INDUSTRIES QATAR Q.P.S.C.

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED

DECEMBER 31, 2021

INDUSTRIES QATAR Q.P.S.C.

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the year ended December 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Industries Qatar Q.P.S.C.
Doha
Qatar

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Industries Qatar Q.P.S.C. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs').

Basis for Opinion

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

Key Audit Matters

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

Key audit matter	How our audit addressed the Key audit matter
Revenue recognition Total revenue recognized by the Group during the year amounted to QR. 14,169 million. International Standards on Auditing require us to consider the risk of fraud in revenue recognition. There is an inherent risk of fraud given the high value of transactions and price fluctuations of the products affecting the revenue recognized for the year. As disclosed in note 9, the Group's share of the combined results from the joint ventures (QAPCO and QAFAC) of QR. 2,479 million for the year ended December 31, 2021 represents 31% of profit for the year of the Group. The results of operations of these joint ventures of QR. 2,209 million for the year ended December 31, 2021 represent 34% of the sales revenue generated by these joint ventures. With the exception of one subsidiary, the majority of the subsidiaries' and joint ventures' sales are made to one customer "Qatar Chemical and Petrochemical Marketing and Distribution Company" ("Muntajat"). According to the revenue recognition policy, revenue from sale of products is recognized when the Group companies have transferred the control of the products to the customer at the point of delivery, where terms of delivery are specified in the contracts. We identified the recognition of revenue as a key audit matter, because of the high values of individual shipments. The potential errors in the occurrence and accuracy of revenue recognition at the Group, subsidiary and joint venture company level could result in material misstatements in the financial statements of the Group when it recognises revenue and its	Our procedures in relation to revenue recognition from sales made by the subsidiary and individual joint ventures are as follows: • Understanding and evaluating the design and implementation of the internal controls over revenue recognition of the Group and joint venture companies. • Understanding, evaluating and testing the Group and joint venture companies' revenue accounting policies against the requirements of IFRSs, our understanding of the business and related industry practice. • Reviewing the terms of the revenue contracts of the Group and joint venture companies with their customers. • Performing test of details to verify occurrence and accuracy of revenue transactions on a sample basis. • Performing substantive analytical procedure for each of the revenue streams and identify any significant deviations from the expectations based on the understanding of each of the revenue streams business process and procedures. • Obtaining and inspecting, on a sample basis, a confirmation including the statements of the major customer of the Group and joint venture companies, and agreeing them to the accounting records.

Key Audit Matters (continued)

Key audit matter	How our audit addressed the Key audit matter
Revenue recognition (continued) share of each joint venture's net income under the equity method of accounting. The following notes to the consolidated financial statements contain the relevant information related to the above discussed matters. Note 3 – Significant Accounting Policies Note 4 – Critical Judgments and Keys Sources of Estimation Uncertainty Note 9 – Investments in Joint Ventures Note 26 – Revenue	• Evaluating the disclosures relating to revenue to determine if they are in compliance with the requirements of IFRSs.

Other Information

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements (continued)

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law and regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Further, as required by the Qatar Commercial Companies Law, we report the following:

- We are of the opinion that proper books of account were maintained by the Company, physical inventory verification has been duly carried out and the contents of the director's report are in agreement with the Company's accompanying consolidated financial statements.
- We 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 applicable provisions of Qatar Commercial Companies Law and the Company's Articles of Association were committed during the year which would materially affect the Group's consolidated financial position or its consolidated financial performance.
- Reference to Note 3 to the consolidated financial statements, the Company is in the process of assessing the impact of the amendments of the commercial companies law, as per Law No. 8 of 2021. Management believes that the said amendments will not have a material impact on the consolidated financial statements of the Company.

Doha - Qatar
February 7, 2022

For **Deloitte & Touche**
Qatar Branch

Midhat Salha
Partner
License No. 257
QFMA Auditor License No. 120156

INDUSTRIES QATAR Q.P.S.C.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

	Notes	As at 31 December 2021 QR '000	As at 31 December 2020 QR '000 *Restated*
ASSETS			
Non-current assets			
Property, plant and equipment	7	**12,695,877**	13,717,543
Investments in associates	8	**1,577,311**	1,475,079
Investments in joint ventures	9	**6,822,599**	6,915,500
Rights-of-use assets	11	**186,902**	224,847
Intangible asset – license fee		**1,723**	1,845
Total non-current assets		**21,284,412**	22,334,814
Current assets			
Inventories	13	**2,004,231**	1,944,820
Trade and other receivables	14	**4,584,170**	2,455,695
Financial assets at fair value through profit or loss	12	**348,510**	348,367
Cash and bank balances	5	**4,606,901**	1,855,294
Fixed deposits	6	**9,479,477**	6,945,965
Total current assets		**21,023,289**	13,550,141
Total assets		**42,307,701**	35,884,955
EQUITY AND LIABILITIES			
EQUITY			
Share capital	15	**6,050,000**	6,050,000
Legal reserve	16	**195,856**	176,913
Hedging reserve	16	**(4,810)**	(6,713)
Other reserve	16	**(8,814)**	(10,773)
Retained earnings		**33,261,035**	27,386,504
Equity attributable to equity holders of the parent		**39,493,267**	33,595,931
Non-controlling interest		**17,021**	17,072
Total equity		**39,510,288**	33,613,003
LIABILITIES			
Non-current liabilities			
Lease liabilities	11	**291,827**	324,908
Employees' end of service benefits	20	**432,102**	419,852
Total non-current liabilities		**723,929**	744,760
Current liabilities			
Trade and other payables	21	**1,990,966**	1,403,029
Lease liabilities	11	**81,849**	75,178
Income tax payable	25	**669**	1,747
Employees' end of service benefits	20	**--**	10,641
Bank borrowings	22	**--**	36,597
Total current liabilities		**2,073,484**	1,527,192
Total liabilities		**2,797,413**	2,271,952
Total equity and liabilities		**42,307,701**	35,884,955

These consolidated financial statements were prepared by the Company and approved and authorized for issue by the Board of Directors on February 7, 2022 and signed on their behalf by:

DELOITTE & TOUCHE
Doha - Qatar
07 FEB 2022
Signed for Identification Purposes Only

Saad Sherida Al-Kaabi
Chairman and Managing Director

Abdulla Ahmad Al-Hussaini
Board Member

This statement has been prepared by the Group and stamped by the Auditors for identification purposes only.

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

INDUSTRIES QATAR Q.P.S.C.
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2021

	Notes	2021 QR '000	2020 QR '000 *Restated*
		Year ended 31 December	
Revenues	26	**14,169,123**	7,399,718
Cost of sales	27	**(8,164,794)**	(6,466,169)
Gross profit		**6,004,329**	933,549
General and administrative expenses	30	**(712,168)**	(480,855)
Selling and distribution expenses		**(59,285)**	(35,019)
Share of net results of investment in joint ventures	9	**2,479,297**	1,065,305
Share of net results of investment in associates	8	**105,329**	14,347
Income from investments	29	**229,284**	267,924
Finance cost		**(25,349)**	(37,354)
Fair value gain and bargain purchase gain on business combination	10	**--**	1,408,934
Impairment loss on property, plant and equipment and intangibles	7	**--**	(1,377,894)
Other income/expenses – net	28	**69,329**	86,709
Profit before tax		**8,090,766**	1,845,646
Income tax	25	**(669)**	(1,868)
Profit for the year		**8,090,097**	1,843,778
Attributable to:			
Equity holders of the parent		**8,088,978**	1,810,445
Non-controlling interest		**1,119**	33,333
		8,090,097	1,843,778
Earnings per share			
Basic and diluted earnings per share (QR per share)	**24**	**1.34**	0.30

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Doha- Qatar
07 FEB 2022
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	Notes	**Year ended 31 December**	
		2021	2020
		QR '000	QR '000 *Restated*
Profit for the year		**8,090,097**	1,843,778
Other comprehensive income / (loss)			
Items that will not be reclassified subsequently to profit or loss:			
Share of other comprehensive income of investment in Subsidiary			
Net unrealised gain on defined benefit obligation		**2,853**	2,034
Share of other comprehensive income of investment in joint ventures			
Net unrealised loss on defined benefit obligation	9	**(894)**	(18,864)
Items that may be reclassified subsequently to profit or loss			
Share of other comprehensive income of investment in associates			
Movement in cash flow hedges	8	**1,903**	(2,633)
Other comprehensive income / (loss) for the year		**3,862**	(19,463)
Total comprehensive income for the year		**8,093,959**	1,824,315
Attributable to:			
Equity holders of the parent		**8,092,840**	1,790,982
Non-controlling interest		**1,119**	33,333
		8,093,959	1,824,315

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INDUSTRIES QATAR Q.P.S.C.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ending 31 December 2021

	Notes	Share capital QR '000	Legal reserve QR '000	Hedging reserve QR '000	Other reserve QR '000	Retained earnings QR '000	Attributable to owners of the parent QR '000	Non-controlling interest QR '000	Total equity QR '000
Balance at January 1, 2020		6,050,000	158,148	(4,080)	6,057	28,019,701	34,229,826	--	34,229,826
Non-controlling interest arising from business combination	10	--	--	--	--	--	--	3,780,508	3,780,508
Acquisition of non-controlling interest	19	--	--	--	--	43,978	43,978	(3,792,959)	(3,748,981)
Profit for the year – *restated*	36	--	--	--	--	1,810,445	1,810,445	33,333	1,843,778
Other comprehensive loss for the year		--	--	(2,633)	(16,830)	--	(19,463)	--	(19,463)
Total – *restated*		6,050,000	158,148	(6,713)	(10,773)	29,874,124	36,064,786	20,882	36,085,668
Dividends declared for 2019	18	--	--	--	--	(2,420,000)	(2,420,000)	(3,810)	(2,423,810)
Social fund contribution	17	--	--	--	--	(48,855)	(48,855)	--	(48,855)
Transfer to legal reserve	16	--	18,765	--	--	(18,765)	--	--	--
Balance at December 31, 2020 – *restated*		6,050,000	176,913	(6,713)	(10,773)	27,386,504	33,595,931	17,072	33,613,003
Balance at January 1, 2021		**6,050,000**	**176,913**	**(6,713)**	**(10,773)**	**27,386,504**	**33,595,931**	**17,072**	**33,613,003**
Profit for the year		--	--	--	--	**8,088,978**	**8,088,978**	**1,119**	**8,090,097**
Other comprehensive income for the year		--	--	**1,903**	**1,959**	--	**3,862**	--	**3,862**
Total		**6,050,000**	**176,913**	**(4,810)**	**(8,814)**	**35,475,482**	**41,688,771**	**18,191**	**41,706,962**
Dividends declared for 2020		--	--	--	--	**(1,996,500)**	**(1,996,500)**	**(1,170)**	**(1,997,670)**
Social fund contribution	17	--	--	--	--	**(199,004)**	**(199,004)**	--	**(199,004)**
Transfer to legal reserve	16	--	**18,943**	--	--	**(18,943)**	--	--	--
Balance at December 31, 2021		**6,050,000**	**195,856**	**(4,810)**	**(8,814)**	**33,261,035**	**39,493,267**	**17,021**	**39,510,288**

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Doha- Qatar
07 FEB 2022
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INDUSTRIES QATAR Q.P.S.C.
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2021

	Notes	Year ended 31 December 2021 QR '000	2020 QR '000 *Restated*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax for the year		**8,090,766**	1,845,646
Adjustments for:			
Depreciation of property, plant and equipment and amortization of intangible assets	7	**1,413,063**	1,557,329
Amortisation of right-of-use assets	11	**36,683**	52,593
Provision for employees' end of service benefits	20	**49,521**	62,313
Fair value gain on business combination	10	--	(1,408,934)
Impairment loss on property, plant and equipment	7	--	1,369,811
Impairment loss on intangible asset		--	8,083
Share of net results from investment in joint ventures	9	**(2,479,297)**	(1,065,305)
Share of net results from investment in associates	8	**(105,329)**	(14,347)
Loss on disposal of property, plant and equipment		**94,547**	2,412
Dividend income from financial assets at fair value through profit or loss	29	**(13,196)**	(16,096)
Provision for expected credit losses		**1,722**	2,931
Fair value gains from financial assets at fair value through profit or loss		**(143)**	(38,996)
Gain on disposal of financial assets at fair value through profit or loss		--	(3,501)
Finance costs		**25,349**	37,354
Reversal of provision for inventory write down		**(996)**	(573)
Provision for obsolete and slow-moving inventories		**35,744**	30,702
Interest income	29	**(216,088)**	(251,828)
Impairment loss of investment in associate	8	--	10,000
Operating cash flows before changes in working		**6,932,350**	2,179,594
Changes in working capital			
Inventories		**(94,163)**	650,812
Trade and other receivables		**(2,046,394)**	(285,440)
Trade and other payables		**476,739**	(328,727)
Cash generated from operations		**5,268,532**	2,216,239
Payments of end of service benefits		**(48,021)**	(126,499)
Payments of income tax		**(1,747)**	(111,346)
Payments of social and sports fund		**(48,855)**	(59,572)
Net cash generated from operating activities		**5,169,909**	1,918,822

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INDUSTRIES QATAR Q.P.S.C.
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2021

	Notes	Year ended 31 December	
		2021	2020
		QR '000	QR '000
			Restated
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposals of property, plant and equipment		**8,769**	1,681
Additions to property, plant and equipment and catalysts	7	**(494,595)**	(231,860)
Dividends received from investment in associate	8	**5,000**	2,549
Proceeds from disposal of financial assets at fair value through profit or loss		**--**	18,711
Dividends received from financial assets at fair value through profit or loss	29	**13,196**	16,096
Dividends received from investment in joint ventures	9	**2,571,304**	1,015,527
Movement in fixed deposits	6	**(2,533,512)**	1,812,454
Net cash addition from business combination	10	**--**	1,223,752
Acquisition of additional shares of subsidiaries		**--**	(3,748,981)
Interest income received		**132,288**	318,441
Net cash (used in) / generated from investing activities		**(297,550)**	428,370
CASH FLOWS FROM FINANCING ACTIVITIES			
Net movement in trust receipt borrowings		**(26,715)**	26,715
Interest paid related to lease liability		**(19,812)**	(16,915)
Repayment of principal related to lease liability		**(24,705)**	(43,059)
Finance costs paid		**(5,537)**	(11,217)
Dividends paid		**(1,997,670)**	(2,423,810)
Net cash used in financing activities		**(2,074,439)**	(2,468,286)
Net increase / (decrease) in cash and cash equivalents		**2,797,920**	(121,094)
Cash and cash equivalents at beginning of year		**1,717,223**	1,838,317
Cash and cash equivalents at end of year	5	**4,515,143**	1,717,223

Notes to cash flow statement:

The following non-cash activities are entered into by the Group and are not reflected in the consolidated statement of cash flows:

- During the year 2021, the Group recognized additional right of use assets and lease liabilities amounting to QR 1.94 million (2020: QR 17.08 million).
- During the year 2021, the Group recognized lease modifications resulting reduction right of use assets and lease liabilities amounting to QR 3.20 million (2020: QR 11.98 million) and QR 3.64 million (2020: QR 11.85 million), respectively.

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Doha-Qatar
07 FEB 2022
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1. CORPORATE INFORMATION

Industries Qatar Q.P.S.C (the "Company" or "IQ") is a Qatari Public Shareholding Company, incorporated in the State of Qatar on April 19, 2003, in accordance with Qatar Commercial Companies Law No. 5 of year 2002, as replaced by Qatar Commercial Companies Law No. 11 of 2015, for a 50 year term by resolution No. 33 of 2003 from the Ministry of Commerce and Industry of the State of Qatar. The Company's shares are listed on the Qatar Stock Exchange. The Group's registered office is situated in Doha, State of Qatar.

IQ and its subsidiaries and joint ventures (together "the Group") operate mainly in the State of Qatar.

Through the Group companies, IQ operates in three main distinct segments: petrochemicals, fertilisers and steel. More information about the Group activities is given in Note 33 The structure of the Group, included in this consolidated financial information is as follows:

	Type of interest	Country of incorporation	Percentage of holding	
			2021	**2020**
Qatar Steel Company Q.P.S.C.	Subsidiary	Qatar	**100%**	100%
Qatar Steel Company FZE (Dubai)	Subsidiary	UAE	**100%**	100%
Qatar Steel Industrial and Investment Company S.P.C.	Subsidiary	Qatar	**100%**	100%
Qatar Fertiliser Company P.S.C. ("QAFCO") (Note 10)	Subsidiary	Qatar	**100%**	100%
Gulf Formaldehyde Company (P.Q.S.C.) (GFC)	Subsidiary	Qatar	**70%**	70%
Qatar Melamine Company (P.Q.S.C.) (QMC)	Subsidiary	Qatar	**100%**	100%

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

	Type of interest	Country of incorporation	Percentage of holding	
			2021	**2020**
Qatar Petrochemical Company (QAPCO) Q.P.J.S.C.	Joint venture	Qatar	**80%**	80%
Qatar Fuel Additives Company Limited Q.P.S.C.	Joint venture	Qatar	**50%**	50%
SOLB Steel Company (SSC)	Associate	KSA	**31.03%**	31.03%
Qatar Metals Coating Company W.L.L.	Associate	Qatar	**50%**	50%
Foulath Holding B.S.C.	Associate	Bahrain	**25%**	25%

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

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

Qatar Steel Industrial and Investment Company S.P.C. ("QSIIC") a wholly owned subsidiary which was registered and incorporated under Commercial Registration No. 45325 in the State of Qatar. QSIIC was established as an SPV to own shares and interests in other entities.

1. CORPORATE INFORMATION (CONTINUED)

Qatar Fertiliser Company (P.S.C.) ("QAFCO"), a Qatari Private Shareholding Company incorporated in the State of Qatar, was previously a joint venture between IQ (75%) and Yara Netherland BV (25%) ("Yara"). In 2020, the joint venture agreement between Industries Qatar and Yara expired and Yara decided to exit the joint venture. The Group has established control over QAFCO and has purchased the remaining 25% shares, hence recognizing QAFCO as a 100% held subsidiary (Note 10). QAFCO is engaged in the production and sale of ammonia and urea.

Gulf Formaldehyde Company (P.Q.S.C.) (GFC), a company whose 70% of shares are owned by QAFCO. and 30% of share are owned by Qatar Industrial Manufacturing Company (Q.S.C.) which was registered and incorporated under Commercial Registration No. 26217 in the State of Qatar. GFC is engaged in the production and sale of Urea Formaldehyde Concrete.

Qatar Melamine Company (P.Q.S.C.) (QMC), a wholly owned subsidiary which was registered and incorporated under Commercial Registration No. 49424 in the State of Qatar. QMC is engaged in the production and sale of Melamine. QAFCO has acquired the remaining 40% shares of QMC during 2020.

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

The consolidated financial statements of the Group for the year ended December 31, 2021 were approved and authorised for issue by the Board of Directors on February 07, 2022.

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

2.1 New and amended IFRSs that are mandatorily effective for the current year

The following new and revised IFRSs, which became effective for annual periods beginning on or after January 1, 2020, have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

i) Impact of the initial application of COVID-19-Related Rent Concessions beyond 30 June 2021—Amendment to IFRS 16

ii) Impact of the initial application of Interest Rate Benchmark Reform

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

2.2 New and amended IFRSs in issue but not yet effective and not early adopted

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

New and revised IFRSs	**Effective for annual periods beginning on or after**
Amendments to IFRS 3 – Reference to the Conceptual Framework	January 1, 2022
The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.	
Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.	
Amendments to IAS 37 – Onerous Contracts—Cost of Fulfilling a Contract	January 1, 2022 with early application permitted
The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).	
The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.	

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

2.2 New and amended IFRSs in issue but not yet effective and not early adopted (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Annual Improvements to IFRS Standards 2018–2020	January 1, 2022. Early application permitted.

The Annual Improvements include amendments to four Standards.

IFRS 1 First-time Adoption of International Financial Reporting Standards

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a).

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition on financial liabilities

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

IFRS 16 Leases

The amendment removes the illustration of the reimbursement of leasehold improvements.

IAS 41 Agriculture

The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pretax or post-tax cash flows and discount rates for the most appropriate fair value measurement.

The amendment is applied prospectively, i.e. for fair value measurements on or after the date an entity initially applies the amendment.

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

2.2 New and amended IFRSs in issue but not yet effective and not early adopted (continued)

New and revised IFRSs	**Effective for annual periods beginning on or after**
Amendments to IAS 16 – Property, Plant and Equipment—Proceeds before Intended Use	January 1, 2022. Early application permitted.

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

IFRS 17 Insurance Contracts	January 1, 2023

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.
The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.
In June 2020, the IASB issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after January 1, 2023. At the same time, the IASB issued Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after January 1, 2023.

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

2.2 New and amended IFRSs in issue but not yet effective and not early adopted (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 17 Insurance Contracts (continued) IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. For the purpose of the transition requirements, the date of initial application is the start if the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.	January 1, 2023
Amendments to IAS 8 – Definition of Accounting Estimates The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. The definition of a change in accounting estimates was deleted. However, the Board retained the concept of changes in accounting estimates in the Standard with the following clarifications: • A change in accounting estimate that results from new information or new developments is not the correction of an error. • The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors	January 1, 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term ‘significant accounting policies’ with ‘material accounting policy information’. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.	January 1, 2023

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

2.2 New and amended IFRSs in issue but not yet effective and not early adopted (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease.
The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognises:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with:
  - Right-of-use assets and lease liabilities
  - Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset
- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current	January 1, 2023. Early application is permitted.

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

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

2.2 New and amended IFRSs in issue but not yet effective and not early adopted (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.	Available for optional adoption/ effective date deferred indefinitely

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements if they are applicable to the Group, as and when they are applicable and adoption of these new standards, interpretations and amendments, may have no material impact on the consolidated financial statements of the Group in the period of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards and applicable provisions of Qatar Commercial Companies Law and the Company's Articles of Association.

The consolidated financial statements comply with the requirements of Qatar Commercial Companies Law No.11 of 2015, whose certain provisions were subsequently amended by Law No.8 of 2021. The management is in the process of taking necessary actions needed to ensure full compliance with the amended law, including amending the Articles of Association of the Company where necessary, and has concluded that any non-compliance as at the reporting date does not have a material impact on the consolidated financial statements.

Basis of preparation

The financial statements have been prepared on a historical cost basis, except for the revaluation of certain assets acquired in a business combination and assets at fair value through profit or loss, which are measured at fair value.

These consolidated financial statements are presented in Qatari Riyals, which is the Group's functional currency. All the financial information has been presented in these consolidated financial statements has been rounded off to nearest thousands (QR. '000) except where otherwise indicated.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to reporting date each year. Control is achieved when the Company:

- has the 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 affects its returns.

The Company 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.

When the Company has less than a majority of the voting rights of an investee, it considers that 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 Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company 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 Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

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

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

Non-controlling interests in subsidiaries, if any, are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

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

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable IFRS Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

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.

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 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 recognised initially in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group’s share of the profit or loss and other comprehensive income 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 Group’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.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group’s investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures (continued)

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture. When the Group retains an interest in the former associate or a 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 IFRS 9. The difference between the carrying amount of the associate or a 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 a joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, 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, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate or joint venture is disposed of.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group’s consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

The Group applies IFRS 9, including the impairment requirements, to long-term interests in an associate or joint venture to which the equity method is not applied and which form part of the net investment in the investee.

Furthermore, in applying IFRS 9 to long-term interests, the Group does not take into account adjustments to their carrying amount required by IAS 28 (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Managing Director (“MD”) who is the chief operating decision maker of the Group. The MD is responsible for allocating resources and assessing performance of the operating segments. Additional disclosures on each of these segments are shown in Note 33, including the factors used to identify the reportable segments and the measurement basis of segment information.

Revenue recognition

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Sale of steel products

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

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

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

Qatar Steel Company Q.P.S.C had signed an offtake agreement with Muntajat which expired on August 31, 2020. Terms of delivery to customers are specified in the Offtake Requirements for the sale of steel. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or possible return of goods. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Sale of fertiliser goods

The Group manufactures and sells urea, ammonia and melamine products. Sales of goods are recognised when the Group has delivered products to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Terms of delivery to customers are specified in the offtake requirements for regulated products. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or possible return of goods.

Service fee

Revenue from the service fees are recognised upon rendering services in plant I – IV by converting natural gas received from Qatar Energy into fertilisers, which consists of fixed and a variable component. The Group will recognise the fixed annual rate which shall be the sum of the monthly portion of the annual operating expenses for the Group's facilities. This revenue is recognized over time. The margin of the Net Sales Proceeds derived from the sale of related products, under the Muntajat Sales Agreements, is recognized at a point in time. This arrangement was valid from January 1, 2020 to July 31, 2020.

Service and management charges

Service and management charges relates to management of operation of one of the Group's associates while agency commission relates to management of the marketing activities of the same associate. They are recognised in the accounting period in which the services are rendered.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

During the year 2021, the Group recognized lease modifications resulting reduction right of use assets and lease liabilities amounting to QR 3.20 million (2020: QR 11.98 million) and QR 3.64 million (QR. 11.85 million), respectively..

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "General and administrative expenses" in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient.

Foreign currencies

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

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

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

Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred. At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combination (continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any noncontrolling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquire is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Property, plant and equipment

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (continued)

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

Buildings	13 - 25 years or land lease term, whichever is shorter
Plant machinery and equipment	3 - 25 years
Furniture and other equipment	3 - 10 years

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

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

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

Impairment of non-financial assets

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

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

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

Inventories

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Catalysts

Catalysts are initially recorded at cost. Subsequently, they are measured at cost less accumulated amortisation and any impairment in value. Catalysts are amortised over the estimated useful lives of 1 to 12 years. Catalysts not in use at the plant are kept under inventories and stated at the lower of cost and net realisable value.

Borrowing costs

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

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognised in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflect the hedged interest rate.

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

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Fair value measurement

For measurement and disclosure purposes, the Group determines the fair value of an asset or liability at initial measurement or at each reporting date. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs Fair value for measurement and/or disclosure purposes in these financial statements is determined on the basis as explained above, except for share-based payment transactions that are within the scope of IFRS 2; leasing transactions that are within the scope of IFRS 16 for current year and measurements that have some similarities to fair value, but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (continued)

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting date.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the statement of profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

(i) Debt instruments designated at amortised cost

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

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

(ii) Debt instrument designated at other comprehensive income

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

Classification of financial assets (continued)

For financial instruments other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

Amortised cost and effective interest rate method

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "finance income - interest income" line item.

(iii) Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the ‘Income from investment’ line item in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

(iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called ‘accounting mismatch’) that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables, contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) <u>Significant increase in credit risk</u>

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

Impairment of financial assets (continued)

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) <u>Significant increase in credit risk</u>

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(1) The financial instrument has a low risk of default,
(2) The borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and
(3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

(ii) <u>Definition of default</u>

The Group employs statistical models to analyse the data collected and generate estimates of probability of default (“PD”) of exposures with the passage of time. This analysis includes the identification for any changes in default rates and changes in key macro-economic factors across various geographies of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

Impairment of financial assets (continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event (see (ii) above);

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

Derecognition of financial assets (continued)

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on changes in fair value recognised in the consolidated statement of profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in the consolidated statement profit or loss incorporates any interest paid on the financial liability.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in statement of other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch statement of in profit or loss. The remaining amount of change in the fair value of liability is recognised in statement of profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in statement of other comprehensive income are not subsequently reclassified to statement of profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Group that are designated by the Group as at FVTPL are recognised in profit or loss.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not designated as FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits

Short-term obligations

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

Post-employment benefits

The Group operates defined contribution and defined benefit retirement plans.

a.) Defined contribution pension plan

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

b.) Defined benefit plan

A defined benefit plan is a pension plan that is not a defined contribution plan. In accordance with Qatar Labour Law number 14 of 2004, the Company makes payments to non-Qatari employees on their retirement, usually dependent on one or more factors such as age, years of service and compensation.

For subsidiaries and associates located outside the State of Qatar, the Group follows the applicable laws and regulations in their countries.

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

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

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

Other short-term employees' benefits

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions

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

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

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

Income tax

Income tax is provided in accordance with the Qatar Income Tax Regulations.

Management received a signed Memorandum of Understanding ("hereby referred to as the MOU") between QatarEnergy (formerly Qatar Petroleum), General Tax Authority and Ministry of Finance. The MOU covers the tax reporting and payment implications applicable to the components of certain companies listed on Qatar Exchange.

In determination of the Group's tax liability, the probability that the tax authority will accept certain tax treatments has been considered. Where it has been concluded that it is probable that the tax authority will accept such tax treatments the Group has determined the tax liability consistently with the tax treatments used or planned to be used in its income tax filings.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Under this method, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences and carry forward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary difference and the carry forward of unused tax losses can be utilised. A tax rate range of 10-35%, which is applicable to the Group, is used to measure deferred tax assets and liabilities.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow deferred tax asset to be recovered.

Social fund contribution

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

Dividends distribution

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Earnings per share

Basic earnings per share is calculated by dividing:

- the profit or loss attributable to ordinary owners of the Group
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

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

Events after the reporting date

The consolidated financial statements are adjusted to reflect events that occurred between the reporting date and the date when the consolidated financial statements are authorised for issue, provided they give evidence of conditions that existed at the reporting date. Any post year-end events that are non-adjusting are discussed on the consolidated financial statements when material.

4. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the consolidated financial statements in compliance with IFRS requires the management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Judgements in determining the timing of satisfaction of performance obligations ("POs")

Performance obligations satisfied at a point in time, the Group considers the general requirements of control (i.e. direct the use of asset and obtain substantially all benefits) and the following non-exhaustive list of indicators of transfer of control:

- Entity has present right to payment
- Customer has legal title
- Entity has transferred legal possession
- Customer has significant risk and rewards
- Customer has accepted the asset

In making their judgement, the management considered the detailed criteria for the recognition of revenue set out in IFRS 15 and, in particular, whether the Group had transferred control of the goods to the customer.

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

Critical judgements (continued)

Judgements in determining the timing of satisfaction of performance obligations ("POs") (continued)

Significant judgements are made by management when concluding whether the Group is transacting as an agent or a principal. The assessment is performed for each separate revenue stream in the Group. The assessment requires an analysis of key indicators, specifically whether the Group:

- carries any inventory risk;
- has the primary responsibility for providing the goods or services to the customer;
- has the latitude to establish pricing; and
- bears the customer's credit risk.

These indicators are used to determine whether the Group has exposure to the significant risks and rewards associated with the sale of goods or rendering of services. For example, any sale relating to inventory that is held by the Group, not on consignment, is a strong indicator that the Group is acting as a principal.

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Significant increase in credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

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 a going concern. Therefore, the consolidated financial statements are prepared on a going concern basis.

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

Critical judgements (continued)

Classification of Qatar Metals Coating Company WLL as an associate

The Group has 50% interest in Qatar Metals Coating Company W.L.L., while the remaining 50% is held by Qatar Industrial Manufacturing Company. The articles of association and shareholder agreement of Qatar Metals Coating Company W.L.L. requires appointment of a board member by each Company. The Chairman is selected on rotation between Qatar Steel Company and Qatar Industrial Manufacturing Company, where the Chairman has voting casting power; therefore, control is not demonstrated by the entity that does not appoint the Chairman. The current term of office requires appointment of the Chairman by Qatar Industrial Manufacturing Company. The Group has assessed that although the Chairman appointed by Qatar Industrial Manufacturing Company in the current term of office, the rotation of position limits the ability of the Group to exercise control and therefore, is classifying its interest in Qatar Metal Coating W.L.L. as an associate and is accounted for using the equity method as disclosed in Note 3.

Classification of investments as joint ventures

Management evaluated the Group's interests in QAPCO and QAFAC and concluded that the joint arrangements are joint ventures where the entities are jointly controlled and the partners have rights to the net assets of the joint arrangements. In both investments, all decisions about the relevant activities require joint consent of the parties that collectively control the arrangement, as established contractually in the agreements and articles of association. Hence, management recognized these investments as investments in joint ventures and accordingly accounted for these investments under the equity method in these consolidated financial statements.

Assessment of control over QAFCO

On December 31, 2019, the joint venture agreement between Yara and the Group expired. Upon the expiry of the joint venture agreement, the Group has the power to appoint and remove the majority of the board of directors of the entity. The relevant activities of the above entities are determined by the board of directors based on simple majority votes.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Due to the expiry of the joint venture agreement with the previous shareholder, the Group concluded that it holds control over QAFCO with effect from January 1, 2020.

The Group has classified its interest in QAFCO as a subsidiary after achieving control over the entity. The investment in QAFCO was previously accounted as a joint venture using the equity accounting method.

Site restoration obligation

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

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

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

Critical judgements (continued)

Site restoration obligation (continued)

The Group may be required under a land lease agreement to make payments for site restoration at the option of the lessor. It has been assessed that the option given to the lessor makes it more likely to acquire the plant built at the lease site from the Group rather that restoring the site. Therefore, the criteria to recognise provision for restoration obligation is not fully met and no provision has been recognised in these consolidated financial statements.

Income tax

Under the provisions of the Law 24 of 2018, in particular Article 4 (11) of the said law, the tax exemptions does not apply to the share of profits attributable to companies that are owned, wholly or partly by the State, whether owned directly or indirectly, and that are engaged in Petroleum Operations or operating in Petrochemical Industry. Furthermore, Article 2 (12) of the executive regulations accompanying the Tax Law states that the tax exemption available to companies listed on the capital markets is not applicable to their components.

Management received a signed MOU between QatarEnergy (formerly Qatar Petroleum), General Tax Authority and Ministry of Finance. The MOU covers the tax reporting and payment implications applicable to the components of certain companies listed on Qatar Exchange.

The MOU also states that the tax amounts due on the share of the public shareholding companies will be recorded in the books and in the tax returns to be submitted to General Tax Authority. Each company shall pay the amount of the income tax relating to the share of profit of the public shareholding company directly to the public shareholding company, and settlement of this amount with the General Tax Authority will be made through the defined arrangement between the public shareholding company, QatarEnergy (formerly Qatar Petroleum) and the Ministry of Finance as per the MOU.

Accordingly, for the purpose of accruing the tax liability for the years ended December 31, 2021 and 2020 management of the component entities of the Group has considered the taxable income of components as 100% taxable.

As the MOU was signed on February 04, 2020 any additional taxable amounts related to the year ended December 31, 2019, have been recorded in the prior period.

Management of the Group has recorded the tax benefit or refund received through the settlement mechanism defined in the MOU within the tax expense for that related to subsidiaries and within the share of results of investments in associates and joint ventures for the benefit related to those Group entities. Deferred tax has been adjusted accordingly. The payments received by the Group from the joint ventures and associates relating to the tax benefit are recorded within the investment in those entities.

Impairment of mothballed property and equipment

During 2020,due to continuous losses over past periods on sales made to international customers, Qatar Steel made a reassessment of its business model. Based on the reassessment made, the Group concluded that the prices of steel in the export market are not expected to recover due to current COVID-19 pandemic and other economic factors, to the extent to which will enable the Group to make profits on sales to international customers. Hence, the Board of Directors of Qatar Steel decided to cease Qatar Steel's export sales and mothball one of Qatar Steel's production facilities until the prices of steel in international market improves to a sustainable position. Accordingly, Management assessed the impairment of property, plant and equipment in 2020 which led to a full impairment of property, plant and equipment related to the mothballed production facility.

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

Critical judgements (continued)

QAFCO date of acquisition and accounting thereof

As explained in Note 19, the Group has acquired the remaining 25% non-controlling interest in QAFCO. The date of acquisition has been determined to be on September 30, 2020, which is the same date of the signing of Share Purchase Agreement (“SPA”). Therefore, profits relating to the 25% stake in QAFCO has been allocated to the Group from September 30, 2020 in these consolidated financial statements. The judgments related to the accounting of this transaction are discussed in Note 19.

Tax assessment for the years 2007 to 2018

As explained in Note 32, certain components of the Group have received tax assessments for prior years requiring these components to pay additional taxes and penalties related to IQ’s share of profits in those components. The Group understands that the profits of companies listed on the Qatar Stock Exchange and their shareholding in components were exempted from taxes, as per the applicable Tax Laws effective on the years 2007 to 2018 and clarifications provided by the General Tax Authority. There is no evidence that, during the relevant years for which the assessments were received, the profits related to components of listed entities were taxable. All evidence available indicates that the taxability of these shares of profits only became effective in 2019, when the executive regulations were issued and clearly stated that the listed entities’ exemption does not apply to its subsidiaries. The components have submitted formal objections, as per the requirement of the tax law, rejecting the full amount claimed by the GTA.

The component did not receive any response on the objections filed within 60 days period, hence, it submitted the appeal before the Tax Appeal Committee as management believe that it has meritorious defenses in law and fact and will to pursue each dispute through the judicial system as necessary. During the year, two hearings have been held where GTA requested extension of the appeal and separate meetings with the component to discuss the assessment differences. At present the appeal is pending for hearing and conclusion of this case.

Management has concluded that it is probable (i.e., it is more likely than not) that the General Tax Authority will accept the tax treatment in the objection and accordingly has not recorded a liability for the assessments received. Due to the uncertainty associated with such tax items, there is a possibility that, on conclusion of open tax matters at a future date, the final outcome may differ significantly to Management’s conclusion.

Estimates

The key assumptions concerning the future and other sources of estimation uncertainty at the consolidated financial position date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within are discussed below.

Measurement of loss on potential liabilities related to financial guarantee

When measuring the potential liability related to financial guarantees given by the Group to the associate (“SOLB Steel Company” located in Kingdom of Saudi Arabia) bank for certain facilities extended to the associate, Management has considered the terms and conditions of the financial guarantees signed with banks for purpose of providing adequate provision against any breach by the associate. Based on this consideration, management has used the best estimate towards any exposure that might result for such instance to ensure an adequate provision is provided in the Group’s consolidated financial statements.

Discounting of lease payments

The lease payments are discounted using the Group’s incremental borrowing rate (“IBR”). Management has applied judgments and estimates to determine the IBR at the commencement of lease.

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

Estimates (continued)

Estimated useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and residual values of its property, plant and equipment for calculating depreciation as outlined in Note 3. This estimate is determined after considering the expected usage of the asset, physical wear and tear and technical or commercial obsolescence. The estimated useful lives, residual values and depreciation methods are reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis. At year-end, management assessed that no changes occurred to these estimates.

At year-end, if the useful life increased/decreased by 5% against the current useful life with all other variables held constant, profit for the year would have been higher or lower by QR. 28.84 million (2020: QR. 28.11 million higher or lower).

Estimation of inventory net realisable value

Inventories are stated 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 written down according to the inventory type and the degree of ageing or obsolescence, any difference between the amounts actually realised in future periods and the amounts expected are recognised in the consolidated statement of comprehensive income.

At year-end, if the estimate used by management increased/decreased by 5% with all other variables held constant, profit for the year would have been higher or lower by QR. 71.37 million (2020: higher or lower by QR. 64.06 million).

Estimation of provision for employee's end of service benefits

The assumptions used in determining the cost for employees' end of service obligations include the discount rate, staff turnover, and expected future salary increments. Any changes in these assumptions will impact the amount of end of service obligations.

The table below sets out the key assumptions used to assess the provision for end of service benefits:

	2021	2020
Discount rate	**1.93%-2.89%**	1.93% - 2.89%
Salary growth rate	**2% - 4.70%**	2% - 4.75%
Staff turnover rate	**3%**	3%

The Group determines the appropriate discount rate at the end of each year. This discount rate should be used to determine the present value of estimated future cash outflows expected to be required to settle the employees' end of service obligations.

In addition to receiving pension benefits from the Government Pension Fund, QatarEnergy (formerly Qatar Petroleum), the Ultimate Parent Company, introduced in 2016 a new end of service scheme to employees with Qatar nationality. In accordance with that new scheme, an employee who serves within the Company for 20 years or more receives a lump sum payment on retirement or resignation based on latest salary and number of service years in excess of 20 years. The fact that benefit only start to accrue after 20 years of service means that the benefit formula includes a back-end load and therefore accrual should be made on a straight-line basis over the entire service life. However, the management has concluded that only service after 20 years in the industry leads to benefit and therefore attribution should be in line with the benefit formula, i.e. accrual only starts once the industry service eligibility has been met.

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

Estimates (continued)

Calculation of loss allowance

When measuring ECL the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. The Group uses estimates for the computation of loss rates.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Impairment of subsidiary

During 2020, the management of one of the Group’s subsidiaries has assessed the carrying value of the melamine plant by using discounted cash flow model. The calculations were based on the following assumptions:

- Weighted average cost of capital: 12%
- Terminal value: 5 times the 2024 forecasted earnings before income tax, depreciation and amortization
- Product price: Higher between independent market forecasted prices of Argus and IHS
- Material price: Average of Argus and IHS prices

Based on the management’s assessment, the Board of directors of QMC unanimously and in writing, approved impairment of QMC’s non-current assets by QR. 153 million in 2020.

As at reporting date, QMC is operating under revised Material Supply and Service agreements which were effective from January 1, 2021. These revised agreements together with the increased Melamine prices in 2021 have led to a substantial increase in the profitability outlook of the subsidiary. For the purpose of the consolidated financial statements, the cash flow model has been prepared using the latest 2022 budget and the estimated impact of the revised agreements on the 2022-2026 cash flows from the 2022 budget cycle. Averages of the available information have been used from the 2022 budget cycle plus 5 years of terminal value as per previous assessments. Based on the above assessment no impairment has been recognised in the current year consolidated financial statements.

Acquisition of QMC

During 2020, the Group has acquired 40% of the remaining shareholding interest from QatarEnergy (formerly Qatar Petroleum). The Board of Directors of Group has approved the purchase of 40% shares of QMC on September 16, 2020 and the Share Purchase Agreement (“SPA”) was signed on September 30, 2020.

The date of acquisition has been determined to be on September 30, 2020, which is the same date of the signing of the SPA. Therefore, profits relating to the 40% stake in QMC will be allocated to the Group from September 30, 2020 in these consolidated financial statements.

Valuation of investment in QAFCO at acquisition date

At the date of reclassification of investment in QAFCO as a subsidiary, the Group ceases to equity account for the share in the profit of QAFCO. The investment in QAFCO is remeasured to its acquisition-date fair value.

Management has assessed the fair value of the investment by using discounted cash flow model. The calculations were based on the following assumptions:

- WACC: 9.6%
- Utilization of capacity: 95% to 100%
- Enterprise value to Earnings Before interest, tax, depreciation and amortisation (EBITDA) multiple: 8.85 multiple

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

Estimates (continued)

Valuation of investment in QAFCO at acquisition date (continued)

- Terminal period growth rate: 2.5%
- Projected cash flows over 17 years

The above assumptions are based on management best estimate and any change thereof may result in materially different recoverable amount.

Fair value of non-controlling interest in QAFCO at the time of acquisition

The fair value of the non-controlling interest in QAFCO, an unlisted company, was estimated based on the acquisition price of a recent acquisition of the non-controlling interest. Management believes that this price represents the fair market value of the 25% non-controlling interest in QAFCO.

Purchase price allocation for assumed control on QAFCO

On the achievement of control over a subsidiary, the cost is allocated by recognising the identifiable assets, liabilities and contingent liabilities acquired at fair value at the date at which control is achieved. The determination of the fair values of acquired assets and liabilities is based, to a considerable extent, on management's judgement. If the purchase consideration exceeds the fair value of the net assets acquired then the difference is recognised as goodwill. If the purchase price consideration is lower than the fair value of the assets acquired then a gain is recognised in the income statement. The judgments related to the accounting of this transaction are discussed in Note 10.

5. CASH AND BANK BALANCES

	2021	2020
	QR '000	QR '000
Cash on hand	**58**	27
Cash in banks	**1,060,863**	805,082
Fixed deposits less than 3 months	**3,545,980**	1,050,185
Cash and bank balances	**4,606,901**	1,855,294

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

	2021	2020
	QR '000	QR '000
Cash and bank balances	**4,606,901**	1,855,294
Less: Dividend accounts	**(91,758)**	(128,189)
Less: Bank overdraft	**--**	(9,882)
Cash and cash equivalents	**4,515,143**	1,717,223

Dividend accounts are the amounts deposited in the bank for the amount of dividends declared for the respective year, which are yet to be collected by the shareholders.

Balances with banks are assessed to have low credit risk of default since these banks are highly regulated by central banks of the respective countries. Accordingly, management of the Group estimates the loss allowance on balances with banks at the end of the reporting period at an amount equal to 12-month ECL. None of the balances with banks at the end of the reporting period are past due and taking into account the historical default experience and the current credit ratings of the banks, the management of the Group have assessed that there is no impairment, and hence have not recorded any loss allowances on these balances.

6. FIXED DEPOSITS

As at December 31, 2021, fixed deposits with maturities after 90 days amounted to QR. 9,479 million (2020: QR. 6,945 million). Fixed deposits are held with banks and denominated in Qatari Riyals and US Dollars with average effective interest rate of 1.86% (2020: 2.73%).

7. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant machinery and equipment	Furniture and other equipment	Capital work in progress	Total
	QR '000	QR '000	QR '000	QR '000	QR '000
Cost					
As at January 1, 2020	737,215	6,031,277	106,726	106,602	6,981,820
Additions	--	5,450	--	226,410	231,860
Additions from business combination (Note 10)	3,874,334	8,953,026	6,586	246,478	13,080,424
Transfers	44,723	149,726	7,923	(202,372)	--
Disposals	--	(49,350)	(1,619)	(13)	(50,982)
As at December 31, 2020	4,656,272	15,090,129	119,616	377,105	20,243,122
Additions	**--**	**21,945**	**--**	**472,650**	**494,595**
Transfers	**6,789**	**270,309**	**11,447**	**(288,545)**	**--**
Disposals	**(2,337)**	**(309,029)**	**(10,575)**	**(25)**	**(321,966)**
As at December 31, 2021	**4,660,724**	**15,073,354**	**120,488**	**561,185**	**20,415,751**
Accumulated depreciation:					
As at January 1, 2020	429,721	3,125,729	90,350	--	3,645,800
Charge for the year – *restated* (Note 36)	319,321	1,225,763	11,773	--	1,556,857
Disposals	--	(45,437)	(1,452)	--	(46,889)
Impairment loss (vi)	215,415	1,154,396	--	--	1,369,811
As at December 31, 2020 – *restated*	964,457	5,460,451	100,671	--	6,525,579
Charge for the year	**265,842**	**1,136,707**	**10,392**	**--**	**1,412,941**
Disposals	**(1,539)**	**(206,577)**	**(10,530)**	**--**	**(218,646)**
As at December 31, 2021	**1,228,760**	**6,390,581**	**100,533**	**--**	**7,719,874**
Net book value:					
As at December 31, 2021	**3,431,964**	**8,682,773**	**19,955**	**561,185**	**12,695,877**
As at December 31, 2020 – *restated*	3,691,815	9,629,678	18,945	377,105	13,717,543

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes:

(i) Buildings with net book value of QR. 3.602 billion (2020: QR. 3.782 billion) represent the industrial plant, offsite and administrative facilities constructed on land leased from QatarEnergy (formerly Qatar Petroleum), the Ultimate Parent, for the duration of the Group's existence.

(ii) Plant, machinery and equipment include capital spares and other spares with net book value of QR. 126 million (2020: QR. 194 million) with useful lives of between 15 and 25 years.

(iii) Plant, machinery and equipment include catalysts with net book value of QR. 122.5 million (2020: QR. 116.8 million) with useful lives of between 1 and 12 years.

(iv) Total fully depreciated assets that are still in use are as follows:

	2021	2020
	QR '000	QR '000
Buildings	**163,785**	162,377
Plant machinery and equipment	**1,591,218**	1,431,945
Furniture and other equipment	**166,706**	157,761
	1,921,709	1,752,083

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

	2021	2020
	QR '000	QR '000 *Restated*
Cost of sales (Note 27)	**1,391,816**	1,534,849
General and administrative expenses (Note 30)	**20,479**	21,363
Selling expenses	**646**	645
	1,412,941	1,556,857

(vi) As explained in Note 4, during 2020 the Group reassessed the recoverable amount of a mothballed facility using the value-in-use method and recorded QR. 1.22 billion of impairment as a result of the impairment assessment.

Furthermore, as explained in Note 4, during 2020 the Board of Directors of QMC approved impairment of QMC's property, plant and equipment by QR. 145 million based on an assessment of the recoverable amount using the value-in-use method.

8. INVESTMENTS IN ASSOCIATES

Set out below are the associates of the Group as at December 31, 2021 which are accounted for using the equity method and in the opinion of the Management, are material to the Group. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

8. INVESTMENTS IN ASSOCIATES (CONTINUED)

	Place of business/ country of incorporation	% of ownership		Nature of relationship	Measurement method
		2021	2020		
Foulath Holding B.S.C. (i)	Kingdom of Bahrain	**25%**	25%	Associate	Equity method
SOLB Steel Company (ii)	Kingdom of Saudi Arabia	**31.03%**	31.03%	Associate	Equity method
Qatar Metals Coating Company W.L.L. (iii)	State of Qatar	**50%**	50%	Associate	Equity method

The associates above are private entities with no available quoted price.

(i) Foulath Holding B.S.C.

Foulath Holding B.S.C. 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 are engaged in the manufacture and sale of various steel products.

(ii) SOLB Steel Company

SOLB Steel Company is a company incorporated in the Kingdom of Saudi Arabia and is engaged in the manufacture and sale of steel products. The investment was fully impaired as of December 31, 2018 and accordingly held at a carrying amount of zero as at December 31, 2020 and December 31, 2021.

The unrecognized share of losses for the year amounted to QR. 51.46 million (2020: QR 62.22 million). Cumulative unrecognized share of losses amounted to QR. 121.94 million (2020: QR 70.48 million).

(iii) Qatar Metals Coating Company W.L.L.

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

The carrying amount of each equity-accounted investment is as follows:

	2021	2020
	QR '000	QR '000
Foulath holding B.S.C. (C)	**1,568,983**	1,463,234
Qatar Metals Coating Company W.L.L.	**8,328**	11,845
SOLB Steel Company	**--**	--
	1,577,311	1,475,079

The carrying amount of equity-accounted investments has changed as follows:

	2021	2020
	QR '000	QR '000
Balance at the beginning of the year	**1,475,079**	1,475,914
Share of results from associates	**105,329**	14,347
Net share of other comprehensive profit / (loss)	**1,903**	(2,633)
Adjustment relating to reversal of impairment	**--**	(10,000)
Dividend and tax benefit payments received from associates	**(5,000)**	(2,549)
Balance at the end of the year	**1,577,311**	1,475,079

8. INVESTMENTS IN ASSOCIATES (CONTINUED)

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

Summarised statement of financial position	**Foulath Holding B.S.C.**		**SOLB Steel Company**		**Qatar Metals Coating Company W.L.L.**	
	2021	2020	**2021**	2020	**2021**	2020
	QR.'000	QR.'000	**QR.'000**	QR.'000	**QR.'000**	QR.'000
Current assets	**3,568,238**	2,965,117	--	--	**55,414**	62,254
Non-current assets	**5,184,156**	5,567,045	--	--	**9,922**	10,989
Current liabilities	**(1,777,776)**	(2,357,766)	--	--	**(18,712)**	(19,796)
Non-current liabilities	**(2,678,454)**	(2,312,218)	--	--	**(2,608)**	(2,636)
Net assets	**4,296,164**	3,862,178	--	--	**44,016**	50,811
Group's share in %	**25%**	25%	**31.03%**	31.03%	**50%**	50%
Group's share in QR	**1,074,041**	965,545	--	--	**22,008**	25,406
Impairment and other losses	**(180,000)**	(180,000)	--	--	--	--
Goodwill	**684,804**	684,804	--	--	--	--
Pre-acquisition equity adjustment	**660**	660	--	--	--	--
Intercompany margin elimination	**(6,435)**	(6,435)	--	--	**(13,242)**	(13,112)
Other adjustments	**(4,087)**	(1,340)	--	--	**(438)**	(449)
Carrying amount	**1,568,983**	1,463,234	--	--	**8,328**	11,845

8. INVESTMENTS IN ASSOCIATES (CONTINUED)

Summarised statement of comprehensive income	Foulath Holding B.S.C. (C)		SOLB Steel Company		Qatar Metals Coating Company W.L.L.	
	2021	2020	**2021**	2020	**2021**	2020
	QR.'000	QR.'000	**QR.'000**	QR.'000	**QR.'000**	QR.'000
Revenue	**11,441,604**	4,963,801	--	--	**73,164**	72,343
Profit from continuing operations	**415,372**	52,637	--	--	**3,203**	2,376
Other comprehensive loss	**7,620**	(10,531)	--	--	**--**	--
Total comprehensive income	**422,992**	42,106	--	--	**3,203**	2,376
Group's share in profit	**103,843**	13,159	--	--	**1,602**	1,188
Effect of IQ's tax benefit	**--**	--	--	--	**(116)**	--
Group's share in profit and tax benefits	**103,843**	13,159	--	--	**1,486**	1,188
Group's share in other comprehensive loss	**1,903**	(2,633)	--	--	**--**	--
Dividend and tax benefit payments received from associates	**--**	--	--	--	**(5,000)**	(2,549)

9. INVESTMENT IN JOINT VENTURES

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

	2021	2020
	QR.'000	QR.'000
Balance at January 1	**6,915,500**	16,732,460
Reclassification to subsidiary as a result of business combination (Note 10)	**--**	(9,847,874)
Share of net results of joint ventures	**1,615,707**	308,512
Adjustment related to tax benefit	**863,590**	756,793
Share of other comprehensive loss	**(894)**	(18,864)
Dividends and tax benefits payments received	**(2,571,304)**	(1,015,527)
Balance at 31 December	**6,822,599**	6,915,500

The summarised financial information in respect of the Group's joint ventures is set out in the following table. The summarised financial information represents amounts shown in the joint ventures financial statements prepared in accordance with IFRS:

9. INVESTMENT IN JOINT VENTURES (CONTINUED)

As at 31 December 2021	**QAPCO**	**QAFAC**	**Total**
	QR.'000	**QR.'000**	**QR.'000**
Current assets			
Cash and cash equivalents	**1,263,007**	**807,738**	**2,070,745**
Other current assets	**1,455,826**	**681,721**	**2,137,547**
	2,718,833	**1,489,459**	**4,208,292**
Non-current assets	**6,857,574**	**821,148**	**7,678,722**
Current liabilities			
Financial liabilities (excluding trade payables)	**(828,000)**	**(369,127)**	**(1,197,127)**
Other current liabilities	**(1,213,666)**	**(345,773)**	**(1,559,439)**
	(2,041,666)	**(714,900)**	**(2,756,566)**
Non-current liabilities	**(446,795)**	**(58,189)**	**(504,984)**
Net assets before minority interest	**7,087,946**	**1,537,518**	**8,625,464**
Minority interest	**--**	**--**	**--**
Attributable to the Group	**7,087,946**	**1,537,518**	**8,625,464**
Reconciliation to carrying amounts:			
Opening net assets 1 January	**7,183,310**	**1,419,549**	**8,602,859**
Profit for the year	**1,704,753**	**503,809**	**2,208,562**
Other comprehensive loss	**(1,117)**	**--**	**(1,117)**
Dividends paid	**(1,799,000)**	**(385,840)**	**(2,184,840)**
Closing net assets	**7,087,946**	**1,537,518**	**8,625,464**
Group's share %	**80%**	**50%**	
Group's share	**5,670,357**	**768,759**	**6,439,116**
Effect of IQ's tax benefit	**377,201**	**6,282**	**383,483**
Total	**6,047,558**	**775,041**	**6,822,599**
Revenues	**4,098,192**	**2,396,678**	**6,494,870**
Other income	**103,276**	**8,659**	**111,935**
Depreciation and amortization	**(318,055)**	**(310,328)**	**(628,383)**
Interest expense	**(5,669)**	**(601)**	**(6,270)**
Income tax expense	**(525,961)**	**(275,486)**	**(801,447)**
Other cost and expenses	**(1,647,030)**	**(1,315,113)**	**(2,962,143)**
Profit for the year	**1,704,753**	**503,809**	**2,208,560**
Minority interest	**--**	**--**	**--**
Attributable to the Group	**1,704,753**	**503,809**	**2,208,560**
Other comprehensive income	**(1,117)**	**--**	**(1,117)**
Total comprehensive income	**1,703,636**	**503,809**	**2,207,443**
Group's share of net profit before tax benefit	**1,363,802**	**251,905**	**1,615,707**
Effect of IQ's tax benefit	**725,847**	**137,743**	**863,590**
Group's share of net profit	**2,089,649**	**389,648**	**2,479,297**
Group's share of other comprehensive income	**(894)**	**--**	**(894)**

9. INVESTMENT IN JOINT VENTURES (CONTINUED)

As at 31 December 2020	QAPCO	QAFAC	Total
	QR.'000	QR.'000	QR.'000
Current assets			
Cash and cash equivalents	855,496	235,934	1,091,430
Other current assets	1,599,130	364,885	1,964,015
	2,454,626	600,819	3,055,445
Non-current assets	6,362,645	1,058,774	7,421,419
Current liabilities			
Financial liabilities (excluding trade payables)	(1,118,266)	(122,570)	(1,240,836)
Other current liabilities	(36,821)	(1,820)	(38,641)
	(1,155,087)	(124,390)	(1,279,477)
Non-current liabilities	(478,874)	(115,654)	(594,528)
Net assets before minority interest	7,183,310	1,419,549	8,602,859
Minority interest	--	--	--
Attributable to the Group	7,183,310	1,419,549	8,602,859
Reconciliation to carrying amounts:			
Opening net assets 1 January	7,414,816	1,585,442	9,000,258
Profit for the year	421,074	(56,693)	364,381
Other comprehensive loss	(23,580)	--	(23,580)
Dividends paid	(629,000)	(109,200)	(738,200)
Closing net assets	7,183,310	1,419,549	8,602,859
Group's share %	80%	50%	
Group's share	5,746,648	709,775	6,456,423
Effect of IQ's tax benefit	424,550	34,527	459,077
Total	6,171,198	744,302	6,915,500
Revenues	3,036,439	1,316,344	4,352,783
Other income	(183,997)	3,760	(180,237)
Depreciation and amortization	(321,622)	(285,536)	(607,158)
Interest expense	(7,143)	(812)	(7,955)
Income tax expense	(324,369)	21,294	(303,075)
Other cost and expenses	(1,778,234)	(1,111,743)	(2,889,977)
Profit for the year	421,074	(56,693)	364,381
Minority interest	--	--	--
Attributable to the Group	421,074	(56,693)	364,381
Other comprehensive income	(23,580)	--	(23,580)
Total comprehensive income	397,494	(56,693)	340,801
Group's share of net profit before tax benefit	336,859	(28,347)	308,512
Effect of IQ's tax benefit	767,440	(10,647)	756,793
Group's share of net profit	1,104,299	(38,994)	1,065,305
Group's share of other comprehensive income	(18,864)	--	(18,864)

10. BUSINESS COMBINATION

During 2020, the Group has obtained control over QAFCO, which was previously accounted for as Investment in Joint Venture (Note 1). Accordingly, the Group has consolidated the financial statements of the acquiree in accordance with requirements of IFRS 10 Consolidated Financial Statements effective from January 1, 2020.

Details of the purchase consideration of the subsidiary acquired, the net assets acquired and bargain purchase gain are as follows:

Purchase consideration:

	Amount QR '000
Fair value of previously recognised investment in joint venture (i)	11,150,000
Fair value of non-controlling interest	3,780,508
Total purchase consideration	14,930,508
Less: Fair value of the identifiable net assets of QAFCO (i)	(15,037,316)
Bargain purchase gain	(106,808)

(i) The acquisition of control over QAFCO is considered a business combination achieved without transfer of consideration. As at the acquisition date, the Group measured the fair value of the previously recognised investment in joint venture based on a discounted cash flow approach. Assumptions used by the management in assessing the fair value of the previously recognized investment in joint venture are disclosed in Note 4 to these consolidated financial statements. As a result of assessing the fair value of the previously held interest in QAFCO, the Group recognizes a fair value gain of QR 1,302 million and, as a result of the purchase price allocation exercise, a bargain purchase gain of QR 106.8 million, both recorded in the consolidated statement of profit or loss.

Net cash inflow on acquisition of subsidiary

	Amount QR. 000
Cash and cash equivalent balances acquired	1,223,752
Less: consideration paid in cash	--
	1,223,752

10. BUSINESS COMBINATION (CONTINUED)

The identifiable assets acquired and liabilities assumed as a result of acquisition are as follows:

	Amount QR '000
Cash and cash equivalents	1,223,752
Due from related parties	828,253
Trade and other receivables	111,146
Inventories	774,269
Intangible asset – license fee	10,400
Property, plant and equipment	13,080,424
Right of use assets	137,732
Deferred tax asset	296
Provision for employee benefits	(292,274)
Lease liabilities	(231,628)
Deferred tax liabilities	(20,969)
Trade and other payables	(237,028)
Due to related parties	(238,690)
Income tax payable	(108,367)
Total identifiable assets acquired and liabilities assumed	15,037,316
Bargain purchase gain	(106,808)
Total consideration	14,930,508

QAFCO contributed QR 4,405 million revenue and QR 652.7 million to the Group's profit between the date of acquisition and December 31, 2020.

Notes to cash flow statement

The net identifiable assets acquired and liabilities assumed amounting QR. 13,813 million (QR. 15,037 million excluding cash and cash equivalent of QR. 1,224 million) are non-cash activities and are not reflected in the statement of cash flows.

Non-controlling interest

The non-controlling interest (25% ownership interest in QAFCO) recognized at the acquisition date was measured by reference to the estimated fair value of the non-controlling interest and amounted to QR. 3,781 million.

10. BUSINESS COMBINATION (CONTINUED)

Summarized financial information as at December 31, 2020 in respect of the above subsidiary that has non-controlling interest is set out below:

	2020 QR '000
Current assets	2,617,470
Non current assets	10,415,155
Current liabilities	823,108
Non current liabilities	493,450
Equity attributable to owners of the Company	11,698,995
Non controlling interests	17,072
Revenue	4,405,005
Profit for the year	55,818
Profit attributable to owners of the Company	135,857
Loss attributable to non controlling interest	(80,039)

11. LEASES

Group as a Lessee

The Group leases several assets including land and buildings, heavy duty equipment, motor vehicles and other assets. The average lease term is between 2 – 99 years.

	Right-of-use assets					
	Land and building	**Heavy duty equipment**	**Motor vehicles**	**Other assets**	**Total**	**Lease liabilities**
	QR '000	**QR '000**	**QR '000**	**QR '000**	**QR '000**	**QR '000**
January 1, 2020	52,927	38,031	6,118	37,512	134,588	200,804
Additions	14,495	--	2,602	--	17,097	17,097
Additions through business combination (Note 10)	135,339	--	1,739	654	137,732	231,628
Adjustments due to lease modifications	(1,690)	(9,859)	(428)	--	(11,977)	(11,851)
Amortisation expense	(28,442)	(17,348)	(5,512)	(1,291)	(52,593)	--
Interest expense	--	--	--	--	--	22,382
Payments	--	--	--	--		(59,974)
December 31, 2020	172,629	10,824	4,519	36,875	224,847	400,086
Additions	**--**	**--**	**488**	**1,448**	**1,936**	**1,936**
Adjustments due to lease modifications	**(3,198)**	**--**	**--**	**--**	**(3,198)**	**(3,641)**
Amortisation expense	**(25,232)**	**(8,500)**	**(1,362)**	**(1,589)**	**(36,683)**	**--**
Interest expense	**--**	**--**	**--**	**--**	**--**	**19,812**
Payments	**--**	**--**	**--**	**--**	**--**	**(44,517)**
December 31, 2021	**144,199**	**2,324**	**3,645**	**36,734**	**186,902**	**373,676**

11. LEASES (CONTINUED)

Maturity analysis of lease liability follow:

	2021	2020
	QR.'000	QR '000
Not later than 1 year	**81,849**	75,178
Later than 1 but not later than 5 years	**115,709**	120,125
Later than 5 years	**176,118**	204,783
	373,676	400,086

The lease liability is presented in the financial statements as:

	2021	2020
	QR.'000	QR '000
Current	**81,849**	75,178
Non-current	**291,827**	324,908
	373,676	400,086

The Group does not face significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021	2020
	QR.'000	QR '000
Balance at the beginning of the year	**348,367**	324,581
Disposal	**--**	(15,210)
Movement in fair value recognised directly in profit or loss (Note 28)	**143**	38,996
At 31 December, measured at fair value	**348,510**	348,367
Investments in equity instruments – quoted	**344,925**	344,782
Investments in equity instruments – unquoted	**3,585**	3,585

13. INVENTORIES

	2021	2020
	QR.'000	QR '000
Finished goods and goods for resale	**704,964**	452,355
Raw materials	**164,342**	169,859
Spares and consumables	**899,524**	890,901
Work in process	**117,750**	326,771
Additives	**187,386**	236,114
Goods in transit	**121,225**	25,032
	2,195,191	2,101,032
Less: Provision for obsolete and slow-moving inventories	**(190,960)**	(156,212)
	2,004,231	1,944,820

13. INVENTORIES (CONTINUED)

Inventories recognised as an expense during the year ended December 31, 2021 amounted to QR. 2.34 billion (2020: QR. 2.09 billion). These were included in cost of sales.

Net reversal of write down of inventory amounted to QR 0.9 million (2020: net reversal of write down of QR. 0.5 million) was recognised during the year and included in 'cost of sales' in the consolidated statement of profit or loss.

Movements in the provision for obsolete and slow-moving inventories are as follows:

	2021 **QR' 000**	2020 QR' 000
Balance at the beginning of the year	**156,212**	33,986
Additional provision from business combination (Note 10)	**--**	92,097
Provision during the year	**35,744**	30,702
Reversal of provision	**(996)**	(573)
Balance at the end of the year	**190,960**	156,212

14. TRADE AND OTHER RECEIVABLES

	2021 **QR.'000**	2020 QR '000
Trade accounts receivable at amortised cost	**570,665**	485,408
Due from related parties (Note 23)	**1,493,892**	868,645
Advance to suppliers	**168,226**	196,148
Prepayments	**41,402**	64,048
Loans to employees	**103,925**	100,617
Accrued interest	**83,800**	18,327
Other receivables	**14,252**	18,441
	2,476,162	1,751,634
Less: Expected credit losses	**(58,721)**	(56,999)
	2,417,441	1,694,635
Trade receivables measured at fair value (Note 23)	**2,166,729**	761,060
	4,584,170	2,455,695

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

			Past due but not impaired				
	Total	**Neither past due nor impaired**	**< 30 days**	**31 to 60 days**	**61 to 90 days**	**91 to 180 days**	**180 to 365 days**
	QR '000	**QR '000**	**QR '000**	**QR '000**	**QR '000**	**QR '000**	**QR '000**
2021	**570,665**	**554,213**	**16,452**	**--**	**--**	**--**	**--**
2020	485,408	463,538	21,549	--	--	--	321

14. TRADE AND OTHER RECEIVABLES (CONTINUED)

Movement in expected credit loss:

	2021	2020
	QR.'000	QR '000
Balance at 1 January	**56,999**	54,068
Charge for the year	**1,722**	2,148
Additional provision from business combination	**--**	783
Balance at 31 December	**58,721**	56,999

The other classes within trade and other receivables do not contain impaired assets.

15. SHARE CAPITAL

	2021	2020
	QR.'000	QR '000
Authorised, issued and paid-up:		
6,050,000,000 shares of QR 1 each	**6,050,000**	6,050,000

16. RESERVES

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

	Legal reserves (i)	**Hedging reserve (ii)**	**Other reserve (iii)**	**Total reserves**
	QR.'000	**QR.'000**	**QR.'000**	**QR.'000**
Balance at January 1, 2020	158,148	(4,080)	6,057	160,125
Other comprehensive loss	--	(2,633)	(16,830)	(19,463)
Transfer to legal reserve	18,765	--	--	18,765
Balance at December 31, 2020	176,913	(6,713)	(10,773)	159,427
Balance at January 1, 2021	176,913	(6,713)	(10,773)	159,427
Other comprehensive income	**--**	**1,903**	**1,959**	**3,862**
Transfer to legal reserve	**18,943**	**--**	**--**	**18,943**
Balance at December 31, 2021	**195,856**	**(4,810)**	**(8,814)**	**182,232**

Notes:

(i) The transfer of legal reserve is decided by IQ Board in accordance with the Articles of Association. The Articles of Association of the Company provides that prior to recommending any dividend distribution to the shareholders, the Board shall establish reserves considered by the Board to be necessary or appropriate. The legal reserve presented on the face of the consolidated statement of financial position represents the amount of legal reserve from subsidiaries included for consolidation purpose and the amount decided by IQ Board to transfer during the year from the current year profit. The Company transfers annually to legal reserve 10% of its net profit after deducting dividends from subsidiaries, joint ventures and associates.

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

16. RESERVES (CONTINUED)

Notes: (continued)

(iii) Actuarial gains arising from experience adjustments and changes in actuarial assumptions (remeasurements) of the Group's defined benefit obligation are recognised in other comprehensive income.

17. SOCIAL FUND CONTRIBUTION

In accordance with Law No. 13 of 2008, the Group made an appropriation of profit of QR. 199 million (2020: QR. 48.8 million) equivalents to 2.5% of the adjusted consolidated net profit for the year towards the Social and Sports Contribution Fund.

18. DIVIDENDS

The Board of Directors has proposed a cash dividend distribution of QR.1 per share for the year ended December 31, 2021 (2020: QR. 0.33 per share). The dividends for 2020 amounting to QR 1,996.5 million were approved by the shareholders at the Annual General Meeting held on March 1, 2021. The proposed final dividend for the year ended December 31, 2021 will be submitted for formal approval at the Annual General Meeting.

19. ACQUISITION OF NON-CONTROLLING INTEREST OF A SUBSIDIARY

On September 30, 2020, the Group acquired the remaining 25% shares of QAFCO. The transaction does not qualify as a business combination since the control over the subsidiary had already been established with effect from the January 01, 2020 (Note 1). The additional 25% stake in QAFCO supplements the existing stake and further enhances control over the subsidiary.

For the above, the Group has entered into a Share Purchase Agreement ('SPA') with QatarEnergy (formerly Qatar Petroleum) for a consideration of QR 3.64 billion to purchase all of the remaining shares of the Subsidiary, however, by December 31, 2035, the Group has agreed to return the shares to QatarEnergy (formerly Qatar Petroleum) for no consideration.

The purchase transaction and the eventual transfer of the then 25% interest back to QatarEnergy (formerly Qatar Petroleum) are considered not a significant economic transaction where any of the parties obtained or lost control over the Subsidiary. Therefore, the transactions will be accounted for as equity transactions between owners in their capacity as owners as per IFRS 10. Any difference that may result from the transactions will be recognised directly in equity. The consideration paid to QatarEnergy (formerly Qatar Petroleum) reduces the amount of the non-controlling interests presented. In particular, as the Group increases its stake in the Subsidiary without losing control, no adjustment is to be made to goodwill or any other assets or liabilities, and no gain or loss is reported.

After the expiry of the SPA, the Group will transfer back to the Seller the legal and beneficial ownership of then existing 25% interest in QAFCO. The agreement does not give QatarEnergy (formerly Qatar Petroleum) rights to dividends up to December 31,2035, hence, it has in-substance no current access to the returns associated with that 25% interests also as per the guidance of IFRS 10.

The consolidated profits or loss and other comprehensive income of QAFCO and any dividends are allocated in full to the Group from the date of acquisition of non-controlling interest. From January 1, 2020 to date of acquisition of non-controlling interest, the net profit earned in relation to the non-controlling interest was QR 113 million. Finally, at the date of transferring the then 25% interest back to QatarEnergy (formerly Qatar Petroleum), it is expected that non-controlling interests will be credited by the amount of undistributed profits up to December 31,2035.

20. EMPLOYEES' BENEFIT OBLIGATION

The movements in the provision recognised in the consolidated statement of financial position are as follows:

	2021	2020
	QR.'000	QR '000
Balance as at 1 January	**430,493**	200,684
Addition from business combination (Note 10)	**--**	292,274
Interest cost	**2,962**	3,755
Current service cost	**15,808**	16,419
Provision during the year	**33,713**	45,894
Actuarial gains and losses on re-measurement of present value of defined benefits obligation	**(2,853)**	(2,034)
Paid during the year	**(48,021)**	(126,499)
Balance as at 31 December	**432,102**	430,493

The provision for employees' benefit obligation is presented in the financial statements as:

	2021	2020
	QR.'000	QR '000
Current	**--**	10,641
Non-current	**432,102**	419,852
	432,102	430,493

a. Pension obligations

The Group pays pension benefits to Qatari employees, or their heirs, who retired prior to 2003. The subsidiary and joint ventures obligations to these pension benefits is significant and accordingly, accounted for using the projected unit credit method.

b. Employee benefits expenses

	2021	**2020**
	QR.'000	QR '000
Cost of sales (Note 27)	**530,070**	727,466
General and administrative expenses (Note 30)	**392,439**	294,760
Selling expenses	**18,585**	11,229
	941,094	1,033,455

c. Pension and end of service cost

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

	2021	2020
	QR.'000	QR '000
Current service cost	**15,808**	16,419
End of service charges	**33,713**	45,894
Interest cost	**2,962**	3,755
	52,483	66,068

20. EMPLOYEES' BENEFIT OBLIGATION (CONTINUED)

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

The assumptions used in determining the cost for employees' end of service obligations include the discount rate, staff turnover, and expected future salary increments. Any changes in these assumptions will impact the amount of end of service obligations.

The table below sets out the key assumptions used to assess the provision for end of service benefits:

	2021	**2020**
Discount rate	**1.93%-2.89%**	1.93%-2.89%
Salary growth rate	**2.0%-4.70%**	2.0%-4.75%
Staff turnover rate	**3.0%**	3.0%

The Group determines the appropriate discount rate at the end of each year. This discount rate should be used to determine the present value of estimated future cash outflows expected to be required to settle the employees' end of service obligations.

The discount rate used for estimating end of service liabilities is in a range from 1.93%-2.89% (2020: 1.93%-2.89%) and the average future salary increases is in a range from 2.0%-4.70% (2020: 2.0%-4.75%). Therefore, the discounting future salaries results in approximately current levels of salary. Therefore, the management calculated the employees' end of service obligations as the amount that would be paid if all employees retire and receive their entitlements at the date of financial position, that is the final monthly salary at year-end multiplied by the number of years in service to arrive at the employee benefit at that date.

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected salary increase and staff turnover rate. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

If the discount rate is 100 basis points higher (lower), the defined benefit obligation would decrease (increase) by QR.17.28 million (2020: QR. 18.99 million). If the expected salary growth increases (decreases) by 1 per cent, the defined benefit obligation would increase (decrease) by QR. 0.1 million (2020: QR. 0.1 million). If the staff turnover rate increases (decreases) by 1 per cent, the defined benefit obligation would increase (decrease) by QR. 0.1 million (2020: QR. 0.1 million).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

In addition to receiving pension benefits from the Government Pension Fund, QatarEnergy (formerly Qatar Petroleum), the Ultimate Parent Company, introduced in 2016 a new end of service scheme to employees with Qatar nationality. In accordance with that new scheme, an employee who serves within the Group for 20 years or more receives a lump sum payment on retirement or resignation based on latest salary and number of service years in excess of 20 years. The fact that benefit only starts to accrue after 20 years of service means that the benefit formula includes a back-end load and therefore accrual should be made on a straight-line basis over the entire service life. Management has concluded that only service after 20 years in the industry leads to benefit and therefore attribution should be in line with the benefit formula in accordance with pension contributions from the General Retirement & Social Insurance Authority.

21. TRADE AND OTHER PAYABLES

	2021	2020
	QR.'000	QR '000
Accrued expenses	**518,950**	417,679
Financial guarantees*	**400,000**	400,000
Due to related parties (Note 23)	**391,717**	243,105
Trade payables	**299,626**	97,304
Provision for social fund contribution	**199,004**	48,855
Dividend payable	**91,758**	128,189
Due to government	**34,289**	34,289
Other payables	**55,622**	33,608
	1,990,966	1,403,029

* The Group previously issued financial guarantees to some of the lenders of SOLB Steel Company, an associate company, in respect of certain of the associate's borrowings. SOLB Steel Company defaulted on the repayment and breached financial covenants on the loans on which the financial guarantee was issued since 2016. The issuance of the guarantee results in a present obligation. An assessment has been performed to determine whether it is probable that there would be an outflow of resources to settle the obligation. The default on loan repayment and breach of covenants by SOLB Steel Company since 2016 indicated that it was probable that the guarantee will be called upon to settle SOLB Steel Company's obligations. Therefore, a provision has been recorded in the Group's financial statements in respect of the guarantee issued. As per the terms of the financial guarantees' agreement, the maximum exposure of the Group is QR. 489 million upon which QR. 400 million is recognised as a liability.

22. BANK BORROWINGS

	2021	2020
	QR.'000	QR '000
Bank overdrafts (Note 5)	**--**	9,882
Loan against trust receipts	**--**	26,715
	--	36,597

One of the Group's subsidiary had credit facilities in the amount of QR 149 million with Doha Bank as at 31 December 2021 (2020: QR 149 million). As at 31 December 2021, the subsidiary had an outstanding balance of QR Nil (2020: QR 9.9 million) as bank overdraft payable on demand with interest at an average rate of 5% per annum. The subsidiary also had a loan against trust receipts of QR Nil (2020: QR 26.7 million) which was fully repaid by the due date in January 2021. The unutilized portion of credit facilities amounted to QR Nil million as at 31 December 2021 (2020: QR 62.8 million).

23. RELATED PARTY DISCLOSURES

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

a) Related party transactions

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

Goods and services provided to related parties

	Sales	**Other Income**	**Management fees**
	QR.'000	**QR.'000**	**QR.'000**
Year ended 31 December 2021			
Associates and their subsidiaries			
Qatar Metals Coating Company W.L.L	**60,075**	**--**	**158**
Qatar Vinyl Company Limited (QVC) Q.S.C.	**674**	**--**	**--**
Entities under common control			
Qatar Chemical and Petrochemical Marketing and Distribution Company (Muntajat) Q.J.S.C.	**10,251,005**	**--**	**--**
Qatofin	**461**	**--**	**--**
GASAL Company Q.S.C.	**--**	**67**	**--**
	10,312,215	**67**	**158**

	Sales	Other Income	Management fees
	QR.'000	QR.'000	QR.'000
Year ended 31 December 2020			
Ultimate parent			
QatarEnergy (formerly Qatar Petroleum)	686,509	--	--
Associates and their subsidiaries			
Qatar Metals Coating Company W.L.L	55,381	--	191
Qatar Vinyl Company Limited (QVC) Q.S.C.	199	--	--
Entities under common control			
Qatar Chemical and Petrochemical Marketing and Distribution Company (Muntajat) Q.J.S.C.	5,445,523	135	--
Qatofin	30	--	--
GASAL Company Q.S.C.	--	67	--
	6,187,642	202	191

23. RELATED PARTY DISCLOSURES (CONTINUED)

a) Related party transactions (continued)

Goods and services from related parties

	Purchases	Administrative expenses	Other income/ (expenses)
	QR.'000	QR '000	QR '000
Year ended December 31, 2021			
Ultimate parent			
QatarEnergy (formerly Qatar Petroleum)	3,428,699	85,589	15,396
Joint venture:			
QAFAC	46,007	--	(1,092)
QAPCO	--		(2,769)
Associates and their subsidiaries			
Qatar Metals Coating Company W.L.L	124	--	--
Entities under common control			
Qatar Chemical and Petrochemical Marketing and Distribution Company (Muntajat) Q.J.S.C.	--	19,983	--
Gulf International Services Q.P.S.C	--	--	(629)
Mesaieed Petrochemical Holding Company Q.P.S.C.	--	--	(2,627)
Qatar Aluminium Manufacturing Company Q.P.S.C	--	--	(1,382)
Qatofin Company Q.P.S.C	--	--	(778)
GASAL Company Q.S.C.	59,265	--	--
Qatar Fuel Company Q.P.S.C	5,942	--	--
	3,540,037	105,572	6,119

	Purchases	Administrative expenses	Other income/ (expenses)
	QR.'000	QR '000	
Year ended December 31, 2020			
Ultimate parent			
QatarEnergy (formerly Qatar Petroleum)	1,320,154	71,851	3,014
Joint venture:			
QAFCO	25,181	--	--
QAPCO	--	285	(1,660)
QAFAC	--	--	(718)
Entities under common control			
Qatar Chemical and Petrochemical Marketing and Distribution Company (Muntajat) Q.J.S.C.	--	122,715	--
GASAL Company Q.S.C.	72,856	--	
Gulf International Services Q.P.S.C	--	--	(121)
Mesaieed Petrochemical Holding Company Q.P.S.C.	--	--	(1,593)
Qatar Aluminium Manufacturing Company Q.P.S.C	--	--	(44)
Qatofin Company Q.P.S.C	--	--	(463)
Qatar Fuel Company Q.P.S.C	6,020	--	--
	1,424,211	194,851	(1,585)

23. RELATED PARTY DISCLOSURES (CONTINUED)

b) Related party balances:

Due from related parties

	2021	2020
	QR.'000	QR '000
Measured at amortised cost		
Parent Company:		
QatarEnergy (formerly Qatar Petroleum)	**4,459**	109,984
Joint venture:		
QAPCO*	**1,248,280**	650,889
QAFAC*	**166,469**	13,687
Associates and their subsidiaries:		
SOLB Steel Company	**53,614**	53,614
Qatar Metal Coating Company W.L.L.	**16,934**	18,770
Qatar Vinyl Company Limited (QVC) Q.S.C.	**79**	48
SULB Company B.S.C.	**--**	40
Qatofin Company Limited	**141**	--
Entity under common control:		
Qatar Chemical Company Limited Q.P.J.S.C.	**--**	36
Al Koot Insurance and Reinsurance Company P.J.S.C.	**3,916**	21,577
	1,493,892	868,645
Less: Expected credit loss (i)	**(58,038)**	(53,654)
	1,435,854	814,991
Measured at fair value through profit or loss		
Under common control		
Qatar Chemical and Petrochemical Marketing and Distribution Company (Muntajat) Q.J.S.C.**	**2,166,729**	761,060
	3,602,583	1,576,051

* The balance represents dividend and tax benefit related receivables from QAPCO and QAFAC.

** The receivable from Qatar Chemical and Petrochemical Marketing and Distribution Company (Muntajat) Q.J.S.C. is measured at fair value through profit and loss as it is subject to provisional pricing arrangements.

Due to related parties

	2021	2020
	QR.'000	QR '000
Ultimate Parent Company:		
QatarEnergy (formerly Qatar Petroleum)	**378,239**	200,980
Joint venture:		
QAFAC	**4,846**	2,390
QAPCO	**14**	--
Entity under common control:		
GASAL Company Q.S.C.	**5,572**	19,209
Qatar Chemical and Petrochemical Marketing and Distribution Company (Muntajat) Q.J.S.C.	**144**	--
Al Koot Insurance and Reinsurance Company P.J.S.C.	**2,885**	20,488
Qatar Fuel Company Q.P.S.C	**17**	38
	391,717	243,105

23. RELATED PARTY DISCLOSURES (CONTINUED)

(i) Expected credit losses

Expected credit losses amounting to QR. 54 million represents impairment charged against old outstanding receivables from SOLB Steel Company due to liquidity conditions of the associate. The management believes that the pattern of repayment of this balance in the past suggests that it may take considerable time until collected. Therefore, recovery of any amount in future will be recognised as reversal of impairment provisions.

Terms and conditions of transactions with related parties

Outstanding balances as at December 31, 2021 and as at 2020 are unsecured and interest-free. Other than those mentioned, there have been no guarantees provided or received for any related party receivables or payables.

Other guarantees with related parties

The Group has provided bank guarantees for its associates in respect of their borrowings from external banks. Total guarantees at the end of the year amounted to QR. 489 million (2020: QR. 489 million).

Compensation of key management personnel

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

	2021	2020
	QR.'000	QR '000
Board of Directors remuneration	**12,397**	11,870
Short term benefits	**37,284**	28,668
	49,681	40,538

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

24. 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.

	2021	2020
	QR.'000	QR '000 *Restated*
Profit for the year	**8,088,978**	1,810,445
Weighted average number of shares outstanding during the year (in thousands)	**6,050,000**	6,050,000
Basic and diluted earnings per share (QR)	**1.34**	0.30

25. INCOME TAX

	2021	2020
	QR.'000	QR '000
Current income tax		
Current income tax charge	**1,779,107**	385,795
Adjustments for prior year income tax	**(3,249)**	337,364
	1,775,858	723,159
Group tax benefit (i)	**(1,775,189)**	(721,291)
	669	1,868

(i) As per the MOU between the General Tax Authority and Ministry of Finance, the proportion of income tax of the subsidiaries, joint ventures and their components attributable to the effective shareholding of the public shareholding company shall be settled with the General Tax Authority by the Ministry of Finance through the defined settlement arrangement between the public shareholding company, QatarEnergy (formerly Qatar Petroleum) and the Ministry of Finance.

Reconciliation between income tax and the product of accounting profit multiplied by the effective tax rates applicable to entities that are engaged in petroleum and petrochemical operations, owned by directly or indirectly, partly or wholly by the Government and those entities not engaged in such operations, respectively, as follows:

	2021	2020
	QR.'000	QR '000 *Restated*
Profit before tax	**8,090,766**	1,845,646
Adjustments for:		
Non-taxable income including carry forward losses	**(2,528,831)**	(2,422,562)
Non-deductible expenses and losses	**46,053**	1,679,189
Taxable income	**5,607,988**	1,102,273
Current income tax	**1,779,107**	385,795

Movement of income tax payable is as follow:

	2021	2020
	QR.'000	QR '000
Opening balance	**1,747**	--
Additions through business combination (Note 10)	**--**	108,367
Income tax for the year	**1,779,107**	385,795
Income tax for the prior year net of previously recognized payable	**(3,249)**	340,222
Amount paid during the year	**(1,747)**	(111,346)
Group tax benefit relating to subsidiaries	**(1,775,189)**	(721,291)
Closing balance	**669**	1,747

25. INCOME TAX (CONTINUED)

Movement of deferred tax asset is as follow:

	2021	2020
	QR.'000	QR '000
Opening balance	**--**	--
Additions through business combination (Note 10)	**--**	296
Decrease due to change in tax status	**--**	(296)
Deferred tax income during the year	**(209)**	1,975
Group consolidation adjustment	**209**	(1,975)
Closing balance	**--**	--

Movement of deferred tax liability is as follows:

	2021	2020
	QR.'000	QR '000
Opening balance	**--**	--
Additions through business combination (Note 10)	**--**	20,969
Deferred tax income during the year	**28,815**	11,819
Group consolidation adjustment	**(28,815)**	(32,788)
Closing balance	**--**	--

26. REVENUES

	2021	2020
	QR.'000	QR '000
Disaggregation of revenue – over time		
Processing fee (Annual Operating Expenditure)	**--**	592,410
Disaggregation of revenue – at a point in time		
Bars sales	**2,843,751**	2,378,606
Billets sales	**543,025**	352,455
DRI Sales	**146,976**	--
Coil sales	**358,879**	272,069
Processing fee (Margin of Net Sales Proceeds)	**--**	94,279
Urea sales	**8,993,893**	3,339,800
Ammonia sales	**1,153,697**	234,221
Melamine sales	**448,243**	144,295
Freight revenues	**107**	2,132
	14,488,571	7,410,267
Less: Freight charges and marketing fees	**(319,448)**	(10,549)
	14,169,123	7,399,718

27. COST OF SALES

	2021	2020
	QR.'000	QR '000 *Restated*
Raw materials, utilities and consumables used	**5,892,954**	3,844,250
Depreciation (Note 7)	**1,391,816**	1,534,849
Employee benefits expenses (Note 20)	**530,070**	727,466
Repair and maintenance	**33,243**	161,812
Amortisation of right-of-use assets	**28,871**	43,203
Others	**287,840**	154,589
	8,164,794	6,466,169

28. OTHER INCOME

	2021	2020
	QR.'000	QR '000
By-product sales	**18,466**	29,335
Other income – net*	**50,863**	57,374
	69,329	86,709

*Other income is presented net of fair value gain from financial assets at fair value through profit or loss amounting to QR. 0.14 million (2020: QR. 38.9 million).

29. INCOME FROM INVESTMENTS

	2021	2020
	QR.'000	QR '000
Dividend income	**13,196**	16,096
Income on bank deposits – Islamic banks	**90,690**	94,870
Income on bank deposits – Other banks	**125,398**	156,958
	229,284	267,924

30. GENERAL AND ADMINISTRATIVE EXPENSES

	2021	2020
	QR.'000	QR '000
Employee benefits expenses (Note 20)	**392,439**	294,760
Loss on disposal of property, plant and equipment	**94,547**	2,412
External services	**50,761**	54,776
Depreciation (Note 7)	**20,479**	21,363
Rental, utilities and supplies	**18,338**	15,382
Board of director's remuneration	**12,397**	11,870
Travel, transportation and communication	**5,696**	5,876
QatarEnergy (formerly Qatar Petroleum) fees	**4,925**	4,691
Qatar Exchange fees	**1,818**	1,818
Others	**110,768**	67,902
	712,168	480,855

31. COMMITMENTS

a. Capital commitments:

	2021	2020
	QR.'000	QR '000
Estimated capital expenditure contracted for at the reporting date but not provided for:		
Property, plant and equipment	**495,571**	428,051

b. Group's share in commitments incurred by joint venture entities

	QAPCO	**QAFAC**	**Total**
	QR.'000	**QR.'000**	**QR.'000**
December 31, 2021			
Capital commitments	**335,037**	**24,082**	**359,119**
December 31, 2020			
Capital commitments	555,568	36,870	592,438

c. Group's share in commitments incurred by associates:

	2021	2020
	QR.'000	QR '000
Capital commitments	**13,412**	16,640

32. CONTINGENT LIABILITIES

	2021	2020
	QR.'000	QR '000
Bank guarantees	**4,046**	4,346
Letters of credit	**7,091**	7,734
Legal cases	**--**	29,850

The Group anticipates that no material liabilities will arise from the above guarantees and letter of credits, which are issued in the ordinary course of business other than the QR. 400 million (2020: QR. 400 million) already recognized. Legal cases represent best estimate of claims not acknowledged based on the confirmation received from the Group's lawyers.

Tax assessment for the years 2007 to 2018

The General Tax Authority ("GTA") issued income tax assessments to certain components of the Group for the years from 2007 to 2018, requiring the components to pay additional taxes and penalties of QR 4.54 billion. This includes penalties amounting to QR 2.27 billion on the contention that the components have not paid the income tax related to the share of IQ during those years.

The components have submitted formal objections, as per the requirement of the tax law, rejecting the full amount claimed by the GTA. The components also intend to submit a formal appeal against the assessments in full as they believe that it has meritorious defences in law and fact and will to pursue each dispute through the judicial system as necessary.

32. CONTINGENT LIABILITIES (CONTINUED)

Tax assessment for the years 2007 to 2018 **(continued)**

Management has concluded that it is probable (i.e., it is more likely than not) that the General Tax Authority will accept the tax treatment in the objection and accordingly has not recorded a liability for the assessments received or for any potential further amounts which may be assessed in relation to this matter in subsequent years.

Further, as per the terms of the MOU (Note 4), the Ministry of Finance undertakes to settle any income tax amounts payable by these components for the previous years directly to the GTA. Based on the ongoing advanced discussions and correspondence between QatarEnergy (formerly Qatar Petroleum), on behalf of the Group, the Ministry of Finance, and the GTA, it is expected that the assessments will either be withdrawn or resolved amicably between the involved parties.

Melamine import legal case

Applicant from India filed an application before Directorate General of Trade Remedies of India (DGTR) for initiation of antidumping investigation by the authority concerning imports of Melamine from Qatar, the European Union, Japan and the UAE (the "subject countries") for importation of melamine during April 1, 2019 to September 30, 2020.

The investigation process is ongoing. Management assessed that probability of materialization of any liability on this ongoing legal case remains uncertain and accordingly has not recorded any liability as of reporting date.

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

December 31, 2021	**QAPCO**
	QR.’000
Bank guarantees	**1,267**
Letter of Credit	**10,032**
	11,299

December 31, 2020	QAPCO
	QR.’000
Bank guarantees	777
Letters of credit	14,482
	15,259

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

	2021	2020
	QR.’000	QR ‘000
Letters of credit	**399,229**	315,390
Bank guarantees	**113,894**	1,505

32. CONTINGENT LIABILITIES (CONTINUED)

Site restoration obligations

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

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

Under the lease agreements, the lessor has the right, upon termination or expiration of the lease term, to notify the Company that it requires to either:

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

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

33. SEGMENT REPORTING

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

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

The information of petrochemical and fertilizer segments represents those of the joint ventures of the group (fertilizer segment started being accounted for as a subsidiary during the year).

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

33. SEGMENT REPORTING (CONTINUED)

Segment revenue

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

	31 December 2021			31 December 2020		
	Total	**Inter-segment revenue**	**Revenue from external customers**	Total	Inter-segment revenue	Revenue from external customers
	QR '000	**QR '000**	**QR '000**	QR '000	QR '000	QR '000
Petrochemicals	**4,476,892**	**--**	**4,476,892**	3,087,323	--	3,087,323
Fertilisers	**10,283,181**	**--**	**10,283,181**	4,405,005	--	4,405,005
Steel	**3,885,942**	**--**	**3,885,942**	2,994,713	--	2,994,713
Total segment revenue	**18,646,015**	**--**	**18,646,015**	10,487,041	--	10,487,041
Revenue from investments in joint venture accounted for using equity method	**4,476,892**	**--**	**4,476,892**	3,087,323	--	3,087,323
Revenue per consolidated statement of profit or loss	**14,169,123**	**--**	**14,169,123**	7,399,718	--	7,399,718

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

Revenues of approximately QR.14,760 million (2020: QR. 8,746 million) are derived from a single external customer, Qatar Chemical and Petrochemical Marketing and Distribution Company Q.J.S.C. ("Muntajat"). Pursuant to Decree Law 11 of 2012 of the State of Qatar, Muntajat was established in the year 2012 to carry out marketing and distribution activities of all steel products and regulated chemical and petrochemical products.

The Group entities are domiciled in Qatar, the Kingdom of Bahrain, the Kingdom of Saudi Arabia and United Arab Emirates. Of the Group's segment revenues in 2021, 86% is made in Qatar (2020: 89%), 5% is made in UAE (2020: 8%) and the remaining is distributed in a number of countries which is not split for purpose of segment reporting.

33. SEGMENT REPORTING (CONTINUED)

Segment profit

The following table presents profit information regarding the Group's operating segments for the year ended 31 December 2021 and 2020, respectively:

As of 31 December 2021	**Petrochemicals QR '000**	**Fertilisers QR '000**	**Steel QR '000**	**Total QR '000**
Segment profit	**2,479,297**	**4,721,207**	**610,615**	**7,811,119**
Share of results from associates	**--**	**--**	**105,327**	**105,327**
Total segment profit	**2,479,297**	**4,721,207**	**715,942**	**7,916,446**
*Unallocated income:**				
Interest income				**177,421**
Dividend income				**13,196**
Other income				**1,547**
				192,164
*Unallocated expense:**				
Board of Director's fees and expenses				**(8,312)**
QatarEnergy (formerly Qatar Petroleum) annual fee				**(4,925)**
Qatar Exchange fees/charges				**(2,223)**
Advertisements				**(180)**
Other expenses				**(2,873)**
				(18,513)
Profit for the year				**8,090,097**

As of 31 December 2020	Petrochemicals QR '000	Fertilisers QR '000	Steel QR '000	Total QR '000
Segment profit – restated	1,065,305	652,715	(1,327,930)	390,090
Share of results from associates	--	--	14,347	14,347
Total segment profit – restated	1,065,305	652,715	(1,313,583)	404,437
*Unallocated income:**				
Interest income				211,986
Dividend income				16,096
Fair value gain and bargain purchase gain on business combination				1,408,934
Other income				31,196
				1,668,212
*Unallocated expense:**				
Board of Director's fees and expenses				(7,750)
QatarEnergy (formerly Qatar Petroleum) annual fee				(4,691)
Qatar Exchange fees/charges				(2,228)
Advertisements				(188)
Other expenses				(214,014)
				(228,871)
Profit for the year – *restated*				1,843,778

33. SEGMENT REPORTING (CONTINUED)

Segment profit (continued)

These represent the income and expenses of IQ. These do not include the dividend from subsidiaries amounting to QR. 2,940 million (2020: QR. 1,500 million) and dividend from joint ventures amounting to QR. 1,632.12 million (2020: QR. 557.8 million). The subsidiaries are fully consolidated and dividend received from subsidiaries is eliminated at consolidated level. Investment in joint ventures are accounted for using equity method and are eliminated at consolidated level.

Segment assets

The following table presents segment assets regarding the Group's business segments as at 31 December 2021 and 2020 respectively:

	Petrochemicals	**Fertilisers**	**Steel**	**Total**
	QR '000	QR '000	QR '000	QR '000
Segment assets:				
December 31, 2021	**8,816,429**	**16,317,536**	**7,544,281**	**32,678,246**
December 31, 2020 – restated	7,883,614	14,435,065	6,902,885	29,221,564

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

Reconciliation of reportable segments total assets:

	2021	2020
	QR '000	QR '000 *Restated*
Total assets for reportable segments	**32,678,246**	29,221,564
Other un-allocable assets **	**11,623,283**	7,631,502
Recognition of investment in joint ventures using equity method of accounting	**6,822,599**	6,915,502
Assets relating to joint ventures	**(8,816,427)**	(7,883,613)
Consolidated total assets for the year	**42,307,701**	35,884,955

** These pertain to the total assets of IQ excluding the Investment in subsidiaries and joint ventures amounting to QR 9,379.5 million (2020: QR 9,379.5 million).

33. SEGMENT REPORTING (CONTINUED)

Segment assets (continued)

Below is the breakdown of IQ's statement of financial position:

	2021	2020
	QR '000	QR '000
Assets		
Non-current assets		
Investment in subsidiaries and joint ventures (at cost)	**9,379,454**	9,379,454
	9,379,454	9,379,454
Current assets		
Prepayments and other debit balances	**74,657**	17,469
Due from related parties	**3,193,186**	1,056,366
Financial asset at fair value through profit or loss	**348,510**	348,367
Cash and bank balances	**1,875,831**	692,569
Fixed deposits	**7,911,742**	5,910,495
	13,403,926	8,025,266
Total assets	**22,783,380**	17,404,720
Current liabilities		
Accounts payable and accruals	**300,490**	187,070
Due to related parties	**4,974**	4,826
Total current liabilities	**305,464**	191,896
Non-current liability		
Financial liability under forward contract	**1,161,997**	1,009,747
Total non-current liability	**1,161,997**	1,009,747
Total liabilities	**1,467,461**	1,201,643
Equity		
Share capital	**6,050,000**	6,050,000
Legal reserve	**99,756**	98,073
Retained earnings	**15,166,163**	10,055,004
Total equity	**21,315,919**	16,203,077
Total liabilities and equity	**22,783,380**	17,404,720

34. FINANCIAL RISK MANAGEMENT

a. Objectives and policies

The treasury function of each entity in the Group provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk, liquidity risk and insurance risk.

The Group seeks to minimize the effects of certain of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by QatarEnergy (formerly Qatar Petroleum)'s policies approved by the board of directors, which provide written principles on foreign exchange risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. QatarEnergy (formerly Qatar Petroleum) does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. There have been no changes in the objectives, policies and processes for managing and measuring risk from the previous year.

b. Market risk

Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates and interest rates, will affect the Group’s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Group’s activities expose it primarily to the financial risks of changes in commodity prices, foreign currency exchange rates and interest rates.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Group’s exposure to the risk of changes in market interest rates relates primarily to the Group’s financial assets and liabilities with floating interest rates. These financial assets and liabilities with floating interest rates includes cash and bank balances and interest bearing loans which are mostly on floating rate basis.

Sensitivity

For floating rate assets, the analysis is prepared assuming the amount of the assets held outstanding at the end of the reporting period was outstanding for the whole year. As at reporting date, if interest rates had been 100 basis point higher/lower with all other variables held constant, income for the year would have been QR 105 million (2020: QR 92.3 million) higher/lower, mainly as a result of higher/lower interest income on floating rate assets and liabilities.

(ii) Foreign currency exchange risk

The Group undertakes certain transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Management is of the opinion that the Group’s exposure to currency risk is not significant as most of its foreign currency transactions are in United States Dollar which is pegged to Qatari Riyal.

34. FINANCIAL RISK MANAGEMENT (CONTINUED)

b. Market risk (continued)

(iii) Equity price risk

The Group's listed investments are susceptible to equity price risk arising from uncertainties about future values of the investments. The Group manages the equity price risk through diversification and placing limits on individual and total portfolio of equity instruments. Reports on the equity portfolio are submitted to QatarEnergy's (formerly Qatar Petroleum) senior management on a regular basis and results are reviewed by the Board of Directors of each Group entity.

Sensitivity

As at the reporting date, the exposure to listed equity securities at fair value was QR 344.9 million (2020: QR 344.8 million) which includes financial assets at FVTPL (Note 12). An increase or decrease of 10% on the Qatar Exchange (QE) index would have an impact of approximately QR 34.5 million (2020: QR 34.5 million) on the equity.

The majority of the Group's equity investments are publicly traded and are included in the Qatar Stock Exchange.

(iv) Commodity price risk

Exposure

Volatility in prices of oil and gas and refined products is a pervasive element of the Group's business environment as the Group's production and purchase of certain products and sales of refined products and crude oil are based on international commodity prices in accordance with a commercial supply agreement entered into with sales agents. The Group's refining margin is affected by disproportionate fluctuations in the prices of crude oil and refined products.

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

The Group does not use any derivative instruments to manage commodity price risks or for speculative purposes. The Group' sensitivity to commodity prices has not changed significantly from the prior year.

c. Credit risk

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

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 of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the creditworthiness of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management annually.

34. FINANCIAL RISK MANAGEMENT (CONTINUED)

c. Credit risk (continued)

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Further, the Group limits its exposure on export customers by taking out letters of credit.

In order to minimise credit risk, the Group develops and maintains the Group's credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the the Group uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

December 31, 2021	**Note**	**External credit ratings**	**12 month or lifetime ECL**	**Gross carrying amount**	**Loss allowance**	**Net carrying amount**
				QR '000	**QR '000**	**QR '000**
Trade and other receivables*	14	N/A	Lifetime ECL	**2,266,534**	**(58,721)**	**2,207,813**
Fixed deposits	6	N/A	Lifetime ECL	**9,479,477**	**--**	**9,479,477**
Cash and bank balances	5	Aaa, Aa and A	12-month ECL	**4,606,901**	**--**	**4,606,901**

December 31, 2020	Note	External credit ratings	12 month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
				QR '000	QR '000	QR '000
Trade and other receivables*	14	N/A	Lifetime ECL	1,491,438	(56,999)	1,434,439
Fixed deposits	6	N/A	Lifetime ECL	6,945,965	-	6,945,965
Cash and bank balances	5	Aaa, Aa and A	12-month ECL	1,855,294	-	1,855,294

*Trade and other receivables includes trade accounts receivable at amortised costs, due from related parties, loans to employees, accrued interest and other receivables.

For trade receivables and lease receivables, the Group has applied the simplified approach to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

34. FINANCIAL RISK MANAGEMENT (CONTINUED)

c. Liquidity risk

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

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

Analysis of financial assets and liabilities

The table below summarises the maturity profile of the Group's financial assets and liabilities as at the reporting date based on undiscounted contractual repayment obligations:

Contractual maturities of financial liabilities	**Less than 1 year**	**Between 1-5 years**	**More than 5 years**	**Total non-current**	**Total contractual cash flows**	**Carrying amount of liabilities**
	QR '000	**QR '000**	**QR '000**	**QR '000**	**QR '000**	**QR '000**
At December 31, 2021						
Lease liability	**102,577**	**169,702**	**304,582**	**474,284**	**576,861**	**373,676**
Trade payables	**299,626**	**--**	**--**	**--**	**299,626**	**299,626**
Accrued expenses	**518,950**	**--**	**--**	**--**	**518,950**	**518,950**
Financial guarantees	**400,000**	**--**	**--**	**--**	**400,000**	**400,000**
Due to related parties	**391,717**	**--**	**--**	**--**	**391,717**	**391,717**
Due to government	**34,289**	**--**	**--**	**--**	**34,289**	**34,289**
Other payables	**346,384**	**--**	**--**	**--**	**346,384**	**346,384**
	2,093,543	**169,702**	**304,582**	**474,284**	**2,567,827**	**2,364,642**

Contractual maturities of financial liabilities	Less than 1 year	Between 1-5 years	More than 5 years	Total non-current	Total contractual cash flows	Carrying amount of liabilities
	QR '000	QR '000	QR '000	QR '000	QR '000	QR '000
At December 31, 2020						
Lease liability	94,968	180,895	344,733	525,628	620,596	400,086
Trade payables	97,304	--	--	--	97,304	97,304
Accrued expenses	417,679	--	--	--	417,679	417,679
Financial guarantees	400,000	--	--	--	400,000	400,000
Due to related parties	243,105	--	--	--	243,105	243,105
Due to government	34,289	--	--	--	34,289	34,289
Other payables	210,652	--	--	--	210,652	210,652
	1,497,997	180,895	344,733	525,628	2,023,625	1,803,115

34. FINANCIAL RISK MANAGEMENT (CONTINUED)

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, 2021 and 2020.

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

Gearing ratio

The gearing ratio at year end was as follows:

	2021	2020
	QR.'000s	QR '000
Debt (i)	**--**	36,597
Cash and cash equivalents (Note 5)	**(4,515,143)**	(1,717,223)
Net debt	**(4,515,143)**	(1,680,626)
Equity (ii)	**39,510,288**	33,613,003
Net debt to equity ratio	**(11.43%)**	(5.00%)

(i) Debt is defined as long-term and short-term borrowings (Note 22).
(ii) Equity is comprised of share capital, reserves, retained earnings and non-controlling interest.

35. FAIR VALUES OF FINANCIAL INSTRUMENTS

a.) Fair value measurements

Financial instruments represent any contractual agreement that creates a financial asset, financial liability or an equity instrument. Financial assets comprise bank balances, trade and other receivables, amounts due from related parties, financial assets at fair value though profit or loss (FVTPL). Financial liabilities comprise trade payables and other non-current liabilities.

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

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

Classes and categories of financial instruments and their fair values

The following table combines information about:

- classes of financial instruments based on their nature and characteristics;
- the carrying amounts of financial instruments;
- fair values of financial instruments; and
- fair value hierarchy levels of financial assets and financial liabilities for which fair value was disclosed.

35. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

a.) Fair value measurements (continued)

Classes and categories of financial instruments and their fair values (continued)

December 31, 2021

	Valuation technique(s) and key input(s)	Financial assets		Financial liabilities			Fair value Level			
		FVTPL	Amortised cost	FVTPL	Amortised cost	Total	1	2	3	Total
		QR '000s	QR '000s	QR '000s	QR '000s	QR '000s	QR '000s	QR '000s	QR '000s	QR '000s
Trade and other receivables *	At amortized cost	--	2,207,813	--	--	2,207,813	--	--	2,207,813	2,207,813
Financial assets at fair value through profit or loss	Quoted price in an active market	344,925	--	--	--	344,925	344,925	--	--	344,925
Financial assets at fair value through profit or loss	Based on unobservable inputs	3,585	--	--	--	3,585	--	--	3,585	3,585
Receivables measured at fair value	Based on unobservable inputs	2,166,729	--	--	--	2,166,729	--	--	2,166,729	2,166,729
Cash and bank balances	At amortized cost	--	4,606,901	--	--	4,606,901	--	--	4,606,901	4,606,901
Fixed deposits	At amortized cost	--	9,479,477	--	--	9,479,477	--	--	9,479,477	9,479,477
Lease liability	At amortized cost	--	--	--	373,676	373,676	--	--	373,676	373,676
Trade and other payables**	At amortized cost	--	--	--	1,700,204	1,700,204	--	--	1,700,204	1,700,204

*Trade and other receivables is net of expected credit losses and includes trade accounts receivable at amortised costs, due from related parties, loans to employees, accrued interest and other receivables.
**Trade and other payables include trade payables, due to related parties, financial guarantees, accrued expenses, due to government and other payables.

35. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

a.) Fair value measurements (continued)

Classes and categories of financial instruments and their fair values (continued)

December 31, 2020

		Carrying value					Fair value			
		Financial assets		Financial liabilities			Level			
	Valuation technique(s) and key input(s)	FVTPL	Amortised cost	FVTPL	Amortised cost	Total	1	2	3	Total
		QR '000s	QR '000s	QR '000s	QR '000s	QR '000s	QR '000s	QR '000s	QR '000s	QR '000s
Trade and other receivables *	At amortized cost	--	1,434,439	--	--	1,434,439	--	--	1,434,439	1,434,439
Financial assets at fair value through profit or loss	Quoted price in an active market	344,782	--	--	--	344,782	344,782	--	--	344,782
Financial assets at fair value through profit or loss	Based on unobservable inputs	3,585	--	--	--	3,585	--	--	3,585	3,585
Receivables measured at fair value	Based on unobservable inputs	761,060	--	--	--	761,060	--	--	761,060	761,060
Cash and bank balances	At amortized cost	--	1,855,294	--	--	1,855,294	--	--	1,855,294	1,855,294
Fixed deposits	At amortized cost	--	6,945,965	--	--	6,945,965	--	--	6,945,965	6,945,965
Lease liability	At amortized cost	--	--	--	400,086	400,086	--	--	400,086	400,086
Trade and other payables**	At amortized cost	--	--	--	1,225,985	1,225,985	--	--	1,225,985	1,225,985

*Trade and other receivables is net of expected credit losses and includes trade accounts receivable at amortised costs, due from related parties, loans to employees, accrued interest and other receivables.
**Trade and other payables include trade payables, due to related parties, financial guarantees, accrued expenses, due to government and other payables.

The Group has received the Actual Net Back Unit Price (ANUP) from Qatar Chemical and Petrochemical Marketing and Distribution Company (QCPMDC), prior to closure of the financial period end, which has been used to measure the receivables from Qatar Chemical and Petrochemical Marketing and Distribution Company (QCPMDC). Moreover, the impact of price adjustment is considered to be not significant. Hence, the carrying amount has been considered to equal the fair value.

During the year ended December 2021, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

35. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

b.) Reconciliation of liabilities arising from financing activities

The below table details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes.

	At January 1, 2021	**Financing cash flows**	**Non cash changes *(Note 11)***	**At December 31, 2021**
	QR '000	**QR '000**	**QR '000**	**QR '000**
Bank borrowings	**36,597**	**(36,597)**	**--**	**--**
Lease liability	**400,086**	**(44,517)**	**18,107**	**373,676**

	At January 1, 2020	Financing cash flows	Non cash changes *(Note 11)*	At December 31, 2020
	QR '000	QR '000	QR '000	QR '000
Bank borrowings	--	32,842	3,755	36,597
Lease liability	200,804	(59,974)	259,256	400,086

36. RESTATEMENT OF PRIOR PERIOD BALANCES

The consolidated financial statements have been restated as at December 31, 2020 by restating each affected financial statements line items for the prior period in accordance with the requirements 'IAS 8 Accounting policies, Changes in Estimates and Errors' and impact is set-out below.

During the year, management have identified an error in the calculation of the amount of depreciation expense recognized for the year ended December 31, 2020 pertaining to certain property, plant and equipment acquired when the Group obtained full control over QAFCO (Note 10).

Reconciliation of restated and previously reported amounts in the consolidated statement of profit and loss and other comprehensive income for the period ended December 31, 2020:

	As previously reported, December 31, 2020	**Adjustments**	**As restated December 31, 2020**
	QR'000	QR'000	QR'000
Consolidated Statement of Financial Position			
As at December 31,2020			
ASSETS			
Non-current assets			
Property, plant and equipment	13,881,968	(164,425)	13,717,543
EQUITY AND LIABILITIES			
EQUITY			
Retained earnings	27,550,929	(164,425)	27,386,504
Consolidated Statement of Profit or Loss			
For the year ended December 31, 2020			
Cost of sales	(6,301,744)	(164,425)	(6,466,169)
Profit before tax	2,010,071	(164,425)	1,845,646
Earnings per share	0.33	(0.03)	0.30

36. RESTATEMENT OF PRIOR PERIOD BALANCES (CONTINUED)

The effect on the consolidated statement of cashflows is as follows:

	As previously reported December 31, 2020	Adjustments	As restated December 31, 2020
	QR.'000	QR.'000	QR.'000
Operating activities			
Profit for the year before tax	2,010,071	(164,425)	1,845,646
Depreciation and amortization of property, plant and equipment and intangible assets	1,392,904	164,425	1,557,329

37. IMPACT OF COVID-19

Following a challenging and uncertain 2020, the global economy has recovered to a greater extent during 2021. Effective vaccine rollouts, easing of lock downs in almost all regions, fiscal supports by several governments, monetary aids by many central banks have assisted the global economy to bounce back from its troughs almost throughout 2020. In line with sequential recovery of global economy, demand for goods and services started to rise and the group performance for the year 2021 has clearly reflected the recovery. The Group will continue to closely monitor the situation and will activate its business continuity planning and other risk management practices to manage any potential business impact due to any further development of the pandemic