

Industries Qatar Q.S.C.

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2009

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF INDUSTRIES QATAR Q.S.C.

We have audited the accompanying financial statements of Industries Qatar Q.S.C. (the "Company") and its subsidiaries and jointly controlled entities (together referred as the "Group") which comprise the consolidated statement of financial position as at 31 December 2009 and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

We did not audit the financial statements of Qatar Steel Company Q.S.C., a wholly-owned subsidiary and Qatar Petrochemical Company Limited Q.S.C., of which the Company is a co-venturer. The Group's share of the total assets and total revenues in these entities amounted to QR 14.83 billion and QR 6.15 billion, respectively. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to data included in those companies, is based solely on the report of the other auditors.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the 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 financial statements in order to design audit procedures that are appropriate for 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 financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS
OF INDUSTRIES QATAR Q.S.C. (continued)**

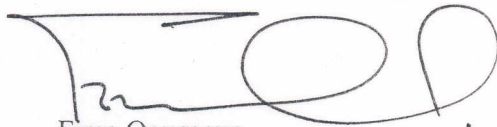
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2009 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on legal and other requirements

Furthermore, in our opinion, proper books of account have been kept by the Company, an inventory count has been conducted in accordance with established principles, and the financial statements comply with the Qatar Commercial Companies' Law No. 5 of 2002 and the Company's Articles of Association. We have obtained all the information and explanations we required for the purpose of our audit, and are not aware of any violations of the above mentioned law or the Articles of Association having occurred during the year which might have had a material effect on the business of the Company or its financial position. We further confirm that the financial information included in the Annual Report of the Board of Directors is in agreement with the books and records of the Company.



Firas Qoussous
of Ernst & Young
Auditor's Registration No. 236

Date: 28 February 2010
Doha



Industries Qatar Q.S.C.

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2009

	<i>Notes</i>	2009 QR'000	2008 QR'000
Revenues	3	9,656,667	14,743,056
Direct costs		<u>(5,757,013)</u>	<u>(7,412,548)</u>
GROSS PROFIT		3,899,654	7,330,508
Share of results from associates	14	30,251	269,529
Other income, net	4	1,369,407	125,673
Income from investments	5	380,705	319,383
Selling expenses		(137,756)	(201,038)
General and administrative expenses	6	(439,214)	(391,785)
Impairment loss on available-for-sale investments	15	-	(31,451)
Finance costs		<u>(99,758)</u>	<u>(143,693)</u>
PROFIT BEFORE CONTRIBUTION FOR SOCIAL AND SPORTS ACTIVITIES		5,003,289	7,277,126
Contribution to social fund	7	<u>(125,082)</u>	<u>-</u>
PROFIT FOR THE YEAR	8	<u>4,878,207</u>	<u>7,277,126</u>
Attributable to:			
Equity holders of the parent		4,875,740	7,275,554
Non-controlling interest		<u>2,467</u>	<u>1,572</u>
		<u>4,878,207</u>	<u>7,277,126</u>
BASIC AND DILUTED EARNINGS PER SHARE (Expressed as QR per share)	9	<u>8.86</u>	<u>13.23</u>

The attached notes 1 to 35 form part of these consolidated financial statements.

Industries Qatar Q.S.C.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	<i>2009</i> <i>QR'000</i>	<i>2008</i> <i>QR'000</i>
Profit for the year	4,878,207	7,277,126
Other comprehensive income		
Net movement on fair value of cash flow hedges	327,500	(531,253)
Net movement on available-for-sale investments	<u>1,049</u>	<u>(168,372)</u>
Other comprehensive income for the year	<u>328,549</u>	<u>(699,625)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>5,206,756</u>	<u>6,577,501</u>
Attributable to:		
Equity holders of the parent	5,204,289	6,575,929
Non-controlling interest	<u>2,467</u>	<u>1,572</u>
	<u>5,206,756</u>	<u>6,577,501</u>

The attached notes 1 to 35 form part of these consolidated financial statements.

Industries Qatar Q.S.C.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	<i>Notes</i>	<i>2009</i> <i>QR'000</i>	<i>2008</i> <i>QR'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment	10	8,114,738	6,137,619
Projects under development	11	7,517,870	5,186,479
Investment properties	12	196,731	124,347
Intangible assets	13	95,799	71,707
Investment in associates	14	1,412,401	1,487,160
Available-for-sale investments	15	288,630	247,773
Catalysts		133,697	118,981
Other non-current assets		<u>1,125</u>	<u>-</u>
		<u>17,760,991</u>	<u>13,374,066</u>
Current assets			
Inventories	16	1,376,948	2,520,907
Accounts receivable and prepayments	17	1,527,040	1,297,557
Due from related parties	27	491,742	566,119
Held for trading investments	18	128,505	125,051
Other financial assets	19	2,277	120,755
Cash and short term deposits	20	<u>5,833,786</u>	<u>9,445,207</u>
		<u>9,360,298</u>	<u>14,075,596</u>
TOTAL ASSETS		<u>27,121,289</u>	<u>27,449,662</u>

The attached notes 1 to 35 form part of these consolidated financial statements.

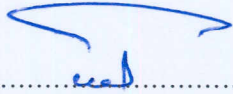
Industries Qatar Q.S.C.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 31 December 2009

	Notes	2009 QR'000	2008 QR'000
EQUITY AND LIABILITIES			
Equity			
Share capital	21	5,500,000	5,500,000
Legal reserves	22	142,747	141,832
Cumulative changes in fair value		142,262	141,213
Hedging reserve	19	(307,165)	(634,665)
Retained earnings		10,819,414	8,694,589
Proposed dividends / Bonus issue	23	2,750,000	4,400,000
Equity attributable to the parent		19,047,258	18,242,969
Non-controlling interest		12,835	11,493
Total equity		19,060,093	18,254,462
Non-current liabilities			
Interest bearing loans and borrowings	24	5,691,727	3,369,025
Employees' end of service benefits	25	179,558	177,080
Other financial liabilities	19	259,932	589,668
		6,131,217	4,135,773
Current liabilities			
Accounts payable and accruals	26	1,116,807	1,367,321
Due to related parties	27	478,345	858,279
Other financial liabilities	19	28,103	165,751
Interest bearing loans and borrowings	24	306,724	2,668,076
		1,929,979	5,059,427
Total liabilities		8,061,196	9,195,200
TOTAL EQUITY AND LIABILITIES		27,121,289	27,449,662

.....
 Abdulla Bin Hamad Al-Attayah
 Deputy Premier and
 Minister of Energy and Industry
 Chairman and Managing Director

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 Yousef Hussain Kamal
 Minister of Economy and Finance
 Vice Chairman

The attached notes 1 to 35 form part of these consolidated financial statements.

Industries Qatar Q.S.C.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	Notes	2009 QR'000	2008 QR'000
OPERATING ACTIVITIES			
Profit for the year		4,878,207	7,277,126
Adjustments for:			
Depreciation and amortisation		524,579	460,984
Provision for employees' end of service benefits	25	42,189	58,832
Provision/write off for obsolete inventory		13,310	334,772
Gain on disposals of investments		(437)	(24,230)
(Gain)/loss on revaluation of investment properties	4	(5,921)	23,685
Income from associates		(30,251)	(269,529)
Loss on disposal of property, plant and equipment		3,195	3,887
Impairment loss on available-for-sale investments		-	31,451
Finance costs		99,758	143,693
(Gain)/loss from change in fair value of held for trading securities	4	(4,484)	37,702
Interest income	5	(357,753)	(305,641)
Write off of projects under development	11	57,700	-
Grant income	4	(1,165,711)	-
Contribution to social fund	7	125,082	-
		<u>4,179,463</u>	<u>7,772,732</u>
Working capital changes:			
Inventories		1,104,981	(1,482,453)
Accounts receivable and prepayments and due from related parties		(155,107)	42,174
Accounts payable and accruals and due to related parties		(630,449)	(539,470)
		<u>4,498,888</u>	<u>5,792,983</u>
Cash from operations		4,498,888	5,792,983
Interest paid		(243,034)	(143,693)
Employees' end of service benefits paid	25	(39,711)	(35,492)
Net cash from operating activities		<u>4,216,143</u>	<u>5,613,798</u>
INVESTING ACTIVITIES			
Proceeds from disposals of property, plant and equipment		94	110
Purchase of property, plant and equipment		(980,505)	(221,665)
Net movement in catalysts and other assets		(33,623)	(31,088)
Acquisition of investments in associates		-	(48,188)
Net movement in projects under development		(3,849,011)	(2,910,710)
Purchase of investments		(108,989)	(113,780)
Proceeds from disposal of investments		2,395	83,123
Movement in intangible assets		(24,092)	606
Movement in other non-current assets		(1,126)	-
Dividends received		83,604	1,743
Net movement in deposits maturing after 90 days		2,515,425	(1,001,640)
Interest income received		357,753	305,641
Net cash used in investing activities		<u>(2,038,075)</u>	<u>(3,935,848)</u>
FINANCING ACTIVITIES			
Net movement in loans		(38,650)	2,595,315
Grant income from the State of Qatar	4	1,165,711	-
Dividends paid		(4,400,000)	(2,000,000)
Dividends paid to non-controlling interests		(1,125)	(1,125)
Net cash (used in) from financing activities		<u>(3,274,064)</u>	<u>594,190</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		<u>(1,095,996)</u>	<u>2,272,140</u>
CASH AND CASH EQUIVALENTS AT 1 JANUARY		<u>5,936,227</u>	<u>3,664,087</u>
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	20	<u>4,840,231</u>	<u>5,936,227</u>

The attached notes 1 to 35 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Attributable to the equity holders of the parent							Non-controlling interest QR '000	Total QR '000
	Share capital QR '000	Legal reserve QR '000	Cumulative changes in fair value QR '000	Hedging reserve QR '000	Retained earnings QR '000	Proposed dividend/bonus issue QR '000	Total QR '000		
Balance at 1 January 2009	5,500,000	141,832	141,213	(634,665)	8,694,589	4,400,000	18,242,969	11,493	18,254,462
Profit for the year	-	-	-	-	4,875,740	-	4,875,740	2,467	4,878,207
Other comprehensive income for the year	-	-	1,049	327,500	-	-	328,549	-	328,549
Total comprehensive income for the year	-	-	1,049	327,500	4,875,740	-	5,204,289	2,467	5,206,756
Transfer to legal reserve	-	915	-	-	(915)	-	-	-	-
Dividends paid	-	-	-	-	-	(4,400,000)	(4,400,000)	-	(4,400,000)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(1,125)	(1,125)
Dividend proposed	-	-	-	-	(2,750,000)	2,750,000	-	-	-
Balance at 31 December 2009	5,500,000	142,747	142,262	(307,165)	10,819,414	2,750,000	19,047,258	12,835	19,060,093

The attached notes 1 to 35 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2009

	Attributable to the equity holders of the parent							Non-controlling interest QR '000	Total QR '000
	Share capital QR '000	Legal reserve QR '000	Cumulative changes in fair value QR '000	Hedging reserve QR '000	Retained earnings QR '000	Proposed dividend/ bonus issue QR '000	Total QR '000		
Balance at 1 January 2008	5,000,000	141,309	309,585	(103,412)	5,819,558	2,500,000	13,667,040	11,046	13,678,086
Profit for the year	-	-	-	-	7,275,554	-	7,275,554	1,572	7,277,126
Other comprehensive income for the year	-	-	(168,372)	(531,253)	-	-	(699,625)	-	(699,625)
Total comprehensive income for the year	-	-	(168,372)	(531,253)	7,275,554	-	6,575,929	1,572	6,577,501
Transfer to legal reserve	-	523	-	-	(523)	-	-	-	-
Dividends paid	-	-	-	-	-	(2,000,000)	(2,000,000)	-	(2,000,000)
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	(1,125)	(1,125)
Dividends / Bonus shares proposed	-	-	-	-	(4,400,000)	4,400,000	-	-	-
Issue of bonus shares	500,000	-	-	-	-	(500,000)	-	-	-
Balance at 31 December 2008	5,500,000	141,832	141,213	(634,665)	8,694,589	4,400,000	18,242,969	11,493	18,254,462

The attached notes 1 to 35 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

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 (QE). The Company's registered office is situated in Doha, State of Qatar.

IQ, its subsidiaries and jointly controlled entities (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 consolidated financial statements are as follows:

<i>Entity Name</i>	<i>Country of incorporation</i>	<i>Relationship</i>	<i>Ownership interest</i>	
			<i>2009</i>	<i>2008</i>
Qatar Steel Company Q.S.C.	Qatar	Subsidiary	100%	100%
Qatar Petrochemical Company Limited Q.S.C.	Qatar	Joint venture	80%	80%
Qatar Fertiliser Company (S.A.Q.)	Qatar	Joint venture	75%	75%
Qatar Fuel Additives Company Limited Q.S.C.	Qatar	Joint venture	50%	50%
Fereej Real Estate Company Q.S.C.	Qatar	Joint venture	34%	34%

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

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

- **Qatar Petrochemical Company Limited 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.

Qatofin Company Limited (Q.S.C.) (QATOFIN), a Qatari Shareholding Company incorporated in the State of Qatar in August 2005, is a joint venture between QAPCO (63%), TPF 36% and Qatar Petroleum (QP)1%. Qatofin is engaged in the production of linear low-density polyethylene (LLDPE). This Company is currently in a pre-operating stage.

Qatofin also owns 45.69% interest in Ras Laffan Olefins Company (RLOC), a joint venture between Q-Chem II, Qatofin and QP. Ras Laffan Olefins Company is involved in the production of ethylene and is currently in a pre-operating stage.

- **Qatar Fertiliser Company (SAQ) ("QAFCO")**, a Qatari Shareholding Company incorporated in the State of Qatar, is a joint venture between IQ (75%), Fertiliser Holdings ASA (10%) and Yara Netherland BV (15%). QAFCO is engaged in the production and sale of ammonia and urea.

QAFCO has ownership interest in Gulf Formaldehyde Company ("GFC"), a Qatari Shareholding Company incorporated in the State of Qatar on 3 March 2003. QAFCO holds 70% of the share capital of this subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

1 CORPORATE INFORMATION (continued)

- **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.
- **Fereej Real Estate Company Q.S.C. ("Fereej")**, a Qatari Shareholding Company incorporated in the State of Qatar in July 2008, is a joint venture between IQ (34%), Al Koot Insurance and Reinsurance Company Q.S.C. (33%), and by Qatar Real Estate Investment Company Q.S.C. (33%). The Company is engaged in real estate investment, properties management and property rental.

The consolidated financial statements of the Group for the year ended 31 December 2009 were authorised for issue by Chairman and the Vice Chairman on 28 February 2010.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for investment properties, derivative financial instruments and available-for-sale financial assets that have been measured at fair value. The consolidated financial statements are presented in Qatari Riyals and all values are rounded to the nearest thousand (QR'000) except when otherwise indicated.

Statement of compliance

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of Industries Qatar Q.S.C. and its subsidiaries and jointly controlled entities as at 31 December 2009.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date such control ceases.

Jointly controlled entities are proportionately consolidated from the date of acquisition, being the date in which the Group obtains joint control, and continue to be proportionately consolidated until the date that such joint control ceases.

The financial statements of the subsidiaries and jointly controlled entities are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Non-controlling interests represent the portion of profit or loss and net assets that is not held by the Group and are presented separately in the consolidated statement of income, consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**Changes in accounting policies and disclosures**

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended IFRS's which became effective during the year. Adoption of these new or revised standards did not have any effect on the financial performance or position of the Group. They did however give rise to additional disclosures.

IAS 1 "Presentation of Financial Statements" (Revised)

The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognised income and expenses, either in one single statement, or in two linked statements. The Group has elected to present two statements.

IFRS 7 "Financial Instruments: Disclosures"

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition reconciliation between the beginning and ending balance for level 3 fair value measurements is required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in Note 34. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 33.

IFRS 8 "Operating Segments"

This standard requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. Adoption of this standard did not have any effect on the financial position or performance of the Group. The Group determined that the operating segments were the same as the business segments previously identified under IAS 14 Segment Reporting.

IAS 23 "Borrowing Costs"

The Standard has been revised to require capitalisation of borrowing costs when such costs relate to qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. The Group had already adopted the policy of capitalising borrowing costs on qualifying assets and hence adoption of this Standard did not have any effect on the financial performance or position of the Group.

Improvements to IFRSs

In May 2008, the IASB issued 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 these amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

The following amendments and interpretations became effective in 2009, but were not relevant to the Group's operations:

<i>Standard/Interpretation</i>	<i>Content</i>
IFRIC 16	Hedges of net investment in a foreign operation
IFRIC 9 and IAS 39	Embedded derivatives
IAS 32 and IAS 1 (Amendment)	Puttable financial instruments and obligations arising on liquidation
IFRS 2	Share based payments – Vesting conditions and cancellations
IFRIC 13	Customer loyalty programmes

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**Standards, amendments and interpretations issued but not adopted**

The following standards, amendments and interpretations have been issued but are mandatory for accounting periods beginning on or after 1 July 2009 or later periods and are expected to be relevant to the Group:

<i>Standard/ Interpretation</i>	<i>Content</i>	<i>Effective date</i>
IFRS 1 and IAS 27	Cost of an investment in a subsidiary, jointly controlled entity or associate	1 July 2009
IFRS 3	Business combinations	1 July 2009
IAS 27	Consolidated and separate financial statements	1 July 2009
IAS 39	Financial instruments: Recognition and measurement – eligible hedged items	1 July 2009
IFRIC 17	Distribution of non-cash assets to owners	1 July 2009
IFRIC 18	Transfers of assets from customers	1 July 2009
IFRS 9	Financial instruments part 1: Classification and measurement	1 January 2013

The Group is considering the implications of the above standards, the impact on the Group and the timing of their adoption by the Group. The Group did not early adopt new or amended standards in 2009.

Revenue

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

Sale of goods

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

Rental income

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

Interest income

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

Dividend income

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

Government grants

Government grants are recognized as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs shall be recognized as income of the period in which it becomes receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment is stated at cost excluding the cost of day-to-day servicing, less accumulated depreciation and any impairment in value. Land is not depreciated.

Depreciation is calculated on a straight line basis over the estimated useful lives of the assets as follows:

Petrochemical plant and buildings	25 years
Fertiliser plant and buildings	3 to 20 years
Steel plant, buildings and structures	15 to 25 years
Other assets: motor vehicles, heavy mobile equipment, furniture and fixtures, and computer equipment	3 to 15 years

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 income as the expense is incurred.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may 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 amount being the higher of their fair value less costs to sell and their value in use.

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 income in the year the asset is derecognised.

The asset's residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

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.

Projects under development

Projects under development represent costs incurred by the Group on developing new projects. These costs will be converted to investments or property, plant and equipment, as appropriate, once the project materialises. Costs incurred on projects that do not materialise are written off.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with indefinite useful lives are tested for impairment annually, either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Investment properties

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

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

Properties under development are transferred to investment properties when the property is in a condition necessary for it to be capable of operating in a manner intended by the management.

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 income.

Investments in associates

The Group's investments in its associates are accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence.

Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. The consolidated statement of income reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The financial statements of the associate are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of income.

Interest in a joint venture

The Group has interests in joint ventures which are jointly controlled entities, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entities. The Group recognises its interest in the joint venture using proportionate consolidation. The Group combines its share of each of the assets, liabilities, income and expenses of the joint venture with similar items, line by line, in its consolidated financial statements. The financial statements of the joint venture are prepared for the same reporting period as the parent company. Adjustments are made where necessary to bring the accounting policies in line with those of the Group.

Adjustments are made in the Group's consolidated financial statements to eliminate the Group's share of intragroup balances, income and expenses and unrealised gains and losses on transactions between the Group and its jointly controlled entities. Losses on transactions are recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss. The joint venture is proportionately consolidated until the date on which the Group ceases to have joint control over the joint venture.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

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 income 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.

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

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

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes 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 income.

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 recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the consolidated statement of income, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the consolidated statement of income. 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.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Financial assets (continued)

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.

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. 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 income – is removed from equity and recognised in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income; increases in their fair value after impairment are recognised directly in other comprehensive income.

Inventories

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

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

Accounts receivable

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

Cash and cash equivalents

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

Derivative financial instruments and hedging

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedging (continued)

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 income. 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.

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 income. 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 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 income.

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

Employees' end of service benefits

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

2 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 income when the liabilities are derecognised as well as through amortisation process.

Borrowing costs

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

Accounts payable and accruals

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

Operating leases

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

Provisions

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

Derecognition of financial assets and liabilities

Financial assets

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets and liabilities (continued)

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

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 income.

Foreign currencies

The Group's consolidated financial statements are presented in Qatari Riyals, which is the Group's functional currency. That is the currency of the primary economic environment in which the Company operates. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the consolidated statement of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The assets and liabilities of foreign operations and certain joint ventures are translated into Qatari Riyals at the rate of exchange prevailing at the reporting date and their statements of income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity. As the functional currencies of these entities are either US Dollars or UAE Dirhams, the exchange rate differences are not considered material.

As the US Dollars and the Qatari Riyals are pegged, the assets, liabilities and results of operations have been converted at a fixed rate of QR. 3.64.

Fair values

The fair value is the estimated amount for which asset could reasonably be exchanged for on the date of valuation between a willing buyer and a willing seller in an arm's length transaction wherein the buyer and seller has each acted knowledgeably, prudently and without compulsion. The fair value of the interest rate swap contracts is determined by referring to market value of similar instruments. The fair value of forward currency contract is calculated by reference to the current forward exchange rates for contracts with similar maturity profiles. The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date.

Industries Qatar Q.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

3 REVENUES

	<i>2009</i> <i>QR'000</i>	<i>2008</i> <i>QR'000</i>
Steel	3,987,360	5,769,580
Fertilisers	2,479,950	4,589,661
Petrochemicals	2,164,090	2,981,527
Fuel additives	1,023,151	1,402,288
Rental income	2,116	-
	<u>9,656,667</u>	<u>14,743,056</u>

4 OTHER INCOME, NET

	<i>2009</i> <i>QR'000</i>	<i>2008</i> <i>QR'000</i>
Grant income (Note (i))	1,165,711	-
Net movement in fair value of investment properties	5,921	(23,685)
(Loss) / gain from change in fair value of held for trading securities	4,484	(37,702)
Gain on disposal of held for trading securities	345	19,939
Net gain on disposal of available for sale securities	92	4,291
Write off of projects under development (Note 11)	(57,700)	-
(Loss) / gain on foreign exchange	(1,890)	(22,087)
Other income	252,444	184,917
	<u>1,369,407</u>	<u>125,673</u>

Note:

- (i) In May 2009, the Ministry of Economy and Finance, based on the Group's request for compensation against fixing of steel prices for local sales in 2008, have compensated the Group with an amount of QR 1,165,711 thousand. This has been disclosed as income from government grants in the statement of income.

5 INCOME FROM INVESTMENTS

	<i>2009</i> <i>QR'000</i>	<i>2008</i> <i>QR'000</i>
Dividend income	22,952	13,742
Interest on bank deposits	357,753	305,641
	<u>380,705</u>	<u>319,383</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

6 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>2009</i> <i>QR'000</i>	<i>2008</i> <i>QR'000</i>
Staff costs	192,135	202,398
Depreciation (Note 10)	42,498	38,795
Repairs and maintenance	25,674	23,273
Public relations and gifts	23,706	11,355
Insurance, rents and fees	17,907	5,043
External services	15,705	12,784
Spares and equipment	12,357	5,584
Travel and conveyance	9,814	9,815
Board of Directors fees and expenses	7,078	4,874
QP annual charges	6,831	6,831
Provision for obsolete and slow moving spare parts	5,607	6,915
Communication expenses	5,372	4,470
Other expenses	<u>74,530</u>	<u>59,648</u>
	<u><u>439,214</u></u>	<u><u>391,785</u></u>

7 CONTRIBUTION TO SOCIAL FUND

In accordance with Law No. 13 of 2008, the Group has provided for an amount equivalent to 2.5% of the consolidated net profit for the year for the support of sports, cultural, social and charitable activities.

8 NET PROFIT FOR THE YEAR

The profit for the year is stated after charging:

	<i>2009</i> <i>QR'000</i>	<i>2008</i> <i>QR'000</i>
Staff costs	<u>867,259</u>	<u>931,114</u>
Depreciation on property, plant and equipment	<u>503,227</u>	<u>444,083</u>
Amortisation of catalysts and other non-current assets	<u>19,597</u>	<u>16,901</u>
Operating lease rentals	<u>28,368</u>	<u>51,750</u>
Increase/(decrease) in fair value of investment properties	<u>5,921</u>	<u>(23,685)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

9 BASIC AND DILUTED EARNINGS PER SHARE

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

The following reflects the income and share data used in basic and diluted earnings per share computation:

	<i>2009</i>	<i>2008</i>
Profit attributable to the equity holders of the parent for the year (QR'000)	<u>4,875,740</u>	<u>7,275,554</u>
Weighted average number of shares outstanding during the year (in thousands)	<u>550,000</u>	<u>550,000</u>
Basis and diluted earning per share (expressed in QR per share)	<u>8.86</u>	<u>13.23</u>

In 2008, the Company issued bonus shares for the year 2007. 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.

The weighted average number of shares has been calculated as follows:

	<i>2009</i>	<i>2008</i>
Qualifying shares at beginning of the period (in thousands)	550,000	500,000
Effect of bonus shares issued (in thousands)	<u>-</u>	<u>50,000</u>
Weighted average number of shares outstanding (in thousands)	<u>550,000</u>	<u>550,000</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

10 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings QR'000	Plant, machinery and equipment QR'000	Heavy duty mobile equipment QR'000	Furniture equipment and fixtures QR'000	Motor vehicles QR'000	Computer equipment QR'000	Capital work in progress QR'000	Total QR'000
Cost:								
At 1 January 2009	1,921,107	11,995,469	64,944	49,586	13,436	65,964	657,180	14,767,686
Additions	892	12,135	1,266	886	723	609	963,994	980,505
Transfers	75,225	525,811	12,885	310	-	14,130	(259,373)	368,988
Retirement and disposals	(2,148)	(167,884)	(2,065)	(156)	(168)	(581)	(2,443)	(175,445)
Reclassifications	-	97,737	18,417	(740)	(582)	702	1,133,914	1,249,448
At 31 December 2009	1,995,076	12,463,268	95,447	49,886	13,409	80,824	2,493,272	17,191,182
Depreciation:								
At 1 January 2009	1,052,857	7,455,823	25,118	36,742	11,263	48,264	-	8,630,067
Depreciation charge for the year	54,633	430,169	4,786	2,902	696	10,041	-	503,227
Reclassifications	35,202	65,788	13,335	(1,117)	-	1,983	-	115,191
Relating to disposals	(1,548)	(167,523)	(2,065)	(155)	(168)	(582)	-	(172,041)
At 31 December 2009	1,141,144	7,784,257	41,174	38,372	11,791	59,706	-	9,076,444
Net carrying amount:								
At 31 December 2009	853,932	4,679,011	54,273	11,514	1,618	21,118	2,493,272	8,114,738

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

10 PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and buildings QR'000	Plant machinery and equipment QR'000	Heavy duty mobile equipment QR'000	Furniture equipment and fixtures QR'000	Motor vehicles QR'000	Computer equipment QR'000	Capital work in progress QR'000	Total QR'000
Cost:								
At 1 January 2008	1,804,008	11,464,987	57,770	45,049	13,287	57,164	1,112,360	14,554,625
Additions	1,522	7,660	172	2,264	468	3,042	226,605	241,733
Transfers	115,577	528,095	9,346	2,278	-	6,422	(681,785)	(20,067)
Retirement and disposals	-	(5,273)	(2,344)	(5)	(319)	(664)	-	(8,605)
At 31 December 2008	1,921,107	11,995,469	64,944	49,586	13,436	65,964	657,180	14,767,686
Depreciation:								
At 1 January 2008	1,002,300	7,078,659	22,338	33,168	11,363	42,762	-	8,190,590
Depreciation charge for the year	50,557	378,902	4,706	3,578	175	6,165	-	444,083
Relating to disposals	-	(1,738)	(1,926)	(4)	(275)	(663)	-	(4,606)
At 31 December 2008	1,052,857	7,455,823	25,118	36,742	11,263	48,264	-	8,630,067
Net carrying amount:								
At 31 December 2008	868,250	4,539,646	39,826	12,844	2,173	17,700	657,180	6,137,619

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

10 PROPERTY, PLANT AND EQUIPMENT (continued)*Notes:*

- (i) Certain of the buildings and plants located at Messaied, Qatar amounting to QR 1,699 million (2008: QR 1,673 million) are erected on land owned by Qatar Petroleum, except for the staff housing complex of a joint venture, which is constructed on land leased from the Industrial Development Technical Centre.
- (ii) Buildings of the subsidiary in Dubai, having a net book value of QR 43.8 million (2008: QR 9.1 million), are constructed on a leased land from Jebel Ali Free Zone Authority for an initial period of 15 years from August 2003.
- (iii) As of the 31 December 2009, no capitalised borrowing costs have been included in property, plant and equipment (2008: QR 54.10 million).
- (iv) Depreciation charge has been allocated in the consolidated statement of income as follows:

	<i>2009</i> <i>QR'000</i>	<i>2008</i> <i>QR'000</i>
Direct costs	460,070	404,618
Selling expenses	659	670
General and administrative expenses	<u>42,498</u>	<u>38,795</u>
	<u><u>503,227</u></u>	<u><u>444,083</u></u>

11 PROJECTS UNDER DEVELOPMENT

	<i>2009</i> <i>QR'000</i>	<i>2008</i> <i>QR'000</i>
QAFCO-5 Project	5,934,920	2,745,815
Qatofin LLDPE plant facilities	1,095,280	915,342
Ras Laffan Olefin Company - plant and facilities	997,921	824,450
Qatar Melamine Project	445,542	348,098
TMT Wire Rode Project at Dubai Plant	10,805	-
QAFAC II project	540	58,240
New Bar Mill Project at Dubai Plant (Qatar Steel)	-	218,650
	<u>8,485,008</u>	<u>5,110,595</u>
<i>Properties under development:</i>		
IQ Tower	42,971	27,597
Fereej Project	<u>85,171</u>	<u>48,287</u>
	<u>8,613,150</u>	<u>5,186,479</u>
Less: Reclassified to property, plant and equipment	<u>(1,095,280)</u>	<u>-</u>
	<u><u>7,517,870</u></u>	<u><u>5,186,479</u></u>

Notes:

- (i) During the year, the Group has written off costs relating to the QAFAC II project amounting to QR 57.7 million, as the project was suspended due to the non-availability of natural gas for expansion.
- (ii) Project under development include an amount of QR 192.93 million (2008: QR 78.05 million) representing total borrowing costs capitalised during the year.
- (iii) Certain of the plant facilities is being constructed on land leased from Qatar Petroleum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

12 INVESTMENT PROPERTIES

	2009 QR'000	2008 QR'000
At fair value:		
At 1 January	124,347	148,032
Additions during the year	66,463	-
Net (loss) / gain from fair value adjustments (Note 4)	<u>5,921</u>	<u>(23,685)</u>
At 31 December	<u><u>196,731</u></u>	<u><u>124,347</u></u>

The fair value of the Group's investment properties at 31 December 2009 has been arrived at on the basis of a valuation carried by an independent valuer that is not related to the Group on 12 January 2010. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The management believes that this approximated the fair value as at 31 December 2009. The encumbrances and liens on investment properties are disclosed in Note 24.

13 INTANGIBLE ASSETS

This represents the Group's share of the cost of Unipol Polyethylene License agreement for the Linear Low Density Polyethylene (LLDPE) and High Density Polyethylene (HDPE) entered into by Qatofin. Qatofin has determined that those assets have an indefinite useful life. The assets are tested for impairment on an annual basis.

14 INVESTMENTS IN ASSOCIATES

The Group has the following investments in associates:

	<i>Effective ownership</i>	<i>Country of incorporation</i>	2009 QR'000	2008 QR'000
Qatar Metal Coating Company Q.S.C.	50.00%	Qatar	22,020	19,491
United Stainless Steel Company	25.00%	Bahrain	64,801	70,392
Gulf Industrial Investment Company	25.00%	Bahrain	902,093	962,414
Qatar Vinyl Company Ltd. (Q.S.C)	25.52%	Qatar	368,159	379,735
Qatar Plastic Products Company W.L.L	26.66%	Qatar	11,630	11,430
Gulf United Steel Company (Foulath) B.S.C.Closed	25.00%	Bahrain	<u>43,698</u>	<u>43,698</u>
			<u><u>1,412,401</u></u>	<u><u>1,487,160</u></u>

The results of associates included in these consolidated financial statements are based on the management accounts and information.

- (i) Qatar Metals Coating Company W.L.L. (Q-COAT) is involved in the production of epoxy resin coated bars. Q-COAT is managed by Qatar Steel in accordance with a management service agreement.
- (ii) United Stainless Steel Company (USCO) started operations in 2007. USCO is engaged in the manufacture of cold rolled stainless steel coils and sheets.
- (iii) Effective 17 May 2007, Qatar Steel acquired 25% of the issued share capital of Gulf Industrial Investment Co. (GIIC) which is engaged in the manufacture of iron ore pallets, through payment of USD 209 million, equivalent to QR 761 million. Included in this amount is goodwill amounting to QR 681.16 million. The management have concluded based on their testing that no impairment is considered necessary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

14 INVESTMENTS IN ASSOCIATES (continued)

- (iv) Qatar Vinyl Company Ltd (Q.S.C) (QVC) is engaged in the production of caustics soda, ethylene dichloride and vinyl chloride monomer.
- (v) Qatar Plastic Products Company W.L.L. (QPPC) is engaged in the manufacturing of plastic heavy-duty bags, sheet and industrial products.
- (vi) Effective 26 June 2008, Qatar Steel acquired 25% of the issued share capital of Gulf United Steel Company (Foulath) BSC closed (GUC), through payment of USD 3.25 million, equivalent to QR 11.8 million. In addition a shareholder loan for an amount of USD 8.75 million, equivalent to QR 31.8 million has been provided by Qatar Steel and is included in the carrying cost of the investment.

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

	<i>2009</i> <i>QR'000</i>	<i>2008</i> <i>QR'000</i>
Share of associates' statement of financial position:		
Current assets	631,980	695,308
Non-current assets	1,243,413	975,911
Current liabilities	(324,354)	(188,663)
Non-current liabilities	(824,102)	(680,860)
Share in net assets	726,937	801,696
Add: Goodwill on acquisition	684,804	684,804
Add: Pre-acquisition equity adjustment	660	660
Group's share of net assets of associates	1,412,401	1,487,160
Share of associates revenue and profit		
Revenue	726,618	1,037,610
Net share of result of associates	30,251	269,529

15 AVAILABLE- FOR- SALE INVESTMENTS

	<i>2009</i> <i>QR'000</i>	<i>2008</i> <i>QR'000</i>
Quoted shares	286,450	245,593
Unquoted shares	2,180	2,180
	<u>288,630</u>	<u>247,773</u>

Notes:

- (i) A total of 54,999 shares of Qatar Shipping Company Q.S.C. having a market value of QR 1.79 million as at 31 December 2009 are restricted due to Directorship held by the Group (2008: 54,999 shares having a market value of QR 2.06 million.).
- (ii) As of the 31 December 2009, no impairment loss was recognised in the consolidated statement of income (2008: QR 31.45 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

16 INVENTORIES

	<i>2009</i> <i>QR'000</i>	<i>2008</i> <i>QR'000</i>
Fuel additives	27,797	21,889
Steel	213,242	358,067
Fertilisers	39,117	30,177
Petrochemicals	59,078	40,934
Work-in-progress	122,591	689,659
Raw materials	272,490	791,283
Goods in transit	117,370	72,973
Maintenance parts and supplies	<u>625,688</u>	<u>612,361</u>
	1,477,373	2,617,343
Less: Provision for obsolescence	<u>(100,425)</u>	<u>(96,436)</u>
	<u>1,376,948</u>	<u>2,520,907</u>

During the previous year, finished goods inventory and work in progress inventory amounting to QR 200 million and QR 129 million, respectively, have been written off being the difference between net realisable value and the cost.

17 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	<i>2009</i> <i>QR'000</i>	<i>2008</i> <i>QR'000</i>
Trade accounts receivables	1,062,545	969,164
Other receivables and prepayments	410,515	270,925
Loans to employees	<u>56,724</u>	<u>58,428</u>
	1,529,784	1,298,517
Less: Provision for doubtful debts	<u>(2,744)</u>	<u>(960)</u>
	<u>1,527,040</u>	<u>1,297,557</u>

As at 31 December 2009, trade accounts receivables at nominal value of QR 2.74 million (2008: QR 0.96 million) were impaired. Movements in the allowance for impairment of receivables were as follows:

	<i>2009</i> <i>QR'000</i>	<i>2008</i> <i>QR'000</i>
At 1 January	960	1,120
Charge for the year	1,784	-
Unused amounts reversed	<u>-</u>	<u>(160)</u>
At 31 December	<u>2,744</u>	<u>960</u>

Industries Qatar Q.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

17 ACCOUNTS RECEIVABLE AND PREPAYMENTS (continued)

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

	Total QR'000	Neither past due nor impaired QR'000	Past due but not impaired				
			< 30 days QR'000	31 – 60 days QR'000	61 – 90 days QR'000	91– 180 days QR'000	>180 days QR'000
2009	1,059,801	796,542	130,436	60,341	60,968	4,998	6,516
2008	968,204	899,500	50,741	6,452	27	567	10,917

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables.

18 HELD FOR TRADING INVESTMENTS

	2009 QR'000	2008 QR'000
At 1 January	125,051	102,868
Additions	-	110,432
Disposals	(1,030)	(50,547)
Movement in fair value (Note 4)	4,484	(37,702)
At 31 December	<u>128,505</u>	<u>125,051</u>

19 OTHER FINANCIAL ASSETS AND LIABILITIES

	2009 QR'000	2008 QR'000
Other financial assets		
<i>Derivatives:</i>		
Forward foreign exchange contract collar – Current	<u>2,277</u>	<u>120,755</u>
Other financial liabilities		
<i>Derivatives:</i>		
Interest rate swaps – 1	97,483	289,811
Interest rate swaps – 2	129,703	198,195
Interest rate swaps – 3	59,908	101,662
Forward foreign exchange contract collar	<u>941</u>	<u>165,751</u>
	<u>288,035</u>	<u>755,419</u>

Presented in the consolidated statement of financial position as follows:

Non-current portion	259,932	589,668
Current portion	<u>28,103</u>	<u>165,751</u>
	<u>288,035</u>	<u>755,419</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

19 OTHER FINANCIAL ASSETS AND LIABILITIES (continued)*Interest rate swaps - 1:*

As at 31 December 2009, Qatar Fertiliser Company Q.S.C.C has two interest rate swap contracts replacing its floating interest rate bearing loans for fixed interest bearing loans, designated as hedges of expected future LIBOR interest rate payments during the period to 5 December 2017. The terms of the interest rate swap contracts have been negotiated to match the terms of the commitments of the term loan (Note 24). As at 31 December 2009, the Group's share of measurement of the fair values of the hedges resulted in a negative amount of QR 97.5 million (2008: QR 290 million) which has been recognised in the equity as changes in fair values and as derivative liabilities.

Interest rate swaps - 2:

During August 2006, Qatar Steel entered into interest rate swap agreements with two banks for a notional amount of USD 290.2 million, reducing regularly every six months starting from 31 March 2009. The Company receives a variable rate equal to LIBOR and pays a fixed rate of 5.45% on the reduced notional amount till 28 September 2007, and pays a fixed rate of 5.671% thereafter till 31 March 2017. Interest is settled under the agreements on a semi-annual basis. The swaps are designated to hedge the exposure to fluctuations on the variable portion (LIBOR) of the interest rate on Loan 2 included in Note 24. The term loan and interest rate swaps have the same critical terms.

At 31 December 2009, the measurement of the fair values of the hedges resulted in a negative amount of QR 129.7 million (2008: QR 198.1 million) which have been recognised in the equity as changes in fair values and as derivative liabilities.

Interest rate swaps - 3:

At 31 December 2009, Qatofin had interest rate swap agreements in place with two banks with a notional amount of USD 373 million (2008 : USD 345 million) whereby it receives a variable rate equal to LIBOR on the notional amount and pays a fixed rate of interest of 5.0175% and 4.995%. The swaps are used to hedge the exposure to changes in the cash flow of its variable rate syndicated loan. The loan and interest rate swaps have the same critical terms. The group share in the fair value of these interest rate swaps amounting to QR 59.9 million as at 31 December 2009 (2008: QR 101.6 million) has been shown as a separate component of equity and as derivative liabilities.

Forward foreign exchange contract with collar:

Collar are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, to either buy or sell at fixed future date or any time during a specified period, a specified amount of a currency, commodity or financial instrument at a pre-determined price. As at 31 December 2009, the measurement of the fair values of the collar resulted in a positive amount of QR 2.3 million and negative amount of QR 0.9 million (2008: positive amount of QR 120.7 million and negative amount of QR 165.7 million) which has been recognised in the equity as changes in fair values and as derivative assets and liabilities.

Spot forward currency contract:

The Group has signed a spot forward currency contract to sell USD 100 million and buy Qatari Riyals at the spot rate of QR 3.6475.

The fair values of above derivative financial instrument as on 31 December 2009 amounted to QR 212,101 (2008: QR Nil) which has been included in the consolidated statement of income as the transaction do not qualify for hedge accounting and resultant asset has been disclosed as other receivables.

20 CASH AND CASH EQUIVALENTS

	<i>2009</i> <i>QR'000</i>	<i>2008</i> <i>QR'000</i>
Bank balances and cash	<u>5,833,786</u>	<u>9,445,207</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

20 CASH AND CASH EQUIVALENTS (continued)

For the purpose of consolidated statement of cash flows, cash and bank balances are classified as follows:

	<i>2009</i> <i>QR'000</i>	<i>2008</i> <i>QR'000</i>
Bank balances and cash	5,833,786	9,445,207
Less: Fixed deposits maturing after 90 days	<u>(993,555)</u>	<u>(3,508,980)</u>
	<u>4,840,231</u>	<u>5,936,227</u>

Included in bank balances and cash are time deposits denominated in United States Dollars and Euros equivalent to QR 9 million (2008: QR 3,698 million). In addition, bank balances and cash include current and call deposits of QR 1,468 million (2008: QR 1,203 million) and term deposits of QR 4,367 million (2008: QR 7,987 million), respectively, held with commercial banks in Qatar. The term deposits are denominated mainly in Qatari Riyals and are short term in nature, with average effective interest rates of 6% (2008: 4.1%).

21 SHARE CAPITAL

	<i>2009</i> <i>QR'000</i>	<i>2008</i> <i>QR'000</i>
Authorised, issued and paid-up: 550,000,000 shares of QR 10 each	<u>5,500,000</u>	<u>5,500,000</u>

In 2008, the authorised, issued and fully paid-up capital was increased by QR 500,000,000 by way of issue of 50,000,000 bonus shares of QR 10 each.

22 LEGAL RESERVES

IQ was formed in accordance with Article 68 of Qatar Commercial Companies Law No. 5 of 2002, which stipulates that the Company is exempt from the provisions of the said Law.

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 sum of the subsidiaries and share of group companies' legal reserve, included for consolidation purposes.

23 DIVIDEND PAID AND PROPOSED

The Board of Directors has proposed a final dividend distribution of QR 5 per share for the year ended 31 December 2009 (2008: QR 8 per share). The dividends for 2008 amounting to QR 4.4 billion were approved by the shareholders at the Annual General Meeting held on 20 April 2009 and was subsequently paid during 2009. The proposed final dividend will be submitted for formal approval at the Annual General Meeting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

24 INTEREST BEARING LOANS AND BORROWINGS

	<i>Interest rate</i>	<i>Entity</i>	<i>Currency</i>	<i>Maturity date</i>	2009 QR'000	2008 QR'000
Loan 1	LIBOR plus applicable margin	QAFCO	USD	2017	2,695,551	1,335,206
Loan 2	LIBOR plus applicable margin	Qatar Steel	USD	2016	1,642,701	1,760,665
Loan 3	LIBOR plus 0.5%	QAFAC	USD	2011	118,846	192,010
Loan 4	LIBOR plus 3.0%	Qatar Steel	USD	2014	92,983	127,851
Loan 5	QCB rate plus 2.45%	Fereej	QR	2014	33,775	-
Loan 6	LIBOR plus 2%	Qatar Steel	USD	2009	-	123,709
Loan 7	LIBOR plus 2%	Qatar Steel	USD	2009	-	764,715
Loan 8	Fixed 3.21625%	Qatar Steel	USD	2009	-	182,075
Loan 9	Fixed 4.4375%	Qatar Steel	USD	2009	-	255,213
Syndicated loan	LIBOR plus applicable margin	QATOFIN	USD	2020	1,379,893	1,167,666
Other short term loans		Qatar Steel			34,702	127,991
					5,998,451	6,037,101
Less: repayments due within one year					(306,724)	(2,668,076)
Total non-current portion					5,691,727	3,369,025

Term loan 1:

QAFCO has entered into an agreement with a consortium of banks lead by HSBC as the facility agent on 2 December 2007, to obtain a term loan facility amounting to USD 1.6 billion to finance the construction of QAFCO-5 project, which is currently under construction. The loan bears interest at LIBOR plus an applicable margin. The loan is repayable in semi-annual instalments commencing 4 years after the date of the first drawdown.

QAFCO has assigned to the security trustee, all monies which at any time may be or become payable to the trustee, all its present and future rights, title and interest in, under various agreements pursuant thereto and the net proceeds of any claims, award and judgments which may at any time be receivable or received by the QAFCO.

Term loan 2:

This is a US Dollar denominated facility consisting of a term loan facility of USD 483.5 million (Tranche A loan) and a stand by facility of USD 75 million (Tranche B loan) intended to fund the EPC contracts entered into by Qatar Steel. The loan carries interest at LIBOR plus a margin ranging from 0.8% - 1.0% per annum (Tranche A loan) and 1.0% - 1.10% per annum (Tranche B loan) and mandatory cost, if any. Tranche A loan is repayable in 19 instalments at a predetermined rate on total Tranche A loan draw downs starting 6 months after the completion date of the related expansion projects. Tranche B, if any, is repayable in 8 equal instalments starting on the date of the twelfth Tranche A repayment date. The balance disclosed above represents the draw downs made by Qatar Steel up to the reporting date.

Term loan 3:

This represents a clean corporate loan facility amounting to USD 212 million for which a facility agreement was signed with a local bank on 8 August 2005 to refinance the outstanding balance of the previous loan. This loan carries interest at LIBOR plus margin of 0.5% per annum and is repayable in 11 semi-annual instalments commencing from 9 March 2006.

Term loan 4:

This is a US Dollar denominated loan obtained by the subsidiary of Qatar Steel to finance machinery purchase and carries interest of 3% over US Dollar LIBOR. The total facility amount is USD 35 million. The loan is repayable over 11 semi-annual instalments commencing 31 December 2008.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

24 INTEREST BEARING LOANS AND BORROWINGS (continued)

Term loan 5:

During the year, Fereej entered into an Ijarah agreement with a commercial bank in Qatar for an amount of QR 100 million. The facility is repayable in 5 annual instalments of QR 20 million starting from 2010 and carries profit rate at Qatar Central Bank rate plus 2.45%. The facility is secured by a first charge over an investment property with a carrying value of QR 195.5 million (see Note 12).

Term loan 6:

This unsecured subordinated loan was taken by Qatar Steel and carries interest at LIBOR plus 0.65% per annum. The loan was repayable in annual instalments of USD 20 million (QR 72.8 million) and USD 34 million (QR 123.7 million) due in 2007 and 2008, respectively, however, payment was rolled over to further period of six months at an interest of LIBOR plus 2%. The term loan was fully paid during the current year.

Term loan 7:

This unsecured subordinated loan was taken by Qatar Steel on 24 May 2007, and carries interest at LIBOR plus 1% per annum. The loan was repayable in full in one instalment due on 28 December 2008 amounting to USD 210 million (QR 764.7 million). However, payment was rolled over to further period of six months at an interest of LIBOR plus 2%. The term loan was fully paid during the year.

Term loan 8:

This unsecured subordinated short term loan was taken by Qatar Steel and is denominated in US Dollars. This loan carries interest at 3.21625% per annum. The loan has been fully paid in one bullet payment of USD 50 million (QR 182 million) on 17 June 2009.

Term loan 9:

This loan represents a facility against trust receipts and is short term, subordinated and unsecured. It carries interest at 4.4375% per annum. This loan has been fully paid in one bullet payment of USD 70.1 million (QR 255.2 million) on 10 June 2009.

Syndicated Loan:

- (i) QATOFIN, a joint venture of QAPCO, entered into an agreement with a consortium of banks led by Societe Generale as the Bank Facility Agent for an amount of USD 760 million to finance the construction of the Qatofin Plant. The loan currently carries interest at LIBOR plus an applicable margin of 0.50%. The loan is repayable in semi-annual instalments with the last instalment scheduled on 30 June 2020.

QATOFIN has assigned to the security agent, all its present and future rights, title and interest under various agreements to all monies which at any time may be or become payable to it, pursuant thereto and the net proceeds of any claims, awards and judgments which may at any time be received or receivable by Qatofin.

- (ii) During the year, QAPCO entered into a multiple draw down Murabaha facility for an amount up to USD 200 million. The effective date of drawdown is 1 March 2010. The facility carries a profit rate of 5.5% per annum and is repayable on 29 February 2013

Other short term loans

These are unsecured overdraft facilities availed by the subsidiaries of Qatar Steel for working capital purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

25 EMPLOYEES' END OF SERVICE BENEFITS

	2009 QR'000	2008 QR'000
Balance as at 1 January	177,080	153,740
Provision during the year	42,189	58,832
End of service benefits paid	<u>(39,711)</u>	<u>(35,492)</u>
Balance as at 31 December	<u>179,558</u>	<u>177,080</u>

26 ACCOUNTS PAYABLE AND ACCRUALS

	2009 QR'000	2008 QR'000
Trade payables	364,781	616,754
Provision for social and sports activities contribution	125,082	-
Accrued expenses and other payables	<u>626,944</u>	<u>750,567</u>
	<u>1,116,807</u>	<u>1,367,321</u>

Included in accrued expenses and other payables is an amount of QR 34.3 million (2008: QR 200 million) due to the State of Qatar. This represents a relief amount received from the State of Qatar and have been considered as interest free and repayable on demand.

27 RELATED PARTY DISCLOSURES

Related party transactions

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

Transactions with related parties included in the consolidated statement of income are as follows:

<i>Year ended 31 December 2009</i>	<i>Sales</i> QR'000	<i>Purchases</i> QR'000	<i>Selling and other expenses</i> QR'000	<i>Lease rental payments</i> QR'000	<i>Other income</i> QR'000
Major shareholders	123,442	1,453,514	24,949	11,521	1,819
Associates	441,280	359,190	-	-	38,566
Other related parties	<u>1,830,148</u>	<u>95,062</u>	<u>123,938</u>	<u>17,686</u>	<u>12,639</u>
	<u>2,394,870</u>	<u>1,907,766</u>	<u>148,887</u>	<u>29,207</u>	<u>53,024</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

27 RELATED PARTY DISCLOSURES (continued)

Related party transactions (continued)

<i>Year ended 31 December 2008</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	805,246	1,711,100	19,127	23,695	4,450
Associates	714,659	416,070	40	-	27,482
Other related parties	<u>3,722,371</u>	<u>13,532</u>	<u>136,904</u>	<u>-</u>	<u>10,776</u>
	<u>5,242,276</u>	<u>2,140,702</u>	<u>156,071</u>	<u>23,695</u>	<u>42,708</u>

Related party balances:

Due from related parties

	<i>2009 QR'000</i>	<i>2008 QR'000</i>
Major shareholders	34,326	138,186
Joint ventures	34,464	7,550
Associates	103,385	111,318
Other related parties	<u>319,567</u>	<u>309,065</u>
	<u>491,742</u>	<u>566,119</u>

Due to related parties

	<i>2009 QR'000</i>	<i>2008 QR'000</i>
Major shareholders	343,864	742,134
Joint ventures	8,316	4,004
Associates	45,240	1,402
Other related parties	<u>80,925</u>	<u>110,739</u>
	<u>478,345</u>	<u>858,279</u>

The sales to and purchases from related parties are made at normal market prices. Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2009, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2008: Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

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

	<i>2009 QR'000</i>	<i>2008 QR'000</i>
Short term benefits	27,039	25,055
Qatari employees' pension fund contribution	<u>735</u>	<u>1,289</u>
	<u>27,774</u>	<u>26,344</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

28 INTERESTS 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 consolidated financial statements.

	<i>2009</i> <i>QR'000</i>	<i>2008</i> <i>QR'000</i>
Assets:		
Current assets	4,944,528	8,290,000
Non current assets	<u>13,453,047</u>	<u>8,918,797</u>
	<u><u>18,397,575</u></u>	<u><u>17,208,797</u></u>
Liabilities:		
Current liabilities	1,171,260	1,900,079
Non-current liabilities	<u>4,340,108</u>	<u>3,120,058</u>
	<u><u>5,511,368</u></u>	<u><u>5,020,137</u></u>
Revenues:	<i>2009</i> <i>QR'000</i>	<i>2008</i> <i>QR'000</i>
Sales	5,669,307	8,973,476
Other income	<u>404,507</u>	<u>305,528</u>
	<u><u>6,073,814</u></u>	<u><u>9,279,004</u></u>
Expenses:	<i>2009</i> <i>QR'000</i>	<i>2008</i> <i>QR'000</i>
Direct costs	2,378,058	2,633,519
Interest and finance charges	5,839	7,842
Selling expenses	110,806	164,476
General and administrative expenses	<u>341,290</u>	<u>297,233</u>
	<u><u>2,835,993</u></u>	<u><u>3,103,070</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

29 COMMITMENTS

	<i>2009</i> <i>QR'000</i>	<i>2008</i> <i>QR'000</i>
Capital expenditure commitments:		
Estimated capital expenditure contracted for at the reporting date but not provided for:		
Property, plant and equipment	<u>7,560,648</u>	<u>8,394,013</u>
<p>(a) Qatar Steel has entered into open purchase order commitments for the supply of miscellaneous capital items amounting to QR 159.86 million.</p> <p>(b) As of 31 December 2009, the Board of Directors of QAPCO has authorised capital commitments of QR 99 million (2008: QR 1,411 million) and the Group share is QR 80 million (2008: QR 1,153 million).</p> <p>(c) On 25 May 2009, QAPCO signed an agreement with UHDE GmbH for the construction of QAPCO LDPE III project with a contract value of USD 558.6 million. Included in the total commitments, is the group share of capital commitment amounting to QR 1,234.5 million.</p> <p>(d) Included in the total commitments, is the group share of Qatofin capital commitment amounting to QR 94.2 million (2008: QR 468 million).</p> <p>(e) On 2 December 2007, QAFCO signed an agreement with Hyundai Construction & Engineering Co. Ltd. and Snamprogetti S.P.A. for building a new Urea and Ammonia plant and Urea Formaldehyde Concentrate (UFC) plant – UFC 85. The value of the contract including the variation orders is USD 3,515.5 million (Group share: USD 2,636.6 million).</p> <p>(f) On 9 October 2009, QAFCO signed an agreement with Hyundai Construction & Engineering Co. Ltd. and Snamprogetti S.P.A. for building a new Urea plant. The value of the contract is USD 620 million (Group share: USD 465 million).</p> <p>(g) QAFCO has signed an agreement with Qatar Intermediate Industries Holding Company Ltd. to establish a separate legal entity namely “Qatar Melamine Company” for constructing facilities to produce Melamine. The value of the contract is USD 348.8 million (2008: USD 318.1 million) and the Group share is USD 261.6 million (USD 238.6 million). QAFCO will own 60% of the shares of the Qatar Melamine Company.</p> <p>(h) QAFCO has signed an agreement with Urea Casale S.A. for building new Urea-1 revamp project. The value of the contract including variation order is USD 95,153,395 (Group share: USD 71,365,046).</p> <p>(i) The Board of Directors of Fareej Real Estate have approved a commitment of QR 37.4 million for capital expenditure of which Group’s share amounted to QR 12.7 million.</p> <p>(j) As of 31 December 2008, the Board of Directors of Industries Qatar has approved a commitment of QR 68 million for the detailed design of IQ Tower. Total commitment as of 31 December 2009 is QR 53 million.</p> <p>(k) As of 31 December 2008, the Board of Directors of QAFAC have approved a commitment of US Doillar 2 million for various capital expenditures. The Group’s share amounted to US\$ 1 million.</p>		

Operating lease commitments:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

29 COMMITMENTS (continued)**Operating lease commitments (continued):**

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

	<i>2009</i> <i>QR'000</i>	<i>2008</i> <i>QR'000</i>
Within one year	48,245	28,368
After one year but not more than five years	77,005	55,685
More than five years	<u>275,762</u>	<u>205,103</u>
Total operating lease expenditure contracted for at the reporting date	<u>401,012</u>	<u>289,156</u>

30 SIGNIFICANT UNDERTAKINGS

The shareholders (excluding Industries Qatar) of QAFAC and Qatar Petroleum have agreed to off -take 100% of the product produced by the Fuel Additives plant and available for export under the terms of the Off -take Agreements signed on 14 April 1997 and amended and restated subsequently on 9 August 2002. In accordance with Board Resolution No. 6 of 2008 dated 19 May 2008, the above mentioned offtake agreements would remain valid until 31 December 2008. Thereafter, all responsibility for the sale and marketing of products will be handled by the QAFAC which has negotiated various Sale and Purchase Agreements on commercial terms with individual buyers including existing shareholders or their parent companies, effective from 1 January 2009.

QP has given an undertaking to produce, deliver and sell to QAFAC, such quantities of Gas and Butane (collectively called "plant feedstock") as QAFAC will require from time to time in to operate its Plant. The terms of this undertaking are contained in the Butane and Gas Feedstock Sale and Purchase Agreement between QAFAC and QP signed on 14 April 1997 and amended and restated subsequently on 9 August 2002. This Agreement is valid until the expiry or termination of the Joint Venture Agreement.

31 CONTINGENCIES

At 31 December 2009, the Group had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to QR 298.6 million (31 December 2008 : QR 409 million.).

The Group's contingency liabilities are as follows:

	<i>2009</i> <i>QR'000</i>	<i>2008</i> <i>QR'000</i>
Letters of credit	109,794	218,859
Bank guarantees	188,772	190,230
Legal cases	<u>47,339</u>	<u>-</u>
	<u>345,905</u>	<u>409,089</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

32 SEGMENTAL REPORTING

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.

Operating segments

The following table present revenue and profit information regarding the Group's operating segments for the year ended 31 December 2009 and 2008 respectively:

	<i>Petrochemicals</i> <i>QR'000</i>	<i>Fertilisers</i> <i>QR'000</i>	<i>Steel</i> <i>QR'000</i>	<i>Real estate</i> <i>QR'000</i>	<i>Total</i> <i>QR'000</i>
Year ended 31 December 2009					
Total revenue	3,187,241	2,479,950	3,987,360	2,116	9,656,667
Results:					
Segment results	1,964,919	1,272,024	1,777,644	880	5,015,467
Unallocated income					58,562
Unallocated expense					(195,822)
Profit for the year					4,878,207
Year ended 31 December 2008					
Total revenue	4,383,815	4,589,661	5,769,580	-	14,743,056
Results:					
Segment results	2,742,707	3,514,592	1,019,967	-	7,277,266
Unallocated income					14,136
Unallocated expense					(14,276)
Profit for the year					7,277,126

The following table present segmental assets regarding the Group's business segments for the year ended 31 December 2009 and 31 December 2008 respectively:

	<i>Petrochemicals</i> <i>QR'000</i>	<i>Fertilisers</i> <i>QR'000</i>	<i>Steel</i> <i>QR'000</i>	<i>Real estate</i> <i>QR'000</i>	<i>Adjustments</i> <i>QR'000</i>	<i>Total</i> <i>QR'000</i>
Segment assets:						
At 31 December 2009	7,887,068	10,341,656	8,137,969	220,080	534,516	27,121,289
At 31 December 2008	7,913,243	9,169,329	9,085,252	121,102	1,160,736	27,449,662

32 SEGMENTAL REPORTING (continued)

Notes:

- (i) The amount included in the adjustment column represents assets carried in the books of Industries Qatar and which cannot be allocated to the primary segments.
- (ii) The above segmental reporting relates only to the subsidiaries and joint venture companies.

33 FINANCIAL RISK MANAGEMENT

Objectives and policies

The Group's principal financial liabilities, other than derivatives, comprise interest bearing loans and borrowings, accounts payable and certain accruals and due to related parties. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as available for sale investments, held for trading investments, accounts receivables and certain other receivables, amounts due from related parties and cash and short-term deposits, which arise directly from its operations. The Group also enters into derivative transactions, primarily interest rate swaps. The purpose is to manage the interest rate risks arising from the Group's operations and its sources of finance. It is, and has been throughout 2009 and 2008 the Group's policy that no trading in derivatives shall be undertaken.

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

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 Group's exposure to the risk of changes in market interest rates relates primarily to the Group's financial assets and liabilities with floating interest rates and fixed interest instruments. To manage the risk of changes in floating interest rate on its interest bearing loan, the Group has entered into interest rate swaps as explained in Note 19. Under the swap agreements, the Group will pay an agreed fixed interest rate and receive a floating interest rate.

The following table demonstrates the sensitivity of the consolidated statement of income (due to call deposits), Property, plant and equipment and projects under development (due to interest cost capitalised) and equity (due to interest rate swaps) to reasonably possible changes in interest rates by 25 basis points, with all other variables held constant. The sensitivity of the consolidated statement of income, property, plant and equipment and equity is the effect of the assumed changes in interest rates for one year, based on the floating rate financial assets and financial liabilities held at 31 December 2009. The effect of decreases in interest rates is expected to be equal and opposite to the effect of the increases shown.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

33 FINANCIAL RISK MANAGEMENT (continued)

Interest rate risk (continued)

	<i>Profit</i> <i>+25bps</i> <i>QR'000</i>	<i>Net effect on</i> <i>Property,</i> <i>plant and</i> <i>equipment</i> <i>+25bps</i> <i>QR'000</i>	<i>Equity</i> <i>+25 bps</i> <i>QR'000</i>
<i>At 31 December 2009</i>			
<i>Variable rate instruments</i>			
Call deposits	5,036	-	-
Interest bearing loans and borrowings	(9,615)	3,413	-
Derivatives	(82)	-	(7,549)
	<u>(4,661)</u>	<u>3,413</u>	<u>(7,549)</u>
<i>At 31 December 2008</i>			
<i>Variable rate instruments</i>			
Call deposits	2,324	-	-
Interest bearing loans and borrowings	(8,836)	(6,506)	-
Derivatives	-	-	(1,586)
	<u>(6,512)</u>	<u>(6,506)</u>	<u>(1,586)</u>

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. 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.

	<i>2009</i> <i>QR</i>	<i>2008</i> <i>QR</i>
Bank balances (excluding cash)	5,833,256	9,189,662
Accounts receivable and other assets	1,414,816	1,191,344
Amounts due from related parties	491,742	566,119
Other financial assets	2,277	120,755
	<u>7,742,091</u>	<u>11,067,880</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

33 FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

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

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

<i>At 31 December 2009</i>	<i>Less than one year QR'000</i>	<i>1 to 5 years QR'000</i>	<i>> 5 years QR'000</i>	<i>Total QR'000</i>
Accounts payables and accruals	1,025,675	91,132	-	1,116,807
Interest bearing loans and borrowings	420,069	1,960,995	4,410,531	6,791,595
Due to related parties	473,593	4,752	-	478,345
Other financial liabilities	28,103	259,932	-	288,035
	<u>1,947,440</u>	<u>2,316,811</u>	<u>4,410,531</u>	<u>8,674,782</u>
<i>At 31 December 2008</i>	<i>Less than one year QR'000</i>	<i>1 to 5 years QR'000</i>	<i>> 5 years QR'000</i>	<i>Total QR'000</i>
Accounts payables and accruals	1,367,321	-	-	1,367,321
Interest bearing loans and borrowings	2,726,991	1,983,133	2,669,114	7,379,238
Due to related parties	858,279	-	-	858,279
Other financial liabilities	165,751	589,668	-	755,419
	<u>5,118,342</u>	<u>2,572,801</u>	<u>2,669,114</u>	<u>10,360,257</u>

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.

As the Qatari Riyal is pegged to the US Dollars, the balances in US Dollars are not considered to represent significant currency risk.

The table below indicates the Group's foreign currency exposure at 31 December, as a result of its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the Qatari Riyal currency rate against the GBP and Euro, with all other variables held constant, on the consolidated statement of income (due to the fair value of currency sensitive monetary assets and liabilities). The effect of decrease in currency rates is expected to be equal and opposite to the effect of the increase shown.

	<i>Changes in currency rate to the Qatari Riyal</i>	<i>Effect on consolidated statement of income QR'000</i>
<i>2009</i>		
GBP	+5%	57
Euro	+5%	2,973
<i>2008</i>		
GBP	+5%	93
Euro	+5%	15,083

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

33 FINANCIAL RISK MANAGEMENT (continued)

Equity price risk

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

At the reporting date, the exposure to unlisted securities at cost was QR. 2.1 million (2008: QR 2.1 million).

At the reporting date, the exposure to listed equity securities at fair value was QR 414.96 million (2008: QR 370.64 million) which includes both available-for-sale investments and held for trading investments. An increase or decrease of 10% on the Qatar Exchange (QE) index would have an impact of approximately QR 12.85 million (2008: QR 12.51 million) on the consolidated statement of income in respect of held for trading investments. In respect of available for sale investments, a decrease of 10% on the QE & ASX index would have an impact of approximately QR 28.65 million (2008: QR24.56) million on the consolidated statement of income or equity attributable to the Group, depending on whether or not the decline is significant and prolonged. An increase of 10% in the value of the listed securities would impact equity in a similar amount but will not have an effect on income unless there is an impairment charge associated with it.

Capital management

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

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2009 and 31 December 2008.

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 unrealised gains reserve.

	2009 QR'000	2008 QR'000
Interest bearing loans and borrowings	5,998,451	6,037,101
Accounts payable and accruals	1,116,807	1,367,321
Due to related parties	478,345	858,279
Other financial liabilities	<u>288,035</u>	<u>755,419</u>
	7,881,638	9,018,120
Less: Cash and short term deposits	<u>(4,840,231)</u>	<u>(5,936,227)</u>
Net debt	<u>3,041,407</u>	<u>3,081,893</u>
Equity	19,047,258	18,242,969
Cumulative changes in fair value	(142,262)	(141,213)
Hedging reserve	<u>307,165</u>	<u>634,665</u>
	<u>19,212,161</u>	<u>18,736,421</u>
Capital and net debt	<u><u>22,253,568</u></u>	<u><u>21,818,314</u></u>
Gearing ratio	<u><u>13.67%</u></u>	<u><u>14.13%</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

34 FAIR VALUES OF FINANCIAL INSTRUMENTS

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the consolidated financial statements.

	<i>Carrying amount</i>		<i>Fair value</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
Financial assets				
Available-for-sale investments	288,630	247,773	288,630	247,773
Accounts receivable and prepayments	1,527,040	1,297,557	1,527,040	1,297,557
Due from related parties	491,742	566,119	491,742	566,119
Held for trading investments	128,505	125,051	128,505	125,051
Other financial assets:		0		
Forward foreign currency collar	2,277	120,755	2,277	120,755
Bank balances and cash	5,833,786	9,445,207	5,833,786	9,445,207
Total	8,271,980	11,802,462	8,271,980	11,802,462
Financial liabilities				
Interest bearing loans and borrowings	5,998,451	6,037,101	5,998,451	6,037,101
Accounts payable and accruals	1,116,807	1,367,321	1,116,807	1,367,321
Due to related parties	478,345	858,279	478,345	858,279
Other financial liabilities:				
Interest rate swaps	287,094	589,668	287,094	589,668
Forward foreign currency collar	941	165,751	941	165,751
Total	7,881,638	9,018,120	7,881,638	9,018,120

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- The fair value of unquoted instruments, loans from banks and other financial liabilities, obligations under finance leases as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.
- Fair value of available-for-sale financial assets and held to maturity investments are derived from quoted market prices in active markets, if available.
- The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using a valuation techniques with market observable inputs are mainly interest rate swaps, foreign exchange forward contracts and commodity forward contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves of the underlying commodity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

34 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)**Fair value hierarchy**

At 31 December 2009, the Group held the following financial instruments measured at fair value:

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

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

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

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

The Group held the following financial instruments measured at fair value:

<i>At 31 December 2009</i>	<i>Total</i> <i>QR'000</i>	<i>Level 1</i> <i>QR'000</i>	<i>Level 2</i> <i>QR'000</i>	<i>Level 3</i> <i>QR'000</i>
Assets measured at fair value				
Available-for-sale investments	286,450	286,450	-	-
Held for trading investments	128,505	128,505	-	-
Other financial assets:				
Forward foreign currency collar	2,277	-	2,277	-
Liabilities measured at fair value				
Other financial liabilities:				
Interest rate swaps	287,094	-	287,094	-
Forward foreign currency collar	941	-	941	-

During the reporting period ending 31 December 2009, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

The fair values of the financial instruments with the exception of certain unquoted available-for-sale investments carried at cost are not materially different from their carrying values.

35 SIGNIFICANT ACCOUNTING JUDGEMENTS OR ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgments

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

Impairment of available-for-sale equity investments

The Group treats available-for-sale equity 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. During the current year, the Group has not recognised any impairment of available-for-sale investments (2008: QR 31 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

35 SIGNIFICANT ACCOUNTING JUDGEMENTS OR ESTIMATES (continued)

Estimates and assumptions

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

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.

At the reporting date, gross trade accounts receivable were QR 1,062 million (2008: QR 969 million), and the provision for doubtful debts was QR 2.7 million (2008: 1 million) Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated statement of income.

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.

At the reporting date, gross inventories were QR 1,477 million (2008: QR 2,617 million), with provisions for old and obsolete inventories of QR 100.4 million (2008: 96.4 million). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the consolidated statement of income.

Revaluation of investment properties

The Group carries its investment properties at fair value, with changes in fair values being recognised in the consolidated statement of income. The Group engaged independent valuation specialists to determine fair value as at 31 December 2009. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

Impairment of non-financial assets

The Group's impairment test for goodwill and intangible assets with indefinite useful lives is based on value in use calculations that use a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Useful lives of property, plant and equipment

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