INDUSTRIES QATAR Q.S.C.
DOHA - QATAR

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2015

INDUSTRIES QATAR Q.S.C.

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
For the year ended December 31, 2015

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INDEPENDENT AUDITOR'S REPORT

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

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Industries Qatar Q.S.C. (the "Company"), and its subsidiary (together referred as the "Group") which comprise the consolidated statement of financial position as of December 31, 2015 and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, the applicable provisions of the Qatar Commercial Companies Law, Articles of Association 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.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Industries Qatar Q.S.C. as of December 31, 2015 and its consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Legal and Regulatory Requirements

We are also of the opinion that proper books of account were maintained by the Company, physical verification of the inventory has been duly carried out and the contents of directors' report are in agreement with the Group's accompanying consolidated financial statements. We have obtained all the information and explanations which we considered necessary for the purpose of our audit. To the best of our knowledge and belief and according to the information given to us, no contraventions of the applicable provisions of Qatar Commercial Companies Law and the Company's Articles of Association were committed during the year which would materially affect the Group's activities or its consolidated financial position.

Emphasis of Matter

As mentioned in Note 3 to the consolidated financial statements a new commercial companies law was issued in 2015. The Company's management is in the process of assessing the impact of the new law on their Articles of Association and consolidated financial statements.

Doha – Qatar
February 4, 2016

For **Deloitte & Touche**
Qatar Branch

ديلويت أند توش
محاسبون قانونيون
Public Accountants
DELOITTE & TOUCHE

Muhammad Bahemia
Partner
License No. 103

INDUSTRIES QATAR Q.S.C.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As of December 31, 2015

	Notes	2015 QR'000	2014 QR'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	6	**3,795,882**	3,856,255
Investment properties	7	**3,553**	198,364
Investment in associates	8	**1,396,261**	1,478,554
Investment in joint ventures	9	**19,606,193**	20,561,861
Available-for-sale investments	10	**682,694**	863,348
Catalysts		**32,274**	37,310
Total non-current assets		**25,516,857**	26,995,692
Current assets			
Inventories	11	**1,435,720**	2,143,430
Accounts receivable and prepayments	12	**1,007,706**	1,138,564
Due from related parties	21	**773,493**	81,926
Financial asset carried at fair value through profit or loss		**3,585**	3,585
Bank balances and cash	5	**7,021,093**	6,192,327
Total current assets		**10,241,597**	9,559,832
Total assets		**35,758,454**	36,555,524
EQUITY AND LIABILITIES			
Equity			
Share capital	13	**6,050,000**	6,050,000
Legal reserve	14	**74,999**	74,999
Fair value reserve		**370,807**	500,668
Hedging reserve		**(131,794)**	(203,074)
Retained earnings		**27,260,592**	27,162,033
Total equity		**33,624,604**	33,584,626
Liabilities			
Non-current liabilities			
Interest bearing loans and borrowings	17	**676,328**	451,802
Employees' end of service benefits	18	**157,227**	143,402
Total non-current liabilities		**833,555**	595,204
Current liabilities			
Interest bearing loans and borrowings	17	**450,571**	1,210,664
Accounts payable and accruals	20	**798,732**	1,049,406
Due to related parties	21	**50,992**	61,001
Other financial liabilities	19	**--**	54,623
Total current liabilities		**1,300,295**	2,375,694
Total liabilities		**2,133,850**	2,970,898
Total equity and liabilities		**35,758,454**	36,555,524

These consolidated financial statements were approved by the Board of Directors and signed on their behalf on February 4, 2016 by:

Saad Alkaabi

Saad Sherida Al Kaabi
Chairman and Managing Director

Mohammed Nasser Al Hajri
Vice Chairman

INDUSTRIES QATAR Q.S.C.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended December 31, 2015

	Notes	2015	2014
		QR'000	QR'000
Continuing operations			
Revenues	23	**5,227,558**	5,969,939
Direct costs	24	**(4,120,372)**	(4,558,401)
Gross profit		**1,107,186**	1,411,538
Share of results of joint ventures	9	**3,697,035**	4,982,895
Share of results of associates	8	**(78,293)**	14,675
Other income, net	25	**87,082**	184,692
Income from investments	26	**130,986**	98,378
General, administrative and selling expenses	27	**(231,550)**	(246,887)
Impairment of available-for-sale financial assets		**(50,793)**	(241)
Impairment of investment properties		**(194,811)**	--
Finance cost and hedge ineffectiveness on cash flow hedge		**(21,871)**	(103,433)
Profit for the year		**4,444,971**	6,341,617
Earnings per share			
Basic and diluted earnings per share (QR per share)	22	**7.35**	10.48

INDUSTRIES QATAR Q.S.C.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended December 31, 2015

	Notes	2015	2014
		QR'000	QR'000
Profit for the year		**4,444,971**	6,341,617
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Available for sale financial assets			
Net movement in cumulative changes in fair value		**(180,654)**	109,268
Net amount of impairment transferred to profit or loss		**50,793**	241
	10	**(129,861)**	109,509
Cash flow hedge			
Net movement in fair value of cash flow hedges		**71,280**	108,579
Ineffective hedge recognized in the statement of profit or loss		--	54,623
Other comprehensive income for the year		**(58,581)**	272,711
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**4,386,390**	6,614,328

INDUSTRIES QATAR Q.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2015

	Share capital QR'000	Legal reserve QR'000	Fair value Reserve QR'000	Hedging reserve QR'000	Retained earnings QR'000	Total QR'000
Balance at January 1, 2014	6,050,000	74,999	391,159	(366,276)	27,627,365	33,777,247
Profit for the year	--	--	--	--	6,341,617	6,341,617
Other comprehensive income for the year	--	--	109,509	163,202	--	272,711
Dividends declared for the year 2013	--	--	--	--	(6,655,000)	(6,655,000)
Social fund contribution (Note 15)	--	--	--	--	(151,949)	(151,949)
Balance at December 31, 2014	6,050,000	74,999	500,668	(203,074)	27,162,033	33,584,626
Profit for the year	--	--	--	--	4,444,971	4,444,971
Other comprehensive income for the year	--	--	(129,861)	71,280	--	(58,581)
Dividends declared for the year 2014 (Note 16)	--	--	--	--	(4,235,000)	(4,235,000)
Social fund contribution (Note 15)	--	--	--	--	(111,412)	(111,412)
Balance at December 31, 2015	**6,050,000**	**74,999**	**370,807**	**(131,794)**	**27,260,592**	**33,624,604**

INDUSTRIES QATAR Q.S.C.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2015

	Notes	2015 QR'000	2014 QR'000
CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the year		4,444,971	6,341,617
Adjustments for:			
Depreciation and amortisation		211,955	182,892
Provision for employees' end of service benefits		38,513	39,283
Share of results from joint ventures		(3,697,035)	(4,982,895)
Share of results from associates		78,293	(14,675)
Loss on disposal of property, plant and equipment		6,052	8,558
Dividend received on available for sale investments		(29,255)	(26,998)
Finance costs		21,871	48,810
Hedge ineffectiveness on cash flow hedge		--	54,623
Interest income		(101,731)	(71,380)
Net gain from fair value adjustment of investment properties		--	(20,725)
Impairment of investment properties		194,811	--
Gain on disposal of investment in joint venture		(1,455)	--
Impairment of available-for-sale financial assets		50,793	241
		1,217,783	1,559,351
Working capital changes:			
Inventories		707,710	(295,220)
Accounts receivable and prepayments and due from related parties		10,971	268,032
Accounts payable and accruals and due to related parties		(220,146)	333,644
Cash from operations		1,716,318	1,865,807
Finance charges paid		(21,871)	(48,810)
Social fund contribution		(151,949)	(198,598)
Employees' end of service benefits paid		(24,688)	(16,010)
Net cash generated by operating activities		1,517,810	1,602,389
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from disposals of property, plant and equipment		1,674	1,995
Additions to property, plant and equipment and catalysts		(154,272)	(611,334)
Dividend received from associates		4,000	5,000
Dividend received on available-for-sale investments		29,255	26,998
Disposal of interest in joint venture		5,000	--
Net movement in available-for-sale investments		--	(1,372)
Dividends received from joint ventures		4,148,758	4,381,691
Movement in fixed deposits		(1,214,614)	1,332,800
Interest income received		101,731	71,380
Net cash generated by investing activities		2,921,532	5,207,158
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of interest bearing loans and borrowings		(1,941,901)	--
Proceeds from interest bearing loans and borrowings		1,351,711	(312,725)
Dividends paid		(4,238,348)	(6,682,241)
Net cash used in financing activities		(4,828,538)	(6,994,966)
Net decrease in cash and cash equivalents		(389,196)	(185,419)
Cash and cash equivalents at the beginning of the year		1,345,460	1,530,879
Cash and cash equivalents at the end of the year	5	956,264	1,345,460

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

1. CORPORATE INFORMATION

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

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

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

	Type of interest	*Country of incorporation*	*Percentage of holding*
Qatar Steel Company Q.S.C.	Subsidiary	Qatar	100%

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

	Type of interest	*Country of incorporation*	*Percentage of holding*
Qatar Petrochemical Company (QAPCO) Q.S.C.	Joint venture	Qatar	80%
Qatar Fertiliser Company (Q.S.C.C.)	Joint venture	Qatar	75%
Qatar Fuel Additives Company Limited Q.S.C.	Joint venture	Qatar	50%

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

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

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

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

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

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

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

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

(i) **Revised Standards:**

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

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

The adoption of these new and revised standards had no significant effect on the consolidated financial statements of the Group for the year ended December 31, 2015, other than certain presentation and disclosure changes.

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

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

(i) **New Standards:**

Effective for annual periods beginning on or after January 1, 2016

- IFRS 14 — *Regulatory Deferral Accounts.*

Effective for annual periods beginning on or after January 1, 2018

- IFRS 15 — *Revenue from Contracts with Customers.*
- IFRS 9 — *Financial Instruments.*

Effective for annual periods beginning on or after January 1, 2019

- IFRS 16 — *Leases*

(ii) **Revised Standards:**

Effective for annual periods beginning on or after January 1, 2016

- IFRS 10 & IAS 28 (Revised) — *Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture*
- IFRS 11 (Revised) — *Amendments regarding the accounting for acquisitions of an interest in a joint operation.*
- IFRS 12 (Revised) — *Amendments regarding the application of the consolidation exeception.*

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

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

(ii) **Revised Standards:**

Effective for annual periods beginning on or after January 1, 2016

• IAS 1 (Revised)	*Amendments resulting from the disclosure initiative.*
• IAS 16 (Revised)	*Amendments regarding the clarification of acceptable methods of depreciation and amortization and amendments bringing bearer plants into the scope of IAS 16.*
• IAS 27 (Revised)	*Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.*
• IAS 38 (Revised)	*Amendments regarding the clarification of acceptable methods of depreciation and amortization.*
• IAS 41 (Revised)	*Amendments bringing bearer plants into the scope of IAS 16.*
• Annual Improvements 2012-2014 Cycle	*Amendments to issue clarifications and add additional/specific guidance to IFRS 5, IFRS 7, IAS 19 and IAS 34.*

Effective for annual periods beginning on or after January 1, 2018 (or on early application of IFRS 9)

• IFRS 7 (Revised)	*Financial Instruments Disclosures - Amendments requiring disclosures about the initial application of IFRS 9*
• IAS 39 (Revised)	*Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception.*

Management anticipates that except as mentioned below, the adoption of these Standards and Interpretations in future periods will have no material financial impact on the consolidated financial statements of the Group in the period of initial application, other than certain presentation and disclosure changes.

Management anticipates that IFRS 15, IFRS 9, revised IFRS 7 and IFRS 16 will be adopted in the Group's consolidated financial statements for the annual period beginning January 1, 2018 and January 1, 2019, as applicable. The application of these standards may have significant impact on amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements. However, the management have not yet performed a detailed analysis of the impact of the application of these Standards and hence have not yet quantified the extent of the impact.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

The Emir HH Sheikh Tamim Bin Hamad Al Thani issued Emiri decision No. 11 of 2015, replacing Law No. 5 of 2002. On July 7, 2015 the new commercial companies law was included in the official Gazette for effective use and application. The new law which came into force 30 days from the date of its official publication in the Gazette, granted a period of 6 months from its effective date (i.e. till February 7, 2016) to comply with the provisions of the law. Management is still in the process of assessing the impact of the new law on its consolidated financial statements.

Basis of preparation

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

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

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

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

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

Basis of consolidation

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

Control is achieved when the Group:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

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

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

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

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

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

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

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

Sale of goods
Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:
(i) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
(ii) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
(iii) the amount of revenue can be measured reliably;
(iv) (iv) it is probable that the economic benefits associated with the transaction will flow to the Group; and
(v) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue (continued)

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

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

Property, plant and equipment

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

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

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

Buildings	25 years
Plant, machinery and equipment	25 years
Heavy duty mobile equipment	15 years
Motor vehicles	4 years
Furniture and fixtures	10 years
Computer equipment	5 years

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures (continued)

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-current assets held for sale

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

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

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

After the disposal takes place, the Group accounts for any retained interest in the associate or joint venture in accordance with IAS 39 unless the retained interest continues to be an associate or a joint venture, in which case the Group uses the equity method (see the accounting policy regarding investments in associates or joint ventures above).

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Impairment of non-financial assets

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

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

Financial assets

Initial recognition and measurement

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

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

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

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

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

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

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

Impairment of financial assets
The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

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

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

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

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

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

Cash and cash equivalents
For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash at bank and on hand, and short-term deposits with an original maturity of three months or less, net of funds restricted for use fixed deposit mature after 3 months and outstanding bank overdrafts, if any.

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

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.
Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the consolidated statement of profit or loss. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is calculated by reference to the market valuation of the swap contracts.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments and hedging (continued)

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

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or unrecognised firm commitment (except for foreign currency risk); or

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of the specific asset or assets or the arrangement conveys a right to use the asset.

Leases - Group as a lessee

Leases where the Group does not retain substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the lease term.

Leases where the Group obtains substantially all the risks and benefits incidental to ownership of the leased item are classified as finance leases. Finance leases are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against profit or loss.

Capitalised leased assets are depreciated over the estimated useful life of the asset.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets and liabilities

Financial assets

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

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

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

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

Financial liabilities

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

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

Foreign currencies

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

Earnings per share

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

4. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Critical judgments in applying accounting policies

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

Classification of investment securities

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

Classification of investment in Foulath

During the year, the Group's investment in Foulath has been reclassified from held for sale assets under IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" to investment in an associate under IAS 28 "Investments in Associates". This reclassification has been made as the Group no longer expects to sell the investment within a year from the date of these financial statements due to market conditions and therefore the criteria specified in IFRS 5 is not considered to be met.

Going concern

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

Key sources of estimation uncertainty

Impairment of available-for-sale investments

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

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

Key sources of estimation uncertainty (continued)

Fair value of financial instruments

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

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

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

Useful lives of property, plant and equipment
The costs of items of property and equipment are depreciated on a systematic basis over the estimated useful lives of the assets. Management has determined the estimated useful lives of each asset and/ or category of assets based on the following factors:

- Expected usage of the assets,
- Expected physical wear and tear, which depends on operational and environmental factors; and
- Legal or similar limits on the use of the assets.

Management has not made estimates of residual values for any items of property and equipment at the end of their useful lives as these have been deemed to be insignificant.

Revaluation and impairment of investment properties
The Group carries its investment properties at fair value, with changes in fair values being recognised in the consolidated statement of profit or loss. The Group engaged independent valuation specialists to determine fair value. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. During the year, the government notified the Group that they intended to acquire these investment properties at a value substantially less than the carrying amount. Accordingly the Group has provided for an impairment to bring the value of the investment properties to its recoverable amount.

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

Key sources of estimation uncertainty (continued)

Investment in associates- Recoverable amount
As required by IFRS, the Group assessed its investments in associates for impairment by comparing the recoverable amount of each, to its carrying value. The recoverable amount is estimated by the Group using the "value in use". The value in use calculations are done based on the following assumptions

- Discount rates: 12%-12.5 %
- Utilization of capacity: 60% - 100%
- Earnings before Interest and Tax (EBITA): 12%-15%
- Terminal period growth rate: 3%-4%

5. CASH AND CASH EQUIVALENTS

	2015	2014
	QR'000	QR'000
Bank balances and cash	**7,021,093**	6,192,327

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

	2015	2014
	QR'000	QR'000
Bank balances and cash	**7,021,093**	6,192,327
Less: Fixed deposits maturing after 90 days	**(5,925,814)**	(4,711,200)
Less: Dividend accounts	**(139,015)**	(135,667)
	956,264	1,345,460

Fixed deposits are held with banks and denominated mainly in Qatari Riyals with average effective interest rates of 1.5% to 3% (2014: 1.25% to 2.4%).

6. PROPERTY, PLANT AND EQUIPMENT

	Building	Plant machinery and equipment	Heavy duty mobile equipment	Furniture and fixtures	Motor Vehicles	Computer Equipment	Capital work in progress	Total
	QR.'000	QR.'000	QR.'000	QR.'000	QR.'000	QR.'000	QR.'000	QR.'000
Cost								
As at December 31, 2013	693,067	4,046,812	50,072	29,659	935	56,000	916,967	5,793,512
Additions	--	--	--	--	--	--	610,582	610,582
Disposals	(229)	(10,202)	(11,059)	--	--	(911)	--	(22,401)
Transfers	(1,512)	1,314,838	9,104	680	8	7,295	(1,330,413)	--
As at December 31, 2014	691,326	5,351,448	48,117	30,339	943	62,384	197,136	6,381,693
Reclassification	--	(1,172)	--	1,172	--	--	--	--
Additions	--	--	--	--	--	--	154,272	154,272
Transfers	436	117,532	6,739	815	--	3,433	(128,955)	--
Disposals	(1,483)	(9,519)	(9,396)	(140)	--	(7,881)	--	(28,419)
As at December 31, 2015	**690,279**	**5,458,289**	**45,460**	**32,186**	**943**	**57,936**	**222,453**	**6,507,546**
Accumulated depreciation:								
As at December 31, 2013	293,547	1,971,035	22,082	24,863	790	47,057	--	2,359,374
Charge for the year	22,213	148,167	2,933	1,217	75	3,307	--	177,912
Disposals	(185)	(5,953)	(4,799)	--	--	(911)	--	(11,848)
As at December 31, 2014	315,575	2,113,249	20,216	26,080	865	49,453	--	2,525,438
Reclassification	--	(99)	--	99	--	--	--	--
Charge for the year	22,377	176,257	2,695	1,304	71	4,215	--	206,919
Disposals	(1,483)	(7,869)	(3,354)	(106)	--	(7,881)	--	(20,693)
As at December 31, 2015	**336,469**	**2,281,538**	**19,557**	**27,377**	**936**	**45,787**	**--**	**2,711,664**
Net book value:								
As at December 31, 2015	**353,810**	**3,176,751**	**25,903**	**4,809**	**7**	**12,149**	**222,453**	**3,795,882**
As at December 31, 2014	375,751	3,238,199	27,901	4,259	78	12,931	197,136	3,856,255

6. PROPERTY, PLANT AND EQUIPMENT (continued)

Notes:

(i) Buildings with net book value of QR. 353.81 million (December 31, 2014: QR. 375.75 million) represent the industrial plant, offsite and administrative facilities erected on land leased from Qatar Petroleum for the duration of the subsidiary's existence.

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

(iii) The borrowing cost capitalised during the year is QR. Nil (2014: QR. 7.187 million).

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

	2015	2014
	QR'000	QR'000
Direct costs	**202,982**	173,979
General and administrative expenses	**3,299**	3,300
Selling expenses	**638**	633
	206,919	177,912

7. INVESTMENT PROPERTIES

	2015	2014
At fair value:	**QR'000**	QR'000
At January 1,	**198,364**	177,639
Net gain from fair value adjustments	**--**	20,725
Provision for impairment	**(194,811)**	--
At December 31,	**3,553**	198,364

The Company received a letter dated October 15, 2015 from the Ministry of Municipality and Urban Planning for the acquisition of the investment properties at a value of QR 3.5 million. Management booked a provision for expected loss on this transaction of QR 194.8 million during the year 2015.

8. INVESTMENTS IN ASSOCIATES

	Ownership %	2015	Ownership %	2014
		QR.'000		QR.'000 (Restated)
Foulath Holding B.S.C. ("Foulath") (Bahrain)) (i)	25%	1,185,747	25%	1,245,747
SOLB Steel Company (Kingdom of Saudi Arabia) (ii)	31.03%	192,907	31.03%	209,106
Qatar Metals Coating Company W.L.L. (Qatar) (iii)	50%	17,607	50%	23,701
		1,396,261		1,478,554

Notes:

(i) *Foulath Holding B.S.C. (Foulath) BSC Closed (Bahrain))*

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

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

Prior to 2015, the Group intended to dispose this investment, whereby the management approved and commenced an active plan to dispose the investment. During the year it was determined that the criteria required for the classification of an associate as held for sale are no longer met and therefore, this investment has been reclassified from held for sale assets under IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" to investment in an associate under IAS 28 "Investments in Associates".

As per IAS 28 "Investments in Associates", this reclassification is accounted for using the equity method retrospectively as from the date of its classification as held for sale investment. Management has not amended comparative financial statements with the share in 2014 results of associates since such amount is considered immaterial to the consolidated financial statements.

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

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

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

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.

8. INVESTMENTS IN ASSOCIATES (CONTINUED)

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

	2015	2014
	QR.'000	QR.'000 (Restated)
Balance at January 1,	**1,478,554**	1,468,879
Dividends received from associates	**(4,000)**	(5,000)
Share of results and other (losses)/gains from associates	**(78,293)**	14,675
Balance at December 31,	**1,396,261**	1,478,554

The summarized financial information below represents the amounts shown in the associates' financial statements prepared in accordance with IFRS:

December 31, 2015

	Foulath Holding B.S.C. (c)	**Solb Steel**	**Qatar Metal Coating Company**	**Total**
	QR.'000	**QR.'000**	**QR.'000**	**QR.'000**
Current assets	**2,487,330**	**1,225,587**	**244,548**	**3,957,465**
Non-current assets	**6,380,844**	**1,959,638**	**12,653**	**8,353,135**
Current liabilities	**(1,444,514)**	**(1,689,792)**	**(198,012)**	**(3,332,318)**
Non-current liabilities	**(3,094,193)**	**(1,092,344)**	**(689)**	**(4,187,226)**
Total equity	**4,329,467**	**403,089**	**58,500**	**4,791,056**
Revenue	**2,877,725**	**1,572,441**	**231,303**	**4,681,469**
(Loss)/Profit for the year	**(85,597)**	**(64,364)**	**12,707**	**(137,254)**
Share of results and other (losses)/gains from associates	**(60,000)**	**(16,199)**	**(2,094)**	**(78,293)**

December 31, 2014

	Foulath Company B.S.C. (c)	Solb Steel	Qatar Metal Coating Company	Total
	QR.'000	QR.'000	QR.'000	QR.'000
Current assets	2,322,381	1,381,745	80,670	3,784,796
Non-current assets	6,118,212	2,078,807	13,858	8,210,877
Current liabilities	(1,459,197)	(1,447,757)	(40,188)	(2,947,142)
Non-current liabilities	(2,576,842)	(1,498,843)	(55)	(4,075,740)
Total equity	4,404,554	513,952	54,285	4,972,791

8. INVESTMENTS IN ASSOCIATES (CONTINUED)

December 31, 2014

	Foulath Company B.S.C. (c) QR.'000	Solb Steel QR.'000	Qatar Metal Coating Company QR.'000	Total QR.'000
Revenue	4,084,780	1,450,134	71,736	5,606,650
Profit for the year	192,359	42,242	6,460	241,061
Share of results and other gains from associates	--	12,439	2,236	14,675

Reconciliation of the above summarized financial information to the carrying amount of the interest in associates recognized in the consolidated financial statements is as follows:

	2015 **QR.'000**	2014 QR.'000
The Group's interest in equity of the associates	**934,525**	954,257
Adjustments:		
Embedded goodwill	**612,673**	612,673
Elimination of unrealized margin of intercompany inventory	**(8,447)**	(2,072)
Pre-operating expenses as per IFRS	--	(20,989)
Other adjustments	**(142,490)**	(65,315)
	1,396,261	1,478,554

9. INTEREST IN JOINT VENTURES

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

	2015 **QR'000**	2014 QR'000
Balance at January 1,	**20,561,861**	19,879,279
Share of results of joint ventures	**3,697,035**	4,982,895
Share of other comprehensive income	**71,280**	81,378
Dividends income	**(4,720,438)**	(4,381,691)
Disposal of a joint venture *	**(3,545)**	--
Balance at December 31,	**19,606,193**	20,561,861

* The interest in Qatar Steel International was sold by the Group to Qatar Mining, the other joint venture partner, as per the agreement dated April 2, 2015 for a total consideration of QR. 5 million which represents the Group's contribution in the share capital of the joint venture. The legal formalities are in progress to transfer the ownership of the Group's interest in the joint venture, as at the reporting date (refer Note 29).

9. INTEREST IN JOINT VENTURES (CONTINUED)

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

As of December 31, 2015

	QAPCO	QAFAC	QAFCO	Total
	QR'000	QR'000	QR'000	QR'000
Current assets	2,359,376	877,212	4,307,318	7,543,906
Non-current assets	7,255,074	1,617,903	15,407,761	24,280,738
Current liabilities	(1,231,039)	(548,354)	(1,199,608)	(2,979,001)
Non-current liabilities	(83,432)	(494,455)	(2,552,697)	(3,130,584)
Net assets	8,299,979	1,452,306	15,962,774	25,715,059
Group's share of net assets	6,775,662	683,563	12,191,967	19,606,193
Revenues	4,039,885	2,496,533	6,569,596	13,106,014
Other income	872,768	7,777	150,465	1,031,010
Total cost and expenses	(2,168,695)	(1,675,343)	(5,270,214)	(9,114,252)
Net Profit	2,743,958	828,967	1,449,847	5,022,772
Group's share of net profit	2,195,167	414,484	1,087,385	3,697,035
Group's share of other comprehensive income	13,226	--	58,054	71,280

As of December 31, 2014

	QSIC	QAPCO	QAFAC	QAFCO	Total
	QR'000	QR'000	QR'000	QR'000	QR'000
Current assets	4,122	2,781,753	1,162,321	3,852,847	7,801,043
Non-current assets	17,883	7,393,217	1,776,662	16,149,380	25,337,142
Current liabilities	(4,915)	(819,772)	(563,126)	(1,255,960)	(2,643,773)
Non-current liabilities	(10,000)	(97,438)	(565,969)	(2,891,014)	(3,564,421)
Net assets	7,090	9,257,760	1,809,888	15,855,253	26,929,991
Group's share of net assets	3,545	7,625,986	835,802	12,096,528	20,561,861
Revenues	--	4,404,019	2,972,795	7,278,789	14,655,603
Other income	420	1,191,505	10,093	64,546	1,266,564
Total cost and expenses	(118)	(2,200,993)	(2,020,313)	(5,038,369)	(9,259,793)
Net Profit	302	3,394,531	962,575	2,304,966	6,662,374
Group's share of net profit	302	2,770,700	481,289	1,730,604	4,982,895
Group's share of other comprehensive income	--	15,712	--	65,666	81,378

9. INTEREST IN JOINT VENTURES (CONTINUED)

Additional disclosures for interest in joint venture entities

As of December 31, 2015

	QAPCO	QAFAC	QAFCO	Total
	QR'000	QR'000	QR'000	QR'000
Cash and cash equivalents	1,144,626	421,774	2,700,188	4,266,588
Interest bearing loans and borrowings	--	225,680	2,684,321	2,910,001
Deferred tax liabilities	--	300,107	--	300,107
Tax payable	139,081	305,840	132,439	577,360
Group's share of dividend declared/received	3,058,716	611,722	1,050,000	4,720,438

As of December 31, 2014

	QAPCO	QAFAC	QAFCO	Total
	QR'000	QR'000	QR'000	QR'000
Cash and cash equivalents	1,146,195	642,999	1,952,186	3,741,380
Interest bearing loans and borrowings	--	283,920	2,970,100	3,254,020
Deferred tax liabilities	--	315,715	--	315,715
Tax payable	139,081	327,170	173,124	639,375
Group's share of dividend declared/received	2,169,569	487,122	1,725,000	4,381,691

10. AVAILABLE- FOR- SALE INVESTMENTS

	2015	2014
	QR'000	QR'000
At January 1, Fair Value	863,348	752,708
Additions	--	1,372
Impairment of available-for-sale financial assets	(50,793)	(241)
(Decrease)/Increase in the fair value	(129,861)	109,509
At December 31, Fair Value	682,694	863,348

Included in available-for-sale investments is an investment in a company domiciled in Australia with a carrying value of QR. 11.07 million at December 31, 2015 (December 31, 2014: QR. 154 million). During the year the Group booked an impairment of QR. 40.15 million on this investment considering the reduction in the fair value of shares, in the consolidated statement of profit or loss and other comprehensive income. All other investments are in equity shares in the State of Qatar.

11. INVENTORIES

	2015 QR'000	2014 QR'000
Finished goods and goods for resale	**359,438**	527,991
Raw materials	**227,675**	235,421
Spares and consumables	**227,733**	226,338
Work in process	**260,885**	290,715
Additives	**303,792**	565,738
Goods in transit	**86,543**	323,594
	1,466,066	2,169,797
Less: Provision for obsolescence of spares and Consumables	**(30,346)**	(26,367)
	1,435,720	2,143,430

12. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2015 QR'000	2014 QR'000
Trade accounts receivable	**848,841**	953,237
Advance to suppliers	**3,065**	54,740
Prepayments	**26,193**	30,326
Loans to employees	**18,755**	19,813
Accrued interest	**73,586**	31,810
Other receivables	**38,749**	50,121
	1,009,189	1,140,047
Less: Provision for doubtful debts	**(1,483)**	(1,483)
	1,007,706	1,138,564

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

			Past due but not impaired					
	Total QR'000	Neither past due nor impaired QR'000	Until 30 days QR'000	31 to 60 days QR'000	61 to 90 days QR'000	91to 180 days QR'000	More than 180 days QR'000	Past due and impaired QR'000
2015	**848,841**	**832,349**	**6,898**	**7,138**	**158**	**362**	**453**	**1,483**
2014	953,237	927,916	14,392	1,430	2,233	5,783	--	1,483

Movement in provision for doubtful debts

	2015 QR'000	2014 QR'000
Balance at January 1,	**1,483**	--
Charge for the year	--	1,483
Balance at December 31,	**1,483**	1,483

13. SHARE CAPITAL

	2015 QR'000	2014 QR'000
Authorised, issued and paid-up: 605,000,000 shares of QR 10 each	**6,050,000**	6,050,000

14. LEGAL RESERVE

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

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

15. SOCIAL FUND CONTRIBUTION

In accordance with Law No. 13 of 2008, the Group made an appropriation of profit of QR 111.41 million (2014: 151.9 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. DIVIDEND

The Board of Directors has proposed cash dividend distribution of QR. 5 per share for the year ended December 31, 2015 (2014: QR 7 per share). The dividends for 2014 amounting to QR 4,235 million were approved by the shareholders at the Annual General Meeting held on March 1, 2015. The proposed final dividend for the year ended December 31, 2015 will be submitted for formal approval at the Annual General Meeting.

17. INTEREST BEARING LOANS AND BORROWINGS

	Interest/profit rate	Currency	Maturity	2015 QR.'000	2014 QR.'000
Loan (i)	LIBOR plus applicable margin	USD	--	--	1,029,989
Loan (ii)	LIBOR plus applicable margin	USD	--	--	632,477
Loan (iii)	LIBOR plus applicable margin	USD	2018	**673,304**	--
Loan (iv)	LIBOR plus applicable margin	USD	2018	**453,595**	--
				1,126,899	1,662,466
Less: current portion				**(450,571)**	(1,210,664)
Total non-current portion				**676,328**	451,802

17. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

Notes:

(i) Loan 1 is a US Dollar denominated facility consisting of a term loan facility of USD 483.5 million (Tranche A loan) intended to fund the EPC contracts entered into by the Group. The facility also includes standby facility of USD 75 million (Tranche B loan). The loan carries interest at LIBOR plus a margin ranging from 0.80% to 1.0% per annum (Tranche A loan) and 1.0% to 1.10% per annum (Tranche B loan). Tranche A loan is repayable in 19 semi-annual instalments at a pre-determined rate on total Tranche A loan draw downs. Tranche B loan, if any, is repayable in 8 equal semi-annual instalments starting on the date of the instalment number twelve of Tranche A repayment. This loan has been fully prepaid on January 5, 2015.

(ii) On December 1, 2011, the Group entered into a subordinated facility agreement for USD 250 million with two banks to finance its EF5 project. The loan carries interest at LIBOR plus 1.5% per annum and is repayable in ten equal semi-annual instalments of USD 25 million each, starting from November 28, 2013.This loan has been fully prepaid on June 30, 2015.

(iii) The Group entered into a loan agreement for USD 222.5 million with a bank. 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 July 8, 2015.

(iv) The Group entered into a loan agreement for USD 150 million with a bank and completely prepaid the subordinated loan facility from the banks in loan (ii) above. The loan carries interest at LIBOR plus 0.75% per annum and is repayable in six equal semi-annual instalments of USD 25 million each, starting from December 30, 2015.

18. EMPLOYEES' END OF SERVICE BENEFITS

	2015	2014
	QR'000	QR'000
Balance as at January 1	**143,402**	120,129
Provision during the year	**38,513**	39,283
Paid during the year	**(24,688)**	(16,010)
Balance as at December 31	**157,227**	143,402

19. OTHER FINANCIAL LIABILITIES

	2015	2014
	QR'000	QR'000
Other financial liabilities		
Derivatives held as cash flow hedges:		
Interest rate swaps	--	54,623

Presented in the consolidated statement of financial position as follows:

Non-current portion	--	--
Current portion	--	54,623
	--	54,623

19. OTHER FINANCIAL LIABILITIES (CONTINUED)

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

The term loan associated with this interest rate swap has been fully repaid on January 5, 2014 (Note 17 (i)), therefore, classified as a current liability. As such, this led to impair the hedge relationship which became ineffective, thereby an amount of QR. 54.6 million which was booked as hedge reserve in the consolidated statement of changes in equity, was recognized as a loss in the consolidated statement of profit or loss.

20. ACCOUNTS PAYABLE AND ACCRUALS

	2015	2014
	QR'000	QR'000
Trade payables	**128,839**	262,579
Accrued expenses	**320,713**	402,524
Provision for social fund contribution	**111,412**	151,949
Dividend payable	**139,015**	135,643
Due to government	**34,289**	34,289
Other payables	**64,464**	62,422
	798,732	1,049,406

Accrued expenses include an amount of QR. 133 million (2014: QR. 224 million), which represents accrued cost of EPC and other contractor's cost incurred in respect of capital projects.

21. RELATED PARTIES DISCLOSURES

Related parties transactions
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 immediate and ultimate parent entity is Qatar Petroleum ("QP").

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

21. RELATED PARTIES DISCLOSURES (CONTINUED)

	Sales	Purchases	General and administration expenses	Other income
	QR'000	**QR'000**	**QR'000**	**QR'000**
Year ended December 31, 2015				
Major shareholders	--	--	7,456	--
Associates	379,707	157,157	--	18,046
Other related parties	--	176,455	18,752	4,645
	379,707	**333,612**	**26,208**	**22,691**

	Sales	Purchases	General and administration expenses	Other income
	QR'000	QR'000	QR'000	QR'000
Year ended December 31, 2014				
Major shareholders	--	--	7,894	--
Associates	248,130	2,932	--	3,772
Other related parties	--	654,336	20,042	5,942
	248,130	657,268	27,936	9,714

Related party balances:

Due from related parties

	2015	2014
	QR'000	QR'000
Qatar Petrochemical company Q.S.C.	**571,680**	--
SOLB Steel Company (Kingdom of Saudi Arabia)	**61,837**	4,855
Qatar Steel International company Q.P.S.C.	--	7,173
Qatar metal coating company W.L.L.	**136,129**	38,898
Qatar Petroleum	--	31,000
Others	**3,847**	--
	773,493	81,926

Due to related parties

	2015	2014
	QR'000	QR'000
Qatar Petroleum	**22,292**	17,172
Gasal Company	**3,169**	2,907
United Steel Company (SULB) B.S.	--	38,746
Mesaieed industrial city	**1,283**	2,176
Bahrain Steel BSC (c)	**24,248**	--
	50,992	61,001

The sales to and purchases from related parties are made at normal market prices. Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended December 31, 2015, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2014: Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

21. RELATED PARTIES DISCLOSURES (CONTINUED)

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

	2015	2014
	QR'000	QR'000
Short term benefits	**1,214**	2,348
Board of directors fees	**7,750**	7,750
	8,964	10,098

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

22. 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.

	2015	2014
	QR'000	QR'000
Profit for the year	**4,444,971**	6,341,617
Weighted average number of shares outstanding during the year (in thousands)	**605,000**	605,000
Basic and diluted Earnings Per Share (QR.)	**7.35**	10.48

23. REVENUES

	2015	2014
	QR'000	QR'000
Bars sales	**4,519,294**	4,905,337
Coil sales	**236,972**	281,794
Export of HBI/DRI	**186,767**	120,055
Billets sales	**295,993**	671,065
Freight revenues	**53,460**	73,489
	5,292,486	6,051,740
Less: Freight charges	**(64,928)**	(81,801)
	5,227,558	5,969,939

24. DIRECT COSTS

	2015 QR'000	2014 QR'000
Direct materials	**2,581,411**	3,543,797
Salaries and wages	**493,824**	487,026
Utilities	**325,435**	323,421
Depreciation and amortization	**208,018**	178,959
Repairs and maintenance	**101,837**	125,335
Net movement in inventory	**198,383**	(301,557)
Others	**211,464**	201,420
	4,120,372	4,558,401

25. OTHER INCOME, NET

	2015 QR'000	2014 QR'000
Gain on foreign exchange	**3,549**	6,128
Net gain from fair value adjustment of investment properties (Note 7)	**--**	20,725
By-product	**36,680**	51,154
Other income	**46,853**	106,685
	87,082	184,692

26. INCOME FROM INVESTMENTS

	2015 QR'000	2014 QR'000
Dividend income	**29,255**	26,998
Interest on bank deposits	**101,731**	71,380
	130,986	98,378

27. GENERAL, ADMINISTRATIVE AND SELLING EXPENSES

	2015 QR'000	2014 QR'000
Staff costs	**108,916**	106,515
Selling expenses	**56,602**	47,580
Board of director's remuneration	**9,300**	9,300
Loss on disposal of property, plant and equipment	**6,052**	8,558
Qatar Petroleum fees	**7,456**	7,894
Rental, utilities and supplies	**5,461**	5,030
Travel, transportation and communication	**3,401**	4,010
Depreciation (Note 6)	**3,299**	3,300
Qatar Exchange fees	**1,818**	1,868
Provisions and bad debts written off (Note 12)	**--**	1,483
Others	**29,245**	51,349
	231,550	246,887

28. COMMITMENTS

(a) Capital expenditure commitments:	2015 QR'000	2014 QR'000
Estimated capital expenditure contracted for at the reporting date but not provided for:		
Property, plant and equipment	**116,218**	128,250

Qatar Steel has open purchase order commitments for the supply of miscellaneous capital items amounting to QR 116 million (2014: QR 128 million).

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

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

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

	2015 QR'000	2014 QR'000
Within one year	**29,885**	30,320
After one year but not more than five years	**77,897**	52,262
More than five years	**111,577**	123,675
Total operating lease expenditure contracted for at the reporting date	**219,359**	206,257

(b) The below table provides details on the Group's share in the joint venture entities commitments incurred jointly with other entities;

December 31, 2015

	QAPCO QR'000	QAFAC QR'000	QAFCO QR'000	Total QR'000
Capital commitments	185,112	14,496	428,512	628,120
Operating lease commitments:				
Future minimum lease payments:				
Within 1 year	1,584	2,550	59,157	63,291
1 to 5 years	7,066	6,590	69,471	83,127
More than 5 years	19,340	3,706	50,761	73,807
	27,990	12,846	179,389	220,225

28. COMMITMENTS (CONTINUED)

December 31, 2014

	QAPCO	QAFAC	QAFCO	Total
	QR'000	QR'000	QR'000	QR'000
Capital commitments	105,118	12,582	221,772	339,472
Operating lease commitments:				
Future minimum lease payments:				
Within 1 year	1,584	2,797	45,744	50,125
1 to 5 years	7,430	7,542	69,628	84,600
More than 5 years	20,560	4,759	56,289	81,608
	29,574	15,098	171,661	216,333

(c) The below table provides details on the Group's share in the associates commitments incurred jointly with other entities;

	2015	2014
	QR.'000	QR.'000
Capital commitments	**45,327**	35,944
Operating lease commitments:		
Future minimum lease payments:		
Within 1 year	**5,034**	9,218
1 to 5 years	**16,545**	20,095
More than 5 years	**40,184**	29,954
	61,763	59,267

29. CONTINGENCIES

(a) The Group's contingent liabilities are as follows:

	2015	2014
	QR'000	QR'000
Letters of credit	**21,004**	56,899
Bank guarantees	**344,102**	342,642
Legal cases	**95,671**	67,669
	460,777	467,210

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

29. CONTINGENCIES (CONTINUED)

(b) In connection with the sale of a joint venture (Note 9) during the year, the Group has derecognized the investment at year end on the basis of management assessment that all conditions in the sale and purchase agreement have been substantially completed pending some formalities. At year end, the joint venture partner has however claimed an amount of USD 150M, being the Group's share in a cash call by the joint venture during the year. The Group management is confident that the Group is not liable or committed to such amount or to any other cash calls or additional investments into the joint venture.

(c) The below table provides details on the Group's share in the joint venture entities contingent liabilities incurred jointly with other entities;

December 31, 2015

	QAPCO	**QAFAC**	**QAFCO**	**Total**
	QR'000	**QR'000**	**QR'000**	**QR'000**
Letters of credit	**20,688**	--	**735,559**	**756,247**
Bank guarantees	**410**	--	**580**	**990**
	21,098	--	**736,139**	**757,237**

December 31, 2014

	QAPCO	QAFAC	QAFCO	Total
	QR'000	QR'000	QR'000	QR'000
Letters of credit	80	--	1,587	1,667
Bank guarantees	24,398	--	580	24,978
	24,478	--	2,167	26,645

(d) The below table provides details on the Group's share in the associates contingent liabilities incurred jointly with other entities;

	2015	2014
	QR.'000	QR.'000
Letters of credit	**50,980**	94,499
Bank guarantees	**--**	--
	50,980	94,499

30. SEGMENTAL REPORTING

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

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

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

Operating segments

The following table present revenue and profit information regarding the Group's operating segments for the year ended December 31, 2015 and 2014 respectively:

	From Joint Ventures		*From Subsidiary*	
	Petrochemicals QR'000	*Fertilisers QR'000*	*Steel QR'000*	*Total QR'000*
Year ended December 31, 2015				
Total revenue	**4,480,175**	**4,927,197**	**5,227,558**	**14,634,930**
Results:				
Segment results	**2,609,650**	**1,087,385**	**872,242**	**4,569,277**
Unallocated income				**101,929**
Unallocated expenses				**(226,235)**
Profit for the year				**4,444,971**
Year ended December 31, 2014				
Total revenue	5,009,613	5,459,092	5,969,939	16,438,644
Results:				
Segment results	3,251,988	1,730,604	1,269,507	6,252,099
Unallocated income				120,400
Unallocated expenses				(30,882)
Profit for the year				6,341,617

30. SEGMENTAL REPORTING (CONTINUED)

The following table present segmental assets regarding the Group's business segments for the year ended December 31, 2015 and December 31, 2014 respectively:

	From Joint Ventures		*From Subsidiary*	
	Petrochemicals	*Fertilisers*	*Steel*	*Total*
	QR'000	*QR'000*	*QR'000*	*QR'000*
Segment assets:				
At December 31, 2015				
Cash	**1,126,588**	**2,025,141**	**969,981**	**4,121,710**
Other current assets	**1,199,519**	**1,205,347**	**2,574,907**	**4,979,773**
Non-Current assets	**6,613,010**	**11,555,821**	**5,638,793**	**23,807,624**
Total assets	**8,939,117**	**14,786,309**	**9,183,681**	**32,909,107**
Segment assets:				
At December 31, 2014				
Cash	1,248,988	1,464,139	1,128,258	3,841,385
Other current assets	1,557,575	1,425,496	4,548,904	7,531,975
Non-Current assets	6,802,905	12,112,035	4,668,761	23,583,701
Total assets	9,609,468	15,001,670	10,345,923	34,957,061

Notes:

(i) The above segmental reporting relates only to the subsidiary and joint venture companies.

(ii) Significant portion of the Group's non-current assets are located in the State of Qatar.

Reconciliation of reportable segments total assets

	2015	2014
	QR'000	QR'000
Total assets for reportable segments	**32,909,107**	34,957,061
Other un-allocable assets	**11,777,858**	6,633,191
Elimination of investments in subsidiaries	**(985,451)**	(985,451)
Recognition of investment in joint ventures using equity method of accounting	**15,771,728**	20,561,861
Assets relating to joint ventures	**(23,725,426)**	(24,611,138)
Consolidated total assets for the year	**35,747,816**	36,555,524

31. FINANCIAL RISK MANAGEMENT

Objectives and policies

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

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

Market risk

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest bearing loans and borrowings and short term deposits with floating interest rates.

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

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

	Increase in basis points	*Effect on profit 2015*	*Increase in basis points*	*Effect on profit 2014*
		QR'000		QR'000
Fixed deposits	+25	16,892	+25	12,375
Loans and borrowings	+25	2,817	+25	4,156

Interest rate swap

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

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate risk (continued)

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

	Positive/ (Negative) Fair Value	Notional Amount	Notional amount by term to maturity			
			In 1 year	1-2 year	2-5 Years	5 Years and above
	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000
Derivatives held as Cash flow hedge:						
Interest Rate Swap						
December 31, 2015	--	--	--	--	--	--
December 31, 2014	(54,623)	517,457	517,457	--	--	--

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy which limits its exposure to credit risk on its bank balances by dealing with financial institutions of good credit ratings. The Group's exposure to counterparties is continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by management. Starting from July 1, 2013, Qatar Chemical and Petrochemical Marketing and Distribution Company (Muntajat) Q.J.S.C. has been the sole agent for the sale of petrochemicals and other regulated products of the Group's joint ventures, who assume the credit risks of the products at the point of sale. As Muntajat is a wholly owned governmental entity, management is of the opinion that credit risk on trade accounts receivables resulted from sale of these products is minimal.

The carrying amount of the financial assets recorded in these consolidated financial statements, which is net of impairment losses represents the Group's maximum exposure to credit risks.

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

	2015	2014
	QR'000	QR'000
Bank balances (excluding cash)	**7,021,009**	6,192,249
Accounts receivable and other assets	**1,007,706**	1,138,564
Amounts due from related parties	**773,493**	81,926
	8,802,208	7,412,739

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk

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

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

At December 31, 2015	**Less than one year**	**1 to 5 years**	**> 5 years**	**Total**
	QR'000	**QR'000**	**QR'000**	**QR'000**
Accounts payables	**366,607**	--	--	**366,607**
Interest bearing loans and borrowings	**1,126,899**	--	--	**1,126,899**
Due to related parties	**50,992**	--	--	**50,992**
	1,544,498	--	--	**1,544,498**

At December 31, 2014	Less than one year	1 to 5 years	> 5 years	Total
	QR'000	QR'000	QR'000	QR'000
Accounts payables	494,933	--	--	494,933
Interest bearing loans and borrowings	1,662,466	--	--	1,662,466
Due to related parties	61,001	--	--	61,001
	2,218,400	--	--	2,218,400

Foreign currency risk

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

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

The following table details the Group's sensitivity to a 5% increase/decrease in the QR. balances against the relevant foreign currencies excluding USD. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. The sensitivity analysis presents payable balances of the Group as at year end where the denomination of these balances is in a currency other than the functional currency of the Group or USD. As at year end December 31, 2015 the Group has no receivable, related party or bank balances in foreign currencies other than USD.

	EUR	**GBP**	**JPY**	**Total P&L impact**
2015 (QAR '000)	**70**	--	**11**	**81**
2014 (QAR'000)	1,720	4	168	1,892

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

Equity price risk

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

	Change in equity price 2015	*Effect on equity 2015*	*Change in equity price 2014*	*Effect on equity 2014*
		QR'000		QR'000
Qatar Exchange	+5%	33,049	+5%	35,459
Australian Securities Exchange	+5%	--	+5%	7,709

Capital management

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

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2015 and December 31, 2014.

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

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

	2015	2014
	QR'000	QR'000
Interest bearing loans and borrowings	**1,126,899**	1,662,466
Accounts payable and accruals	**798,732**	1,049,406
Due to related parties	**50,992**	61,001
Other financial liabilities	**--**	54,623
	1,976,623	2,827,496
Less: Cash and cash equivalents	**(1,095,279)**	(1,481,127)
Net debt	**881,344**	1,346,369
Equity	**33,624,604**	33,584,626
Adjustments:		
Fair value reserve	**(370,807)**	(500,669)
Hedging reserve	**131,794**	203,074
	33,385,591	33,287,031
Capital and net debt	**34,266,935**	34,633,400
Gearing ratio	**3%**	4%

32. FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities

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

The fair values of financial instruments are not materially different from their carrying values.

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

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

32. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

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

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that is not based on observable market data.

As at December 31, 2015	*Total*	*Level 1*	*Level 2*	*Level 3*
	QR'000	*QR'000*	*QR'000*	*QR'000*
Assets measured at fair value				
Available-for-sale investments	682,694	671,694	--	11,000
Financial asset at fair value through profit or loss	3,585	--	--	3,585
Receivables	848,841	--	--	848,841
Due from related parties	773,493	--	--	773,493

	Total	*Level 1*	*Level 2*	*Level 3*
	QR'000	*QR'000*	*QR'000*	*QR'000*
Liabilities measured at fair value				
Interest rate swap	--	--	--	--
Due to related parties	50,992	--	--	50,992
Interest bearing loans and borrowings	1,126,899	--	--	1,126,899

During the year ended December 31, 2015, 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. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

As at December 31, 2014	*Total*	*Level 1*	*Level 2*	*Level 3*
	QR'000	*QR'000*	*QR'000*	*QR'000*
Assets measured at fair value				
Available-for-sale investments	863,348	863,348	--	--
Financial asset at fair value through profit or loss	3,585	--	--	3,585
Receivables	953,237	--	--	953,237
Due from related parties	81,926	--	--	81,926

	Total	*Level 1*	*Level 2*	*Level 3*
	QR'000	*QR'000*	*QR'000*	*QR'000*
Liabilities measured at fair value				
Interest rate swap	54,623	--	54,623	--
Due to related parties	61,001	--	--	61,001
Interest bearing loans and borrowings	1,662,466	--	--	1,662,466

33. RESTATEMENT

The comparative figures as of December 31, 2014 were reclassified as follows:

	Previously reported	**Reclassification**	**After reclassification**
	QR.'000	**QR.'000**	**QR.'000**
Statement of financial position			
Asset classified as held for sale	**1,245,747**	**(1,245,747)**	**--**
Investment in associates	**232,807**	**1,245,747**	**1,478,554**

In the prior year, investment in Foulath amounting to QR 1,245.7 million was classified as asset held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Management has reclassified this amount to investment in associates in accordance with IAS 28 "Investments in Associates".