

Industries Qatar Q.S.C.

**UNAUDITED INTERIM CONDENSED
CONSOLIDATED
FINANCIAL STATEMENTS**

30 JUNE 2011

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF INDUSTRIES QATAR Q.S.C.

Introduction

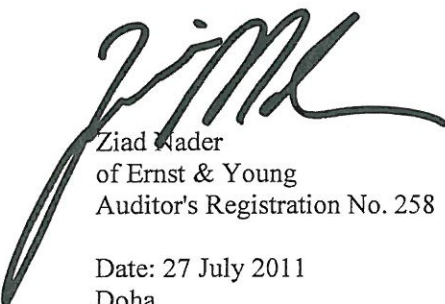
We have reviewed the accompanying interim condensed consolidated financial statements of Industries Qatar Q.S.C. (the "Company") and its subsidiaries and jointly controlled entities (together referred as the "Group") as at 30 June 2011, comprising of the interim consolidated statement of financial position as at 30 June 2011 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended and related explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.



Ziad Wader
of Ernst & Young
Auditor's Registration No. 258

Date: 27 July 2011
Doha



INTERIM CONSOLIDATED STATEMENT OF INCOME

For the six months ended 30 June 2011

	Notes	<i>Six months ended 30 June</i>	
		<i>2011</i> <i>(Unaudited)</i> <i>QR'000</i>	<i>2010</i> <i>(Unaudited)</i> <i>(Restated)</i> <i>QR'000</i>
Revenue		8,165,368	5,561,853
Cost of sales		<u>(3,662,365)</u>	<u>(2,815,251)</u>
GROSS PROFIT		4,503,003	2,746,602
Share of results from associates		43,998	82,356
Other income		181,726	237,900
Selling expenses		(105,823)	(88,598)
General and administrative expenses		(288,409)	(280,186)
Finance costs		(81,613)	(63,154)
Other costs	18 (b)	(67,820)	-
Impairment of available-for-sale investments	4	<u>(9,615)</u>	<u>-</u>
PROFIT FOR THE PERIOD		<u>4,175,447</u>	<u>2,634,920</u>
Profit for the period attributable to:			
Equity holders of the parent		4,170,617	2,633,567
Non-controlling interest		<u>4,830</u>	<u>1,353</u>
		<u>4,175,447</u>	<u>2,634,920</u>
BASIC AND DILUTED EARNINGS PER SHARE (Expressed as QR per share)	5	<u>7.58</u>	<u>4.79</u>

The attached notes 1 to 19 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

		<i>Six months ended 30 June</i>	
		<i>2011</i>	<i>2010</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
		<i>(Restated)</i>	<i>(Restated)</i>
	<i>Notes</i>	<i>QR'000</i>	<i>QR'000</i>
Profit for the period		<u>4,175,447</u>	<u>2,634,920</u>
Other comprehensive (loss) income:			
Net (loss) gain on available-for-sale financial investments	4	(115,712)	22,064
Net unrealised loss on cash flow hedges	4	<u>(23,465)</u>	<u>(227,459)</u>
Other comprehensive loss for the period		<u>(139,177)</u>	<u>(205,395)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u><u>4,036,270</u></u>	<u><u>2,429,525</u></u>
Total comprehensive income for the period attributable to:			
Equity holders of the parent		4,031,440	2,428,172
Non-controlling interest		<u>4,830</u>	<u>1,353</u>
		<u><u>4,036,270</u></u>	<u><u>2,429,525</u></u>

The attached notes 1 to 19 form part of these interim condensed consolidated financial statements.

Industries Qatar Q.S.C.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011


		<i>30 June 2011 (Unaudited)</i>	<i>31 December 2010 (Audited) (Restated)</i>
	<i>Notes</i>	<i>QR'000</i>	<i>QR'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment	6	9,481,336	8,874,082
Projects under development	7	11,289,614	10,669,078
Investment properties		198,992	200,162
Intangible assets		173,814	128,157
Investment in associates	8	1,669,290	1,406,115
Available-for-sale investments		375,224	461,519
Catalysts		119,186	127,039
Other non-current assets		2,423	2,120
		<u>23,309,879</u>	<u>21,868,272</u>
Current assets			
Inventories		1,966,873	1,833,279
Accounts receivable and prepayments		2,799,838	1,983,759
Due from related parties	13	575,897	753,613
Held-for-trading investments		189,797	178,532
Cash and short-term deposits	10	4,337,694	5,290,412
		<u>9,870,099</u>	<u>10,039,595</u>
TOTAL ASSETS		<u>33,179,978</u>	<u>31,907,867</u>

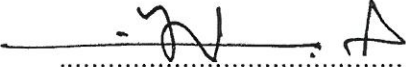
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INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2011

		<i>30 June 2011 (Unaudited)</i>	<i>31 December 2010 (Audited) (Restated)</i>
	<i>Notes</i>	<i>QR'000</i>	<i>QR'000</i>
EQUITY AND LIABILITIES			
Equity			
Share capital	11	5,500,000	5,500,000
Legal reserve		229,513	203,320
Cumulative changes in fair value		199,440	315,152
Hedging reserve		(488,976)	(465,511)
Retained earnings		17,217,295	13,072,871
Proposed dividends		-	3,025,000
Equity attributable to the parent		22,657,272	21,650,832
Non-controlling interest		406,201	13,621
Total equity		23,063,473	21,664,453
Non-current liabilities			
Interest-bearing loans and borrowings	12	5,839,173	6,117,610
Employees' end of service benefits		207,398	201,159
Other financial liabilities	9	445,960	422,694
		6,492,531	6,741,463
Current liabilities			
Accounts payable and accruals		1,407,838	1,287,606
Due to related parties	14	821,502	763,196
Other financial liabilities	9	25,773	26,666
Interest-bearing loans and borrowings	12	1,368,861	1,424,483
		3,623,974	3,501,951
Total liabilities		10,116,505	10,243,414
TOTAL EQUITY AND LIABILITIES		33,179,978	31,907,867


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


 Hamad Rashid Al-Mohannadi
 Vice Chairman

The attached notes 1 to 19 form part of these interim condensed consolidated financial statements.

Industries Qatar Q.S.C.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

	<i>Six months ended 30 June</i>	
	<i>2011</i>	<i>2010</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>QR'000</i>	<i>(Restated)</i>
	<i>QR'000</i>	<i>QR'000</i>
OPERATING ACTIVITIES		
Profit for the period	4,175,447	2,634,920
Adjustments for:		
Depreciation and amortisation	331,618	304,094
Provision for employees' end of service benefits	27,773	28,314
Loss (gain) on disposals of investments held-for-trading	1,841	(12,874)
Reversal of excess provision	-	(854)
Share of results from associates	(43,998)	(82,356)
Loss on disposal of property, plant and equipment	8,805	3,483
Finance costs	81,613	63,154
Impairment of available-for-sale investments	9,615	-
Interest income	(38,844)	(98,187)
	<u>4,553,870</u>	<u>2,839,694</u>
Working capital changes:		
Inventories	(133,594)	(334,656)
Accounts receivable and prepayments and due from related parties	(638,363)	(132,764)
Accounts payable and accruals and due to related parties	178,982	(44,565)
	<u>3,960,895</u>	<u>2,327,709</u>
Cash from operations	3,960,895	2,327,709
Finance costs paid	(81,613)	(62,933)
Employees' end of service benefits paid	(21,534)	(13,119)
	<u>3,857,748</u>	<u>2,251,657</u>
Net cash from operating activities	<u>3,857,748</u>	<u>2,251,657</u>
INVESTING ACTIVITIES		
Proceeds from disposals of property, plant and equipment	174	2,046
Purchase of property, plant and equipment	(937,119)	(1,508,723)
Purchases of catalysts	(4,002)	(19,296)
Net movement in projects under development	(616,837)	(969,117)
Net movement in available-for-sale investments	(39,032)	-
Net movement in other assets	(303)	(4)
Dividends received from associates	5,000	5,000
Net movements in held for trading investments	(13,106)	(1,627)
Net movement in deposits maturing after 90 days	(907,000)	(361,445)
Net movement in intangible asset	(45,657)	-
Net movement in investment properties	1,170	-
Interest received	38,844	99,036
Additional investments in associate	(224,590)	(118,105)
	<u>(2,742,458)</u>	<u>(2,872,235)</u>
Net cash used in investing activities	<u>(2,742,458)</u>	<u>(2,872,235)</u>
FINANCING ACTIVITIES		
Proceeds from interest-bearing loans and borrowings	-	1,350,926
Repayment of interest-bearing loans and borrowings	(337,758)	(118,540)
Proceeds from additional capital contribution	390,000	-
Dividends paid	(3,025,000)	(2,750,000)
Dividend paid to minority shareholders	(2,250)	(1,574)
	<u>(2,975,008)</u>	<u>(1,519,188)</u>
Net cash used in financing activities	<u>(2,975,008)</u>	<u>(1,519,188)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	<u>(1,859,718)</u>	<u>(2,139,766)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<u>5,290,412</u>	<u>4,996,786</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>3,430,694</u>	<u>2,857,020</u>

The attached notes 1 to 19 form part of these interim condensed consolidated financial statements.

Industries Qatar Q.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	<i>Attributable to the equity holders of the parent</i>							<i>Non-controlling interest</i> QR'000	<i>Total</i> QR'000
	<i>Share capital</i> QR'000	<i>Legal reserve</i> QR'000	<i>Cumulative changes in fair value</i> QR'000	<i>Hedging reserve</i> QR'000	<i>Retained earnings</i> QR'000	<i>Proposed dividends</i> QR'000	<i>Total</i> QR'000		
Balance at 1 January 2011 as previously reported (Audited)	5,500,000	202,392	315,152	(465,511)	13,171,237	3,025,000	21,748,270	13,621	21,761,891
Correction of prior period errors (Note 17)	-	-	-	-	(97,438)	-	(97,438)	-	(97,438)
Reclassifications (Note 18)	-	928	-	-	(928)	-	-	-	-
Balance at 1 January 2011 (Restated)	5,500,000	203,320	315,152	(465,511)	13,072,871	3,025,000	21,650,832	13,621	21,664,453
Profit for the period	-	-	-	-	4,170,617	-	4,170,617	4,830	4,175,447
Other comprehensive loss for the period	-	-	(115,712)	(23,465)	-	-	(139,177)	-	(139,177)
Total comprehensive income for the period	-	-	(115,712)	(23,465)	4,170,617	-	4,031,440	4,830	4,036,270
Transfer to legal reserve	-	26,193	-	-	(26,193)	-	-	-	-
Capital contribution	-	-	-	-	-	-	-	390,000	390,000
Dividends paid (Note 13)	-	-	-	-	-	(3,025,000)	(3,025,000)	(2,250)	(3,027,250)
Balance at 30 June 2011 (Unaudited)	5,500,000	229,513	199,440	(488,976)	17,217,295	-	22,657,272	406,201	23,063,473
Balance at 1 January 2010 as previously reported (Audited)	5,500,000	142,747	142,262	(307,165)	10,819,414	2,750,000	19,047,258	12,835	19,060,093
Correction of prior period errors (Note 17)	-	24,222	-	13,546	(72,363)	-	(34,595)	-	(34,595)
Transfers to legal reserve	-	7,285	-	-	(7,285)	-	-	-	-
Balance at 1 January 2010 (Restated)	5,500,000	174,254	142,262	(293,619)	10,739,766	2,750,000	19,012,663	12,835	19,025,498
Profit for the period	-	-	-	-	2,633,567	-	2,633,567	1,353	2,634,920
Other comprehensive loss for the period	-	-	22,064	(227,459)	-	-	(205,395)	-	(205,395)
Total comprehensive income for the period	-	-	22,064	(227,459)	2,633,567	-	2,428,172	1,353	2,429,525
Dividends paid (Note 13)	-	-	-	-	-	(2,750,000)	(2,750,000)	(1,574)	(2,751,574)
Balance at 30 June 2010 (Unaudited)	5,500,000	174,254	164,326	(521,078)	13,373,333	-	18,690,835	12,614	18,703,449

The attached notes 1 to 19 form part of these interim condensed 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 19 April 2003, in accordance with Article No. 68 of the Qatar Commercial Companies Law No. 5 of year 2002, for a 50 year term by resolution No. 33 of 2003 from the Ministry of Economy and Commerce of the State of Qatar. The Company’s shares are listed in the Qatar Exchange. The Company’s registered office is situated in Doha, State of Qatar.

IQ, its subsidiaries and joint venture companies (together “the Group”) operates in the State of Qatar and in the Jebel Ali Free Zone in the United Arab Emirates.

The main activity of IQ is to act as a holding company. The structure of the Group, included in these interim condensed consolidated financial statements of Industries Qatar Q.S.C. is as follows:

<i>Entity Name</i>	<i>Country of incorporation</i>	<i>Relationship</i>	<i>Ownership interest</i>
Qatar Steel Company Q.S.C.	Qatar	Subsidiary	100%
Qatar Petrochemical Company Limited Q.S.C.	Qatar	Joint venture	80%
Qatar Fertiliser Company (S.A.Q.)	Qatar	Joint venture	75%
Qatar Fuel Additives Company Limited Q.S.C.	Qatar	Joint venture	50%
Fereej Real Estate Company Q.S.C.	Qatar	Joint venture	34%

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2011 were authorised for issue by the Chairman and the Vice Chairman on 27 July 2011.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These interim condensed consolidated financial statements are prepared in accordance with the International Accounting Standard (IAS) 34 *Interim Financial Reporting* (“IAS 34”) and have been presented in Qatari Riyals, which is the Company’s functional and presentation currency. All values are rounded to the nearest thousands (QR’000) except when otherwise indicated.

The interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards (IFRS) and should be read in conjunction with the 31 December 2010 annual consolidated financial statements and the notes attached thereto. In addition, results for the six months ended 30 June 2011 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2011.

Significant accounting policies

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the Group’s annual financial statements for the year ended 31 December 2010, except for the adoption of new standards and interpretations as of 1 January 2011, as noted below:

New standards, interpretations and amendments thereof, adopted by the Group

IAS 24 Related Party Transactions (Amendment)

The IASB has issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships as well as clarifying in which circumstances persons and key management personnel affect related party relationships of an entity.

Secondly, the amendment introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

New standards, interpretations and amendments thereof, issued and effective but not relevant

The following new standards, interpretations and amendments effective as of 1 January 2011 have been issued but are not relevant to the Group's operations, as follows:

- IAS 32 Financial instruments: Presentation (Amendment)
- IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)

Improvements to IFRSs (issued May 2010)

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following relevant amendments resulted in changes to accounting policies, but did not have any impact on the financial position or performance of the Group.

- *IAS 1 Presentation of Financial Statements*: The amendment clarifies that an option to present an analysis of each component of other comprehensive income may be included either in the statement of changes in equity or in the notes to the financial statements.
- *IAS 34 Interim Financial Statements*: The amendment requires additional disclosures for fair values and changes in classification of financial assets, as well as changes to contingent assets and liabilities in interim condensed financial statements.

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

- *IFRS 3 Business Combinations*
- *IAS 27 Consolidated and Separate Financial Statements*
- *IFRS 7 Financial Instruments*

New standards issued and but not yet effective

The Group is currently considering the implications of the following new IFRS which are effective from 1 January 2013:

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

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3 INTEREST IN JOINT VENTURES

The following amounts reflect, on a combined basis, the Group's proportionate share of the assets, liabilities, revenues and expenses of joint venture companies included in these interim condensed consolidated financial statements as disclosed in Note 1.

	<i>30 June 2011 (Unaudited)</i>	<i>31 December 2010 (Audited) (Restated)</i>
	<i>QR'000</i>	<i>QR'000</i>
Assets:		
Current assets	4,965,187	4,510,986
Non-current assets	<u>18,236,283</u>	<u>16,901,292</u>
	<u><u>23,201,470</u></u>	<u><u>21,412,278</u></u>
Liabilities:		
Current liabilities	3,223,838	3,367,422
Non-current liabilities	<u>5,104,398</u>	<u>5,257,285</u>
	<u><u>8,328,236</u></u>	<u><u>8,624,707</u></u>
	<i>30 June 2011 (Unaudited)</i>	<i>31 December 2010 (Audited) (Restated)</i>
	<i>QR'000</i>	<i>QR'000</i>
Revenues:		
Sales	5,313,326	7,606,387
Other income	<u>69,638</u>	<u>195,559</u>
	<u><u>5,382,964</u></u>	<u><u>7,801,946</u></u>
Expenses:		
Direct costs	1,768,170	2,865,883
General and administrative expenses	226,390	475,833
Interest and finance charges	43,987	62,931
Selling expenses	93,058	161,425
Other costs (Note 18 (b))	<u>67,820</u>	<u>-</u>
	<u><u>2,199,425</u></u>	<u><u>3,566,072</u></u>

4 COMPONENTS OF OTHER COMPREHENSIVE INCOME

	<i>Six months ended 30 June</i>	
	<i>2011</i>	<i>2010</i>
	<i>(Unaudited)</i>	
	<i>QR'000</i>	<i>QR'000</i>
<i>Available-for-sale investments</i>		
(Losses) gains arising during the period	(125,327)	22,064
Impairment of available-for-sale investments	9,615	-
Total effect on other comprehensive income resulting from revaluation of available-for-sale financial assets	(115,712)	22,064
<i>Cash flow hedges</i>		
Losses arising during the period – Interest rate swaps	(23,052)	(215,670)
Share of losses from an associate arising during the period – Interest rate swaps	(413)	(11,789)
Total effect on other comprehensive income resulting from cash flow hedges	(23,465)	(227,459)

5 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit attributable to the equity holders of the parent for the period by the weighted average number of shares outstanding during the period as follows:

	<i>Six months ended</i>	
	<i>30 June</i>	
	<i>2011</i>	<i>2010</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>QR'000</i>	<i>(Restated)</i>
	<i>QR'000</i>	<i>QR'000</i>
Profit attributable to the equity holders of the parent for the period	<u>4,170,617</u>	<u>2,633,567</u>
Weighted average number of shares outstanding during the period (in thousands)	<u>550,000</u>	<u>550,000</u>
Basic and diluted earnings per share (expressed in QR per share)	<u>7.58</u>	<u>4.79</u>

The figures for basic and diluted earnings per share are the same as the Company has not issued any instruments which would have an impact on the earnings per share when exercised.

6 PROPERTY, PLANT AND EQUIPMENT

	<i>30 June</i>	<i>31 December</i>
	<i>2011</i>	<i>2010</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>QR'000</i>	<i>QR'000</i>
Opening net book value	8,874,082	7,926,310
Additions	937,119	1,191,389
Transfers/reclassifications	(1,123)	390,845
Disposals	(8,979)	(12,592)
Depreciation	<u>(319,763)</u>	<u>(621,870)</u>
Closing net book value	<u>9,481,336</u>	<u>8,874,082</u>

7 PROJECTS UNDER DEVELOPMENT

	30 June 2011 (Unaudited) QR'000	31 December 2010 (Audited) QR'000
QAFCO-5 Project	8,587,911	8,072,045
QAPCO LDPE 3 plant facilities	1,494,400	1,237,929
QAFCO 6	1,031,122	616,763
Qatar Melamine Project	-	566,055
	11,113,433	10,492,792
<i>Properties under development:</i>		
IQ Tower	80,541	79,833
Fereej Project	95,640	96,453
	11,289,614	10,669,078

Qatar Melamine Project

The Group has signed an agreement, through Qatar Fertiliser Company (Q.S.C.C.), with Qatar Intermediate Industries Holding Company Ltd. to establish a separate legal entity namely, "Qatar Melamine Company". The entity's prime objective is to produce and sell Melamine through the ownership of plant facilities. The balance as at 31 December 2010 represents the contribution by the Group towards the construction of the plant facilities. During the year, construction of the plant facilities was completed. On 6 March 2011, Qatar Melamine Company (Q.S.C.C.) was incorporated as a Qatari Shareholding Closed Company in the State of Qatar. The Group, through Qatar Fertiliser Company (Q.S.C.C.), effectively owns 45% of the shares of Qatar Melamine Company (Q.S.C.C.).

8 INVESTMENTS IN ASSOCIATES

The Group has the following investments in associates:

	30 June 2011 (Unaudited) QR'000	31 December 2010 (Audited) QR'000
	<i>Ownership</i>	<i>Country of incorporation</i>
Qatar Metal Coating Company Q.S.C.	50.00%	Qatar
Gulf United Steel Company (Foulath)	25.00%	Bahrain
B.S.C.Closed	20.00%	Saudi Arabia
South Steel Company W.L.L.		
	23,299	24,108
	1,436,420	1,259,591
	209,571	122,416
	1,669,290	1,406,115

9 OTHER FINANCIAL LIABILITIES

	<i>30 June 2011 (Unaudited) QR'000</i>	<i>31 December 2010 (Audited) QR'000</i>
Other financial liabilities		
<i>Derivatives:</i>		
Interest rate swaps – 1	255,698	230,810
Interest rate swaps – 2	144,033	146,116
Interest rate swaps – 3	72,002	72,434
	<u>471,733</u>	<u>449,360</u>

Presented in the interim consolidated statement of financial position as follows:

Noncurrent portion	445,960	422,694
Current portion	25,773	26,666
	<u>471,733</u>	<u>449,360</u>

10 CASH AND SHORT TERM DEPOSITS

	<i>30 June 2011 (Unaudited) QR'000</i>	<i>31 December 2010 (Audited) QR'000</i>
Bank balances and cash	<u>4,337,694</u>	<u>5,290,412</u>

For the purpose of statement of cash flows, cash and cash equivalents consist of the following:

	<i>30 June 2011 (Unaudited) QR'000</i>	<i>31 December 2010 (Audited) QR'000</i>
Bank balances and cash	4,337,694	5,290,412
Less: Fixed deposits maturing after 90 days	(907,000)	-
	<u>3,430,694</u>	<u>5,290,412</u>

11 SHARE CAPITAL

	<i>30 June 2011 (Unaudited) QR'000</i>	<i>31 December 2010 (Audited) QR'000</i>
Authorised, issued and paid-up: 550,000,000 shares of QR 10 each (31 December 2010 : 550,000,000 shares of QR 10 each)	<u>5,500,000</u>	<u>5,500,000</u>

12 INTEREST BEARING LOANS AND BORROWINGS

	<i>Interest rate</i>	<i>Entity</i>	<i>Currency</i>	<i>Maturity date</i>	30 June 2011 (Unaudited) QR'000	31 December 2010 (Audited) QR'000
Loan 1	LIBOR plus applicable margin	QAFCO	USD	2017	3,792,911	3,790,212
Loan 2	LIBOR plus applicable margin	Qatar Steel	USD	2018	1,465,754	1,524,736
Loan 3	LIBOR plus 3.0%	Qatar Steel	USD	2014	69,737	69,737
Loan 4	LIBOR plus 0.5%	QAFAC	USD	2011	-	40,768
Loan 5	7.50%	QPPC	QR	2014	2,498	2,929
Syndicated loan	LIBOR plus applicable margin	QATOFIN	USD	2020	1,173,474	1,337,744
Syndicated loan	LIBOR plus 1% to 1.3%	QVC	USD	2013	121,260	157,547
Murabaha facility	5.50%	QAPCO	USD	2013	582,400	582,400
Other short term loans	LIBOR plus 3.25%	Qatar Steel			-	36,020
					7,208,034	7,542,093
Less: repayments due within one year					(1,368,861)	(1,424,483)
Total non-current portion					5,839,173	6,117,610

13 DIVIDENDS PAID

The Board of Directors had proposed a final dividend distribution of QR 5.5 per share for the year ended 31 December 2010. The dividends for 2010 amounting to QR 3.025 billion were approved by the shareholders at the Annual General Meeting held on 23 March 2011 and was subsequently paid on 24 March 2011.

14 RELATED PARTY DISCLOSURES**Related party transactions**

These represent transactions with related parties, i.e. shareholders, joint venture partners, directors and senior management of the group and of the companies, and the companies in which they are principal owners. Pricing policies and terms of these transactions are approved by the group's management.

Transactions with related parties included in the interim consolidated statement of income during the six months ended 30 June 2011 and 2010 are as follows:

Period ended 30 June 2011 (Unaudited)	<i>Sales QR'000</i>	<i>Purchases QR'000</i>	<i>Selling and other expenses QR'000</i>	<i>Lease rental payments QR'000</i>	<i>Other income QR'000</i>
Major shareholders	119,502	1,003,230	21,932	19,790	-
Associates	295,508	21,548	1,098	-	94,985
Joint ventures	77,176	254,480	-	-	975
Other related parties	1,055,377	7,649	52,039	-	7,977
	1,547,563	1,286,907	75,069	19,790	103,937

14 RELATED PARTY DISCLOSURES (continued)

<i>Period ended 30 June 2010 (Unaudited)</i>	<i>Sales QR'000</i>	<i>Purchases QR'000</i>	<i>Selling and other expenses QR'000</i>	<i>Lease rental payments QR'000</i>	<i>Other income QR'000</i>
Major shareholders	77,340	717,922	16,455	18,551	-
Associates	329,692	543,669	300	-	20,273
Joint ventures	4,862	781	948	-	-
Other related parties	850,960	10,651	57,589	-	7,910
	<u>1,262,854</u>	<u>1,273,023</u>	<u>75,292</u>	<u>18,551</u>	<u>28,183</u>

Related party balances

Balances with related parties included in the interim consolidated statement of financial position is as follows:

	<i>30 June 2011 (Unaudited) QR'000</i>	<i>31 December 2010 (Audited) QR'000</i>
<i>Due from related parties:</i>		
Major shareholder	79,533	67,348
Joint Ventures	50,714	60,482
Associates	32,309	31,057
Other related parties	413,341	594,726
	<u>575,897</u>	<u>753,613</u>
	<i>30 June 2011 QR'000 (Unaudited)</i>	<i>31 December 2010 QR'000 (Audited)</i>
<i>Due to related parties:</i>		
Major shareholder	568,467	507,063
Joint Ventures	115,916	107,718
Associates	-	60,959
Other related parties	137,119	87,456
	<u>821,502</u>	<u>763,196</u>

Compensation of key management personnel

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

	<i>Six months ended 30 June</i>	
	<i>2011 QR'000 (Unaudited)</i>	<i>2010 QR'000 (Unaudited)</i>
Board of Directors' remuneration	3,645	1,447
Short term benefits to key management personnel	11,324	11,700
Qatari employees pension fund contribution	532	377
	<u>15,501</u>	<u>13,524</u>

15 CONTINGENCIES

At 30 June 2011, the Group had contingent liabilities in respect of bank and other guarantees, legal claims and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to QR 273 million (31 December 2010: QR 333 million).

16 EXPENDITURE COMMITMENTS

	<i>30 June 2011 QR'000 (Unaudited)</i>	<i>31 December 2010 QR'000 (Audited)</i>
Capital expenditure commitments:		
Estimated capital expenditure contracted for at the end of the reporting period but not provided for:		
Property, plant and equipment	<u>2,698,613</u>	<u>3,854,022</u>
Operating lease commitments:		
Future minimum lease payments:		
Within one year	74,834	54,852
After one year but not more than five years	148,654	98,663
More than five years	<u>375,126</u>	<u>330,096</u>
Total operating lease expenditure contracted for at the end of the reporting period	<u>598,614</u>	<u>483,611</u>

17 SEGMENT INFORMATION

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

- The petrochemical segments, which produces and sells ethylene, polyethylene, MTBE, methanol and other petrochemical products
- The fertilizer segment, which produces and sells urea, ammonia and other by products
- The steel segment, which produces and sells steel pellets, bars, billets and others
- The real estate segment which is involved in the real estate investment, property management and property rentals.

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.

17 SEGMENT INFORMATION (continued)**Operating segments**

The following table presents revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2011 and 2010 respectively:

	<i>Petrochemicals</i> <i>QR'000</i>	<i>Fertilisers</i> <i>QR'000</i>	<i>Steel</i> <i>QR'000</i>	<i>Real</i> <i>estate</i> <i>QR'000</i>	<i>Total</i> <i>QR'000</i>
Period ended 30 June 2011					
Total revenue	<u>3,175,479</u>	<u>2,135,801</u>	<u>2,852,042</u>	<u>2,046</u>	<u>8,165,368</u>
Interest income	<u>9,803</u>	<u>2,079</u>	<u>9,802</u>	<u>121</u>	<u>21,805</u>
Finance costs	<u>43,987</u>	<u>-</u>	<u>37,626</u>	<u>-</u>	<u>81,613</u>
Depreciation and amortisation	<u>131,545</u>	<u>117,510</u>	<u>82,560</u>	<u>3</u>	<u>331,618</u>
Results:					
Segment results	<u>1,893,441</u>	<u>1,289,863</u>	<u>973,845</u>	<u>234</u>	<u>4,157,383</u>
Unallocated income					<u>31,323</u>
Unallocated expense					<u>(13,259)</u>
Profit for the period					<u><u>4,175,447</u></u>
Period ended 30 June 2010					
Total revenue	<u>2,003,098</u>	<u>1,313,911</u>	<u>2,243,093</u>	<u>1,751</u>	<u>5,561,853</u>
Interest income	<u>25,125</u>	<u>14,024</u>	<u>56,904</u>	<u>724</u>	<u>96,777</u>
Finance costs	<u>19,546</u>	<u>-</u>	<u>42,640</u>	<u>968</u>	<u>63,154</u>
Depreciation and amortisation	<u>86,153</u>	<u>119,807</u>	<u>81,737</u>	<u>1,175</u>	<u>288,872</u>
Results:					
Segment results	<u>1,158,071</u>	<u>696,814</u>	<u>742,135</u>	<u>(738)</u>	<u>2,596,282</u>
Unallocated income					<u>43,484</u>
Unallocated expense					<u>(4,846)</u>
Profit for the period					<u><u>2,634,920</u></u>

17 SEGMENT INFORMATION (continued)

The following table presents segmental assets regarding the Group's business segments for the period ended 30 June 2011 and year ended 31 December 2010 respectively:

	<i>Petrochemicals</i> <i>QR'000</i>	<i>Fertilisers</i> <i>QR'000</i>	<i>Steel</i> <i>QR'000</i>	<i>Real</i> <i>estate</i> <i>QR'000</i>	<i>Adjustments</i> <i>QR'000</i>	<i>Total</i> <i>QR'000</i>
Segment assets:						
At 30 June 2011	<u>9,261,560</u>	<u>13,762,293</u>	<u>8,495,734</u>	<u>177,617</u>	<u>1,482,774</u>	<u>33,179,978</u>
At 31 December 2010	<u>8,939,231</u>	<u>12,292,188</u>	<u>7,770,840</u>	<u>180,859</u>	<u>2,724,749</u>	<u>31,907,867</u>

Notes:

- (i) The amount included in the adjustment column represents assets carried in the books of Industries Qatar.
- (ii) The above segmental reporting relates only to the subsidiaries and joint venture companies.

18 CORRECTION OF PRIOR PERIOD ERROR

- (a) QAPCO, a joint venture of the Group holds 31.9% interest in Qatar Vinyl Company Limited Q.S.C. (QVC) and 33.33% interest in Qatar Plastic Products Company W.L.L. (QPPC). Up to 2009, in the financial statements of QAPCO, these interests were erroneously presented as investments in associates instead of investments in joint ventures, even though there was a contractual obligation between the venturers and the existence of joint control between the venturers in place from the beginning of the operations of these two investee companies.

In the year 2010, this error was rectified and accordingly, these investments are accounted for using the proportionate consolidation method. Comparative figures have been restated to conform to the presentation in the current year's financial statements in accordance with IAS 8 – Accounting Policies, changes in accounting estimates and errors.

Due to the proportionate consolidation in 2010, the previously reported retained earnings of the group have been decreased by QR24.2 million, equal to the proportionate share of the Group, while legal reserve has been increased by the same amount. These adjustments did not affect the previously reported profit and equity.

18 CORRECTION OF PRIOR PERIOD ERROR (continued)

Comparative figures of the interim condensed statement of comprehensive income for the six months period ended 30 June 2010 have been restated to conform to the restatement as mentioned above. The impact of the restatement can be summarised as follows:

	30 June 2010 (Restated) QR'000	<i>30 June 2010 (Previously reported) QR'000</i>	<i>Impact on restatement QR'000</i>
Revenue	5,561,853	5,446,157	115,696
Cost of goods sold	(2,815,251)	(2,776,371)	(38,880)
Gross profit	2,746,602	2,669,786	76,816
Share of results from associates	82,356	138,742	(56,386)
Other income	237,900	234,221	3,679
Selling expenses	(88,598)	(83,997)	(4,601)
General and administrative expenses	(280,186)	(266,022)	(14,164)
Finance costs	(63,154)	(61,088)	(2,066)
Profit for the period	2,634,920	2,631,642	3,278

The net impact on restatement above of QR 3.3 million, representing deferred tax benefit, was adjusted against retained earnings since IQ eliminates all taxes at the consolidation level.

- (b) In accordance with the Gas Sale and Purchase Agreement with Qatar Petroleum (“QP”) relating to QAFCO V project, the Qatar Fertiliser Company (Q.S.C.C.) is obliged to take and pay for, or pay if not taken, the take or pay quantity to QP. The Company did not account for their take or pay obligation under this agreement for 2010 amounting to QR 129.9 million during the year ended 31 December 2010. Accordingly, the net profit for the year ended 31 December 2010 and the retained earnings balance as at 1 January 2011 has been restated by QR 97.4 million equal to the Group’s effective share in the Company. As at 30 June 2011, an amount of QR 67.8 million (30 June 2010: Nil) was recognised as other costs, in relation to the above agreement, in the interim consolidated statement of income.
- (c) During the period ended 30 June 2010, Qatar Steel received a debit note from Qatar General Electricity and Water Corporation (“Kahramaa”) relating to the prior period, based on which the Company’s management noted that as per the Power Supply Agreement concluded with Kahramaa in 2005, the electricity accrual up to 31 December 2009 has not been provided in accordance with the minimum quantity of power consumption as stipulated in the agreement, and accordingly, the retained earnings balance as at 1 January 2010 has been restated by QR 34,595 thousand, representing the difference between the minimum quantity of power consumption as per the above agreement and the recorded amount up to 31 December 2009.
- (d) The accrual of interest rate swaps designated under cash flow hedges for the last quarter of 2009 (from 1 October 2009 up to 31 December 2009) amounting to QR 13,546 thousand in Qatar Steel has not been transferred from the cash flow hedge reserve to the profit or loss for the year ended 31 December 2009, and hence management of Qatar Steel decided to restate the retained earnings as at 1 January 2010 to rectify the misstatement.

19 COMPARATIVE AMOUNTS

An amount of QR 928 thousand shown as part of retained earnings in the 31 December 2010 financial statements was reclassified to legal reserve. This did not have any impact on the previously reported income or equity.