country of incorporation	% of ownership		Nature of relationship	Measurement method	Carrying amount	
		2016	**2015**			**2016**	**2015**
Foulath Holding B.S.C. © (i)	Kingdom of Bahrain	**25%**	25%	Associate	Equity method	**1,172,453**	1,185,747
SOLB Steel Company (ii)	Kingdom of Saudi Arabia	**31.03%**	31.03%	Associate	Equity method	**216,947**	192,907
Qatar Metals Coating Company W.L.L. (iii)	State of Qatar	**50%**	50%	Associate	Equity method	**62,009**	17,607
						1,451,409	1,396,261

i. Foulath Holding B.S.C. ©

Foulath Holding B.S.C. is a Bahraini Closed Joint Stock Company incorporated on 26 June 2008 in the Kingdom of Bahrain.

Foulath Holding B.S.C. is a holding company for a group of commercial/industrial companies that are engaged in the manufacture and sale of iron pellets, stainless steel flat products, operate melt shop furnaces and heavy beams rolling mill and related infrastructure.

ii. SOLB Steel Company (formerly known as South Steel Company WL.L.)

SOLB Steel Company is a company incorporated in the Kingdom of Saudi Arabia and is engaged in the manufacture and sale of steel products.

iii. Qatar Metals Coating W.L.L.

Qatar Metals Coating Company W.L.L. (Q-COAT) is involved in the production of epoxy resin coated bars. Q-COAT is managed by the Group in accordance with a management service agreement.

Movements in investments in associates during the year are as follows:

	2016	**2015**
Balance at 1 January	**1,396,261**	1,478,554
Dividends received from associates	**(5,000)**	(4,000)
Share of results and other losses from associates	**48,660**	(78,293)
Share of other comprehensive income	**11,488**	-
Balance at 31 December	**1,451,409**	1,396,261

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

The tables below provide summarised financial information for those associates that are material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant associates and not IQ's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

Summarised statement of financial position	**Foulath Holding B.S.C. ©**		**SOLB Steel Company**		**Qatar Metals Coating W.L.L.**	
	2016	2015	**2016**	2015	**2016**	2015
Current assets	**2,473,700**	2,487,330	**882,203**	1,225,587	**279,979**	244,548
Non-current assets	**6,196,733**	6,380,844	**2,194,635**	1,959,638	**12,375**	12,653
Current liabilities	**(2,002,210)**	(1,444,514)	**(1,413,845)**	(1,689,792)	**(142,805)**	(198,012)
Non-current liabilities	**(3,608,654)**	(4,302,872)	**(1,127,449)**	(1,092,344)	**(916)**	(689)
Net assets	**3,059,569**	3,120,788	**535,544**	403,089	**148,633**	58,500
Group's share in %	**25%**	25%	**31.03%**	31.03%	**50%**	50%
Group's share in QR	**764,892**	780,197	**166,179**	125,078	**74,317**	29,250
Pre-acquisition equity adjustment	**-**	-	**(505)**	(505)	**-**	-
Goodwill	**671,849**	671,849	**68,334**	68,334	**-**	-
Impairment and other losses	**(270,000)**	(270,000)	**-**	-	**-**	-
Intercompany margin elimination	**5,712**	3,701	**-**	-	**(12,308)**	(11,643)
Other	**-**	-	**(17,061)**	-	**-**	-
Carrying amount	**1,172,453**	1,185,747	**216,947**	192,907	**62,009**	17,607

Summarised statements of comprehensive income	**Foulath Holding B.S.C. ©**		**SOLB Steel Company**		**Qatar Metals Coating W.L.L.**	
	2016	2015	**2016**	2015	**2016**	2015
Revenue	**2,892,473**	2,877,725	**874,724**	1,572,441	**792,068**	231,303
Profit from continuing operations	**(89,020)**	(85,597)	**32,318**	(64,364)	**100,134**	12,707
Profit /(loss) for the period	**(89,020)**	(85,597)	**32,318**	(52,204)	**100,134**	12,707
Other comprehensive income	**1,014**	-		-	**-**	-
Total comprehensive income /(loss)	**(88,006)**	(85,597)	**32,318**	(52,204)	**100,134**	12,707
Dividends received from associates	**-**	-	**-**	-	**(5,000)**	(4,000)

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

8 INTEREST IN JOINT VENTURES

The movement in investment in joint ventures during the year is as follows:

	31 December 2016	31 December 2015 Restated
Balance at 1 January	**19,606,192**	20,561,860
Restatement	**(49,063)**	(72,746)
	19,557,129	20,489,114
Share of results of joint ventures	**1,716,339**	3,720,718
Share of other comprehensive income	**66,164**	71,280
Dividends income	**(2,997,052)**	(4,720,438)
Disposal of a joint venture	**-**	(3,544)
Balance at 31 December	**18,342,580**	19,557,130

The summarised financial information in respect of the Group's joint ventures is set out below. The summarised financial information below represents amounts shown in the joint ventures financial statements prepared in accordance with International Financial Reporting Standards (IFRS):

As of 31 December 2016	QAPCO	QAFAC	QAFCO	Total
Current assets				
Cash and cash equivalents	916,949	343,837	2,634,348	3,895,134
Other current assets	1,310,619	549,458	1,405,633	3,265,710
	2,227,568	893,295	4,039,981	7,160,844
Non-current assets	7,349,066	1,507,425	13,669,693	22,526,184
Current liabilities				
Financial liabilities (excluding trade payables)	(1,070,884)	(472,158)	(3,034,021)	(4,577,063)
Other current liabilities	(144,720)	(7,786)	(78,330)	(230,836)
	(1,215,604)	(479,944)	(3,112,351)	(4,807,899)
Non-current liabilities	(217,371)	(395,691)	(328,266)	(941,328)
Net assets before minority interest	8,143,659	1,525,085	14,269,057	23,937,801
Minority interest	-	-	(180,567)	(180,567)
Attributable to the Group	8,143,659	1,525,085	14,088,490	23,757,234
Reconciliation to carrying amounts:				
Opening net assets 1 January	8,458,314	1,452,306	15,319,650	25,230,270
Profit/ (loss) for the period	2,618,066	295,838	(807,347)	2,106,557
Other comprehensive income	11,279	-	76,187	87,466
Dividends paid	(2,944,000)	(223,059)	(500,000)	(3,667,059)
Closing net assets	8,143,659	1,525,085	14,088,490	23,757,234
Group's share %	80%	50%	75%	
Group's share	6,514,927	762,543	10,566,368	17,843,838
Effect of IQ's tax exempt status	164,422	229,090	-	393,512
Other	104,538	-	692	105,230
	6,783,887	991,633	10,567,060	18,342,580

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

As of 31 December 2016 (cont.)	**QAPCO**	**QAFAC**	**QAFCO**	**Total**
Revenues	**3,892,829**	**1,842,680**	**4,795,268**	**10,530,777**
Other income	**950,342**	**12,726**	**54,877**	**1,017,945**
Depreciation and amortization	**(293,388)**	**(211,746)**	**(1,084,619)**	**(1,589,753)**
Interest expense	**(552)**	**(4,734)**	**(127,756)**	**(133,042)**
Income tax expense	**-**	**(158,956)**	**-**	**(158,956)**
Impairment loss	**-**	**-**	**(798,235)**	**(798,235)**
Other cost and expenses	**(1,931,165)**	**(1,184,132)**	**(3,927,637)**	**(7,042,934)**
Profit for the period	**2,618,066**	**295,838**	**(1,088,102)**	**1,825,802**
Minority interest	**-**	**-**	**280,755**	**280,755**
Attributable to the Group	**2,618,066**	**295,838**	**(807,347)**	**2,106,557**
Other comprehensive income	**11,279**	**-**	**76,187**	**87,466**
Total comprehensive income	**2,629,345**	**295,838**	**(731,160)**	**2,194,023**
Group's share of net profit	**2,094,453**	**147,919**	**(605,510)**	**1,636,862**
Group's share of other comprehensive income	**9,023**	**-**	**57,140**	**66,163**

As of 31 December 2015 Restated	**QAPCO**	**QAFAC**	**QAFCO**	**Total**
Current assets				
Cash and cash equivalents	1,144,626	421,774	2,700,188	4,266,588
Other current assets	1,234718	455,438	1,607,130	3,297,286
	2,379,344	877,212	4,307,318	7,563,874
Non-current assets	7,554,897	1,617,903	15,407,761	24,580,561
Current liabilities				
Financial liabilities (excluding trade payables)	(1,234,629)	(542,651)	(1,113,118)	(2,890,398)
Other current liabilities	(16,380)	(5,703)	(86,490)	(108,573)
	(1,251,009)	(548,354)	(1,199,608)	(2,998,971)
Non-current liabilities	(224,918)	(494,455)	(2,732,098)	(3,451,471)
Net assets before minority interest	8,458,314	1,452,306	15,783,373	25,693,993
Minority interest	-	-	(463,723)	(463,723)
Attributable to the Group	8,458,314	1,452,306	15,319,650	25,230,270
Reconciliation to carrying amounts:				
Opening net assets 1 January	8,519,120	1,809,888	15,180,358	25,509,366
Profit/ (loss) for the period	2,753,662	539,678	1,461,887	4,755,227
Other comprehensive income	16,532	-	77,405	93,937
Dividends paid	(2,831,000)	(897,260)	(1,400,000)	(5,128,260)
Closing net assets	8,458,314	1,452,306	15,319,650	25,230,270
Group's share %	80%	50%	75%	
Group's share	6,766,651	726,153	11,489,738	18,982,542
Effect of IQ's tax exempt status	143,493	302,998	-	446,491
Other	127,404	-	693	128,097
	7,037,548	1,029,151	11,490,431	19,557,130

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

31 December 2015 Restated	**QAPCO**	**QAFAC**	**QAFCO**	**Total**
Revenues	4,039,885	2,496,533	6,627,313	13,163,731
Other income	865,022	7,777	68,415	941,214
Depreciation and amortization	(287,849)	(208,746)	(996,169)	(1,492,764)
Interest expense	(1,107)	(5,199)	(141,952)	(148,258)
Other cost and expenses	(1,862,289)	(1,750,687)	(4,115,212)	(7,728,188)
Profit for the period	2,753,662	539,678	1,442,395	4,735,735
Minority interest	-	-	19,492	19,492
Attributable to the Group	2,753,662	539,678	1,461,887	4,755,227
Other comprehensive income	16,532	-	77,405	93,937
Total comprehensive income	2,770,194	539,678	1,539,292	4,849,164
Group's share of net profit	2,202,930	269,839	1,096,415	3,569,184
Group's share of other comprehensive income	13,226	-	58,054	71,280

9 AVAILABLE- FOR- SALE INVESTMENTS

	2016	**2015**
At 1 January fair value	**682,694**	863,348
Disposal	**(10,936)**	-
Impairment of available-for-sale financial assets	**-**	(50,793)
Increase/ (decrease) in the fair value	**2,537**	(129,861)
At 31 December fair value	**674,295**	682,694

Included in available-for-sale investments is an investment in a company domiciled in Australia with a carrying value of nil at 31 December 2016 (2015: QR. 11.07 million). During the year the Group has disposed their shares in this company because of a compulsory acquisition of minority shareholders holding by the majority of shareholders, as a results the company recognised QR8.2 million as a loss on disposal of available for sale investments. All other investments are in equity shares in the State of Qatar.

10 INVENTORIES

	2016	**2015**
Finished goods and goods for resale	**251,631**	359,438
Raw materials	**302,405**	227,675
Spares and consumables	**207,027**	227,733
Work in process	**170,169**	260,885
Additives	**214,060**	303,792
Goods in transit	**134,601**	86,543
	1,279,893	1,466,066
Less: write down of inventory to net realisable value	**(36,323)**	(30,346)
	1,243,570	1,435,720

Inventories recognised as an expense during the year ended 31 December 2016 amounted to QR 1,982 million (2015 - QR 2,581 million). These were included in cost of sales.

Write down of inventory amounted to QR 16,700 (2015 - QR 3,979), was recognised as an expense during the year ended 31 December 2016 and included in 'cost of sales' in the consolidated statement of comprehensive income.

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

The Group reversed QR 10,723 of a previously recognised write down of inventory as the Group sold the relevant goods that had been written down to third party at a price above recognised net realisable value. The amount reversed has been included in 'cost of sales' in the consolidated statement of profit or loss.

11 TRADE AND OTHER RECEIVABLES

	2016	2015
Trade accounts receivable	**824,552**	848,841
Due from related parties (note 19)	**674,001**	773,493
Advance to suppliers	**11,601**	16,434
Prepayments	**25,294**	26,193
Loans to employees	**71,651**	65,211
Accrued interest	**85,677**	73,586
Other receivables	**35,124**	29,167
	1,727,900	1,832,925
Less: Provision for doubtful debts	**-**	(1,483)
	1,727,900	1,831,442

As at 31 December the ageing of unimpaired trade receivables is as follows:

	Total	Neither past due nor impaired	Past due but not impaired					Past due and impaired
			< 30 days	31 to 60 days	61 to 90 days	91 to 180 days	180 to 365 days	
2016	**824,552**	**784,759**	**35,163**	**1,677**	**1,966**	**946**	**41**	**-**
2015	848,841	832,349	6,898	7,138	158	362	453	1,483

Movement in provision for doubtful debts:

	2016	2015
Balance at 1 January	**1,483**	1,483
Reversal of unused amount	**(1,483)**	-
Balance at 31 December	**-**	1,483

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The Group does not hold any collateral in relation to these receivables.

12 SHARE CAPITAL

	2016	2015
Authorised, issued and paid-up:		
605,000,000 shares of QR 10 each	**6,050,000**	6,050,000

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

13 RESERVES

The following table shows the movements in these reserves during the year. A description of the nature and purpose of each reserve is provided below the table.

	Legal reserves (i)	AFS financial assets (ii)	Cash flow hedges (iii)	Total other reserves
Balance at 1 January 2015	74,999	370,807	(131,794)	314,012
Revaluation	-	-	-	-
Reclassification to profit or loss	-	-	-	-
Other comprehensive income for the period	-	-	-	-
Balance at 31 December 2015	74,999	370,807	(131,794)	314,012
Balance at 1 January 2016	**74,999**	**370,807**	**(131,794)**	**314,012**
Revaluation	**-**	**2,539**	**77,652**	**80,191**
Reclassification to profit or loss	**-**	**-**	**-**	**-**
Other comprehensive income for the period	**-**	**-**	**-**	**-**
Balance at 31 December 2016	**74,999**	**373,346**	**(54,142)**	**394,203**

IQ was formed in accordance with Article 68 of Qatar Commercial Companies' Law No. 5 of 2002, whereby the Company is subject to the provisions of that Law to the extent that the provisions of the Law are not in contradiction with the Articles of Association of the Company.

According to its Articles of Association, the Company does not make allocation of profits to legal reserve. The legal reserve presented on the face of the consolidated statement of financial position represents the amount of legal reserve from subsidiaries included for consolidation purposes.

(i) Changes in the fair value of investments that are classified as available-for-sale (AFS) financial assets, are recognised in other comprehensive income and accumulated in a separate reserve within equity. Amounts are reclassified to consolidated statement of profit or loss when the associated assets are sold or impaired.

(ii) The hedging reserve is used to record the Group's share of gains or losses on derivatives that are designated and qualify as cash flow hedges and that are recognised in other comprehensive income of associates accounted for using the equity method. Amounts are reclassified to consolidated statement of profit or loss when the associated hedged transaction affects profit or loss.

14 SOCIAL FUND CONTRIBUTION

In accordance with Law No. 13 of 2008, the Group made an appropriation of profit of QR 71.76 million (2015: 111.41 million) equivalents to 2.5% of the adjusted consolidated net profit for the year for the support of sports, cultural, social and charitable activities.

15 DIVIDENDS

The Board of Directors has proposed cash dividend distribution of QR 4 per share for the year ended 31 December 2016 (2015: QR 5 per share). The dividends for 2015 amounting to QR 3,025 million were approved by the shareholders at the Annual General Meeting held on 4 February 2016. The proposed final dividend for the year ended 31 December 2016 will be submitted for formal approval at the Annual General Meeting.

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

16 BORROWINGS

	2016			2015		
Unsecured	**Current**	**Non-current**	**Total**	Current	Non-current	Total
Bank loan 1 (i)	**269,133**	**135,039**	**404,172**	269,133	404,171	673,304
Bank loan 2 (ii)	**181,438**	**90,719**	**272,157**	181,438	272,157	453,595
Total borrowings	**450,571**	**225,758**	**676,329**	450,571	676,328	1,126,899

(i) On 17 December 2014, the Group entered into a loan agreement for USD 222.5 million with HSBC Bank Middle East Limited in order to be used by the Group during 2015. The loan carries interest at LIBOR plus 0.75% per annum and is repayable in 6 equal semi-annual instalments of USD 37.08 million each, starting from 5 July 2015.

(ii) On 18 June 2015, the Group entered into a loan agreement for USD 150 million with National Bank of Abu Dhabi. The loan carries interest at LIBOR plus 0.75% per annum and is repayable in 6 equal semi-annual instalments of USD 25 million each, starting from 30 December 2015.

The Group has complied with the financial covenants of its borrowing facilities during the 2016 and 2015 reporting periods through not pledging or mortgaging any of its assets and maintaining compliance with local laws and regulations.

The fair values of borrowings are not materially different to their carrying amounts, since the interest payable on these borrowings is close to current market rates.

17 EMPLOYEES' BENEFIT OBLIGATION

	2016	2015
Balance as at 1 January	**207,470**	143,402
Provision during the year	**38,479**	38,513
Paid during the year	**(30,966)**	(24,688)
Reclassification (note 32)	**-**	50,243
Balance as at 31 December	**214,983**	207,470

17.1 End of service benefit obligations

The Group makes lump sum payments to employees on retirement or resignation based on length of service period and salary level at end of service. In accordance with IAS 19 'Employee Benefits', defined benefit plans are measured using the projected unit credit actuary method. Under this method, an estimate of future salary at date of end of service using assumptions such as salary growth rates, length of service based on usual turnover and mortality. Future salaries are used to estimate the amounts of benefit relevant to past service and discounted to reflect present value at date of reporting. The Group determined that the effect of using this actuarial technique is not materially different from using the plan liquidation technique. The plan liquidation technique measures the liabilities to end of service obligations as the amount that would be paid if the obligation equals to the amount payable if all employees retire and receive their entitlements at the date of financial position that is the final monthly salary at year-end multiplied by the number of years in service. This judgment was made based on assessment that the applicable discount rate would not significantly differ from the percentage of annual salary increments. Therefore, the increase in salary levels in future years will not differ significantly from the effect discounting to present value.

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

In 2016, Qatar Petroleum, the Parent company, introduced a new end of service plan to Qatari nationals who serve within the group for period of 20 years or more, where the benefit is paid for every year of service in excess of 20 years. This plan was already implemented by entities consolidated in these consolidated financial statements; therefore, no significant adjustment was made for past service cost by the Group due to the introduction of this new plan. However, the joint ventures of the Group recognised an amount of QR 75 million in connection of this new plan, in which the Group share is QR 56 million.

The sensitivity of the end of service obligation as at 31 December 2016 to changes in assumptions is as follows:

		Impact on statement of comprehensive income	
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
Discount rate	**1%**	**17,603**	**(20,596)**
Salary growth rate	**1%**	**(20,181)**	**17,603**
Staff turnover	**1%**	**2,954**	**(3,111)**

17.2 Pension obligations

The Group pays pension benefits to Qatari employees, or their heirs, who retired prior to 2003. These payments meet the definition of a defined benefit plan under IAS 19. The Group has determined that its obligation is immaterial and is accounted for when paid. However, the joint ventures obligations to these pension benefits is significant and accordingly, accounted for using the projected unit credit method. See note 31.1 for more details.

17.3 Staff cost

	2016	**2015**
Cost of sales	**477,489**	493,824
Selling expenses	**24,461**	26,522
General and administrative expenses	**88,535**	107,702
	590,485	628,048

17.3.1 Pension and end of service cost

Included in staff costs are the following expenses in connection with pension and end of service.

	2016	**2015**
Defined contribution benefits – employer share	**7,776**	7638
End of service charges	**38,479**	38,513
	46,255	46,151

The defined contribution benefits represent the Group’s contributions to the Government Pension Fund on a monthly basis in accordance with the requirements of Law No 24 of 2002 pertaining to Retirement and Pensions for Qatari national employees who joined the Group on or after 5 March 2003. The Group remits 15% of Qatari national employees’ salary to the Government Pension Fund, of which Group's share is 10% and the employees’ share is 5%. The Group’s obligations are limited to its contributions paid to Government Pension Fund which are expensed when due.

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

18 TRADE AND OTHER PAYABLES

	2016	2015
Trade payables	**119,125**	128,839
Due to related parties (note 19)	**106,143**	50,992
Accrued expenses	**273,144**	320,713
Provision for social fund contribution	**71,757**	111,412
Dividend payable	**133,821**	139,015
Due to government	**34,289**	34,289
Other payables	**42,276**	64,464
	780,555	849,724

Accrued expenses include an amount of QR 127 million (2015: 133 million), which represents accrued cost of EPC and other contractors incurred in previous years with respect to capital projects.

19 RELATED PARTIES DISCLOSURES

These represent transactions with related parties, i.e. major shareholders, joint ventures, directors and senior management of the group of the companies, and the companies in which they are principal owners. Pricing policies and terms of these transactions are approved by the respective management. The Group's parent entity is Qatar Petroleum ("QP").

Transactions with related parties included in the consolidated statement of profit or loss are as follows:

	Sales	Other income	Management fees
Year ended 31 December 2016			
Parent Company:			
Qatar Petroleum	**-**	**57**	**-**
Associates and their subsidiaries:			
Qatar Metals Coating Company W.LL.	**534,336**	**-**	**10,823**
SULB Company B.S.C	**-**	**18,734**	**-**
Entities under common control:			
GASAL Company Q.S.C.	**-**	**54**	**-**
Woqod Q.S.C.	**7,120**	**-**	**-**
	541,456	**18,845**	**10,823**

	Sales	Recoveries	Management fees
Year ended 31 December 2015			
Parent Company:			
Qatar Petroleum	-	57	-
Associates and their subsidiaries:			
Qatar Metals Coating Company W.LL.	115,302	-	4,824
SULB Company B.S.C	10,839	-	-
Entities under common control:			
GASAL Company Q.S.C.	-	1,372	-
	126,141	1,429	4,824

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

	Purchases	Administrative expenses
Year ended 31 December 2016		
Parent Company:		
Qatar Petroleum	**117,023**	**8,450**
Associates and their subsidiaries:		
Qatar Metals Coating Company W.LL.	**20,342**	**-**
Bahrain Steel BSC	**418,314**	**-**
Joint venture:		
QAFCO	**-**	**621**
Entities under common control:		
Mesaieed Industrial City (MIC)	**-**	**16,551**
GASAL Company Q.S.C.	**51,120**	**-**
Woqod Q.S.C.	**7,120**	**-**
	613,919	**25,622**

	Purchases	Administrative expenses
Year ended 31 December 2016		
Parent Company:		
Qatar Petroleum	57,545	7,908
Associates and their subsidiaries:		
Qatar Metals Coating Company W.LL.	47,234	-
Bahrain Steel BSC	152,479	-
Joint venture:		
QAFCO	-	372
Entities under common control:		
Mesaieed Industrial City (MIC)	-	8,277
GASAL Company Q.S.C.	25,469	-
Woqod Q.S.C.	3,544	-
	286,271	16,557

Related party balances:

Due from related parties

	Type	2016	2015
Qatar Petrochemical Company Q.S.C.	Joint venture	**481,920**	571,680
SOLB Steel Company (Kingdom of Saudi Arabia)	Associate	**58,460**	61,837
Qatar Metal Coating Company W.L.L.	Associate	**129,790**	136,129
GASAL Company Q.S.C.	Entity under common control	**1,284**	3,787
SULB Company	Associate	**2,547**	60
		674,001	773,493

Due to related parties

	Type	2016	2015
Qatar Petroleum	Parent Company and controlling party	**17,330**	22,292
GASAL Company Q.S.C.	Entity under common control	**-**	3,169
Mesaieed industrial city	Entity under common control	**1,282**	1,283
Bahrain Steel BSC (c)	Associate	**87,531**	24,248
		106,143	50,992

Terms and conditions of transactions with related parties

Goods sold to associates during the year are based on the price lists in force and terms that would be available to third parties. All other transactions were made on normal commercial terms and conditions and at market rates.

Outstanding balances as at 31 December 2016 and as at 31 December 2015 are unsecured and interest-free. There have been no guarantees provided or received for any related party receivables or payables.

Other guarantees

The Group has provided bank guarantees for its associates in respect of their borrowings from external banks. Total guarantees at the end of the period amounted to QR 590 million (2015: QR 340 million) (note 28).

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2016	2015
Short term benefits	**2,902**	2,427
Board of directors fees	**15,500**	15,500
	18,402	17,927

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

20 BASIC AND DILUTED EARNINGS PER SHARE

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

	2016	2015 Restated
Profit for the year	**2,954,990**	4,468,654
Weighted average number of shares outstanding during the year (in thousands)	**605,000**	605,000
Basic and diluted earnings per share (QR.)	**4.88**	7.39

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

21 REVENUES

	2016	2015
Bars sales	**4,176,756**	4,519,294
Billets sales	**127,027**	295,993
Coil sales	**291,554**	236,972
Export of HBI/DRI	**92,553**	186,767
Freight revenues	**39,476**	53,460
	4,727,366	5,292,486
Less: Freight charges	**(53,066)**	(64,928)
	4,674,300	5,227,558

22 COST OF SALES

	2016	2015
Raw materials and consumables used	**1,982,397**	2,581,411
Employee benefits expenses	**477,489**	493,824
Utilities	**399,280**	325,435
Depreciation	**221,831**	208,018
Net changes in inventory of finished products and work in progress	**198,523**	198,383
Repair and maintenance	**95,718**	101,837
Write down of inventory	**16,700**	3,979
Others	**137,427**	207,485
	3,529,365	4,120,372

23 OTHER INCOME

	2016	2015
Gain on foreign exchange	**2,588**	3,549
By-product	**27,771**	36,680
Other income	**70,760**	46,853
	101,119	87,082

24 INCOME FROM INVESTMENTS

	2016	2015
Dividend income	**25,521**	29,255
Interest on bank deposits	**200,834**	101,731
	226,355	130,986

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

25 GENERAL AND ADMINISTRATIVE EXPENSES

	2016	2015
Staff costs	**89,986**	108,916
Impairment of property, plant and equipment	**64,594**	-
Loss on disposal of property, plant and equipment	**15,833**	6,052
Repairs	**12,095**	13,481
Board of director's remuneration	**9,300**	9,300
Qatar Petroleum fees	**7,963**	7,456
Rental, utilities and supplies	**5,042**	5,461
Depreciation	**2,884**	3,299
Qatar Exchange fees	**1,818**	1,818
Travel, transportation and communication	**1,457**	3,401
Others	**19,653**	15,764
	230,625	174,948

26 COMMITMENTS

26.1 Capital expenditure commitments:

	2016	2015
Estimated capital expenditure contracted for at the reporting date but not provided for:		
Property, plant and equipment	**56,850**	116,218

26.2 Operating lease commitments:

The Group leases land under non-cancellable operating leases expiring within 13 years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. Future minimum rentals payable under these leases at December 31 are as follows:

	2016	2015
Within one year	**29,407**	29,885
After one year but not more than five years	**72,007**	77,897
More than five years	**98,267**	111,577
Total operating lease expenditure contracted for at the reporting date	**199,681**	219,359

The above non-cancellable operating lease commitments of QR 905 (2015: QR 1,447) relating to the Group's subsidiaries.

26.3 Commitments for purchase of goods and services

	2016	2015
Contractual obligation for future purchases – not recognised as a liability	**22,714,446**	20,442,741

Purchase commitments consist primarily of major agreements for procuring raw materials. The Group also has a number of agreements for electricity, natural gas and industrial gases. In addition to those purchase commitments disclosed above, the Group enters into purchasing contracts as part of its normal operations which have minimum volume requirements but for which there are no take-or-pay or penalty clauses included in the contract.

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

The Group does not believe these contracts have an adverse effect on its liquidity position. The decrease in purchase commitments is mainly related to the fulfilment of commitments and the decline in prices.

Purchase commitments include commitments given to a subsidiary of an associate for QR 120.5 million (2015: QR 290.7 million)

26.4 Group's share in commitments incurred by joint venture entities

31 December 2016	QAPCO	QAFAC	QAFCO	Total
Capital commitments	210,134	13,022	481,356	704,512
Operating lease commitments:				
Future minimum lease payments:				
Within 1 year	1,584	3,604	64,680	69,868
1 to 5 years	7,311	4,234	54,522	66,067
More than 5 years	17,512	2,646	60,310	80,468
	26,407	10,484	179,512	216,403

31 December 2015	QAPCO	QAFAC	QAFCO	Total
Capital commitments	185,112	14,496	428,512	628,120
Operating lease commitments:				
Future minimum lease payments:				
Within 1 year	1,584	2,550	59,157	63,291
1 to 5 years	7,066	6,590	69,471	83,127
More than 5 years	19,340	3,706	50,761	73,807
	27,990	12,846	179,389	220,225

26.5 Group's share in commitments incurred by associates

	2016	2015
Capital commitments	32,721	45,327
Operating lease commitments:		
Future minimum lease payments:		
Within 1 year	3,645	5,034
1 to 5 years	15,346	16,545
More than 5 years	36,715	40,184
	55,706	61,763

27 CONTINGENCIES

	2016	2015
Financial guarantees	589,748	342,642
Bank guarantees	1,460	1,460
Letters of credit	5,880	21,004
Legal cases	24,387	95,671

The Group anticipates that no material liabilities will arise from the above guarantees and letter of credits, which are issued in the ordinary course of business. Legal cases represent best estimate of claims not acknowledged based on the confirmation received from the Group's lawyers.

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

The below table provides details on the Group's share in the joint venture entities contingent liabilities:

31 December 2016	QAPCO	QAFAC	QAFCO	QCOAT	Total
Bank guarantees	80	-	583		663
Letters of credit	25,510	-	-		25,510
	25,590	-	583		26,173

31 December 2015	QAPCO	QAFAC	QAFCO	QCOAT	Total
Bank guarantees	20,688	-	735,559		756,247
Letters of credit	410	-	580		990
	21,098	-	736,139		757,237

The below table provides details on the Group's share in the associates contingent liabilities:

	2016	2015
Letters of credit	71,603	22,055
Bank guarantees	7,362	32,679
	78,965	54,734

Claims

During 2015, the Group received a claim from Qatar Mining, the previous joint venture partner of Qatar Steel International Company Q.P.S.C. amounting to USD 150 million. The Group management is confident that the Group is not liable or committed to such amount or to any other cash calls or additional investments into the joint venture. The Group's interest in "Qatar Steel International Company Q.P.S.C." was sold to Qatar Mining in 2015, as per the agreement dated 2 April 2015 for a total consideration of QR 5 million which represents the Group's contribution in the share capital of the joint venture. The legal formalities are in progress to transfer the ownership of the Group's interest in the joint venture, as at the reporting date.

Site restoration obligations

The main entities composing the Group (Qatar Steel, QAFAC, QAFCO and QAPCO) are parties to land lease agreements with the Qatar Petroleum, the Parent company, for the purpose of installing and operating their plants at Mesaieed area. The lease period for the main entities of the Group are as follows:

	Start of the lease	Expiry of the lease
Qatar Steel Q.S.C.	2005	2030
QAFAC	2002	2024
QAFCO		
Lease 1	2009	2029
Lease 2	2007	2032
QAPCO	2005	2030

Under the lease agreements, the lessor has the right, upon termination or expiration of the lease term, to notify the Company 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 Group, or;

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

- 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 Group, at the Group's cost and expense, unless otherwise is agreed with the lessor.

The incurrence of site restoration costs by the group is contingent to which option is used by the lessor. However, it has been assessed by Group management that it is more likely for the lessor to opt not to force Group entities to restore leased lands to its original condition when it was delivered to the Group entities.

28 SEGMENTAL REPORTING

The Group operates in the Gulf region. For management purposes, the Group is organised into business units based on their products and services. In determining business units, joint ventures of the Group are treated as if they are proportionately consolidated within the financial statements. The Group has three reportable segments as follows:

- The petrochemical segments, which produces and sells ethylene, polyethylene, MTBE, methanol and other petrochemical products.
- The fertilizer segment, which produces and sells urea, ammonia and other by-products.
- The steel segment, which produces and sells steel pellets, bars, billets and others.

The information of petrochemical and fertilizer segments represents those of the joint ventures of the group.

The Chief Executive Officer of the Group monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss, which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial information.

28.1 Segment revenue

Sales between segments are carried out at arm's length and are eliminated at consolidation. The revenue from external parties is measured in the same way as in the statement of profit or loss.

	31 December 2016			**31 December 2015**		
	Total	Inter-segment revenue	Revenue from external customers	Total	Inter-segment revenue	Revenue from external customers
Petrochemicals	**4,035,603**	-	**4,035,603**	4,153,248	-	4,153,248
Fertilisers	**3,596,451**	-	**3,596,451**	4,970,485	-	4,970,485
Steel	**4,674,300**	-	**4,674,300**	5,227,558	-	5,227,558
Total segment revenue	**12,306,354**	-	**12,306,354**	14,351,291	-	14,351,291

Revenues from external customers come from the sale of steel bars, billets, coils, direct reduced iron, hot briquetted iron, by-products, freight revenues, urea, ammonia, methyl-tertiary-butyl-ether (MTBE), methanol, ethylene, polyethylene and other petrochemical products.

Revenues of approximately QR7.50 billion (2015 – QR13.03 billion) are derived from a single external customer, Qatar Chemical and Petrochemical Marketing and Distribution Company Q.J.S.C. ("Muntajat"). These revenues are attributed to the Petrochemical and Fertilisers segment. Pursuant to Decree Law 11 of 2012 of the State of Qatar, Muntajat was established in the year 2012 to carry out marketing and distribution activities of all regulated chemical and petrochemical products.

The Group entities are domiciled in Qatar, the kingdom of Bahrain, the kingdom of Saudia Arabia and United Arab Emirates. Of the Steel segment's revenues in 2016, 70% is made in Qatar (2015: 63%), 16% is made in UAE (2015: 17%) and the remaining is distributed in a number of countries which is not split for purpose of segment reporting.

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

Segment profit

The following table presents revenue and profit information regarding the Group's operating segments for the year ended 31 December 2016 and 2015, respectively:

	Petrochemicals	Fertilisers	Steel	Total
As of 31 December 2016				
Segment profit	**2,321,850**	**(605,509)**	**1,079,594**	**2,795,935**
Share of results from associates	**-**	**-**	**(5,987)**	**(5,987)**
Total segment profit	**2,321,850**	**(605,509)**	**1,073,607**	**2,789,948**
Unallocated income:				
Interest income				**175,923**
Dividend income				**9,613**
Other income				**269**
				185,805
Unallocated expense:				
Board of Director's fees and expenses				**(7,750)**
Qatar Petroleum annual fee				**(7,963)**
Qatar Exchange fees/charges				**(1,818)**
Advertisements				**(410)**
Other expenses				**(2,822)**
				(20,763)
Profit for the year				**2,954,990**

	Petrochemicals	Fertilisers	Steel	Total (Restated)
As of 31 December 2015				
Segment profit	2,623,610	1,097,108	950,535	4,671,253
Share of results from associates	-	-	(78,293)	(78,293)
Total segment profit	2,623,610	1,097,108	872,242	4,592,960
Unallocated income:				
Interest income				87,626
Dividend income				12,435
Other income				1,868
				101,929
Unallocated expense:				
Board of Director's fees and expenses				(7,750)
Qatar Petroleum annual fee				(7,456)
Qatar Exchange fees/charges				(1,818)
Advertisements				(1,109)
Impairment of available-for-sale financial assets				(10,638)
Impairment of investment properties				(194,811)
Other expenses				(2,653)
				(226,235)
Profit for the year (Restated)				4,468,654

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

28.2 Segment assets

The following table presents segmental assets regarding the Group's business segments as at 31 December 2016 and year ended 31 December 2015 respectively:

	Petrochemicals	Fertilisers	Steel	Total
Segment assets:				
As of 31 December 2016	**8,861,657**	**13,282,256**	**9,057,052**	**31,200,965**
As of 31 December 2015	9,194,950	1,871,336	9,233,924	20,300,211

The above segmental reporting relates only to the subsidiaries and joint venture companies.

Reconciliation of reportable segments total assets:

	2016	2015 Restated
Total assets for reportable segments	**31,200,965**	20,300,211
Other un-allocable assets	**7,786,200**	6,968,580
Recognition of investment in joint ventures using equity method of accounting	**18,342,580**	19,557,130
Assets relating to joint ventures	**(22,143,913)**	(11,066,287)
Consolidated total assets for the period/ year	**35,185,832**	35,759,634

29 FINANCIAL RISK MANAGEMENT

29.1 Objectives and policies

The Group's principal financial liabilities, other than derivatives, comprise interest bearing loans and borrowings, trade and other payables and due to related parties. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as available-for-sale investments, held-for-trading investments, trade receivables and certain other receivables, amounts due from related parties and cash and short-term deposits, which arise directly from its operations. The Group also enters into derivative transactions, primarily interest rate swaps. The purpose is to manage the interest rate risks arising from the Group's operations and its sources of finance.

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

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risks management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Group has a set of acceptable parameters, based on value at risk, that may be accepted and which is monitored on a regular basis.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's main interest rate risk arises from long term borrowings with variable rates.

The Group maintains an appropriate level of floating rate borrowings at competitive interest rates and therefore is not significantly exposed to changes in market interest rates, and thus; takes on the exposure of the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

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

The exposure of the Group's to interest rate changes is mainly represented in the bank borrowings, which carry floating interest rates linked to USD Libor rates resetting every three months.

The following table demonstrates the sensitivity of the consolidated statement of profit or loss and other comprehensive income to reasonably possible changes in interest rates, with all other variables held constant.

The sensitivity of the consolidated statement of profit or loss and other comprehensive income is the effect of the assumed changes in interest rates on the Group's profit for one year, based on the floating rate financial assets and liabilities held at 31 December 2016. The effect of decreases in interest rate is expected to be equal and opposite to the effect of the increases shown.

	Increase in basis points	**Effect on profit 2016**	Increase in basis points	Effect on profit 2015
Fixed deposits	**+25**	**44,709**	+25	16,892
Borrowings	**+25**	**2,244**	+25	2,817

(c) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

i. Risk management

Credit risk is managed on a Group basis. For banks and financial institutions, only independently rated parties are accepted.

If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The compliance with credit limits by customers is regularly monitored by line management.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

ii. Security

For the majority of trade receivables, the Group obtains security in the form of guarantees, deeds of undertaking or letters of credit, which can be called upon if the counterparty is in default under the terms of the agreement.

iii. Credit risk

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

	2016	**2015**
Trade receivables		
Counterparties with external credit rating		
Existing customers (less than 3 months) with no defaults in the past	**824,511**	846,905
Existing customers (more than 3 months) with some defaults in the past. All defaults were fully recovered.	**41**	1,936
	824,552	848,841

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

Cash and cash equivalents are with local banks possessing well reputation and externally rated by Moody's as Aa.

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. At the end of the reporting period the Group held deposits at call of QR 7.8 billion (2015 – QR 6.8 billion) that are expected to readily generate cash inflows for managing liquidity risk. Due to the dynamic nature of the underlying businesses, Group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecasts of the Group's liquidity reserve (comprising the undrawn borrowing facilities below) and cash and cash equivalents on the basis of expected cash flows. This is generally carried out at local level in the operating companies of the Group in accordance with practice and limits set by the Group. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring statement of financial position liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

i. Financing arrangements

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

	2016	2015
Floating rate		
- Expiring within one year (bank overdraft and bill facility)	**881,640**	968,000

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. The unsecured bill acceptance facility may be drawn at any time and is subject to annual review. Subject to the continuance of satisfactory credit ratings, the bank loan facilities may be drawn at any time.

ii. Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity Groupings based on their contractual maturities for all non-derivative financial liabilities, the Group has no derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balance, as the impact of discounting is not significant.

Contractual maturities of financial liabilities	**Less than 6 months**	**6 -12 months**	**Between 1 -2 years**	**Between 2 – 5 years**	**Over 5 years**	**Total contractual cash flows**	**Carrying amount (assets)/ liabilities**
At 31 December 2016							
Trade payables	**98,124**	**734**	**20,267**	**-**	**-**	**119,125**	**119,125**
Amounts due to related parties	**97,571**	**-**	**-**	**-**	**-**	**97,571**	**97,571**
Due to government	**34,289**	**-**	**-**	**-**	**-**	**34,289**	**34,289**
Borrowings	**225,285**	**225,285**	**225,759**	**-**	**-**	**676,329**	**676,329**
	455,269	**226,019**	**246,026**			**927,314**	**927,314**
Bank guarantees	**591,208**	**-**	**-**	**-**	**-**	**591,208**	**591,208**

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

Contractual maturities of financial liabilities	**Less than 6 months**	**6 -12 months**	**Between 1 -2 years**	**Between 2 – 5 years**	**Over 5 years**	**Total contractual cash flows**	**Carrying amount (assets)/ liabilities**
At 31 December 2015							
Trade payables	126,244	221	2,374	-	-	128,839	128,839
Amounts due to related parties	37,966	-	-	-	-	37,966	37,966
Due to government	34,289	-	-	-	-	34,289	34,289
Borrowings	225,285	225,285	676,329	-	-	1,126,899	1,147,257
	423,784	225,506	678,703	-	-	1,327,993	1,348,351
Bank guarantees	344,102	-	-	-	-	344,102	344,102

(e) Foreign currency risk

Currency risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

Trade and other payables, trade and other receivables, due to related parties and due from related parties are due in foreign currencies, mainly in US Dollar. As the Qatari Riyal is pegged to the US Dollars, the balances in US Dollars are not considered to represent significant currency risk to the Group.

The following table details the Group's sensitivity to a 5% increase/decrease in the QR balances against the relevant foreign currencies excluding USD. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. The sensitivity analysis presents payable balances of the Group as at year end where the denomination of these balances is in a currency other than the functional currency of the Group or USD. As at year end 31 December 2016 the Group has no receivable, related party or bank balances in foreign currencies other than USD.

	EUR	**GBP**	**JPY**	**Total P&L impact**
2016	**131**	**-**	**16**	**147**
2015	70	-	11	81

(f) Equity price risk

The following table demonstrates the sensitivity of the cumulative changes in fair value to reasonably possible changes in equity prices, with all other variables held constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increases shown.

	Change in equity price 2016	**Effect on equity 2016**	**Change in equity price 2015**	**Effect on equity 2015**
Qatar Exchange	**+5%**	**34,252**	+5%	33,049
Australian Securities Exchange	**+5%**	**22**	+5%	22

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

(g) Commodity price risk

The Group is exposed significantly to commodity price risk, which arises from the purchase and consumption of large volumes of raw materials in its normal course of business. Raw material prices are linked to an index, which is volatile and influenced by worldwide factors such as political events, supply and demand fundamentals.

(h) Capital management

Capital includes equity attributable to the equity holders of the parent less net unrealised gains reserve.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2016 and 2015.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio at less than 50%. The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents. Capital includes equity attributable to the equity holders of the Industries of Qatar less the net unrealised gains reserve.

	2016	**2015 Restated**
Interest bearing loans and borrowings	**676,329**	1,126,899
Accounts payable and accruals	**780,555**	849,724
Due to related parties	**106,143**	50,992
	1,563,027	2,027,615
Less: Cash and cash equivalents	**(1,098,144)**	(1,095,279)
Net debt	**464,883**	932,336
Equity	**33,513,965**	33,575,541
Adjustments:		
Fair value reserve	**(373,346)**	(370,807)
Hedging reserve	**54,142**	131,794
	33,194,761	33,336,528
Capital and net debt	**33,659,644**	34,268,864
Gearing ratio	**1%**	3%

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

30 FAIR VALUES OF FINANCIAL INSTRUMENTS

The Group holds the following financial instruments:

Financial assets	Notes	Assets at FVOCI	Financial assets at amortised cost	Total
2016				
Trade and other receivables *	11	**-**	**1,028,605**	**1,028,605**
Available-for-sale financial assets	9	**674,295**	**-**	**674,295**
Cash and cash equivalents	4	**-**	**1,098,144**	**1,098,144**
		674,295	**2,126,749**	**2,801,044**
2015				
Trade and other receivables *	11	-	1,031,756	1,031,756
Available-for-sale financial assets	9	682,694	-	682,694
Cash and cash equivalents	4	-	1,095,279	1,095,279
		682,694	2,127,035	2,809,729

* excluding prepayments

Financial liabilities	Notes	Liabilities amortised at cost	Total
2016			
Trade and other payables**	19	**780,373**	**780,373**
Borrowings	16	**676,329**	**676,329**
		1,456,702	**1,456,702**
2015			
Trade and other payables**	19	849,724	849,724
Borrowings	16	1,126,899	1,126,899
		1,976,623	1,976,623

** excluding non-financial liabilities

Fair value hierarchy

The Group's financial instrument measured at fair value are classified into one of the three categories:

Level 1: The fair value of financial instruments traded in active markets (such as available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

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

The fair value hierarchy of financial assets and financial liabilities measured at fair value were as follows:

As at 31 December 2016	**Total**	**Level 1**	**Level 2**	**Level 3**
Assets measured at fair value:				
Held for trading investments	**3,585**	**-**	**-**	**3,585**
Available-for-sale investments – equity	**674,295**	**674,295**	**-**	**-**

As at 31 December 2015	**Total**	**Level 1**	**Level 2**	**Level 3**
Assets measured at fair value:				
Held for trading investments	3,585	-	-	3,585
Available-for-sale investments – equity	682,694	682,694	-	-

During the year ended 31 December 2016, there were not transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

31 COMPARATIVE FIGURES

31.1 Restatement

Pension obligations

Certain joint ventures accounted for using the equity method in these consolidated financial statements are making pension payments to Qataris (or their heirs) who retired service before 2003 in accordance with Qatar Pensions and Retirement Law number 24 of 2002. Under IAS 19 "employee benefits", obligations for post-retirement benefits should be recognised during the periods in which service is rendered by the employee and measured using the projected unit credit method as disclosed in note 2.15.2. These joint ventures have never recognised their obligations for these pension payments; rather it was recognised on cash basis of accounting.

As this is considered a material accounting error, the consolidated financial statements of these joint ventures have been restated to recognise pension obligations in accordance with IAS 19 with retrospective effect by adjusting the opening balance of retained earnings.

Deferred tax

One joint venture of the Group was recognising deferred tax liabilities at a tax rate of 35%. Due to ownership structure, zero tax rate applies to share of results of tax-exempt owners. Therefore, the recognised deferred tax was overstated to the extent of results relating to the tax-exempt owners.

This is considered a material accounting error; therefore, the joint venture has restated the financial statements to reverse the effect of overstatement in deferred tax liabilities with retrospective effect by adjusting the opening balance of retained earnings.

Accounting for tax indemnity

As disclosed in note 3.2.(e), it is Group accounting policy to recognise tax reimbursement asset, where foreign shareholders in the Group's joint ventures are committed to refund taxes on their share of results in the respective joint ventures. One of the joint ventures was not applying the same accounting policy and accordingly, no reimbursement assets were recognised in previous years. In 2016, the joint venture has adopted accounting policy similar to other Group entities to address the inconsistent application of accounting policies. This correction was made with retrospective effect by adjusting the opening balance of retained earnings.

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

In accordance with the requirements of IAS 8 "Accounting policies, changes in accounting estimates and errors", the Group has restated its comparative figures to rectify these accounting errors in the prior year's consolidated financial statements as follows:

	2015			2014		
Consolidated statement of financial position *(extract)*	31 December 2015	Increase/ (Decrease)	31 December 2015 Restated	31 December 2014	Increase/ (Decrease)	31 December 2014 Restated
Investment in joint ventures						
- Pension obligations	-	(247,047)	(247,047)	-	(270,730)	(270,730)
- Deferred tax liabilities	-	126,008	126,008	-	126,008	126,008
- Tax reimbursement asset	-	71,976	71,976	-	71,976	71,976
	19,606,193	(49,063)	19,557,130	20,561,861	(72,746)	20,489,115
Retained earnings	27,260,592	(49,063)	27,211,529	27,162,033	(72,746)	27,089,287

	2015		
Consolidated statement of profit or loss *(extract)*	Year ended 31 December 2015	Increase/ (Decrease)	Year ended 31 December 2015 Restated
Share of results of joint ventures	3,697,035	23,683	3,720,718

The restatement of prior period amounts did not lead to any significant effect on the other comprehensive income or cash flows of the Group. The restatement mainly affected the statement of financial position as at 31 December 2015 and 1 January 2015.

31.2 Reclassification

Certain reclassifications have been made to prior year's consolidated financial statements to enhance comparability with the current year's consolidated financial statements. As a result, certain comparatives figures in 2015 have been amended in the consolidated statement of financial position and related notes.

None of the reclassification had an impact on opening or closing retained earnings.

The 2015 comparative figures were reclassified as follows:

31 December 2015	**Previously reported**	**Reclassification**	**After reclassification**
Consolidated statement of financial position			
Trade and other receivables	**1,007,706**	**50,243**	**1,057,949**
Employees' end of service benefits	**157,227**	**50,243**	**207,470**