صناعات قطر
Industries Qatar

Notice to Shareholders of Industries Qatar (Q.P.S.C.)

We are pleased to invite you to attend the Company's Ordinary and Extraordinary Assembly Meetings to be held on Tuesday, March 5th, 2019 at 4:00 pm in Al Rayan Ballroom, Sheraton Hotel - Doha. In the case a quorum is not met, a second meeting will be held on Tuesday, March 12th, 2019 at 4:00 pm in the same location.

Agenda of the Ordinary General Assembly Meeting

1. Listen to the Chairman's Message for the financial year ended December 31, 2018.
2. Listen and approve the Board of Directors' Report on IQ's operations and financial performance for the financial year ended December 31, 2018, and the future plans of the company.
3. Listen and approve the Auditors' Report on IQ's consolidated financial statements for the financial year ended December 31, 2018.
4. Approval of IQ's financial statements for the financial year ended December 31, 2018.
5. Approve the 2018 Corporate Governance Report.
6. Approve the Board's recommendation for a dividend payment of QR 6 per share, representing 60% of the nominal share value.
7. Absolve the Board of Directors from responsibility for the year 2018 and approve their remuneration.
8. Appointment of the external auditors for the financial year ending December 31, 2019 and approve their fees.

Agenda of the Extraordinary General Assembly Meeting

1. Amend some Articles of the Company's Articles of Association pursuant to QFMA Board decision of its 4th meeting of 2018 held on 162018/12/ on amending the nominal value of the shares of the companies listed on the main market and the secondary market in Qatar to become one (1) Qatari Riyal.

Notes

1. Please bring your Identity Card and NIN number issued by the Qatar Exchange to the venue of the General Assembly meetings for registration, which will commence at 3:30 pm.
2. If you are not able to attend personally, you may wish to authorize another IQ shareholder to attend and vote on your behalf in the General Assembly meetings. You can do this by using a proxy form, which you can download from the Company's Website: www.iq.com.qa.
3. Once completed and signed, the proxy form must be delivered to Industries Qatar no less than 48 hours prior to the commencement of the General Assembly meetings.
4. No proxy may be appointed to act if, in consequence of such appointment, the proxy shall represent more than five (5) percent of the Company's issued share capital when the shares of the person appointing the proxy are aggregated with the shares of the person appointed to act as proxy.
5. A shareholder may act as proxy for one or more shareholders according to the Company's Articles of Association.
6. Shareholders are advised that this Notice to Shareholders constitutes good and valid notice, with no need for distribution by normal post, under the Company's Articles of Association as approved by amendment under Extraordinary General Assembly Resolution of 19 April, 2009.

Eng. Saad Sherida Al Kaabi
Chairman and Managing Director

IQ Board of Directors' Report (2018)

The Board of Directors is pleased to present its annual report on the financial and operational performance of Industries Qatar, a premier blue chip group in Qatar and one of the largest and most profitable listed companies in the Middle East.

Financial Performance

2018 was a solid year as the group witnessed sound financial and operating results with a revenue of QR 16.3 billion, and net profit of QR 5.0 billion. These results were significantly higher than the results of 2017 with revenue and net profit exceeding the previous year by ~16% and ~52% respectively.

Stable production, record sales volumes, modest improvement in product prices, and the group's continued focus on cost optimization and efficiency improvements were the main factors those helped the group achieving these commendable results. However, these results were somewhat impacted by increased raw material and energy costs and unplanned outages in some production facilities.

Product prices across the group have shown modest improvement versus last year. Petrochemical prices, particularly the prices of fuel additives, have improved moderately on the backdrop of a notable increase in crude oil prices during most of 2018. Fertilizer prices have improved due to rising energy costs and a scarcity of supply in some markets. Steel prices have shown a modest increase on account of rising raw material and other related production costs.

The group's sales volumes have reached to a new record level. Change in the group's sales strategy and a general increase in the global demand have aided the group to record its highest sales volumes level to date. The change of sales strategy was also helpful in mitigating any residual issues that arose from the 2017 blockade by some of the neighboring countries. Production volumes remained relatively unchanged despite a few unplanned outages in some of the facilities.

Revenue

Total revenue[1] recorded for the year ended December 31, 2018 was QR 16.3 billion, a notable increase of QR 2.2 billion, or ~16%, over the previous year. On the other hand, the reported revenue[2] according to IFRS 11, was QR 5.8 billion, a commendable increase of ~25% versus the same period of 2017.

Petrochemical Segment[3]

The petrochemical segment reported a revenue of QR 5.8 billion, a year-on-year increase of QR 0.3 billion, or ~ 5% over 2017. This increase was primarily driven by the improved sales volumes. Sales volumes in 2018 did show a slight growth, as the group's polyolefin facilities returned to normal production levels following the unplanned outage in the first quarter of 2017. Fuel additive sales, on the other hand, remained relatively unchanged on last year, as fuel additive plants operated throughout the year with no shutdowns. The slight increase in the prices of the products too have marginally contributed towards the growth in the revenue.

Fertilizer Segment

Revenue in the fertilizer segment amounted to QR 4.7 billion, a noteworthy increase of QR 0.7 billion, or ~ 19% versus 2017. The increase was primarily driven by a notable price increase in both ammonia and urea. Fertilizer prices remain bullish in the second half of the year due to rising energy costs and tight supplies. The group was able to increase the production yield in the fertilizer facilities despite an increase in the unplanned outage days, and maintained the sales volumes in the current year.

Steel Segment

The steel segment closed the year with revenue of QR 5.8 billion for the year ended December 31, 2018, a significant increase of QR 1.2 billion or ~25% versus 2017. The increase was primarily due to the combined effect of increased sales volumes and selling prices subsequent to changing the group's sales and marketing strategy.

Profits and Margins

EBITDA[4] reported for the year ended December 31, 2018 was QR 5.3 billion, a significant increase of QR 1.4 billion, or ~ 46%, on last year. This notable increase was driven by several factors including moderately improved prices, a slight increase in sales volumes, and a reduction in the controllable operating expenditures, increased other income, but partially offset by increased raw material and energy costs and unplanned outages in some production facilities.

Net profit for 2018 was QR 5.0 billion, a remarkable increase of QR 1.7 billion, or ~ 52%, against last year, with the favorable year-on-year variance attributable to the same reasons as the EBITDA variance.

Financial Position and Cash Flows

Total assets reported as at 31 December 2018 was QR 37.1 billion, an increase of QR 1.8 billion or 5% on last year. This increase was primarily driven by the increase in the Cash and bank balances, which significantly increased by QR 2.8 billion or 36% compared to previous year on account of robust investment cash flows, minimal capital expenditure and debt repayment. Capital expenditure, which was primarily limited to facility maintenance, amounted only to QR 0.2 billion. Cash and bank balances now stand at QR 10.6 billion. On the other hand, total cash and bank balances across the group[5] is QR 13.1 billion, a record for the group.

During the year, the group generated net cash flow of QR 1.3 billion, resulting in the group's cash and cash equivalent[6] reaching QR 1.9 billion. Operating cash flows of QR 1.2 billion and investment cash flows of QR 3.3 billion, which primarily consist of dividends received from joint ventures, were more than adequate to make debt repayments and pay 2017 dividends.

Strategy and Future Plans

The group's base case business plan for the next five years will continue to focus on market development, productivity and efficiency gains via the on-going cost optimization programs. Additionally, we will selectively invest in capital investment projects that we believe will increase our competitive position and add value to our esteemed shareholders. Moreover, our efforts on optimization will continue until the group achieves its full potential.

Proposed Dividend Distribution

The Board of Directors proposes a total annual dividend distribution for the year ended December 31, 2018 of QR 3.6 billion, equivalent to a payout of QR 6 per share, representing a payout ratio of 72.2%, and a dividend yield of 4.35% on 11 February 2019's closing share price.

Conclusion

The Board of Directors expresses its gratitude to His Highness Sheikh Tamim bin Hamad Al-Thani, the Amir of the State of Qatar, for his wise guidance and strategic vision. Our gratitude is also extended to H.E. Mr. Saad Sherida Al-Kaabi, Minister of State for Energy Affairs, Chairman of the Board of Directors and Managing Director, for his vision and leadership, and to the senior management of the group companies for their hard work, commitment and dedication. We also would like to thank our esteemed shareholders for the great trust you place in us.

[1] Total revenue is computed as the revenue of fully owned subsidiary plus share of revenue in directly and indirectly held joint ventures;

[2] Reported revenue = revenue reported in the financial statement representing the revenue of fully owned subsidiary Qatar Steel;

[3] Petrochemical segment's revenue is computed by taking the group share of revenue in Qapco and Qafac. Qapco's revenue is computed by taking the share of revenue in its joint ventures namely Qatofin, QVC and QPPC. This revenue may defer from the revenues reported under the note 29 (Segmental Reporting) of the financial statements. Group share of revenue reported for the petrochemical segment under note 29 of the financial statement is QR 4.4 billion.

[4] EBITDA = Net Profit + Depreciation + Impairment Charges + Finance Charges.

[5] Cash & Bank across the group = Cash & Bank at the parent plus subsidiary plus joint ventures;

[6] Cash and cash equivalent = Cash and Bank as per Balance Sheet less fixed deposit maturing over 90 days;

Consolidated financial statements and Independent Auditor's Report For the year ended 31 December 2018

Independent auditor's report to the shareholders of Industries Qatar Q.P.S.C.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIALSTATEMENTS

Our opinion

In our opinion, the consolidated financial statements of Industries Qatar Q.P.S.C. (the "Company") and its subsidiaries (together the «Group») present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

What we have audited

The Group›s consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Our audit approach

Overview

Key Audit Matters — **Impairment of investments in associates and joint ventures**

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.
We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

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

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Key audit matter	How our audit addressed the Key audit matter

Impairment of investments in associates and joint ventures

Key audit matter

The Group's investment in associates and joint ventures amounted to QR 1.4 billion and QR 17.9 billion, respectively, totalling QR 19.3 billion at 31 December 2018, representing 52% of total Group assets at that date. These investments are accounted for using the equity method, because of the Group's significant influence over, or joint control of, these entities that comes from its shareholdings (note 2.2.4).

The Group assesses at each reporting date whether there is any objective evidence that an investment accounted for using the equity method is impaired. The decrease in sale prices in the market, reduced profitability and increasing cost pressures, amongst other factors, are considered to be possible indicators that an impairment may exist.

Therefore, where such indicators existed, in accordance with IFRS and the Group's accounting policies, an impairment review of certain investments in associates and joint ventures was performed by management using a value in use model to estimate the investments' values assuming the investments continue to be held rather than sold.

When deemed necessary, management performed a further impairment review at the level of subsidiaries, associates, and joint venture entities indirectly held by the Group through its associates and joint ventures.

Based on those impairment reviews, the Group recognised an impairment loss of QR 49.5 million for one of its associates in the year ended 31 December 2018.

The many assumptions used in the model to estimate future profits from associates and joint ventures attributable to the Group are derived from a combination of analysts' forecasts and management's best estimates and are highly judgemental. These are difficult to substantiate and require management to form a view on future growth in the steel, petrochemicals, and fertilisers segments of activities, and the economic circumstances of Qatar and other GCC countries where the Group mainly operates. Refer to Note 4 for more details about critical accounting estimates and assumptions used.

We focused on this area because of the materiality of investments in associates and joint ventures, and an impairment, if it exists, could have a material impact on the consolidated financial statements. We also focused on this area due to the significant judgments involved in performing the impairment test as set out above.

Refer to notes 8 and 9 in the consolidated financial statements for the details of investments in associates and joint ventures, respectively.

How our audit addressed the Key audit matter

We reviewed the Group's investments in associates and joint ventures to determine whether any impairment indicators existed at the reporting period to confirm whether the impairment assessment is carried out when required under IFRS.

We obtained management's impairment model and discussed the critical assumptions used both with them and with the Board Audit Committee (BAC).

The discussion focussed on the growth rates used to estimate future cash flows and the discount rates applied to these. Additional levels of discussion were carried out when estimated cash flows were not based on Board approved business plans or the plans were not very recent.

Our internal valuation experts reviewed the appropriateness of the model and the inputs selected to calculate the value in use of each investment individually. They independently recalculated the discount rates applied to the cash flows in the model based on their assessment of the Group's specific financing and capital costs.

We tested the inputs used in the determination of the assumptions for the calculation of the value in use to third-party sources and other relevant evidences as appropriate , including using external data from analysts' reports.

We tested the mathematical accuracy of the impairment model.

We also reviewed the disclosures in the consolidated financial statements made in relation to impairment testing for compliance with accounting standards.

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 complete 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 IFRS and with the requirements of the Qatar Commercial Companies Law number 11 of 2015, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Further, as required by the Qatar Commercial Companies Law number 11 of 2015, we report that:
- We have obtained all the information we considered necessary for the purposes of our audit;
- The Company has carried out a physical verification of inventories at the year-end in accordance with observed principles;
- The Company has maintained proper books of account and the consolidated financial statements are in agreement therewith; and
- Nothing has come to our attention, which causes us to believe that the Company has breached any of the provisions of the Qatar Commercial Companies Law number 11 of 2015, or of its Articles of Association, which would materially affect the reported results of its operations or its consolidated financial position as at 31 December 2018.

For and on behalf of PricewaterhouseCoopers – Qatar Branch
Qatar Financial Market Authority registration number 120155

Mohamed Elmoataz
Auditor's registration number 281
Doha, State of Qatar
11 February 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2018	2017
Profit for the year		**5,029,816**	3,315,402
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
Available for sale financial investments			
Net movement in cumulative changes in fair value	10	**-**	(140,405)
Share of other comprehensive income of investment in joint ventures			
Movement in cash flow hedges	9	**-**	51,018
Net unrealised gain on defined benefit obligation	9	**15,905**	-
Share of other comprehensive income of investment in associates			
Movement in cash flow hedges	8	**1,349**	2,377
		17,254	2,377
Items that will not be reclassified to profit or loss			
Changes in the fair value of equity investments at fair value through other comprehensive income		**(1,081)**	-
Other comprehensive income/(loss) for the year		**16,173**	(87,010)
Total comprehensive income for the year		**5,045,989**	3,228,392

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2018	2017 (Restated)	2016 (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment	7	**3,437,916**	3,520,369	3,670,978
Investments in associates	8	**1,407,089**	1,438,788	1,451,409
Investments in joint ventures	9	**17,885,703**	18,592,745	18,087,325
Available-for-sale investments	10	**-**	533,890	674,295
		22,730,708	24,085,792	23,884,007
Current assets				
Inventories	11	**1,717,078**	1,444,233	1,243,570
Trade and other receivables	12	**1,669,172**	1,903,439	1,727,900
Financial assets at fair value through profit or loss	10	**364,027**	3,585	3,585
Cash and cash equivalents	5	**2,007,613**	747,627	1,098,144
Fixed deposits	6	**8,581,090**	7,041,075	6,973,371
		14,338,980	11,139,959	11,046,570
Total assets		**37,069,688**	35,225,751	34,930,577
EQUITY AND LIABILITIES				
EQUITY				
Share capital	13	**6,050,000**	6,050,000	6,050,000
Legal reserve	14	**126,824**	94,863	74,999
Fair value reserve	14	**-**	232,941	373,346
Hedging reserve	14	**602**	(747)	(54,142)
Other reserve	14	**15,905**	-	-
Retained earnings		**29,297,132**	27,217,336	26,425,507
Total equity		**35,490,463**	33,594,393	32,869,710
LIABILITIES				
Non-current liabilities				
Borrowings	17	**-**	-	225,758
Employees' benefit obligations	18	**205,024**	199,095	214,983
		205,024	199,095	440,741
Current liabilities				
Borrowings	17	**-**	225,758	450,571
Trade and other payables	19	**1,374,201**	1,206,505	1,169,555
		1,374,201	1,432,263	1,620,126
Total liabilities		**1,579,225**	1,631,358	2,060,867
Total equity and liabilities		**37,069,688**	35,225,751	34,930,577

These consolidated financial statements were approved and authorized for issue by the Board of Directors on 11 February 2019 and signed on their behalf by:

Saad Sherida Al-Kaabi
Chairman and Managing Director

Abdulaziz Mohammed Al-Mannai
Vice Chairman

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Year ended 31 December 2018	2017
Revenues	22	**5,791,018**	4,628,483
Cost of sales	23	**(4,868,058)**	(3,918,924)
Gross profit		**922,960**	709,559
General and administrative expenses	26	**(157,021)**	(199,196)
Selling and distribution expenses		**(81,950)**	(57,826)
Share of net results of investment in joint ventures	9	**3,877,848**	2,606,615
Share of net results of investment in associates	8	**32,643**	27,943
Impairment of investment in associates	8	**(49,535)**	(101,261)
Income from investments	25	**338,498**	254,610
Finance cost		**(1,948)**	(10,034)
Other income	24	**148,321**	84,992
Profit for the year		**5,029,816**	3,315,402
Earnings per share			
Basic and diluted earnings per share (QR per share)	21	**8.31**	5.48

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	Legal reserve	Fair value reserve	Hedging reserve	Other reserve	Retained earnings (Restated)	Total
Balance at 1 January 2017 (as previously reported)		6,050,000	74,999	373,346	(54,142)	-	27,069,762	33,513,965
Correction of prior period errors (Note 32)		-	-	-	-	-	(644,255)	(644,255)
Restated balance at 1 January 2017		6,050,000	74,999	373,346	(54,142)	-	26,425,507	32,869,710
Profit for the year		-	-	-	-	-	3,315,402	3,315,402
Other comprehensive loss for the year		-	-	(140,405)	53,395	-	-	(87,010)
Total comprehensive income for the year		-	-	(140,405)	53,395	-	3,315,402	3,228,392
Dividends declared for 2016	16	-	-	-	-	-	(2,420,000)	(2,420,000)
Social fund contribution	15	-	-	-	-	-	(83,709)	(83,709)
Transfer to legal reserve	14	-	19,864	-	-	-	(19,864)	-
Balance at 31 December 2017		6,050,000	94,863	232,941	(747)	-	27,217,336	33,594,393
Balance at 1 January 2018 as originally presented		**6,050,000**	**94,863**	**232,941**	**(747)**	**-**	**27,861,591**	**34,238,648**
Adoption of new accounting policy (Note 3)		**-**	**-**	**(232,804)**	**-**	**-**	**232,804**	**-**
Correction of prior period errors (Note 32)		**-**	**-**	**-**	**-**	**-**	**(644,255)**	**(644,255)**
Adjusted total equity at 1 January 2018		**6,050,000**	**94,863**	**137**	**(747)**	**-**	**27,450,140**	**33,594,393**
Loss on disposal of equity investments at fair value through other comprehensive income		**-**	**-**	**944**	**-**	**-**	**(944)**	**-**
Profit for the year		**-**	**-**	**-**	**-**	**-**	**5,029,816**	**5,029,816**
Other comprehensive income for the year		**-**	**-**	**(1,081)**	**1,349**	**15,905**	**-**	**16,173**
Total comprehensive income for the year		**-**	**-**	**(1,081)**	**1,349**	**15,905**	**5,029,816**	**5,045,989**
Dividends declared for 2017	16	**-**	**-**	**-**	**-**	**-**	**(3,025,000)**	**(3,025,000)**
Social fund contribution	15	**-**	**-**	**-**	**-**	**-**	**(124,919)**	**(124,919)**
Transfer to legal reserve	14	**-**	**31,961**	**-**	**-**	**-**	**(31,961)**	**-**
Balance at 31 December 2018		**6,050,000**	**126,824**	**-**	**602**	**15,905**	**29,297,132**	**35,490,463**

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CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2018	2017
Cash flows from operating activities			
Profit for the year		**5,029,816**	3,315,402
Adjustments for:			
Depreciation and amortisation	7	**237,437**	225,422
Provision for employees' end of service benefits - net	18	**5,929**	(15,888)
Share of net results from investment in joint ventures	9	**(3,877,848)**	(2,606,615)
Share of net results from investment in associates	8	**(32,643)**	(27,943)
Loss on disposal of property, plant and equipment		**5,225**	11,195
Dividend received from financial assets at fair value through profit or loss (2017: available-for-sale investments)	25	**(26,756)**	(23,730)
Fair value gains from financial assets at fair value through profit or loss		**(14,483)**	-
Gain on disposal of financial assets at fair value through profit or loss		**(5,703)**	-
Finance costs		**1,948**	10,034
Interest income	25	**(311,742)**	(230,880)
Impairment of investment in associate	8	**49,535**	101,261
Operating cash flows before changes in working capital		**1,060,715**	758,258
Changes in working capital			
Inventories		**(272,845)**	(200,663)
Trade and other receivable		**342,494**	(60,008)
Trade and other payable		**119,082**	42,325
Cash generated from operations		**1,249,446**	539,912
Social fund contribution		**(83,709)**	(71,757)
Net cash generated from operating activities		**1,165,737**	468,155
Cash flows from investing activities			
Proceeds from disposals of property, plant and equipment		**-**	112
Additions to property, plant and equipment	7	**(160,209)**	(86,120)
Dividend received from investment in associate	8	**16,156**	40,000
Proceeds from disposal of financial assets at fair value through profit or loss	10	**192,019**	-
Proceeds from disposal of financial assets at fair value through other comprehensive income		**534**	-
Dividend received from financial assets at fair value through profit or loss (2017: available-for-sale investments)	25	**26,756**	23,730
Dividends received from investment in joint ventures		**4,570,001**	2,062,933
Additional investment in Foulath Holding B.S.C.	8	**-**	(98,320)
Movement in fixed deposits	6	**(1,540,015)**	(67,704)
Interest income received		**234,309**	204,630
Net cash generated from investing activities		**3,339,551**	2,079,261
Cash flows from financing activities			
Repayment of borrowings		**(225,758)**	(450,571)
Finance costs paid		**(1,948)**	(10,034)
Movement in unclaimed dividend bank accounts		**(7,405)**	17,328
Dividends paid to equity holders		**(3,017,596)**	(2,437,328)
Net cash used in financing activities		**(3,252,707)**	(2,880,605)
Net increase/(decrease) in cash and cash equivalents		**1,252,581**	(333,189)
Cash and cash equivalents at beginning of year		**631,134**	964,323
Cash and cash equivalents at end of year	5	**1,883,715**	631,134

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 19 April 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 29. The structure of the Group, included in these consolidated financial information is as follows:

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

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

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

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

Qatar Fuel Additives Company Limited Q.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 by LCY Middle East Corporation (15%), a body corporate formed under the laws of the British Virgin Islands. QAFAC is engaged in the production and export of methyl-tertiary-butyl-ether (MTBE) and methanol.

Effective 1 May 2018, Qatar Steel Company Q.P.S.C. entered into an offtake agreement with Qatar Chemical and Petrochemical Marketing and Distribution Company (Muntajat) Q.J.S.C. to buy and resell all the products manufactured by Qatar Steel for an agreed marketing fee.

The consolidated financial statements of the Group for the year ended 31 December 2018 was approved and authorised for issue by the Board of Directors on 11 February 2019.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

2.1.1 Compliance with IFRS

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

2.1.2 Historical cost convention

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

2.1.3 New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make the necessary adjustments as a result of adopting the following standards:

- IFRS 9 *Financial Instruments*
- IFRS 15 *Revenue from Contracts with Customers*
- *Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2*
- *Annual Improvements 2014-2016 cycle*
- *Transfers to Investment Property – Amendments to IAS 40*
- *Interpretation 22 Foreign Currency Transactions and Advance Consideration*

The Group had to change its accounting policies and make certain retrospective adjustments following the adoption of IFRS 9 and IFRS 15. This is disclosed in Note 3. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2.1.4 New and amended standards not yet adopted by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting period and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

Title of standard	*IFRS 16 Leases*
Nature of change	IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.
Impact	The Group's management has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of QR 168.2 million, see Note 27. None of these commitments relate to short-term leases or low value leases which will both be recognised on a straight-line basis as expense in profit or loss. The Group expects to recognise right-of-use assets of approximately QR 120 million on 1 January 2019, lease liabilities of QR 120 million (after adjustments for prepayments and accrued lease payments recognised as at 31 December 2018). Net current assets will be QR 51 million lower due to the presentation of a portion of the liability as a current liability. The Group expects that net profit will decrease by approximately QR 4.2 million for 2019 as a result of adopting the new rules. Operating cash flows will increase and financing cash flows decrease by approximately QR 9.0 million as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.
Date of adoption by Group	Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2 Principles of consolidation and equity accounting

2.2.1 Subsidiaries

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

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

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

2.2.2 Associates

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

2.2.3 Joint arrangements

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

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

2.2.4 Equity method

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

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

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

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

2.2.5 Changes in ownership interest

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

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

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

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the 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 29, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.4 Foreign currency translation

2.4.1 Functional and presentation currency

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

2.4.2 Transactions and balances

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

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

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

2.4.3 Group companies

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

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and;
- all resulting exchange differences are recognised in other comprehensive income.

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

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

2.5 Property, plant and equipment

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

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

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

Buildings	25 years or land lease term, whichever is shorter
Plant machinery and equipment	6 - 25 years
Furniture and other equipment	4 - 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.

2.6 Impairment of non-financial assets

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

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

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

2.7 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.

2.8 Trade and other payables

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

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

2.9 Borrowings

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

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

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

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

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

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

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

2.11 Employee benefits

2.11.1 Short-term obligations

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

2.11.2 Post-employment benefits

The Group operates defined contribution and defined benefit retirement plans.

(a) Defined contribution pension plan

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

(b) Defined benefit plan

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.

2.11.3 Other short-term employees' benefits

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

2.12 Provisions

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

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

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

2.13 Operating leases

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

2.14 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.

2.15 Dividends distribution

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

2.15 Dividends distribution

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

2.16 Exceptional items

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

2.17 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.

2.18 Investments and other financial assets

Accounting policies adopted from 1 January 2018

For the new accounting policies adopted by the Group effective 1 January 2018, please refer to Note 3.

Accounting policies applied until 31 December 2017

The Group has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Classification

Until 31 December 2017, the Group classified its financial assets in the following categories:

- Loans and receivables,
- Financial assets at fair value through profit or loss, and
- Available-for-sale financial assets.

The classification depended on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluated this designation at the end of each reporting period.

Reclassification

The Group could choose to reclassify financial assets that would meet the definition of loans and receivables out of available-for-sale categories if the Group had the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications were made at fair value as of the reclassification date. Fair value became the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date were subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories were determined at the reclassification date. Further increases in estimates of cash flows adjusted effective interest rates prospectively.

Subsequent measurement

The measurement at initial recognition did not change on adoption of IFRS 9, see Note 3.

Subsequent to the initial recognition, loans and receivables were carried at amortised cost using the effective interest method.

Available-for-sale financial assets were subsequently carried at fair value. Gains or losses arising from changes in the fair value were recognised as follows:

- for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security were recognised in profit or loss and other changes in the carrying amount were recognised in other comprehensive income.

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

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

When securities classified as available-for-sale were sold, the accumulated fair value adjustments recognised in other comprehensive income were reclassified to profit or loss as gains and losses from investment securities.

Impairment

The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost was considered an indicator that the assets are impaired.

<u>Assets carried at amortised cost</u>

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

If, in a subsequent period, the amount of the impairment loss decreased and the decrease could be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss was recognised in profit or loss.

<u>Assets classified as available-for-sale</u>

If there was objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – was removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss were not reversed through profit or loss in a subsequent period.

3 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of IFRS 9 'Financial instruments' and IFRS 15 'Revenue from Contracts with Customers' on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

(a) Impact on the consolidated financial statements

The Group has elected to apply the limited exemption in IFRS 9 paragraph 7.2.15 relating to transition for classification and measurement and impairment, and accordingly has not restated comparative periods in the year of initial application. As a consequence:

- any adjustments to carrying amounts of financial assets or liabilities are recognised at the beginning of the current reporting period, with the difference recognised in opening retained earnings
- financial assets are not reclassified in the statement of financial position for the comparative period
- provisions for impairment have not been restated in the comparative period

The following table show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. The adjustments are explained in more detail in the following note.

Statement of financial position (extract)	31 December 2017 (Restated)	IFRS 9	IFRS 15	1 January 2018 (Adjusted)
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income (FVOCI)	-	1,615	-	**1,615**
Available for sale investments	533,890	(533,890)	-	-
CURRENT ASSETS				
Financial assets at fair value through profit or loss (FVPL)	3,585	532,275	-	**535,860**
EQUITY				
Fair value reserve	232,941	(232,804)	-	**137**
Retained earnings (Note 32)	27,217,336	232,804	-	**27,450,140**

(b) IFRS 9 Financial instruments - Impact of adoption

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. The new accounting policies are set out in note 3(c).

The total impact on the Group's retained earnings as at 1 January 2018 is as follows:

	Notes	1 January 2018
Retained earnings 31 December 2017 (Restated)		**27,217,336**
Reclassify investments from available-for-sale to FVPL	(i)	**231,536**
Reversal of previously recognised impairment losses on financial assets at fair value through other comprehensive income (2017: Available-for-sale financial investments) to fair value reserves		**1,268**
Adjustment to retained earnings from adoption of IFRS 9 on 1 January 2018		**232,804**
Opening retained earnings 1 January – IFRS 9		**27,450,140**

Notes:

(i) Classification and measurement

On 1 January 2018 (the date of initial application of IFRS 9), the Group's management has assessed which business models apply to the financial assets held by the group and has classified its financial instruments into the appropriate IFRS 9 categories (FVPL or FVOCI). The main effects resulting from this reclassification are as follows:

Financial assets – 1 January 2018	FVPL	FVOCI (2017: Available-for-sale investments)
Closing balance 31 December 2017 – IAS 39	3,585	533,890
Reclassify investments from available-for-sale to FVPL	532,275	(532,275)
Opening balance 1 January 2018 – IFRS 9	**535,860**	**1,615**

Reclassification from available-for-sale investments to FVPL and FVOCI

On 1 January 2018, the Group elected to:

- Classify the majority of the previously classified equity instruments as available for sale investments to FVPL (QR 532 million as at 1 January 2018) as these instruments are expected to be sold in the short to medium term. As a result, the Group reclassified QR 532 million of its available for sale investments into FVPL and classified these investments as current assets. Further, related fair value gains of QR 231 million were transferred from the fair value reserve to retained earnings on 1 January 2018. For the year ended 31 December 2018, net fair value gains of QR 14 million relating to these investments were recognised in profit or loss.

- Classify the remaining available for sale investments to FVOCI.

Other financial assets

Equity securities that are held for trading are required to be held as FVPL under IFRS 9. There was no impact on the amounts recognised in relation to these assets from the adoption of IFRS 9.

Trade and other receivables (except for those subject to provisional pricing arrangements) and amount due from related parties are debt instruments currently classified as loans and receivables and measured at amortised cost under IAS 39. The Group assessed that they meet the conditions for classification at amortised cost under IFRS 9 since they are cash flows solely payments of principal and interest (SPPI) and the Group's business model is to hold and collect the debt instrument. Trade receivables that are subject to provisional pricing arrangements have been reclassified from amortised cost to FVPL since it was assessed that the cash flows do not represent solely payments of principal and interest. However, this reclassification did not have a material impact on the consolidated financial statements.

Cash and cash equivalents' definition as per IAS 7 remains unchanged with the application of IFRS 9, short-term investments and time deposits will continue to be presented under cash and cash equivalents, being highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group has confirmed that its current hedge relationships will qualify as continuing hedges upon the adoption of IFRS 9.

(ii) Impairment of financial assets

The Group has the following financial assets that are subject to IFRS 9's new expected credit loss model:

- Cash and cash equivalents (including fixed deposits)
- Trade and other receivables (excluding non-financial assets)
- Due from related parties

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. To measure the expected credit losses, trade receivables that are measured at amortised cost are grouped based on shared credit risk characteristics and the days past due. The Group applied the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables (excluding those measured at FVPL). While cash and cash equivalents and fixed deposits are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

No changes to the consolidated statement of profit or loss resulted from the adoption of the new standard.

For the balances classified in the due from related parties category, the Group assessed the expected credit losses to be low because of the Group's relations with these related entities, their credit worthiness as well as the history of their transactions.

(c) IFRS 9 Financial instruments – Accounting policies applied from 1 January 2018

(i) Investments and other financial assets

Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

(ii) Equity instruments

The Group subsequently measures all equity investments at FVPL. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

(iii) Fair value changes

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the consolidated statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables measured at amortised cost, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

There was no material impact on the consolidated financial statements.

According to IFRS 9, financial guarantees issued by the Company are measured at the higher of:

i. the amount of the expected credit loss allowance determined; and
ii. the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

(d) IFRS 15 Revenue from Contracts with Customers - Impact of adoption

The Group has adopted IFRS 15 "Revenue from Contracts with Customers" with effect from 1 January 2018, which resulted in changes in accounting policies. The adoption of IFRS 15 did not result in changes to the amounts recognised in the consolidated financial statements.

(i) Nature of change

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

(*ii) Impact*

Management has assessed the effects of applying the new standard on Group's consolidated financial statements and has identified that the recognition and measurement of revenue for all the current on-going contracts under the IFRS 15 five-step model will not change as currently recognised under IAS 18.

(e) IFRS 15 Revenue from Contracts with Customers – Accounting policies

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.

Sales of steel products

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

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

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

As discussed in Note 1, Qatar Steel Company Q.P.S.C. has signed an offtake agreement with Muntajat. 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.

Service and management charges

Service and management charges relates to management of operation of one of its 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.

4 CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

a. Critical judgments in applying accounting policies

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

- Classification of Qatar Metals Coating Company WLL as an associate (Note 8)
- Site restoration obligation (Note 28)
- Income tax (Note 9)

b. Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

- Estimated useful lives of property, plant and equipment (Note 7)
- Investments in associate - value in use (VIU) calculations (Note 8)
- Estimation of inventory net realisable value (Note 11)
- Estimation of provision for employee's end of service benefits (Note 18)

5 CASH AND CASH EQUIVALENTS

	2018	2017
Cash on hand	**79**	106
Cash in banks	**902,966**	317,521
Fixed deposits less than 3 months	**1,104,568**	430,000
	2,007,613	747,627

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

	2018	2017
Bank balances and cash	**2,007,613**	747,627
Less: Dividend accounts	**(123,898)**	(116,493)
	1,883,715	631,134

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

6 FIXED DEPOSITS

As at 31 December 2018, fixed deposits with maturities after 90 days amounted to QR 8,581 million (2017: QR 7,041 million). Fixed deposits are held with banks and denominated in Qatari Riyals with average effective interest rate of 4.02% (2017: 3.26%).

7 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant machinery and equipment	Furniture and other equipment	Capital work in progress	Total
Cost					
As at 1 January 2017	699,723	5,696,520	94,608	213,680	6,704,531
Additions	-	-	-	86,120	86,120
Transfers	33,521	235,316	6,874	(275,711)	-
Disposals	-	(35,879)	(1,313)	-	(37,192)
As at 31 December 2017	733,244	5,895,957	100,169	24,089	6,753,459
Additions	**-**	**-**	**-**	**160,209**	**160,209**
Transfers	**3,156**	**81,303**	**8,507**	**(92,966)**	**-**
Disposals	**-**	**(17,634)**	**(4,178)**	**-**	**(21,812)**
As at 31 December 2018	**736,400**	**5,959,626**	**104,498**	**91,332**	**6,891,856**
Accumulated depreciation:					
As at 1 January 2017	359,306	2,597,047	77,200	-	3,033,553
Charge for the year	22,683	196,356	6,383	-	225,422
Disposals	-	(24,577)	(1,308)	-	(25,885)
As at 31 December 2017	381,989	2,768,826	82,275	-	3,233,090
Charge for the year	**23,951**	**206,892**	**6,594**	**-**	**237,437**
Disposals	**-**	**(12,654)**	**(3,933)**	**-**	**(16,587)**
As at 31 December 2018	**405,940**	**2,963,064**	**84,936**	**-**	**3,453,940**
Net book value:					
As at 31 December 2018	**330,460**	**2,996,562**	**19,562**	**91,332**	**3,437,916**
As at 31 December 2017	351,255	3,127,131	17,894	24,089	3,520,369

Notes:

(i) Plant machinery and equipment include Catalyst reformers with a net book amount of QR 35.2 million (2017: QR 45.9 million).

(ii) Buildings with net book value of QR 330 million (2017: QR 351 million) represent the industrial plant, offsite and administrative facilities constructed on land leased from Qatar Petroleum, the Ultimate Parent, for the duration of the Company's existence.

(iii) Plant and structures include capital spares and re-buildable spares with net book value of QR 13 million (2017: QR 11 million) with useful lives of between 15 and 25 years.

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

(in QR millions)	Building	Plant machinery and equipment	Furniture and other equipment	Total
Fully depreciated	**137.2**	**1,074.2**	**66.8**	**1,278.2**

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

	2018	2017
Cost of sales (Note 23)	**233,046**	221,532
General and administrative expenses (Note 26)	**3,756**	3,253
Selling expenses	**635**	637
	237,437	225,422

Significant estimate – useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and residual values of its property, plant and equipment for calculating depreciation as outlined in note 2.5. This estimate is determined after considering the expected usage of the asset, physical wear and tear 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 11.9 million (2017: QR 11.3 million higher or lower).

8 INVESTMENTS IN ASSOCIATES

Set out below are the associates of the Group as at 31 December 2018 which are accounted for using the equity method and in the opinion of the directors, 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.

	Place of business/ country of incorporation	% of ownership 2018	% of ownership 2017	Nature of relationship	Measurement method
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 quoted price available.

(i) Foulath Holding B.S.C. ©

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

Foulath Holding B.S.C. is a holding company for a group of commercial/industrial companies that are engaged in the manufacture and sale of 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.

(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.

Significant judgement – Classification of Qatar Metals Coating Company as an associate

The Group has 50% interest in Qatar Metals Coating Company W.L.L., with the remaining 50% is held by Qatar Industrial Manufacturing Company. The articles of association and shareholder agreement of Qatar Metals Coating 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 described in note 2.2.4.

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

	2018	2017
Foulath holding B.S.C. ©	**1,391,968**	1,292,612
SOLB Steel Company	**-**	118,431
Qatar Metals Coating Company W.L.L.	**15,121**	27,745
	1,407,089	1,438,788

The carrying amount of equity-accounted investments has changed as follows for the period ended 31 December 2018:

	2018	2017
Balance at the beginning of the year	**1,438,788**	1,451,409
Dividends received from associates accounted for using equity method	**(16,156)**	(40,000)
Share of results from associates	**32,643**	27,943
Additional capital contribution (i)	**-**	98,320
Impairment charge	**(49,535)**	(101,261)
Net share of other comprehensive income	**1,349**	2,377
Balance at the end of the year	**1,407,089**	1,438,788

(i) Additional capital contribution in 2017 represents a non-interest bearing loan provided to the Group's associate Foulath Holding B.S.C. ©, an associate, as disclosed in Note 17.

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 Qatar Steel'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. © 2018	Foulath Holding B.S.C. © 2017	SOLB Steel Company 2018	SOLB Steel Company 2017	Qatar Metals Coating Company W.L.L. 2018	Qatar Metals Coating Company W.L.L. 2017
Current assets	**3,280,096**	2,317,782	**583,879**	669,288	**55,756**	100,200
Non-current assets	**5,684,220**	5,981,950	**2,278,115**	2,308,377	**11,688**	12,603
Current liabilities	**(2,037,808)**	(1,401,162)	**(1,254,304)**	(1,198,876)	**(10,655)**	(30,749)
Non-current liabilities	**(2,989,408)**	(3,358,213)	**(1,337,098)**	(1,290,831)	**(1,067)**	(1,108)
Net assets	**3,937,100**	3,540,357	**270,592**	487,958	**55,722**	80,946
Group's share in %	**25%**	25%	**31.03%**	31.03%	**50%**	50%
Group's share in QR	**984,275**	885,089	**83,965**	151,413	**27,861**	40,473
Impairment and other losses	**(270,000)**	(270,000)	**(150,796)**	(101,261)	**-**	-
Goodwill	**684,804**	684,804	**68,277**	68,277	**-**	-
Pre-acquisition equity adjustment	**660**	660	**-**	-	**-**	-
Intercompany margin elimination	**(5,801)**	(6,367)	**-**	-	**(12,740)**	(12,728)
Other adjustments	**(1,970)**	(1,574)	**(1,446)**	2	**-**	-
Carrying amount	**1,391,968**	1,292,612	**-**	118,431	**15,121**	27,745

Summarised statements of comprehensive income	Foulath Holding B.S.C. © 2018	Foulath Holding B.S.C. © 2017	SOLB Steel Company 2018	SOLB Steel Company 2017	Qatar Metals Coating Company W.L.L. 2018	Qatar Metals Coating Company W.L.L. 2017
Revenue	**5,330,723**	3,808,292	**969,409**	516,970	**87,081**	116,322
Profit/(loss) from continuing operations	**448,123**	77,983	**(181,002)**	(122,969)	**7,088**	12,312
Other comprehensive income	**4,674**	-	**-**	3,667	**-**	-
Total comprehensive (loss)/ income	**452,797**	77,983	**(181,002)**	(119,302)	**7,088**	12,312
Group's share in results	**98,007**	19,462	**(68,896)**	2,745	**3,532**	5,736
Dividends received from associates	**-**	-	**-**	-	**(16,156)**	(40,000)

Significant estimate - Value In Use (VIU)

In accordance with the Group's accounting policy, whenever objective evidence of impairment is present, the Group tests whether its significant investments in associates have suffered any impairment at the end of each reporting period or earlier. The recoverable amount of each individual investment is determined based on the VIU calculations, which require the use of assumptions.

Impairment of investment in Foulath Holding B.S.C.

Since impairment charge was recognised for the investment in Foulath Holding B.S.C. in previous periods, the Group assessed whether changes to the recoverable amount may require an additional charge or reversal of impairment.

For its investment in Foulath Holding B.S.C., the calculations use cash flow projections based on financial budgets covering a five-year period which management adjusted based on recent developments after the approval of the business plan. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. These growth rates are consistent with forecasts included in industry reports specific to the country in which each associate operates.

The following table sets out the key assumptions used in the VIU calculations for the investment in Foulath Holding B.S.C.:

Sales volume (% annual growth rate) average	**4%**
Budgeted gross margin average	**14%**
Long term growth rate (%)	**3%**
Discount rate (%)	**12%**

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	Approach used to determining values
Sales volume	Average annual growth rate over the five-year forecast period; based on past performance and management's expectations of market development.
Long-term growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rates are consistent with forecasts included in industry reports.
Budgeted gross margin	Based on past performance and management's expectations for the future.
Discount rates	Reflect specific risks relating to the relevant industry and the countries in which the associates operate.

The table below summarizes the impact of the increase/decrease in the key assumptions used in the VIU calculation and its impact on profit or loss.

	Change in assumption	Impairment charge would have been QR'000		Impact on profit for the year QR'000	
	Increase or Decrease by	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate (%)	0.5%	85,822	N/A	(85,822)	N/A
Long-term growth rate (%)*	0.5%	N/A	69,210	N/A	(69,210)
Budgeted gross margin (%)	1%	N/A	28,581	N/A	(28,581)
Sales volume (% annual growth rate)	1%	N/A	160,947	N/A	(160,947)

** The long-term growth rate used by management is equal to the inflation of the economy in which Foulath operates. Thus, it is unreasonable to sensitise upward this assumption.*

The management is of the opinion that changes in assumptions are reasonably possible to occur, therefore, concluded that reversal of previously recognised impairment is not warranted in the current time.

Impairment of investment in SOLB Steel Company

Since impairment charge was recognised for the investment in SOLB Steel Company in 2017, the Group assessed whether changes to the recoverable amount may require an additional impairment charge or reversal of impairment.

Management have decided to write-down in full its investment in SOLB Steel Company due to the following reasons (among other factors):

- Significant losses incurred by SOLB Steel Company for the past few years despite an increase in turnover;
- Liquidity crisis and working capital management difficulty at SOLB Steel Company;
- SOLB Steel have defaulted on payments of various external borrowings and breach of several debt covenants which may warrant recall of entire loans anytime upon which Qatar Steel is one of the guarantors; and
- Possibility of impairment on SOLB Steel's property, plant and equipment due to indicators present at the associate level. However, management of SOLB failed to carry out an assessment due to the absence of a prudent business plan due to remaining uncertainties.

During the year ended 31 December 2018, an impairment charge of QR 49.5 million, representing the remaining carrying value of this investment, was recognised by the Group, arriving at carrying amount of NIL as at 31 December 2018.

As indicated in Note 19, the Group have provided for its obligation for the financial guarantees given to the lenders of SOLB Steel amounting to QR 389 million.

9 INVESTMENT IN JOINT VENTURES

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

	2018	2017 (Restated)
Balance at 1 January	**18,848,000**	18,342,580
Correction of prior period errors (Note 32)	**(255,255)**	(255,255)
Restated balance at 1 January	**18,592,745**	18,087,325
Share of results of joint ventures	**3,877,848**	2,606,615
Share of other comprehensive income	**15,905**	51,018
Dividends income	**(4,600,795)**	(2,152,213)
Balance at 31 December	**17,885,703**	18,592,745

Classification of investments as joint ventures

Management evaluated the Group's interests in QAPCO, QAFAC and QAFCO, and concluded that the joint arrangements are joint ventures where the entities are jointly controlled. Hence, management accounted for these investments under the equity method.

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:

As at 31 December 2018	QAPCO	QAFAC	QAFCO	Total
Current assets				
Cash and cash equivalents	891,741	574,538	1,720,313	3,186,592
Other current assets	1,203,612	602,430	1,951,102	3,757,144
	2,095,353	1,176,968	3,671,415	6,943,736
Non-current assets	6,883,648	1,223,995	12,073,859	20,181,502
Current liabilities				
Financial liabilities (excluding trade payables)	(937,742)	(638,188)	(833,001)	(2,408,931)
Other current liabilities	(210,058)	(12,690)	(50,477)	(273,225)
	(1,147,800)	(650,878)	(883,478)	(2,682,156)
Non-current liabilities	(261,113)	(207,350)	(295,366)	(763,829)
Net assets before minority interest	7,570,088	1,542,735	14,566,430	23,679,253
Minority interest	-	-	(211,045)	(211,045)
Attributable to the Group	7,570,088	1,542,735	14,355,385	23,468,208
Reconciliation to carrying amounts:				
Opening net assets 1 January	8,235,454	1,519,104	14,655,347	24,409,905
Profit for the year	2,443,634	687,203	1,858,831	4,989,668
Other comprehensive income	-	-	21,207	21,207
Dividends paid	(3,109,000)	(663,572)	(2,180,000)	(5,952,572)
Closing net assets	7,570,088	1,542,735	14,355,385	23,468,208
Group's share %	80%	50%	75%	
Group's share	6,056,070	771,368	10,766,539	17,593,977
Effect of IQ's tax exempt status	-	291,726	-	291,726
	6,056,070	1,063,094	10,766,539	17,885,703
Revenues	3,681,827	2,831,396	6,214,975	12,728,198
Other income	942,300	21,006	216,970	1,180,276
Depreciation and amortization	(315,345)	(208,714)	(1,021,836)	(1,545,895)
Interest expense	-	(3,540)	-	(3,540)
Income tax expense	-	(370,432)	-	(370,432)
Other cost and expenses	(1,865,148)	(1,582,513)	(3,534,679)	(6,982,340)
Profit for the year	2,443,634	687,203	1,875,430	5,006,267
Minority interest	-	-	(16,599)	(16,599)
Attributable to the Group	2,443,634	687,203	1,858,831	4,989,668
Other comprehensive income	-	-	21,207	21,207
Total comprehensive income	2,443,634	687,203	1,880,038	5,010,875
Group's share of net profit	1,954,907	528,818	1,394,123	3,877,848
Group's share of other comprehensive income	-	-	15,905	15,905

As at 31 December 2017 (Restated)	QAPCO	QAFAC	QAFCO	Total
Current assets				
Cash and cash equivalents	687,907	485,838	1,654,335	2,828,080
Other current assets	1,650,825	680,185	1,618,781	3,949,791
	2,338,732	1,166,023	3,273,116	6,777,871
Non-current assets	7,233,109	1,312,901	12,831,056	21,377,066
Current liabilities				
Financial liabilities (excluding trade payables)	(896,302)	(652,527)	(875,549)	(2,424,378)
Other current liabilities	(177,217)	(7,797)	(59,665)	(244,679)
	(1,073,519)	(660,324)	(935,214)	(2,669,057)
Non-current liabilities	(262,868)	(299,496)	(316,015)	(878,379)
Net assets before minority interest	8,235,454	1,519,104	14,852,943	24,607,501
Minority interest	-	-	(197,596)	(197,596)
Attributable to the Group	8,235,454	1,519,104	14,655,347	24,409,905
Reconciliation to carrying amounts:				
Opening net assets 1 January	8,143,659	1,525,085	14,088,490	23,757,234
Profit/ (loss) for the period	2,338,390	462,123	506,732	3,307,245
Other comprehensive income	7,405	-	60,125	67,530
Dividends paid	(2,254,000)	(468,104)	-	(2,722,104)
Closing net assets	8,235,454	1,519,104	14,655,347	24,409,905
Group's share %	80%	50%	75%	
Group's share	6,588,363	759,552	10,991,510	18,339,425
Effect of IQ's tax exempt status (Note 32)	-	253,374	-	253,374
Other	-	-	(54)	(54)
Total (Restated) (Note 32)	6,588,363	1,012,926	10,991,456	18,592,745
Revenues	3,964,994	2,444,922	5,221,694	11,631,610
Other income	831,931	13,832	134,573	980,336
Depreciation and amortization	(301,203)	(219,303)	(1,013,241)	(1,533,747)
Interest expense	-	(4,324)	(106,305)	(110,629)
Income tax expense	-	(249,584)	-	(249,584)
Impairment loss	-	(34,460)	(21,338)	(55,798)
Other cost and expenses	(2,157,332)	(1,488,960)	(3,688,172)	(7,334,464)
Profit for the year	2,338,390	462,123	527,211	3,327,724
Minority interest	-	-	(20,479)	(20,479)
Attributable to the Group	2,338,390	462,123	506,732	3,307,245
Other comprehensive income	7,405	-	60,125	67,530
Total comprehensive income	2,345,795	462,123	566,857	3,374,775
Group's share of net profit	1,870,712	355,854	380,049	2,606,615
Group's share of other comprehensive income	5,924	-	45,094	51,018

Significant judgment – Income tax

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

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

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

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

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

10 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018	2017
Balance at the beginning of the period	3,585	3,585
Reclassify investments from available-for-sale to FVPL	533,890	-
At 1 January, measured at fair value	537,475	3,585
Disposal	(187,794)	-
Movement in fair value recognised directly in profit or loss	14,346	-
At 31 December, measured at fair value	364,027	3,585

All investments are in equity shares in the State of Qatar.

On 1 January 2018, the Group elected to classify the majority of the previously classified equity instruments as available-for-sale investments to FVPL, please refer to Note 3 for the impact of the reclassification.

11 INVENTORIES

	2018	2017
Finished goods and goods for resale	437,960	416,184
Raw materials	233,835	372,109
Spares and consumables	193,039	190,824
Work in process	414,789	278,754
Additives	354,545	205,017
Goods in transit	117,089	17,963
	1,751,257	1,480,851
Less: write down of inventory to net realisable value	(34,179)	(36,618)
	1,717,078	1,444,233

Inventories recognised as an expense during the year ended 31 December 2018 amounted to QR 3.2 billion (2017: QR 2.3 billion). These were included in cost of sales.

Net reversal of write down of inventory amounted to QR 2.4 million (2017: write down of QR 0.75 million) was recognised during the year ended 31 December 2018 and included in 'cost of sales' in the consolidated statement of profit or loss.

Significant estimate – Inventory net realizable 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 1.7 million (2017: higher or lower by QR 1.8 million).

12 TRADE AND OTHER RECEIVABLES

	2018	2017
Trade accounts receivable at amortised cost	105,190	983,533
Due from related parties (Note 20)	664,636	650,487
Advance to suppliers	63,234	76,364
Prepayments	35,657	28,439
Loans to employees	80,659	74,592
Accrued interest	188,098	109,798
Other receivables	18,477	33,543
	1,155,951	1,956,756
Less: Provision for doubtful debts	(54,068)	(53,317)
	1,101,883	1,903,439
Trade receivables measured at fair value	567,289	-
	1,669,172	1,903,439

As at 31 December, 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
2018	**105,190**	**105,190**	-	-	-	-	-
2017	983,533	967,697	13,385	1,577	548	22	304

Movement in provision for doubtful debts:

	2018	2017
Balance at 1 January	53,317	-
Charge for the year	751	53,317
Balance at 31 December	54,068	53,317

See Note 3 for the impairment policy for trade receivables measured at amortised cost following the adoption of IFRS 9. The expected credit loss for trade receivables are immaterial to these consolidated financial statements.

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

13 SHARE CAPITAL

	2018	2017
Authorised, issued and paid-up: 605,000,000 shares of QR 10 each	6,050,000	6,050,000

The Board of Directors of Qatar Financial Markets Authority ("QFMA") issued its resolution at its 4th meeting for the year 2018 held on 16 December 2018, to reduce the nominal value of shares of listed companies in Qatar to be (1) one Qatari Riyal, so that each existing share will split into ten (10) shares.

Therefore, the Group is inviting for an Extraordinary General Meeting of Shareholders to approve the share split and amend the Article of Association in accordance with the said resolution.

14 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)	Fair value reserve (ii)	Hedging reserve (iii)	Other reserve (iv)	Total reserves
Balance at 1 January 2017	74,999	373,346	(54,142)	-	394,203
Other comprehensive loss	-	(140,405)	53,395	-	(87,010)
Transfer to legal reserve	19,864	-	-	-	19,864
Balance at 31 December 2017	94,863	232,941	(747)	-	327,057

	Legal reserves (i)	Fair value reserve (ii)	Hedging reserve (iii)	Other reserve (iv)	Total reserves
Balance at 1 January 2018 (as previously reported)	94,863	232,941	(747)	-	327,057
Adoption of new accounting standards	-	(232,804)	-	-	(232,804)
Adjusted balance at 1 January 2018	94,863	137	(747)	-	94,253
Other comprehensive income	-	(1,081)	1,349	15,905	16,173
Transfer of remaining fair value reserve to retained earnings on disposal of equity investments at FVOCI	-	944	-	-	944
Transfer to legal reserve	31,961	-	-	-	31,961
Balance at 31 December 2018	126,824	-	602	15,905	143,331

Notes:

(i) 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.

(ii) Changes in the fair value of investments that are classified as financial assets at fair value through profit or loss are recognised directly in the consolidated statement of profit or loss. Additional policies are disclosed in Note 3 after adoption of IFRS 9. For the previous accounting policies on investments and other financial assets, please refer to note 2.18.

(iii) 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.

(iv) 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.

15 SOCIAL FUND CONTRIBUTION

In accordance with Law No. 13 of 2008, the Group made an appropriation of profit of QR 124.9 million (2017: QR 83.7 million) equivalents to 2.5% of the adjusted consolidated net profit for the year for the support of sports, cultural, social and charitable activities.

16 DIVIDENDS

The Board of Directors has proposed cash dividend distribution of QR 6 per share for the year ended 31 December 2018 (2017: QR 5 per share). The dividends for 2017 amounting to QR 3,025 million (2016: QR 2,420 million) were approved by the shareholders at the Annual General Meeting held on 4 March 2018. The proposed final dividend for the year ended 31 December 2018 will be submitted for formal approval at the Annual General Meeting.

17 BORROWINGS

31 December 2018	Loan 1 (i)	Loan 2 (ii)	Total
Balance at beginning of year	135,039	90,719	225,758
Repayments	(135,039)	(90,719)	(225,758)
Balance at end of year	-	-	-

(i) On 17 December 2014, the Group entered into a loan agreement for USD 222.5 million with HSBC Bank Middle East Limited in order to be used by the Group during 2015. The loan carries interest at LIBOR plus 0.75% per annum and is repayable in 6 equal semi-annual instalments of USD 37.08 million each, starting from 5 July 2015. The loan was fully repaid in January 2018.

(ii) On 18 June 2015, the Group entered into a loan agreement for USD 150 million with National Bank of Abu Dhabi. The loan carries interest at LIBOR plus 0.75% per annum and is repayable in 6 equal semi-annual instalments of USD 25 million each, starting from 30 December 2015. The loan was fully repaid in June 2018.

The Group has complied with the financial covenants of its borrowing facilities during the 2018 and 2017 reporting periods through not pledging or mortgaging any of its assets and maintaining compliance with local laws and regulations.

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

Both loans were obtained to refinance the existing loans obtained for the construction of the Group's production facilities.

Net debt reconciliation:
This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	2018	2017
Cash and cash equivalents	2,007,613	747,627
Borrowings – repayable within one year (including overdraft)	-	(225,758)
Net cash	2,007,613	521,869

	Other assets	Liabilities from financing activities		
	Cash and cash equivalents	Borrowings due within 1 year	Borrowings due after 1 year	Total
Net debt as at 1 January 2017	1,098,144	(450,571)	(225,758)	421,815
Cash flows	(350,517)	224,813	225,758	100,054
Net cash as at 31 December 2017	747,627	(225,758)	-	521,869
Cash flows	1,259,986	225,758	-	1,485,744
Net cash as at 31 December 2018	2,007,613	-	-	2,007,613

18 EMPLOYEES' BENEFIT OBLIGATION

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

	2018	2017
Balance as at 1 January	199,095	214,983
Provision during the year	40,598	33,000
Paid during the year	(34,669)	(48,888)
Balance as at 31 December	205,024	199,095

a. Pension obligations

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

b. Employee benefits expenses

	2018	2017
Cost of sales (Note 23)	498,336	474,958
Selling expenses	24,736	23,985
General and administrative expenses (Note 26)	85,372	81,986
	608,444	580,929

c. Pension and end of service cost

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

	2018	2017
Defined contribution benefits – employer share	8,245	7,163
End of service charges	40,598	33,000
	48,843	40,163

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.

Significant estimates – provision for 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:

Discount rate	4.6%
Salary growth rate	6.0%
Staff turnover rate	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.

In addition to receiving pension benefits from the Government Pension Fund, 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. However, based on an alternative approach of accounting, management has concluded that only service after 20 years in the industry leads to benefit and therefore attribution should be in line with the benefit formula, i.e. accrual only starts once the industry service eligibility has been met.

The discount rate used for estimating end of service liabilities is 4.6% and the average future salary increases is 6.0%. 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.

19 TRADE AND OTHER PAYABLES

	2018	2017 (Restated)
Trade payables	308,908	126,597
Due to related parties (note 20)	46,914	41,112
Financial guarantees*	389,000	389,000
Accrued expenses	294,008	373,328
Provision for social fund contribution	124,919	83,709
Dividend payable	123,897	116,493
Due to government	34,289	34,289
Other payables	52,266	41,977
	1,374,201	1,206,505

* This represents the provisions on financial guarantees given to lenders of one of the Group's associates. As per the terms of the financial guarantees agreement, the maximum exposure of the Group is QR 489 million upon which QR 389 million is recognised as a liability.

As disclosed in Note 32, the Group has restated its consolidated financial statements to recognise the financial guarantee at 31 December 2016.

20 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 Qatar Petroleum ("QP").

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
Year ended 31 December 2018			
Associates and their subsidiaries			
Qatar Metals Coating Company W.L.L	63,316	-	864
Others	-	24	-
Entities under common control			
Qatar Chemical and Petrochemical Marketing and Distribution Company (Muntajat) Q.J.S.C.	2,667,661	6,274	-
GASAL Company Q.S.C.	-	54	-
	2,730,977	6,352	864
Year ended 31 December 2017			
Associates and their subsidiaries:			
Qatar Metals Coating Company W.LL.	78,515	-	2,306
SOLB Steel Company	65,131	-	-
SULB Company B.S.C.	-	6,665	-
Entities under common control:			
GASAL Company Q.S.C.	-	54	-
	143,646	6,719	2,306

GOODS AND SERVICES FROM RELATED PARTIES

	Purchases	Administrative expenses
Year ended 31 December 2018		
Ultimate parent		
Qatar Petroleum	118,640	30,287
Joint venture:		
QAFCO	-	244
QAPCO	-	659
Entities under common control		
Qatar Chemical and Petrochemical Marketing and Distribution Company (Muntajat) Q.J.S.C.	-	1,387
GASAL Company Q.S.C.	59,424	-
Qatar Fuel Company Q.P.S.C	10,294	-
	188,358	32,577
Year ended 31 December 2017		
Ultimate Parent Company:		
Qatar Petroleum	115,251	24,102
Associates and their subsidiaries:		
Qatar Metals Coating Company W.LL.	224,963	-
Bahrain Steel BSC		
Joint venture:		
QAFCO	-	246
QAPCO	-	831
Entities under common control:		
GASAL Company Q.S.C.	57,883	-
Qatar Fuel Company Q.P.S.C	7,999	-
	406,096	25,179

b) Related party balances:

DUE FROM RELATED PARTIES

	2018	2017
Measured at amortised cost		
Joint venture:		
QAPCO *	601,994	571,200
Associates and their subsidiaries:		
SOLB Steel Company	53,614	53,613
Qatar Metal Coating Company W.L.L.	8,988	25,634
SULB Company	40	40
	664,636	650,487
Less: Provision for doubtful debts (i)	(53,654)	(53,317)
	610,982	597,170
Measured at fair value through profit or loss		
Under common control		
Qatar Chemical and Petrochemical Marketing and Distribution Company (Muntajat) Q.J.S.C.	567,289	-
	1,178,271	597,170

** Majority of the balance represents dividend receivable from QAPCO.*

DUE TO RELATED PARTIES

	2018	2017
Ultimate Parent Company:		
Qatar Petroleum	21,186	18,959
Entity under common control:		
GASAL Company Q.S.C.	7,371	3,138
Qatar Fuel Company Q.P.S.C	149	807
Associate:		
Bahrain Steel BSC	18,208	18,208
	46,914	41,112

b) Related party balances:

(i) *Provision for doubtful debts*

Provisions for doubtful debts 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.

Loan to related party

In February 2017, the Company entered into a shareholders' loan agreement with Foulath Holding B.S.C. The agreement requires the loan to be provided in 3 tranches and carry no interest. The loan will be repaid in one lump-sum payment in April 2020 and such repayment date may be extended by the board of directors of Foulath Holding B.S.C. pursuant to passing a resolution. The Group has recognised the loan as additional contribution to its investment in Foulath Holding B.S.C. in accordance with the requirements of IAS 32 'Financial Instruments: Presentation'.

Terms and conditions of transactions with related parties

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

Outstanding balances as at 31 December 2018 and as at 2017 are unsecured and interest-free. 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 551 million (2017: QR 576 million).

Compensation of key management personnel

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

	2018	2017
Board of Directors remuneration	9,300	9,688
Short term benefits	15,687	15,654
	24,987	25,342

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

21 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.

	2018	2017
Profit for the year	5,029,816	3,315,402
Weighted average number of shares outstanding during the year (in thousands)	605,000	605,000
Basic and diluted earnings per share (QR)	8.31	5.48

As disclosed in Note 13 to the consolidated financial statements, the Company will invite for an Extraordinary General Meeting of Shareholders to approve a share split with a ratio of 1:10. After the share split is approved, the number of shares will become 6,050,000,000 with a par value of one (1) Qatari Riyal each. Therefore, the earnings per share will become QR 0.83 and QR 0.55 for the years ended 31 December 2018 and 31 December 2017, respectively.

22 REVENUES

	2018	2017
Bars sales	4,330,700	3,599,035
Billets sales	1,216,348	722,597
Coil sales	249,530	231,046
Sales of HBI/DRI	-	82,128
Freight revenues	44,533	10,796
	5,841,111	4,645,602
Less: Freight charges and marketing fees	(50,093)	(17,119)
	5,791,018	4,628,483

23 COST OF SALES

	2018	2017
Raw materials and consumables used (Note 11)	3,435,012	2,605,132
Utilities	655,268	607,537
Employee benefits expenses	498,336	474,958
Depreciation (Note 7)	233,046	221,532
Repair and maintenance	114,474	96,762
Others	189,786	184,741
Net changes in inventory of finished products and work in progress (Note 11)	(257,864)	(271,738)
	4,868,058	3,918,924

24 OTHER INCOME

	2018	2017
Gain on foreign exchange	1,421	2,691
By-product	36,212	43,559
Other income	110,688	38,742
	148,321	84,992

25 INCOME FROM INVESTMENTS

	2018	2017
Dividend income	26,756	23,730
Interest on bank deposits – Islamic banks	118,456	89,723
Interest on bank deposits – Other banks	193,286	141,157
	338,498	254,610

26 GENERAL AND ADMINISTRATIVE EXPENSES

	2018	2017
Employee benefits expenses	85,372	81,986
Provision for doubtful debts (Note 12)	751	53,317
Loss on disposal of property, plant and equipment	5,225	11,195
Donations	-	100
Board of director's remuneration	9,300	9,688
Qatar Petroleum fees	8,905	7,471
Rental, utilities and supplies	4,506	4,962
Depreciation (Note 7)	3,756	3,253
Qatar Exchange fees	1,818	1,818
Travel, transportation and communication	1,468	1,643
External services	14,228	10,544
Others	21,692	13,219
	157,021	199,196

27 Commitments

a. Capital commitments:

	2018	2017
Estimated capital expenditure contracted for at the reporting date but not provided for:		
Property, plant and equipment	113,961	75,662

b. Operating lease commitments:

The Group leases land under non-cancellable operating leases. The leases have varying terms, escalation claus and renewal rights. On renewal, the terms of the leases are renegotiated.

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

	2018	2017
Within one year	27,135	37,386
After one year but not more than five years	58,361	89,917
More than five years	82,668	85,562
Total operating lease expenditure contracted for at the reporting date	168,164	212,865

c. Commitments for purchase of goods and services

Purchase commitments consist primarily of major agreements for procuring raw materials. The Group also has a number of agreements for electricity, natural gas and industrial gases. The contractual obligation for future purchases not recognised as a liability amounted to QR 3,763.8 million as of 31 December 2018 (2017: QR 4,538.7 million). In addition to those purchase commitments disclosed above, the Group enters into purchasing contracts as part of its normal operations which have minimum volume requirements but for which there are no take-or-pay or penalty clauses included in the contract.

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

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

31 December 2018	QAPCO	QAFAC	QAFCO	Total
Capital commitments	262,239	70,035	222,031	554,305
Operating lease commitments:				
Future minimum lease payments:				
Within 1 year	1,828	2,464	21,284	25,576
1 to 5 years	7,616	5,817	70,356	83,789
More than 5 years	13,552	564	88,300	102,416
	22,996	8,845	179,940	211,781

31 December 2017	QAPCO	QAFAC	QAFCO	Total
Capital commitments	164,697	2,848	370,553	538,098
Operating lease commitments:				
Future minimum lease payments:				
Within 1 year	1,828	1,409	24,329	27,566
1 to 5 years	7,310	4,346	29,669	41,325
More than 5 years	15,685	1,631	42,379	59,695
	24,823	7,386	96,377	128,586

e. Group's share in commitments incurred by associates

	2018	2017
Capital commitments	29,328	27,050
Operating lease commitments:		
Future minimum lease payments:		
Within 1 year	6,997	6,117
1 to 5 years	28,010	25,372
More than 5 years	91,106	56,526

28 Contingent liabilities

	2018	2017
Financial guarantees	61,177	85,939
Bank guarantees	4,246	1,460
Letters of credit	68,908	129,529
Legal cases	30,614	47,733

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 behind what is recognised previously (QR 389 million). Legal cases represent best estimate of claims not acknowledged based on the confirmation received from the Group's lawyers.

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

31 December 2018	QAPCO	QAFCO	Total
Bank guarantees	80	365	445
Letters of credit	10,594	152	10,746
Donations to Qatar University	-	7,500	7,500
	10,674	8,017	18,691

31 December 2017	QAPCO	QAFCO	Total
Bank guarantees	80	655	735
Letters of credit	10,404	2,363	12,767
	10,484	3,018	13,502

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

	2018	2017
Letters of credit	224,474	84,615
Bank guarantees	1,090	144
	225,564	84,759

Site restoration obligations

The main entities composing the Group (Qatar Steel, QAFCO and QAPCO) are parties to land lease agreements with the 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 force Group entities to restore leased lands to its original condition when it was delivered to the Group entities.

Significant judgement –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.

As at 31 December 2018, no provision has been recognised for its restoration obligations. The estimated useful lives of the assets are expected to continue well beyond the term of land lease agreement, such that management believes that the lessor is unlikely to require site restoration at the end of the land lease agreement.

29 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.

The MD 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.

a. Segment revenue

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

	31 December 2018			31 December 2017		
	Total	Inter-segment revenue	Revenue from external customers	Total	Inter-segment revenue	Revenue from external customers
Petrochemicals	4,361,160	-	4,361,160	4,394,456	-	4,394,456
Fertilisers	4,661,231	-	4,661,231	3,916,271	-	3,916,271
Steel	5,791,018	-	5,791,018	4,628,483	-	4,628,483
Total segment revenue	14,813,409	-	14,813,409	12,939,210	-	12,939,210
Revenue from investments in joint venture accounted for using equity method	9,022,391	-	9,022,391	8,310,727	-	8,310,727
Revenue per consolidated statement of profit or loss	5,791,018	-	5,791,018	4,628,483	-	4,628,483

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 11,734 million (2017: QR 8,311 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 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 Steel segment's revenues in 2018, 62% is made in Qatar (2017: 56 %), 14% is made in UAE (2017: 14%) and the remaining is distributed in a number of countries which is not split for purpose of segment reporting.

Segment profit

The following table presents profit information regarding the Group's operating segments for the year ended 31 December 2018 and 2017, respectively:

	Petrochemicals	Fertilisers	Steel	Total
As of 31 December 2018				
Segment profit	2,483,725	1,394,123	756,096	4,633,944
Share of results from associates	-	-	32,643	32,643
Total segment profit	2,483,725	1,394,123	788,739	4,666,587
*Unallocated income:**				
Interest income				294,255
Dividend income				26,756
Other income				64,680
				385,691
*Unallocated expense:**				
Board of Director's fees and expenses				(7,750)
Qatar Petroleum annual fee				(8,905)
Qatar Exchange fees/charges				(1,818)
Advertisements				(418)
Other expenses				(3,571)
				(22,462)
Profit for the year				5,029,816

	Petrochemicals	Fertilisers	Steel	Total
As of 31 December 2017				
Segment profit	2,226,565	380,049	482,205	3,088,819
Share of results from associates	-	-	27,943	27,943
Total segment profit	2,226,565	380,049	510,148	3,116,762
*Unallocated income:**				
Interest income				210,744
Dividend income				9,206
Other income				330
				220,280
*Unallocated expense:**				
Board of Director's fees and expenses				(8,138)
Qatar Petroleum annual fee				(7,471)
Qatar Exchange fees/charges				(1,818)
Advertisements				(403)
Other expenses				(3,810)
				(21,640)
Profit for the year				3,315,402

* These represent the income and expenses of IQ. These do not include the dividend from subsidiary amounting to QR 251.4 million (2017: QR 573.6 million) and dividend from joint ventures amounting to QR 4,600.80 million (QR 2,136.76 million). The subsidiary is fully consolidated and dividend received from subsidiary are eliminated at consolidated level. Investment in joint ventures are accounted for using equity method and are eliminated at consolidated level.

b. Segment assets

The following table presents segment assets regarding the Group's business segments as at 31 December 2018 and 2017 respectively:

	Petrochemicals	Fertilisers	Steel	Total
Segment assets:				
As of 31 December 2018	8,383,682	11,808,956	8,879,183	29,071,821
As of 31 December 2017	8,896,935	12,078,129	8,441,894	29,416,958

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

Reconciliation of reportable segments total assets:

	2018	2017 (Restated)
Total assets for reportable segments	29,071,821	29,416,958
Other un-allocable assets **	10,304,801	8,191,112
Recognition of investment in joint ventures using equity method of accounting	17,885,703	18,592,745
Assets relating to joint ventures	(20,192,638)	(20,975,064)
Consolidated total assets for the year	37,069,688	35,225,751

** These pertain to the total assets of IQ excluding the Investment in subsidiary and joint ventures amounting to QR 4,819.92 million (2017: QR 4,819.92 million). Below is the breakdown of IQ's statement of financial position:

	2018	2017
Assets		
Non-current assets		
Investment in subsidiary and joint ventures (at cost)	4,819,916	4,819,916
Available-for-sale investments	-	532,275
	4,819,916	5,352,191
Current assets		
Prepayments and other debit balances	187,049	109,614
Due from related parties	601,994	571,200
Fixed deposits	8,519,090	6,855,075
Financial asset at fair value through profit or loss	364,027	3,585
Cash and cash equivalents	632,641	119,363
	10,304,801	7,658,837
Total assets	15,124,717	13,011,028
Current liabilities		
Accounts payable and accruals	258,337	210,778
Due to related parties	8,905	8,318
Total liabilities	267,242	219,096
Equity		
Share capital	6,050,000	6,050,000
Legal reserve	51,825	19,864
Cumulative changes in fair value reserve	-	57,664
Retained earnings	8,755,650	6,664,404
Total equity	14,857,475	12,791,932
Total liabilities and equity	15,124,717	13,011,028

30 Financial risk management

a. Objectives and policies

The Group's activities expose it to a variety of financial risks, including the effects of iron oxide pellets prices, foreign currency exchange rates and interest rates. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group.

The Group's principal financial liabilities comprise of borrowings, trade payables, amounts due to related parties and certain accruals.

The Group has various financial assets such as financial assets at fair value through profit or loss, trade receivables, bank balances, amounts due from related parties, loan to related parties and certain other receivables.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency exchange risk, equity price risk, commodity price risk, credit risk and liquidity risk. The directors review and agree on policies for managing each of these risks which are summarised below.

b. Market risk

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

(i) Interest rate risk

Exposure

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

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

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

The remaining borrowings of the Group have been fully repaid during the year.

Sensitivity

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

The sensitivity of the consolidated statement of profit or loss and other comprehensive income is the effect of the assumed changes in interest rates on the Group's profit for one year, based on the floating rate financial assets and liabilities held at 31 December 2018. The effect of decreases in interest rate is expected to be equal and opposite to the effect of the increases shown.

	Increase in basis points	Effect on profit 2018	Increase in basis points	Effect on profit 2017
Fixed deposits	+25	74,640	+25	53,447
Borrowings	+25	N/A	+25	(1,051)

(ii) Foreign currency exchange risk

Exposure

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

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

(iii) Equity price risk

Exposure

The Group's exposure to equity securities price risk arises from investments held by the Group and classified in the statement of financial position as financial assets at fair value through profit or loss (2017: available-for-sale financial investments) (Note 10).

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group management.

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

Sensitivity

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

	Change in equity price 2018	Effect on profit 2018	Change in equity price 2017	Effect on equity 2017
Qatar Exchange	+5%	+18,022	+5%	+33,115
Australian Securities Exchange	+5%	N/A	+5%	+81

(iv) Commodity price risk

Exposure

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

c. Credit risk

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

(i) Risk management

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

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

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

(ii) Security

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

(iii) Credit risk

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

	2018	2017
Trade accounts receivables at amortised cost		
Counterparties with external credit rating		
Existing customers (less than 3 months) with no defaults in the past	105,190	983,207
Existing customers (more than 3 months) with some defaults in the past. All defaults were fully recovered.	-	326
	105,190	983,533

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

d. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. At the end of the reporting period the Group held deposits at call of QR 9.7 billion (2017: QR 7.5 billion) that are expected to readily generate cash inflows for managing liquidity risk. Due to the dynamic nature of the underlying businesses, Group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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

(i) Financing arrangements

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

	2018	2017
Floating rate		
- Expiring within one year (bank overdraft and bill facility)	989,000	989,000

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

(ii) Maturities of financial liabilities

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

Contractual maturities of financial liabilities	Less than 6 months	6 -12 months	Between 1 -2 years	Total contractual cash flows	Carrying amount of liabilities
At 31 December 2018					
Trade payables	306,680	2,228	-	308,908	308,908
Accrued expenses	294,008	-	-	294,008	294,008
Financial guarantees	389,000	-	-	389,000	389,000
Amounts due to related parties	46,914	-	-	46,914	46,914
Due to government	34,289	-	-	34,289	34,289
Other payables	52,266	-	-	52,266	52,266
	1,123,157	2,228	-	1,125,385	1,125,385

Contractual maturities of financial liabilities	Less than 6 months	6 -12 months	Between 1 -2 years	Total contractual cash flows	Carrying amount of liabilities
At 31 December 2017 (Restated)					
Trade payables	122,212	4,385	-	126,597	126,597
Accrued expenses	373,328	-	-	373,328	373,328
Financial guarantees	389,000	-	-	389,000	389,000
Amounts due to related parties	41,112	-	-	41,112	41,112
Due to government	34,289	-	-	34,289	34,289
Borrowings	225,758	-	-	225,758	225,758
Other payables	41,977	-	-	41,977	41,977
	1,227,676	4,385	-	1,232,061	1,232,061

e. Capital management

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

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2018 and 2017.

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

As at 31 December 2018, the Group is ungeared and therefore no gearing ratio was presented to these consolidated financial statements.

The Group holds the following financial instruments:

Financial assets	Notes	Assets at FVPL	Assets at FVOCI	Financia assets a amortise cos	Tota
2018					
Trade and other receivables *	12	-	-	1,002,992	1,002,992
Financial assets at fair value through profit or loss	10	364,027	-	-	364,027
Receivables measured at fair value	12	567,289	-	-	567,289
Cash and cash equivalents	5	-	-	2,007,613	2,007,613
Fixed deposits	6	-	-	8,581,090	8,581,090
		931,316	-	11,591,695	12,523,011
2017					
Trade and other receivables *	12	-	-	1,798,636	1,798,636
Financial assets at fair value through profit or loss	10	3,585	-	-	3,585
Available-for-sale financial assets	10	-	533,890	-	533,890
Cash and cash equivalents	5	-	-	747,627	747,627
Fixed deposits	6	-	-	7,041,075	7,041,075
		3,585	533,890	9,587,338	10,124,813

* excluding advances to suppliers and prepayments

Financial liabilities	Notes	Liabilities amortised at cost	Total
2018			
Trade and other payables	19	1,125,385	1,125,385
2017			
Trade and other payables	19	1,006,303	1,006,303
Borrowings	17	225,758	225,758
		1,232,061	1,232,061

Fair value hierarchy

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

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

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

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

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

As at 31 December 2018	Total	Level 1	Level 2	Level 3
Assets measured at fair value:				
Financial assets at fair value through profit or loss	364,027	360,442	-	3,585
Receivables measured at fair value through profit or loss	567,289	-	-	567,289

As at 31 December 2017	Total	Level 1	Level 2	Level 3
Assets measured at fair value:				
Held for trading investments	3,585	-	-	3,585
Available-for-sale investments – equity instruments	533,890	533,890	-	-

Management has used the final prices provided by Muntajat to measure their receivables recognised initially at provisional price. The amount will not be subject to changes subsequently as this is the amount that is expected to be collected later on.

During the year ended 31 December 2018, 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.

32 Restatements

a) Accounting for the financial guarantee issued to associate's lenders

The Group previously issued financial guarantees to some of the lenders of SOLB Steel Company, an associate company, in respect of cerrtain 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 should have been performed to determine whether it was 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 should have been recorded in the Group's financial statements in respect of the guarantee issued.

Based in the assessment performed by management, QR389 million should have been recorded in the Group's financial statements for the year ended 31 December 2016 in respect of those guarantees. The financial statements have been restated to reflect this obligation.

b) IQ's share in net assets of QAPCO

Management have performed a reconciliation of the Group's share in the net assets of QAPCO (joint venture) and the carrying value of QAPCO recorded in IQ's books. The total difference amounted to QR 255 million, of which QR 107 million pertains to incorrect accounting of the dividend received by IQ by virtue of its tax exempt status while the remaining difference of QR 148 million is an error in the accounting for the Group's share in net results of QAPCO from past periods.

c) Impact on the consolidated financial statements

Comparative amounts in the prior year financial statements have been restated in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' as follows:

Consolidated statement of financial position (extract)	2017			2016		
	31 December 2017 (as previously reported)	Increase/ (Decrease)	31 December 2017 (Restated)	31 December 2016 (as previously reported)	Increase/ (Decrease)	31 December 2016 (Restated)
Investment in joint ventures	18,848,000	(255,255)	18,592,745	18,342,580	(255,255)	18,087,325
Trade and other payables	817,505	389,000	1,206,505	780,555	389,000	1,169,555
Retained earnings	27,861,591	(644,255)	27,217,336	27,069,762	(644,255)	26,425,507

The restatement of prior period amounts did not lead to any significant effect on the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows of the Group for 2017.

The restatement mainly affected the consolidated statements of financial position and changes in equity as at 31 December 2017 and 1 January 2017.