

**INDUSTRIES QATAR Q.S.C.
DOHA - QATAR**

**CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2013**

INDUSTRIES QATAR Q.S.C.

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
For the year ended December 31, 2013

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INDEPENDENT AUDITOR'S REPORT

**To the Shareholders
Industries Qatar Q.S.C.
Doha - Qatar**

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Industries Qatar Q.S.C. (the "Company"), and its subsidiary (together referred as the "Group") which comprise the consolidated statement of financial position as at December 31, 2013, and the consolidated statement of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and applicable Qatar Commercial Companies Law provisions and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Industries Qatar Q.S.C. at December 31, 2013 and its consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matter

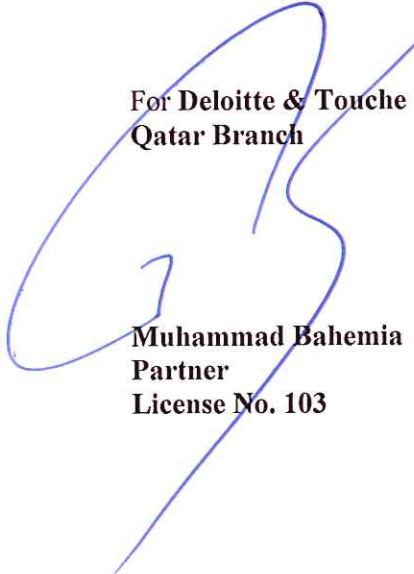
The consolidated financial statements of Industries Qatar Q.S.C. for the year ended December 31, 2012, were audited by another auditor who expressed an unqualified opinion on those consolidated financial statements on February 21, 2013.

Other Legal and Regulatory Requirements

We are also of the opinion that proper books of account were maintained by the Company. We have obtained all the information and explanations which we considered necessary for the purpose of our audit. To the best of our knowledge and belief and according to the information given to us, no contraventions of the Qatar Commercial Companies Law No. 5 of 2002 and the Company's Articles of Association were committed during the year which would materially affect the company's activities or its financial position.

**Doha – Qatar
February 16, 2014**

**For Deloitte & Touche
Qatar Branch**



**Muhammad Bahemia
Partner
License No. 103**

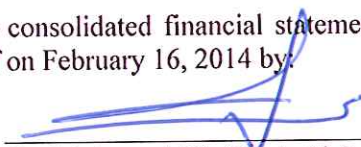
INDUSTRIES QATAR Q.S.C.


CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of December 31, 2013

	Notes	December 31, 2013 QR'000	December 31, 2012 (Restated) QR'000	January 1, 2012 (Restated) QR'000
ASSETS				
Non-current assets				
Property, plant and equipment	6	3,434,138	3,054,991	2,749,240
Investment properties	7	177,639	148,032	133,229
Investment in associates	8	223,132	1,465,515	1,742,821
Investment in joint ventures	9	19,879,279	19,355,748	16,346,366
Available-for-sale investments	10	752,708	641,441	674,924
Catalysts		41,538	48,982	55,264
Total non-current assets		24,508,434	24,714,709	21,701,844
Current assets				
Inventories	11	1,848,210	1,506,822	1,403,479
Accounts receivable and prepayments	12	1,454,640	1,150,412	1,030,960
Due from related parties	22	33,882	102,461	68,167
Financial asset at fair value through profit or loss	13	3,585	7,154	4,141
Bank balances and cash	5	7,683,305	5,405,900	4,204,560
		11,023,622	8,172,749	6,711,307
Asset classified as held for sale	24	1,245,747	--	--
Total current assets		12,269,369	8,172,749	6,711,307
Total assets		36,777,803	32,887,458	28,413,151
EQUITY AND LIABILITIES				
Equity				
Share capital	14	6,050,000	5,500,000	5,500,000
Legal reserve	15	74,999	74,999	74,999
Cumulative changes in fair value		391,159	279,892	314,711
Hedging reserve		(366,276)	(559,576)	(589,402)
Retained earnings		27,627,365	25,039,096	20,936,415
Total equity		33,777,247	30,334,411	26,236,723
Non-current liabilities				
Interest bearing loans and borrowings	18	1,662,467	1,483,589	1,288,807
Employees' end of service benefits	19	120,129	106,099	98,244
Other financial liabilities	20	81,824	123,503	148,769
Total non-current liabilities		1,864,420	1,713,191	1,535,820
Current liabilities				
Accounts payable and accruals	21	808,857	653,314	492,492
Due to related parties	22	14,555	24,760	30,151
Interest bearing loans and borrowings	18	312,724	161,782	117,965
Total current liabilities		1,136,136	839,856	640,608
Total liabilities		3,000,556	2,553,047	2,176,428
Total equity and liabilities		36,777,803	32,887,458	28,413,151

These consolidated financial statements were approved by the Board of Directors and signed on its behalf on February 16, 2014 by:


 Dr. Mohamed Bin Saleh Al-Sada
 Minister of Energy and Industry
 Chairman and Managing Director


 Hamad Rashid Al-Mohannadi
 Vice Chairman

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

INDUSTRIES QATAR Q.S.C.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2013

	Notes	2013 QR'000	2012 (Restated) QR'000
Continuing operations			
Revenues	25	5,823,350	6,154,187
Direct costs	26	<u>(4,023,615)</u>	<u>(4,296,889)</u>
Gross profit		1,799,735	1,857,298
Other income, net	27	132,451	115,268
Income from investments	28	111,995	85,460
General and administrative expenses	29	(173,026)	(226,140)
Selling expenses		(34,761)	(34,013)
Finance costs		(59,338)	(66,949)
Share of results of associates	8	(10,535)	(2,626)
Share of results of Joint ventures	9	6,238,090	7,001,797
Impairment on available-for-sale investments		--	(2,180)
Profit for the year from continuing operations		8,004,611	8,727,915
Discontinued operations			
Profit/ (Loss) for the year from discontinued operations	24	<u>7,256</u>	<u>(287,007)</u>
Profit for the year		8,011,867	8,440,908
BASIC AND DILUTED EARNINGS PER SHARE			
(Expressed as QR per share)			
From continuing and discontinued operation			
Basic and diluted earnings per share		<u>13.24</u>	<u>13.95</u>
Basic and diluted earnings per share (as previously reported)		<u>--</u>	<u>15.35</u>
From continuing operation			
Basic and diluted earnings per share		<u>13.23</u>	<u>14.43</u>
Basic and diluted earnings per share (as previously reported)		<u>--</u>	<u>15.35</u>

INDUSTRIES QATAR Q.S.C.**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
For the year ended December 31, 2013

	<u>Notes</u>	<u>2013</u> <u>QR'000</u>	<u>2012</u> <u>(Restated)</u> <u>QR'000</u>
Profit for the year		<u>8,011,867</u>	<u>8,440,908</u>
Other comprehensive income			
Items that may be reclassified subsequently to statement of profit or loss			
Net movement in fair value of cash flow hedges		181,657	26,076
Share of other comprehensive income of associates		11,643	3,750
Net movement in fair value of available-for-sale investments	10	<u>111,267</u>	<u>(34,819)</u>
Other comprehensive income/ (loss) for the year		<u>304,567</u>	<u>(4,993)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>8,316,434</u>	<u>8,435,915</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

INDUSTRIES QATAR Q.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2013

	Share capital	Legal reserve	Cumulative changes in fair value	Hedging reserve	Retained earnings	Non-controlling interest	Total
	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000
Balance at January 1, 2012 (As previously reported)	5,500,000	276,791	314,711	(589,402)	20,734,623	394,610	26,631,333
Adjustments (Note 2)	--	(201,792)	--	--	201,792	(394,610)	(394,610)
Balance at January 1, 2012 (Restated)	5,500,000	74,999	314,711	(589,402)	20,936,415	--	26,236,723
Profit for the year	--	--	--	--	8,440,908	--	8,440,908
Other comprehensive (loss) income for the year	--	--	(34,819)	29,826	--	--	(4,993)
Dividends declared for the year 2011 (note 17)	--	--	--	--	(4,125,000)	--	(4,125,000)
Social fund contribution (note 16)	--	--	--	--	(213,227)	--	(213,227)
Balance at January 1, 2013 (Restated)	5,500,000	74,999	279,892	(559,576)	25,039,096	--	30,334,411
Profit for the year	--	--	--	--	8,011,867	--	8,011,867
Other comprehensive income for the year	--	--	111,267	193,300	--	--	304,567
Bonus shares issued (Note 17)	550,000	--	--	--	(550,000)	--	--
Dividends declared for the year 2012 (Note 17)	--	--	--	--	(4,675,000)	--	(4,675,000)
Social fund contribution (Note 16)	--	--	--	--	(198,598)	--	(198,598)
Balance at December 31, 2013	6,050,000	74,999	391,159	(366,276)	27,627,365	--	33,777,247

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

INDUSTRIES QATAR Q.S.C.
CONSOLIDATED STATEMENT OF CASHFLOWS

For the year ended December 31, 2013

	Notes	2013 QR'000	2012 (Restated) QR'000
OPERATING ACTIVITIES			
Profit for the year		8,011,867	8,440,908
Adjustments for:			
Depreciation and amortisation		158,119	171,621
Provision for employees' end of service benefits		32,654	27,038
Share of results from joint ventures		(6,238,090)	(7,001,797)
Share of results from associates		3,279	139,633
Loss on disposal of property, plant and equipment		918	27,707
Dividend received on available for sale investments		(22,707)	(18,498)
Finance costs		59,338	66,949
Loss from disposal and change in fair value of financial asset at fair value through profit or loss		504	(1,523)
Interest income		(89,288)	(66,962)
Fair value gain on investment properties		(29,607)	(14,803)
Impairment of investment in an associate		--	150,000
Impairment of available-for-sale investments		--	2,180
		<u>1,886,987</u>	<u>1,922,453</u>
Working capital changes:			
Inventories		(341,388)	(103,343)
Accounts receivable and prepayments and due from related parties		(235,649)	(182,263)
Accounts payable and accruals and due to related parties		153,214	155,431
Cash from operations		<u>1,463,164</u>	<u>1,792,278</u>
Finance charges paid		(59,338)	(66,949)
Employees' end of service benefits paid		(18,624)	(19,183)
Net cash generated by operating activities		<u><u>1,385,202</u></u>	<u><u>1,706,146</u></u>
INVESTING ACTIVITIES			
Proceeds from disposals of property, plant and equipment		4,286	1,013
Additions to property, plant and equipment and catalysts		(535,025)	(499,811)
Investment in associates		--	(18,577)
Dividend received from associates		5,000	5,000
Net movement of financial asset at fair value through profit or loss		3,065	(1,490)
Net movement in available-for-sale investments		22,707	14,982
Dividends received from Joint ventures		5,854,536	4,010,007
Movement in fixed deposits		(2,211,850)	(612,701)
Interest income received		89,288	66,962
Net cash generated by investing activities		<u><u>3,232,007</u></u>	<u><u>2,965,385</u></u>
FINANCING ACTIVITIES			
Repayment of interest bearing loans and borrowings		(216,405)	(125,551)
Proceeds from interest bearing loans and borrowings		546,225	364,150
Dividends paid		(4,668,247)	(4,125,000)
Social Contribution fund		(213,227)	(196,490)
Net cash used in financing activities		<u><u>(4,551,654)</u></u>	<u><u>(4,082,891)</u></u>
Net increase in cash and cash equivalents		65,555	588,640
Cash and cash equivalents at the beginning of the year		<u>1,573,750</u>	<u>985,110</u>
Cash and cash equivalents at the end of the year	5	<u><u>1,639,305</u></u>	<u><u>1,573,750</u></u>

Non Cash transaction

Bonus shares of QR 550 million relating to 2012 were approved by the shareholders at the Annual General Meeting held on March 17, 2013 and were issued during the year.

INDUSTRIES QATAR Q.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

1. CORPORATE INFORMATION

Industries Qatar Q.S.C. (the "Company" or "IQ") is a public shareholding company, incorporated in the State of Qatar on April 19, 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.

IQ and its subsidiary (together referred as "the Group") operates mainly in the State of Qatar.

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

		<i>Country of incorporation</i>	<i>Percentage of holding</i>
Qatar Steel Company Q.S.C.	Subsidiary	Qatar	100%

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

		<i>Country of incorporation</i>	<i>Percentage of holding</i>
Qatar Petrochemical Company (QAPCO) Q.S.C.	Joint venture	Qatar	80%
Qatar Fertiliser Company (Q.S.C.C.)	Joint venture	Qatar	75%
Qatar Fuel Additives Company Limited Q.S.C.	Joint venture	Qatar	50%

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

QATAR STEEL incorporated Qatar Steel Company FZE, 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 15% by LCY Middle East Corporation, 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 consolidated financial statements of the Group for the year ended December 31, 2013 were approved by the Board of Directors and were authorised for issue on its behalf by Chairman and the Vice Chairman on February 16, 2014.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

2.1 New and revised IFRSs affecting amounts reported in the consolidated financial statements

The following are the new and revised IFRSs that were effective in the current year and have been applied in the preparation of these consolidated financial statements:

(i) New Standards

Effective for annual periods beginning on or after January 1, 2013

- IFRS 10* *Consolidated Financial Statements*
- IFRS 11* *Joint Arrangements*
- IFRS 12* *Disclosure of Interests in Other Entities*
- IFRS 13 *Fair Value Measurement*

(ii) Revised Standards

Effective for annual periods beginning on or after July 1, 2012

- IAS 1 (Revised) *Presentation of Financial Statements - Amendments to introduce new terminology for the income statement and other comprehensive income*

Effective for annual periods beginning on or after January 1, 2013

- IFRS 1 (Revised) *First Time Adoption of International Financials Reporting Standards – Amendments to allow prospective application of IAS 39 or IFRS 9 and paragraph 10A of IAS 20 to government loans outstanding at the date of transition to IFRS.*
- IFRS 7 (Revised) *Financial Instruments Disclosures - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities.*
- IAS 19 (Revised) *Employee Benefits - Amended Standard to change the accounting for defined benefit plans and termination benefits*
- IAS 27 (Revised)* *Consolidated and Separate Financial Statements (Early adoption allowed) - Reissued as IAS 27 Separate Financial Statements.*
- IAS 28 (Revised)* *Investments in Associates (Early adoption allowed) -Reissued as IAS 28 Investments in Associates and Joint Ventures.*
- IFRS 10, 11 and 12 amendments* *Subsequent to the issue of these standards, amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the first-time application of the standards.*
- Annual improvements to IFRSs 2009-2011 cycle *Amendments to issue clarifications on five IFRSs- IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34.*

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

2.1 New and revised IFRSs affecting amounts reported in the consolidated financial statements (continued)

* In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011). These five standards are effective for annual periods beginning on or after January 1, 2013. Subsequent to the issue of these standards, amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the first-time application of the standards.

(iii) New Interpretation:

Effective for annual periods beginning on or after January 1, 2013

- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*

Impact of the application of IFRS 11

Management of the Company reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of IFRS 11. The directors concluded that the Group's investment in its joint arrangements, which was classified as jointly controlled entities under IAS 31 and accounted for using the proportionate consolidation method, should be classified as joint ventures under IFRS 11 and accounted for using the equity method.

The change in accounting of the Group's investment in the joint ventures has been applied in accordance with the relevant transitional provisions set out in IFRS 11. Comparative amounts for 2012 have been restated to reflect the change in accounting for the Group's investment in joint ventures. The initial investment as at January 1, 2012 for the purposes of applying the equity method is measured as the aggregate of the carrying amounts of the assets and liabilities that the Group had previously proportionately consolidated (see the tables below for details). Also, the directors of the Company performed an impairment assessment on the initial investment as at January 1, 2012 and concluded that no impairment loss is required.

INDUSTRIES QATAR Q.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

2.1 New and revised IFRSs affecting amounts reported in the consolidated financial statements (continued)

Impact on profit/ (loss) for the period of application of IFRS 11

	Year ended December 31, 2012
	QR'000
Decrease in sales	(12,544,118)
Decrease in cost of sales	4,516,833
Decrease in general and administrative expenses	1,012,612
Decrease in finance costs	204,280
Increase in share of profit of joint ventures and associates	7,001,797
Decrease in other income	(160,827)
Increase/(decrease) in total comprehensive income	30,577

Impact on cash flows for the period of application of IFRS 11

	IFRS 11 adjustments	Year ended December 31, 2012
	QR'000	QR'000
Net cash outflow from operating activities	(6,334,986)	(6,334,986)
Net cash inflow from investing activities	6,223,962	6,223,962
Net cash inflow from financing activities	(766,018)	(766,018)
Net cash outflow	(877,042)	(877,042)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)**Impact on assets, liabilities and equity as at January 1, 2012 of application of IFRS 11**

	January 1, 2012 (As reported) QR'000	Adjustments QR'000	January 1, 2012 (Restated) QR'000
ASSETS			
Non-current assets			
Property, plant and equipment	9,589,230	(6,839,990)	2,749,240
Project under development	11,905,716	(11,905,716)	--
Investment properties	133,229	--	133,229
Intangible assets	169,250	(169,250)	--
Investment in associates	1,742,821	--	1,742,821
Investment in joint ventures	--	16,346,366	16,346,366
Available-for-sale investments	674,924	--	674,924
Catalysts	106,886	(51,622)	55,264
Other non-current assets	2509	(2,509)	--
Total non-current assets	24,324,565	(2,622,721)	21,701,844
Current assets			
Inventories	2,230,641	(827,162)	1,403,479
Accounts receivable and prepayments	2,665,175	(1,634,215)	1,030,960
Due from related parties	593,734	(525,567)	68,167
Financial asset at fair value through profit or loss	4,141	--	4,141
Bank balances and cash	6,960,094	(2,755,534)	4,204,560
Total current assets	12,453,785	(5,742,478)	6,711,307
Total assets	36,778,350	(8,365,199)	28,413,151
EQUITY AND LIABILITIES			
Equity			
Share capital	5,500,000	--	5,500,000
Legal reserve	276,791	(201,792)	74,999
Cumulative changes in fair value	314,711	--	314,711
Hedging reserve	(589,402)	--	(589,402)
Retained earnings	20,734,623	201,792	20,936,415
Equity attributable to parent	26,236,723	--	26,236,723
Non-controlling interest	394,610	(394,610)	--
Total equity	26,631,333	(394,610)	26,236,723
Non-current liabilities			
Interest bearing loans and borrowings	5,535,140	(4,246,333)	1,288,807
Employees' end of service benefits	219,877	(121,633)	98,244
Other financial liabilities	455,962	(307,193)	148,769
Total non-current liabilities	6,210,979	(4,675,159)	1,535,820
Current liabilities			
Accounts payable and accruals	1,384,261	(891,769)	492,492
Other financial liabilities	115,215	(115,215)	--
Due to related parties	1,109,232	(1,079,081)	30,151
Interest bearing loans and borrowings	1,327,330	(1,209,365)	117,965
Total current liabilities	3,936,038	(3,295,430)	640,608
Total liabilities	10,147,017	(7,970,589)	2,176,428
Total equity and liabilities	36,778,350	(8,365,199)	28,413,151

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)**Impact on assets, liabilities and equity as at December 31, 2012 of application of IFRS 11**

	December 31, 2012 (As reported) QR'000	2011 Adjustments QR'000	2012 Adjustments QR'000	December 31, 2012 (Restated) QR'000
ASSETS				
Non-current assets				
Property, plant and equipment	22,317,930	(6,839,990)	(12,422,949)	3,054,991
Project under development	--	(11,905,716)	11,905,716	--
Investment properties	148,032	--	--	148,032
Intangible assets	162,973	(169,250)	6,277	--
Investment in associates	1,465,515	--	--	1,465,515
Investment in joint ventures	--	16,346,366	3,009,382	19,355,748
Available-for-sale investments	641,441	--	--	641,441
Catalysts	89,444	(51,622)	11,160	48,982
Other non-current assets	2,818	(2,509)	(309)	--
Total non-current assets	24,828,153	(2,622,721)	2,509,277	24,714,709
Current assets				
Inventories	2,295,002	(827,162)	38,982	1,506,822
Accounts receivable and prepayments	3,016,135	(1,634,215)	(231,508)	1,150,412
Due from related parties	984,046	(525,567)	(356,018)	102,461
Financial asset at fair value through profit or loss	7,154	--	--	7,154
Bank balances and cash	9,080,209	(2,755,534)	(918,775)	5,405,900
Total current assets	15,382,546	(5,742,478)	(1,467,319)	8,172,749
Total assets	40,210,699	(8,365,199)	1,041,958	32,887,458
EQUITY AND LIABILITIES				
Equity				
Share capital	5,500,000	--	--	5,500,000
Legal reserve	292,117	(201,792)	(15,326)	74,999
Cumulative changes in fair value	279,892	--	--	279,892
Hedging reserve	(559,576)	--	--	(559,576)
Retained earnings	24,821,978	201,792	15,326	25,039,096
Equity attributable to the parent	30,334,411	--	--	30,334,411
Minority interest	361,783	(394,610)	32,827	--
Total equity	30,696,194	(394,610)	32,827	30,334,411
Non-current liabilities				
Interest bearing loans and borrowings	3,952,534	(4,246,333)	1,777,388	1,483,589
Employees' end of service benefits	240,733	(121,633)	(13,001)	106,099
Other financial liabilities	421,935	(307,193)	8,761	123,503
Total non-current liabilities	4,615,202	(4,675,159)	1,773,148	1,713,191
Current liabilities				
Accounts payable and accruals	1,885,135	(891,769)	(340,052)	653,314
Due to related parties	979,900	(115,215)	(839,925)	24,760
Other financial liabilities	111,384	(1,079,081)	967,697	--
Interest bearing loans and borrowings	1,922,884	(1,209,365)	(551,737)	161,782
Total current liabilities	4,899,303	(3,295,430)	(764,017)	839,856
Total liabilities	9,514,505	(7,970,589)	1,009,131	2,553,047
Total equity and liabilities	40,210,699	(8,365,199)	1,041,958	32,887,458

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

2.2 New and revised IFRSs in issue but not yet effective (Early adoption allowed)

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

(i) New Standards:

Effective for annual periods beginning on or after January 1, 2017

- IFRS 9 *Financial Instruments*

(ii) Revised Standards:

Effective for annual periods beginning on or after January 1, 2014

- IAS 32 (Revised) *Financial Instruments: Presentation – Amendments to clarify existing application issues relating to the offsetting requirements.*
- IFRS 10, 12 and IAS 27 (Revised) *Amendments to introduce an exception from the requirement to consolidate subsidiaries for an investment entity.*
- IAS 36 (Revised) *Amendments arising from recoverable amount disclosures for non-financial assets.*
- IAS 39 (Revised) *Amends IAS 39 Financial Instruments: Recognition and Measurement to make it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.*

Effective for annual periods beginning on or after January 1, 2017

- IFRS 7 (Revised) *Financial Instruments Disclosures - Amendments requiring disclosures about the initial application of IFRS 9*

Effective for annual periods beginning on or after July 1, 2014

- IAS 19 (Revised) *Amended to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.*
- Annual improvements to IFRSs 2010-2012 cycle *Amendments to issue clarifications on IFRSs- IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 38 and IAS 24.*
- Annual Improvements 2011-2013 Cycle *Amendments to issue clarifications on IFRSs- IFRS 1, IFRS 3, IFRS 13 and IAS 40.*

(iii) New Interpretation:

Effective for annual periods beginning on or after January 1, 2014

- IFRIC 21 *Levies*

Management anticipates that the adoption of these Standards and Interpretations in future periods might have material financial impact on the consolidated financial statements of the Group in the period of initial application.

Management have not yet performed a detailed analysis of the impact of the application of these Standards and hence have not yet quantified the extent of the impact.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and applicable requirements of Qatar Commercial Companies' Law No. 5 of 2002.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments that are measured at fair value at the end of each reporting period.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- (i) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- (ii) Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- (iii) Level 3 inputs are unobservable inputs for the asset or liability.

These consolidated financial statements are presented in Qatari Riyals (QR), which is the Group's functional and presentation currency. These consolidated financial statements are presented in thousands (QR. 000) unless otherwise indicated. The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company, and its subsidiary (together referred as the "Group") as at December 31, 2013.

Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Group and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts and rebates. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Rental income

Income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms.

Interest income

Income is recognised as interest accrues (using the effective interest method).

Dividend income

Dividend income is recognised, when the right to receive the dividend is established.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. 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 the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of profit or loss during the financial period in which they are incurred.

Depreciation is calculated based on the estimated useful lives of the applicable assets on a straight-line basis commencing when the assets are 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

Properties 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 properties 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 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 in the year the asset is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital work-in-progress

The cost of capital work-in-progress consist of the contract value, and directly attributable costs of developing and bringing the project assets to the location and condition necessary for them to be capable of operating in the manner intended by management. The cost of capital work-in-progress will be transferred to tangible and intangible non-current asset classifications when these assets reached their working condition for their intended use. The carrying values of capital work in progress are reviewed for impairment when events or changes in circumstances indicate the carrying value may be not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable value.

Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of income in the year of derecognition.

Catalysts

Catalysts acquired are measured on initial recognition at cost. Following initial recognition, catalysts are carried at cost less any accumulated amortisation and any accumulated impairment losses. The amortisation period is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on catalysts is recognised in the consolidated statement of profit or loss.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures (continued)

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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

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

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. If a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, then Company Group also reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified a held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method.

The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate or joint venture. After the disposal takes place, the Group accounts for any retained interest in the associate or joint venture in accordance with IAS 39 unless the retained interest continues to be an associate or a joint venture, in which case the Group uses the equity method. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written-down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognised in the consolidated statement of profit or loss in those expense categories consistent with the function of the impaired asset.

Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

Financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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

The Group's financial assets include cash and short-term deposits, trade and other receivables, quoted and unquoted financial instruments, and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

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.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of other categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses as other comprehensive income in cumulative changes in fair value reserve until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the consolidated statement of profit or loss, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the consolidated statement of profit or loss. Due to the nature of cash flows arising from Group's certain unquoted investments, the fair value of these investments cannot be reliably measured. Consequently, these investments are carried at cost less provision for any impairment losses.

Impairment of financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of profit or loss is removed from other comprehensive income and recognised in the consolidated statement of profit or loss. Impairment losses on equity investments are not reversed through the consolidated statement of profit or loss; increases in their fair value after impairment are recognised directly in other comprehensive income.

Inventories

Inventories, including work in progress, other than maintenance parts and supplies, are stated at the lower of cost and net realisable value; cost is determined on a weighted average cost basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Maintenance parts and supplies are stated at cost, less provisions for obsolescence.

Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

Accounts receivable

Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred. Goods supplied but not invoiced are treated as accrued income at the price expected to be received.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash at bank and on hand, and short-term deposits with an original maturity of three months or less, net of funds restricted for use and outstanding bank overdrafts, if any.

Derivative financial instruments and hedging

Derivative financial instruments are contracts, the values of which are derived from one or more underlying financial instruments or indices.

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the consolidated statement of profit or loss. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is calculated by reference to the market valuation of the swap contracts.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments and hedging (continued)

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or unrecognised firm commitment (except for foreign currency risk); or
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting change in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the criteria for hedge accounting are accounted for as follows:

Fair value hedges

The change in the fair value of a hedging derivative is recognised in the consolidated statement of profit or loss. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying value of the hedged item and is also recognised in the consolidated statement of profit or loss.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while any ineffective portion is recognised immediately in the consolidated statement of profit or loss.

Amounts taken to equity are transferred to the consolidated statement of profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

Employees' end of service benefits

The Group provides end of service benefits to its employees in accordance with employment contracts and Qatari Labour Law. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Under Law No. 24 of 2002 on Retirement and Pensions, the Group makes a contribution to a government fund for Qatari employees calculated as a percentage of the Qatari employees' salaries. The Group's obligations are limited to these contributions, which are expensed as due.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest bearing loans and borrowings

Interest bearing loan is recognised initially at fair value of the amounts borrowed, less directly attributable transaction costs. Subsequent to initial recognition, the loan is measured at amortised cost using the effective interest method. Instalments due within one year at amortised cost are shown as a current liability. The costs of raising finance applicable to amounts already drawn-down are amortised over the period of the loan using the effective yield method.

Gains or losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through amortisation process.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Operating leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated statement of profit or loss on a straight-line basis over the lease term.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) 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.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Group's continuing involvement in the asset.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets and liabilities (continued)

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

Foreign currencies

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

Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the statement of profit or loss attributable to shareholders and the weighted average number of common shares outstanding adjusted for own shares held.

4. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, management is required to make certain judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised.

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 consolidated financial statements:

Classification of investment securities

Management decides on the acquisition of an investment whether to classify it as available for sale or financial assets at fair value through profit or loss. The Group follows the guidance of IAS 39 on classifying investments. All investments are classified as available for sale.

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

Fair value of financial instruments

The fair value of financial assets traded in an organised financial market is determined by reference to quoted market bid prices at the close of business at the reporting date. Where the fair value of financial assets and financial liabilities recorded on the financial position cannot be derived from active markets, a reasonable estimate of fair value is determined by reference to the current market value of another instrument which is substantially the same, or is based on the expected cash flows from the asset, or internal pricing models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

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 financial statements continue to be prepared on a going concern basis.

Key sources of estimation uncertainty

Impairment of available-for-sale investments

The Group treats available-for-sale investments as impaired when there has been a significant or prolonged decline in fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment. The Group evaluates the investments on a case by case basis taking into account normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

Impairment of accounts receivable

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical realisable value.

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

Key sources of estimation uncertainty (continued)

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Revaluation of investment properties

The Group carries its investment properties at fair value, with changes in fair values being recognised in the consolidated statement of profit or loss. The Group engaged independent valuation specialists to determine fair value as at December 31, 2013. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

5. CASH AND CASH EQUIVALENTS

	<u>2013</u> QR'000	<u>2012</u> (Restated) QR'000
Bank balances and cash	<u>7,683,305</u>	<u>5,405,900</u>

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

	<u>2013</u> QR'000	<u>2012</u> (Restated) QR'000
Bank balances and cash	7,683,305	5,405,900
Less: Fixed deposits maturing after 90 days	<u>(6,044,000)</u>	<u>(3,832,150)</u>
	<u>1,639,305</u>	<u>1,573,750</u>

The term deposits are denominated mainly in Qatari Riyals and are short term in nature, with average effective interest rates of 1% to 1.7% (2012: 2.0% to 2.5%).

INDUSTRIES QATAR Q.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

6. PROPERTY, PLANT AND EQUIPMENT

Cost	Building		Plant machinery and equipment		Heavy duty mobile equipment		Furniture and fixtures		Motor Vehicles		Computer equipment		Capital work in progress		Total	
	QR.'000	QR.'000	QR.'000	QR.'000	QR.'000	QR.'000	QR.'000	QR.'000	QR.'000	QR.'000	QR.'000	QR.'000	QR.'000	QR.'000	QR.'000	QR.'000
As at December 31, 2011 (Restated)	653,798	3,836,317	71,028	29,243	939	49,233	197,422	4,837,980								
Additions	--	--	--	--	--	--	--	499,811								
Disposals	--	(34,373)	(23,204)	(28)	--	(124)										
Transfers	31,516	171,538	3,924	1,712	389	3,207	(212,286)									(57,729)
As at December 31, 2012 (Restated)	685,314	3,973,482	51,748	30,927	1,328	52,316	484,947	5,280,062								
Additions	2,020	36,211	--	--	--	164										
Disposals	(431)	(16,192)	(1,866)	(1,268)	(393)	(921)										
Transfers	6,164	53,311	190	--	--	4,441	(64,106)									
As at December 31, 2013	693,067	4,046,812	50,072	29,659	935	56,000	916,967	5,793,512								
Accumulated depreciation:																
As at December 31, 2011 (Restated)	248,654	1,747,730	26,549	23,709	627	41,471										
Charge for the year	23,055	131,953	3,650	1,212	93	3,605										
Disposals	--	(16,461)	(10,624)	(28)	--	(124)										
As at December 31, 2012 (Restated)	271,709	1,863,222	19,575	24,893	720	44,952										
Charge for the year	22,269	120,272	3,209	1,238	156	3,026										
Disposals	(431)	(12,459)	(702)	(1,268)	(86)	(921)										
As at December 31, 2013	293,547	1,971,035	22,082	24,863	790	47,057	2,359,374	2,088,740								
Net book value:																
As at December 31, 2013	399,520	2,075,777	27,990	4,796	145	8,943	916,967	3,434,138								
As at December 31, 2012 (Restated)	413,605	2,110,260	32,173	6,034	608	7,364	484,947	3,054,991								

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

6. PROPERTY, PLANT AND EQUIPMENT (continued)

Notes:

(i) Buildings with net book value of QR. 364.7 million (December 31, 2012: QR. 376.9 million) represent the industrial plant, offsite and administrative facilities erected on land leased from Qatar Petroleum for the duration of the subsidiary's existence.

(ii) Plant and structures include capital and rebuildable spares with useful lives of 25 and 15 years, respectively.

(iii) The borrowing cost capitalised during the year is QR. 12.8 million (2012: QR. 6.5 million).

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

	2013	2012
	<u>QR'000</u>	<u>(Restated)</u> QR'000
Direct costs	146,343	159,971
General and administrative expenses	3,203	2,939
Selling expenses	624	658
	<u>150,170</u>	<u>163,568</u>

7. INVESTMENT PROPERTIES

	2013	2012
	<u>QR'000</u>	<u>QR'000</u>
At fair value:		
At January 1	148,032	133,229
Net gain from fair value adjustments	29,607	14,803
At December 31	<u>177,639</u>	<u>148,032</u>

The fair value of the Group's investment properties at December 31, 2013 has been arrived at on the basis of a valuation carried by an independent valuer not related to the Group. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The management believes that this approximates the fair value of investment properties as at December 31, 2013.

The fair value of the investment properties at December 31, 2013 has been arrived based on Level 2 under fair value hierarchy. There were no transfer between Level 1 and 2 during the year.

INDUSTRIES QATAR Q.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

8. INVESTMENTS IN ASSOCIATES

The Group has the following investments in associates:

	Effective ownership	Country of incorporation	<u>2013</u> QR'000	<u>2012</u> QR'000
Qatar Metals Coating Company W.L.L. (i)	50.00%	Qatar	26,464	25,950
Foulath Holding B.S.C. (formerly Gulf United Steel Holding Company ("Foulath") (Bahrain)) (ii)	25.00%	Bahrain	--	1,226,848
SOLB Steel Company (<i>formerly known as South Steel company W.L.L.</i>) (iii)	31.03%	Saudi Arabia	<u>196,668</u>	<u>212,717</u>
			<u>223,132</u>	<u>1,465,515</u>

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

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

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

During 2012, the Group recognized an impairment of QR 150 million relating to the investment Foulath.

During 2013, the Group's management has decided to dispose of this investment in the upcoming year. Accordingly, the carrying value of this investment amounting to QR. 1.2 billion was reclassified to asset held for sale as discussed in Note 24.

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

During 2012, the Group increased its ownership in the associate company from 11.11% to 13.57% through cash consideration of QR. 13,577,000.

In April 2013, the Group increased its direct ownership in the associate company by acquiring 17.46% as a result of the liquidation of the Group's investment in South Industries Company (the Group's subsidiary) at carrying value.

INDUSTRIES QATAR Q.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

8. INVESTMENTS IN ASSOCIATES (CONTINUED)

The movement in investment in associates during the year is as follows:

	<u>2013</u>	<u>2012</u>
	QR'000	QR'000
Balance at January 1	1,465,515	1,742,821
Reclassified to asset held for sale	(1,226,848)	--
Share of net movement in effective portions of changes in fair value of cash flow hedges	--	3,750
Dividends received from associates	(5,000)	(5,000)
Share of results of associates	(10,535)	(139,633)
Impairment loss on investment in an associate	--	(150,000)
Increase in ownership in an associate	--	13,577
Balance at December 31	<u>223,132</u>	<u>1,465,515</u>

The summarised financial information in respect of the Group's associates are as follows:

	<u>2013</u>	<u>2012</u>
	QR'000	QR'000
Associates' statement of financial position:		
Current assets	1,226,328	2,907,896
Non-current assets	2,100,856	8,225,305
Current liabilities	(1,327,921)	(2,421,805)
Non-current liabilities	(1,437,381)	(4,161,886)
Net assets of associates	<u>561,882</u>	<u>4,549,510</u>
 Group's share of net assets of associates	 <u>184,818</u>	 <u>860,286</u>
 Share of associates' revenue and results		
Revenue	<u>1,154,514</u>	<u>4,299,220</u>
Loss for the year	<u>(60,984)</u>	<u>(527,220)</u>
Share of result of associates	<u>(10,535)</u>	<u>(139,633)</u>

INDUSTRIES QATAR Q.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

9. INTEREST IN JOINT VENTURES

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

	2013	2012
	QR'000	(Restated) QR'000
Balance at January 1	19,355,748	16,346,366
Increase in ownership in joint venture	--	5,000
Share of results of joint ventures	6,238,090	7,001,797
Share of other comprehensive income	139,977	12,592
Dividends received	(5,854,536)	(4,010,007)
Balance at December 31	<u>19,879,279</u>	<u>19,355,748</u>

The summarised financial information in respect of the Group's joint ventures is as follows:

As of December 31, 2013

	QSIC	QAPCO	QAFAC	QAFCO	Total
	QR'000	QR'000	QR'000	QR'000	QR'000
Current assets	12,272	3,346,887	1,455,112	3,481,556	8,295,827
Non-current assets	--	7,118,197	1,516,944	16,938,927	25,574,068
Current liabilities	(5,338)	(1,812,843)	(787,847)	(1,426,222)	(4,032,250)
Non-current liabilities	--	(142,107)	(500,937)	(3,230,929)	(3,873,973)
Net assets	<u>6,934</u>	<u>8,510,134</u>	<u>1,683,272</u>	<u>15,763,332</u>	<u>25,956,738</u>
Group's share of net assets	<u>3,242</u>	<u>7,009,144</u>	<u>841,636</u>	<u>12,025,257</u>	<u>25,963,672</u>

As of December 31, 2012

	QSIC	QAPCO	QAFAC	QAFCO	Total
	QR'000	QR'000	QR'000	QR'000	QR'000
Current assets	15,541	2,891,077	1,320,434	4,858,917	9,085,969
Non-current assets	--	6,493,084	1,429,352	17,625,839	25,548,275
Current liabilities	(7,323)	(2,282,861)	(765,477)	(1,846,042)	(4,901,703)
Non-current liabilities	--	(80,584)	(362,740)	(3,661,509)	(4,104,833)
Net assets	<u>8,218</u>	<u>7,020,716</u>	<u>1,621,569</u>	<u>16,977,205</u>	<u>25,627,708</u>
Group's share of net assets	<u>5,000</u>	<u>5,916,573</u>	<u>810,785</u>	<u>12,623,390</u>	<u>19,355,748</u>

The Group's share of net profit and other comprehensive income for the year ended December 31, 2013 are as follows:

	2013	2012
	QR'000	QR'000
Net profit	<u>6,238,090</u>	<u>7,001,797</u>
Other comprehensive income	<u>139,977</u>	<u>12,592</u>

INDUSTRIES QATAR Q.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

10. AVAILABLE- FOR- SALE INVESTMENTS

	<u>2013</u> QR'000	<u>2012</u> QR'000
At January 1, Fair Value	641,441	674,924
Additions	--	3,516
Write off	--	(2,180)
Increase/ (decrease) in the fair value	<u>111,267</u>	<u>(34,819)</u>
At December 31, Fair Value	<u>752,708</u>	<u>641,441</u>

11. INVENTORIES

	<u>2013</u> QR'000	<u>2012</u> (Restated) QR'000
Finished goods and goods for resale	399,958	425,788
Raw materials	563,022	371,533
Spares and consumables	217,201	218,251
Work in process	144,279	137,187
Additives	244,465	313,673
Goods in transit	<u>311,483</u>	<u>72,616</u>
	1,880,408	1,539,048
Less: Provision for obsolescence of spares and consumables	<u>(32,198)</u>	<u>(32,226)</u>
	<u>1,848,210</u>	<u>1,506,822</u>

12. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	<u>2013</u> QR'000	<u>2012</u> (Restated) QR'000
Trade accounts receivable	1,166,362	981,820
Advance to suppliers	171,868	77,443
Prepayments	31,126	41,791
Loans to employees	19,033	19,535
Accrued interest	51,527	25,943
Other receivables	<u>14,724</u>	<u>3,880</u>
	<u>1,454,640</u>	<u>1,150,412</u>

INDUSTRIES QATAR Q.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

12. ACCOUNTS RECEIVABLE AND PREPAYMENTS (CONTINUED)

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

	Total QR'000	Neither past due nor impaired QR'000	Past due but not impaired				More than 180 days QR'000
			Until 30 days QR'000	31 to 60 days QR'000	61 to 90 days QR'000	91 to 180 days QR'000	
2013	1,166,362	1,089,448	34,369	8,142	16,244	18,159	--
2012(Restated)	981,820	889,774	42,431	28,489	10,873	10,253	--

The average credit period on sales of goods is 60 to 90 days. No interest is charged on the accounts receivable from the date of the invoice. The Group has not provided any allowance for unrecoverable receivables as these receivables are supported by letters of credit initiated by the customers. Accordingly, there was no impaired accounts receivable as at December 31, 2013 and 2012, respectively.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	<u>2013</u> QR'000	<u>2012</u> QR'000
At January 1, Fair Value	7,154	4,141
Additions	--	1,490
Disposals	(3,673)	--
Increase in the fair value	104	1,523
At December 31, Fair Value	<u>3,585</u>	<u>7,154</u>

14. SHARE CAPITAL

	<u>2013</u> QR'000	<u>2012</u> QR'000
Authorised, issued and paid-up: 605,000,000 shares (2012: 550,000,000) of QR 10 each	<u>6,050,000</u>	<u>5,500,000</u>
	<u>Number of shares in '000</u>	<u>2013</u>
	<u>2012</u>	
January 1	550,000	550,000
Bonus shares issued	55,000	--
605,000,000 shares (2012: 550,000,000) of QR 10 each	<u>605,000</u>	<u>550,000</u>

During the year, a 10% bonus shares issue of QR 550 million relating to 2012 were approved by the shareholders at the Annual General Meeting held on March 17, 2013.

INDUSTRIES QATAR Q.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

15. LEGAL RESERVE

IQ was formed in accordance with Article 68 of Qatar Commercial Companies' Law No. 5 of 2002. As per Article 68 of the Qatar Commercial Companies' Law No. 5 of 2002, the Companies covered by the Article shall not be subject to the provisions of this Law, except to the extent that the provisions of the Law are not in contradiction with the Articles of Association of the Company.

Since the Articles of Association of the Company does not provide for legal reserve, the legal reserve detailed on the face of the consolidated statement of financial position represents the amount of legal reserve from the subsidiary, included for consolidation purposes.

16. SOCIAL FUND CONTRIBUTION

In accordance with Law No. 13 of 2008, the Group made an appropriation of profit of QR 198.6 million (2012: 213.2 million) equivalent to 2.5% of the adjusted consolidated net profit for the year for the support of sports, cultural, social and charitable activities.

17. DIVIDEND DECLARED

The Board of Directors has proposed a final cash dividend distribution of QR 11 per share for the year ended December 31, 2013 (2012: QR 8.50 per share). The dividends for 2012 amounting to QR 4,675 million and a 10% bonus share of QR 550 million were approved by the shareholders at the Annual General Meeting held on March 17, 2013. The proposed final dividend for the year ended December 31, 2013 will be submitted for formal approval at the Annual General Meeting.

18. INTEREST BEARING LOANS AND BORROWINGS

	<u>2013</u>	<u>2012</u> (Restated)
	QR'000	QR'000
Loan 1 (i)	1,162,039	1,288,807
Loan 2 (ii)	<u>813,152</u>	<u>356,564</u>
	<u>1,975,191</u>	<u>1,645,371</u>

Presented in the consolidated statement of financial position as:

	<u>2013</u>	<u>2012</u> (Restated)
	QR'000	QR'000
Current portion	312,724	161,782
Non-current portion	<u>1,662,467</u>	<u>1,483,589</u>
	<u>1,975,191</u>	<u>1,645,371</u>

Notes:

- (i) Loan 1 is a US Dollar denominated facility consisting of a term loan facility of USD 483.5 million (Tranche A loan) intended to fund the EPC contracts entered into by the Group. The facility also includes standby facility of USD 75 million (Tranche B loan). The loan carries interest at LIBOR plus a margin ranging from 0.80% to 1.0% per annum (Tranche A loan) and 1.0% to 1.10% per annum (Tranche B loan) and mandatory costs, if any. Tranche A loan is repayable in 19 semi-annual instalments at a pre-determined rate on total Tranche A loan draw downs. Tranche B loan, if any, is repayable in 8 equal semi-annual instalments starting on the date of the twelfth Tranche A repayment date.

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18. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

- (ii) On December 1, 2011, the Group entered into a subordinated facility agreement for USD 250 million with International Bank of Qatar and Union National Bank to finance its EF5 project. As of December 31, 2013, the loan has been fully drawn down. The loan carries interest at LIBOR plus 1.5% per annum and is repayable in 10 equal semi-annual instalments of USD 25 million each, starting from November 28, 2013.

19. EMPLOYEES' END OF SERVICE BENEFITS

	2013	2012 (Restated)
	QR'000	QR'000
Balance as at January 1	106,099	98,244
Provision during the year	32,654	27,038
Paid during the year	(18,624)	(19,183)
Balance as at December 31	<u>120,129</u>	<u>106,099</u>

20. OTHER FINANCIAL LIABILITIES

	2013	2012 (Restated)
	QR'000	QR'000
Other financial liabilities		
<i>Derivatives held as cash flow hedges:</i>		
Interest rate swaps	<u>81,824</u>	<u>123,503</u>
Presented in the consolidated statement of financial position as follows:		
Non-current portion	81,824	123,503
Current portion	--	--
	<u>81,824</u>	<u>123,503</u>

Interest rate swaps:

In August 2006, the Group entered into interest rate swap agreements with two banks with an initial notional amount of USD 290,200,000, that is reduced regularly every six months starting from March 31, 2011, whereby the Group received a variable rate equal to six months LIBOR and paid a fixed rate of 5.45% on the reduced notional amount till September 28, 2007, and pays a fixed rates of 5.671% and 5.65% thereafter until March 31, 2017. Interest is settled under the agreements on a semi-annual basis. The swap is designated to hedge the exposure to variability of the interest rate. The term loan and interest rate swap have the same critical terms.

The fair value of the interest rate swap is calculated by reference to the market valuation of the swap agreement, and hedge effectiveness is tested at the end of each reporting period.

The Group has recognised the unrealised loss on the interest rate swaps amounting to QR. 81.8 million as at December 31, 2013 (2012: QR 123.5 million) in the cash flow hedge reserve as the cash flow hedge is deemed highly effective.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

21. ACCOUNTS PAYABLE AND ACCRUALS

	2013	2012
	QR'000	(Restated) QR'000
Trade payables	231,309	86,440
Accrued expenses	177,101	165,069
Provision for social fund contribution	198,598	213,227
Dividend payable	108,402	101,649
Due to government	34,289	34,289
Other payables	59,158	52,640
	<u>808,857</u>	<u>653,314</u>

22. RELATED PARTY DISCLOSURES

Related party transactions

These represent transactions with related parties, i.e. shareholders, joint venture partners, 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 immediate and ultimate parent entity is Qatar Petroleum ("QP").

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

	Sales	Purchases	General and administration expenses	Other income
	QR'000	QR'000	QR'000	QR'000
Year ended December 31, 2013				
Major shareholders	--	101,877	8,702	--
Joint ventures	--	--	3,963	--
Associates	339,790	9,576	--	1,871
Other related parties	--	123,283	17,179	54
	<u>339,790</u>	<u>234,736</u>	<u>29,844</u>	<u>1,925</u>
Year ended December 31, 2012 (Restated)				
Major shareholders	--	102,834	8,802	--
Joint ventures	--	--	1,176	--
Associates	375,503	856,172	2	3,653
Other related parties	73,896	32,241	15,311	20
	<u>449,399</u>	<u>991,247</u>	<u>25,291</u>	<u>3,673</u>

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22. RELATED PARTY DISCLOSURES (CONTINUED)

Related party balances:

Due from related parties

	2013	2012
	<u>QR'000</u>	<u>(Restated)</u> QR'000
SOLB Steel Company (Kingdom of Saudi Arabia)	2,860	67,478
Gasal Company	555	--
Qatar Steel International company Q.P.S.C.	2,373	1,826
Qatar metal coating company W.L.L.	28,094	32,857
Others	--	300
	<u>33,882</u>	<u>102,461</u>

Due to related parties

	2013	2012
	<u>QR'000</u>	<u>(Restated)</u> QR'000
Qatar Petroleum	10,556	22,238
Gasal Company	--	1,587
Gulf Industrial Investment Company	--	43
Sulb Company B.S.C.	4	--
Mesaieed industrial city	1,406	892
QAFCO	2,589	--
	<u>14,555</u>	<u>24,760</u>

The sales to and purchases from related parties are made at normal market prices. Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended December 31, 2013, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2012: Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

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

	2013	2012
	<u>QR'000</u>	<u>(Restated)</u> QR'000
Short term benefits	22,432	25,495
Board of directors sitting fees	9,481	8,831
Qatari employees' end of service benefits	664	655
	<u>32,577</u>	<u>34,981</u>

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23. 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.

	2013	2012
	<u>QR'000</u>	<u>(Restated)</u> QR'000
Profit from continuing operations	<u>8,004,611</u>	<u>8,727,915</u>
Profit from continuing and discontinued operations	<u>8,011,867</u>	<u>8,440,908</u>
Weighted average number of shares outstanding during the year (in thousands)	<u>605,000</u>	<u>550,000</u>
Adjustment for bonus issue	<u>--</u>	<u>55,000</u>
Weighted average number of shares outstanding during the year (in thousands)	<u>605,000</u>	<u>605,000</u>
EPS from continuing operations (QR.)	<u>13.23</u>	<u>14.43</u>
EPS from continuing and discontinued operations(QR.)	<u>13.24</u>	<u>13.95</u>

Previous year number of shares outstanding was adjusted to give the effect of bonus share issued during 2013 as if the proportionate change had taken place at the start of the earliest period presented.

24. ASSET CLASSIFIED AS HELD FOR SALE

The Group intends to dispose of its 25% holding in Foulath Holding B.S.C. ("Foulath") (formerly Gulf United Steel Holding Company B.S.C.(c)). Foulath is an investment vehicle and holding company primarily focused on investing in the steel industry in the Middle East and North Africa (MENA) region. During the year, the Group has approved an active plan to dispose of the investment. The proceeds from the disposal are expected to exceed the carrying amount of the related investment. Accordingly, no impairment loss was recognized on the reclassification of this investment as held for sale.

The following is the summary of the financial information of the associate, which was classified as held for sale, at the end of the reporting period:

Associate's statement of financial position:

	<u>2013</u>
	<u>QR'000</u>
Current assets	<u>2,291,785</u>
Non-current assets	<u>6,906,840</u>
Current liabilities	<u>(2,315,506)</u>
Non-current liabilities	<u>(2,690,865)</u>
Equity	<u>4,192,254</u>

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24. ASSET CLASSIFIED AS HELD FOR SALE (CONTINUED)

Associate's revenue and profit:

	<u>2013</u> <u>QR'000</u>
Revenue	<u>2,809,494</u>
Profit for the year	<u>7,256</u>

25. REVENUES

	<u>2013</u> <u>QR'000</u>	<u>2012</u> <u>(Restated)</u> <u>QR'000</u>
Bars sales	5,272,347	5,300,060
Coil sales	324,470	221,948
Export of HBI/DRI	235,354	557,908
Billets sales	--	77,971
Freight revenues	<u>70,674</u>	<u>86,580</u>
	5,902,845	6,244,467
Less: Freight charges	<u>(79,495)</u>	<u>(90,280)</u>
	<u>5,823,350</u>	<u>6,154,187</u>

26. COST OF SALES

	<u>2013</u> <u>QR'000</u>	<u>2012</u> <u>(Restated)</u> <u>QR'000</u>
Direct materials	2,790,707	3,209,924
Salaries and wages	429,764	395,465
Utilities	286,989	274,794
Depreciation and amortisation	154,292	168,024
Repairs and maintenance	112,729	113,389
Others	<u>249,134</u>	<u>135,293</u>
	<u>4,023,615</u>	<u>4,296,889</u>

27. OTHER INCOME, NET

	<u>2013</u> <u>QR'000</u>	<u>2012</u> <u>(Restated)</u> <u>QR'000</u>
(Loss) / gain from change in fair value of held-for-trading securities	(504)	1,523
Gain on foreign exchange	4,803	9,687
Net gain from fair value adjustment of investment properties (Note 7)	29,607	14,803
By-product	59,842	54,558
Other income	<u>38,703</u>	<u>34,697</u>
	<u>132,451</u>	<u>115,268</u>

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28. INCOME FROM INVESTMENTS

	2013	2012
	<u>QR'000</u>	<u>(Restated)</u> QR'000
Dividend income	22,707	18,498
Interest on bank deposits	89,288	66,962
	<u>111,995</u>	<u>85,460</u>

29. GENERAL AND ADMINISTRATIVE EXPENSES

	2013	2012
	<u>QR'000</u>	<u>(Restated)</u> QR'000
Staff costs	102,695	86,203
Qatar Petroleum fees	8,001	7,679
Qatar Exchange fees	2,159	2,003
Advertisements	575	567
Sponsorship charges	1,909	--
Board of director's remuneration	9,481	8,831
Provisions	1,522	8,000
Depreciation (Note 6)	3,203	2,939
Travel and transportation	3,103	4,258
Communication	2,280	1,344
Supplies	1,997	1,137
Utilities	1,487	1,297
Rental	944	1,983
Loss on disposal of property, plant and equipment	918	27,707
Donations	486	100
Bad debts written off	--	157
Others	32,266	71,935
	<u>173,026</u>	<u>226,140</u>

30. COMMITMENTS

	2013	2012
	<u>QR'000</u>	<u>(Restated)</u> QR'000
Capital expenditure commitments:		
Estimated capital expenditure contracted for at the reporting date but not provided for:		
Property, plant and equipment	<u>447,425</u>	<u>557,097</u>

Qatar Steel has open purchase order commitments for the supply of miscellaneous capital items amounting to QR 447 million (2012: QR 557 million).

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30. COMMITMENTS (CONTINUED)

Operating lease commitments:

The Group entered into operating lease agreements with Qatar Petroleum for the land on which certain plant facilities are constructed and for the use of berth facilities.

In addition, Qatar Steel entered into a lease agreement with the Government of Dubai, where it will be contingently liable for the value of the annual rent on the lease agreement for the land on which plant facilities are constructed.

Future minimum rentals payable under these leases at December 31 are as follows:

	2013	2012
	QR'000	(Restated) QR'000
Within one year	32,162	28,586
After one year but not more than five years	58,894	52,083
More than five years	137,287	149,991
Total operating lease expenditure contracted for at the reporting date	<u>228,343</u>	<u>230,660</u>

31. CONTINGENCIES

At December 31, 2013, the Group had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to QR 472.39 million (December 31, 2012 : QR 518.47 million.).

The Group's contingent liabilities are as follows:

	2013	2012
	QR'000	(Restated) QR'000
Letters of credit	49,585	98,948
Bank guarantees	418,136	418,136
Legal cases	600	1,386
	<u>468,321</u>	<u>518,470</u>

32. SEGMENTAL REPORTING

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments as follows:

- The petrochemical segments, which produces and sells ethylene, polyethylene, MTBE, methanol, caustic soda, ethylene dichloride, vinyl chloride monomer and other petrochemical products
- The fertiliser segment, which produces and sells urea, ammonia and other by products
- The steel segment, which produces and sells steel pellets, bars, billets and others

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32. SEGMENTAL REPORTING (CONTINUED)

Management 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 statements.

Operating segments

The following table present revenue and profit information regarding the Group's operating segments for the year ended December 31, 2013 and 2012 respectively:

	<u>Petrochemicals</u> <u>QR'000</u>	<u>Fertilisers</u> <u>QR'000</u>	<u>Steel</u> <u>QR'000</u>	<u>Total</u> <u>QR'000</u>
Year ended December 31, 2013				
Total revenue	<u>5,353,885</u>	<u>6,145,030</u>	<u>5,823,350</u>	<u>17,322,265</u>
Results:				
Segment results	<u>3,819,752</u>	<u>2,420,096</u>	<u>1,696,896</u>	<u>7,936,744</u>
Unallocated income				<u>109,109</u>
Unallocated expense				<u>(33,986)</u>
Profit for the year				<u>8,011,867</u>
	<u>Petrochemicals</u> <u>QR'000</u>	<u>Fertilisers</u> <u>QR'000</u>	<u>Steel</u> <u>QR'000</u>	<u>Total</u> <u>QR'000</u>
Year ended December 31, 2012 (Restated)				
Total revenue	<u>4,778,061</u>	<u>5,998,739</u>	<u>6,154,187</u>	<u>16,930,987</u>
Results:				
Segment results	<u>3,555,334</u>	<u>3,446,463</u>	<u>1,401,976</u>	<u>8,403,773</u>
Unallocated income				<u>75,595</u>
Unallocated expense				<u>(38,460)</u>
Profit for the year				<u>8,440,908</u>

The following table present segmental assets regarding the Group's business segments for the year ended December 31, 2013 and December 31, 2012 respectively:

	<u>Petrochemicals</u> <u>QR'000</u>	<u>Fertilisers</u> <u>QR'000</u>	<u>Steel</u> <u>QR'000</u>	<u>Total</u> <u>QR'000</u>
Segment assets:				
At December 31, 2013				
Cash	<u>1,228,310</u>	<u>1,281,346</u>	<u>1,384,113</u>	<u>3,893,769</u>
Other current assets	<u>2,177,619</u>	<u>1,335,379</u>	<u>4,530,877</u>	<u>8,043,875</u>
Non-Current assets	<u>6,453,030</u>	<u>12,704,195</u>	<u>4,191,070</u>	<u>23,348,295</u>
Total assets	<u>9,858,959</u>	<u>15,320,920</u>	<u>10,106,060</u>	<u>35,285,939</u>

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32. SEGMENTAL REPORTING (CONTINUED)

Segment assets (continued)

	<u>Petrochemicals</u>	<u>Fertilisers</u>	<u>Steel</u>	<u>Total</u>
	<u>QR'000</u>	<u>QR'000</u>	<u>QR'000</u>	<u>QR'000</u>
At December 31, 2012 (restated)				
Cash	1,151,560	2,060,172	1,554,940	4,766,672
Other current assets	1,821,519	1,589,648	2,733,453	6,144,620
Non-Current assets	5,909,143	13,213,747	5,008,395	24,131,285
Total assets	<u>8,882,222</u>	<u>16,863,567</u>	<u>9,296,788</u>	<u>35,042,577</u>

Notes:

- (i) The above segmental reporting relates only to the subsidiaries and joint venture companies.
- (ii) Significant portion of the Group's non-current assets are located in the State of Qatar.

Reconciliation of reportable segments total assets

	<u>2013</u>	<u>2012</u>
	<u>QR'000</u>	<u>QR'000</u>
Total assets for reportable segments	35,285,939	35,042,577
Other un-allocable assets	8,254,315	5,220,373
Recognition of investment in joint ventures using equity method of accounting	19,402,879	19,355,748
Elimination of investments in subsidiaries	(985,451)	(985,451)
Assets relating to joint ventures	<u>(25,179,879)</u>	<u>(25,745,789)</u>
Consolidated total assets for the year	<u>36,777,803</u>	<u>32,887,458</u>

33. FINANCIAL RISK MANAGEMENT

Objectives and policies

The Group's principal financial liabilities, other than derivatives, comprise interest bearing loans and borrowings, accounts payable and certain accruals 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, accounts 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. It is, and has been throughout 2013 and 2012 the Group's policy that no trading in derivatives shall be undertaken.

The main risks arising from the Group's financial instruments are cash flow 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.

33. FINANCIAL RISK MANAGEMENT (CONTINUED)**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.

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 exposure to the risk of changes in market interest rates relates primarily to the Group's interest bearing loans and borrowings and short term deposits with floating interest rates.

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

The sensitivity of the consolidated statement of profit or loss and 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 liabilities held at December 31, 2013. The effect of decrease in interest rate is expected to be equal and opposite to the effect of the increase shown.

There is no group impact on the group's equity.

	<i>Increase in basis points</i>	<i>Effect on profit 2013</i>	<i>Increase in basis points</i>	<i>Effect on profit 2012 (Restated)</i>
		QR'000		QR'000
Fixed deposits	+25	<u>17,276</u>	+25	<u>10,365</u>
Loans and borrowings	+25	<u>5,705</u>	+25	<u>5,996</u>

Interest rate swap

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the cash flow exposures on the issued variable rate debt.

The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts outstanding at the end of the reporting period.

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33. FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate risk (continued)

Interest rate swap (continued)

	Positive/ (Negative) Fair Value QR'000	Notional Amount QR'000	Notional amount by term to maturity			
			In 1 year QR'000	1-2 year QR'000	2-5 Years QR'000	5 Years and above QR'000
Derivatives held as Cash flow hedge:						
Interest Rate Swap						
December 31, 2013	(81,824)	721,017	50,617	284,765	385,635	--
December 31, 2012	(123,503)	813,511	45,519	215,941	552,051	--

The interest rate swap settles on a semi-annual basis up to March 31, 2017. The floating rate on interest rate swaps is LIBOR. The Group will settle the difference between the fixed and floating rate on net basis.

The interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest payments on the loan occur simultaneously.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy which limits its exposure to credit risk on its bank balances by dealing with financial institutions of good credit ratings. The Group's exposure to counterparties is continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by management. The carrying amount of the financial assets recorded in these consolidated financial statements, which is net of impairment losses represents the Group's maximum exposure to credit risks.

With respect to credit risk arising from the other financial assets of the Group, including cash and cash equivalents and derivative instruments with positive values, the Group's exposure to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

	2013 QR'000	2012 (Restated) QR'000
Bank balances (excluding cash)	7,863,234	5,405,862
Accounts receivable and other assets	1,454,640	1,150,412
Amounts due from related parties	33,882	102,461
	<u>9,351,756</u>	<u>6,658,735</u>

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33. FINANCIAL RISK MANAGEMENT (CONTINUED)**Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet financial obligations as they fall due. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group limits its liquidity risk by maintaining adequate funds in the banks and ensuring bank facilities are available. The Group's terms of sales require amounts to be paid within 30 days of the date of invoice. Trade payables are normally settled within 45 – 60 days of the date of purchase.

At December 31, 2013	Less than one year QR'000	1 to 5 years QR'000	> 5 years QR'000	Total QR'000
Accounts payables	433,158	--	--	433,158
Interest bearing loans and borrowings	312,724	1,662,467	--	1,975,191
Due to related parties	14,555	--	--	14,555
	<u>760,437</u>	<u>1,662,467</u>	<u>--</u>	<u>2,422,904</u>
At December 31, 2012 (Restated)	Less than one year QR'000	1 to 5 years QR'000	> 5 years QR'000	Total QR'000
Accounts payables	275,018	--	--	275,018
Interest bearing loans and borrowings	161,782	1,089,471	394,118	1,645,371
Due to related parties	24,760	--	--	24,760
	<u>461,560</u>	<u>1,089,471</u>	<u>394,118</u>	<u>1,945,149</u>

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 accounts payable, trade receivables and 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.

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.

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33. FINANCIAL RISK MANAGEMENT (CONTINUED)

Equity price risk (continued)

	<i>Change in equity price 2013</i>	<i>Effect on equity 2013</i>	<i>Change in equity price 2012</i>	<i>Effect on equity 2012</i>
		QR'000		QR'000
Qatar Exchange	+5%	<u>29,221</u>	+5%	<u>22,520</u>
Australian Securities Exchange	+5%	<u>8,414</u>	+5%	<u>9,552</u>

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 December 31, 2013 and December 31, 2012.

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 parent less the net unrealized gains reserve.

	2013	2012 (Restated)
	QR'000	QR'000
Interest bearing loans and borrowings	1,975,191	1,645,371
Accounts payable and accruals	808,857	653,315
Due to related parties	14,555	24,760
Other financial liabilities	81,824	123,503
	<u>2,880,427</u>	<u>2,446,949</u>
Less: Cash and cash equivalents	<u>(1,639,305)</u>	<u>(1,573,750)</u>
Net debt	<u>1,241,122</u>	<u>873,199</u>
Equity	33,776,384	30,334,410
Cumulative changes in fair value	(391,159)	(279,892)
Hedging reserve	366,276	559,576
	<u>33,751,501</u>	<u>30,614,094</u>
Capital and net debt	<u>34,992,623</u>	<u>31,487,293</u>
Gearing ratio	<u>4%</u>	<u>3%</u>

34. FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities

Financial assets consist of available-for-sale investments, financial asset at fair value through profit or loss accounts receivable, amounts due from related parties, bank balances and other certain receivables. Financial liabilities consist of interest bearing loans and borrowings, accounts payable, due to related parties and other certain payables.

Except for unquoted available-for-sale equity investments carried at cost, the fair values of financial instruments are not materially different from their carrying values.

The following methods and assumptions were used to estimate the fair values of financial instruments:

- Bank balances, accounts and other certain receivables and accounts payable and other certain payables approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Fair values of available-for-sale investments assets are derived from quoted market prices in an active market.
- Interest bearing loans and borrowings are estimated based on discounted cash flows using interest rate for items with similar terms and characteristics.

Fair value hierarchy

As at December 31, the Group held the following financial instruments measured at fair value.

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that is not based on observable market data.

<i>As at December 31, 2013</i>	<i>Total</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
Assets measured at fair value				
Available-for-sale investments – equity	<u>752,708</u>	<u>752,708</u>	<u>--</u>	<u>--</u>
Financial asset at fair value through profit or loss	<u>3,585</u>	<u>3,585</u>	<u>--</u>	<u>--</u>
Receivables	<u>1,166,362</u>	<u>--</u>	<u>--</u>	<u>1,166,362</u>
Due from related parties	<u>33,882</u>	<u>--</u>	<u>--</u>	<u>33,882</u>

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34. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

	<u>Total</u> <u>QR'000</u>	<u>Level 1</u> <u>QR'000</u>	<u>Level 2</u> <u>QR'000</u>	<u>Level 3</u> <u>QR'000</u>
Liabilities measured at fair value				
Interest rate swap	81,824	--	81,824	--
Due to related parties	14,555	--	--	14,555
Interest bearing loans and borrowings	1,975,191	--	--	1,975,191
<i>As at December 31, 2012 (Restated)</i>	<u>Total</u> <u>QR'000</u>	<u>Level 1</u> <u>QR'000</u>	<u>Level 2</u> <u>QR'000</u>	<u>Level 3</u> <u>QR'000</u>
Assets measured at fair value				
Available-for-sale investments – equity	641,441	641,441	--	--
Financial asset at fair value through profit or loss	7,154	7,154	--	--
Receivables	981,820	--	--	981,820
Due from related parties	102,461	--	--	102,461
	<u>Total</u> <u>QR'000</u>	<u>Level 1</u> <u>QR'000</u>	<u>Level 2</u> <u>QR'000</u>	<u>Level 3</u> <u>QR'000</u>
Liabilities measured at fair value				
Interest rate swap	123,503	--	123,503	--
Due to related parties	24,760	--	--	24,760
Interest bearing loans and borrowings	1,645,371	--	--	1,645,371

During the year ended December 31, 2013, 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.

35. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors and authorised for issue on February 16, 2014.