INDUSTRIES QATAR Q.P.S.C.
DOHA - QATAR

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Industries Qatar Q.P.S.C. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 4 of the consolidated financial statements, which describes that the Group has not applied the provisions of Article 4(11) of Law 24 of 2018 and Article 2(12) of the executive regulations accompanying the Tax Law on the basis of an agreement with the appropriate authorities exempting the Group including its components from the relevant taxes in regard to these Articles. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the Key audit matter</th></tr>
<tr><td>

Revenue recognition

Total revenue recognized by the Group during the year amounted to QR. 5,095.8 million.

International Standards on Auditing require us to consider the risk of fraud in revenue recognition. There is an inherent risk of fraud given the high volume of transactions and price fluctuations of the products affecting the revenue recognized for the year.

As disclosed in note 9, the Group's share of the combined results from the joint ventures (QAPCO, QAFCO and QAFAC) of QR. 2,180.8 million for the year ended December 31, 2019 represents 85% of profit for the year of the Group.

The results of operations of these joint ventures of QR 2,797 million for the year ended December 31, 2019 represent 27% of the sales revenue generated by these joint ventures. The majority of the joint ventures' sales are made to one customer "Qatar Chemical and Petrochemical Marketing and Distribution Company" ("Muntajat").

According to revenue recognition policy, revenue from sale of products is recognized when the Group and its joint venture companies has transferred the control of the products to the customer at the point of delivery, where terms of delivery are specified in the contracts.

We identified the recognition of revenue as a key audit matter, because of the high values of individual shipments. The potential errors in the timing and accuracy of revenue recognition at the Group and joint venture company level could result in material misstatements in the financial statements of the Group when it recognises revenue and its share of each joint venture's net income under the equity method of accounting.

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Our procedures in relation to revenue recognition from sales made by the subsidiary and individual joint ventures are as follows:

- Understanding and evaluating the design of the controls over revenue recognition of the joint venture companies.
- Understanding, evaluating and testing internal controls over revenue recognition of the subsidiary, including the timing of revenue recognition.
- Evaluating the Group and joint venture companies' revenue accounting policies against the requirements of IFRSs, our understanding of the business and related industry practice.
- Reviewing the terms of the revenue contracts of the Group and joint venture companies with their customers.
- Performing test of details to verify occurrence and accuracy of revenue transactions on a sample basis.
- Testing the revenue completeness and cut off of revenue transactions on a sample basis.
- Obtaining and inspecting, on a sample basis, the statements the major customer of the joint ventures, and agreeing them to the accounting records
- Evaluating the disclosures relating to revenue to determine if they are in compliance with the requirements of IFRSs.

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the Key audit matter
Revenue recognition (continued) The following notes to the consolidated financial statements contain the relevant information related to the above discussed matters. Note 3 – Significant Accounting Policies Note 4 – Critical Judgments and Keys Sources of Estimation Uncertainty Note 9 – Investments in Joint Ventures Note 22 – Revenue	

Other Matter

The consolidated financial statements of the Group for the year ended December 31, 2018 were audited by another auditor who expressed an unmodified opinion on those statements on February 11, 2019.

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Report on Other Legal and Regulatory Requirements

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

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

Doha - Qatar
February 10, 2020

For **Deloitte & Touche**
Qatar Branch

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

INDUSTRIES QATAR Q.P.S.C.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	As at 31 December 2019 QR. '000s	As at 31 December 2018 QR. '000s
ASSETS			
Non-current assets			
Property, plant and equipment	7	**3,336,020**	3,437,916
Investments in associates	8	**1,475,914**	1,407,089
Investments in joint ventures	9	**16,732,460**	17,885,703
Rights-of-use assets	10	**134,588**	--
		21,678,982	22,730,708
Current assets			
Inventories	12	**1,851,492**	1,717,078
Trade and other receivables	13	**1,297,246**	1,669,172
Financial assets at fair value through profit or loss	11	**324,581**	364,027
Cash and bank balances	5	**1,959,597**	2,007,613
Fixed deposits	6	**8,758,419**	8,581,090
		14,191,335	14,338,980
Total assets		**35,870,317**	37,069,688
EQUITY AND LIABILITIES			
EQUITY			
Share capital	14	**6,050,000**	6,050,000
Legal reserve	15	**158,148**	126,824
Hedging reserve	15	**(4,080)**	602
Other reserve	15	**6,057**	15,905
Retained earnings		**28,019,701**	29,297,132
Total equity		**34,229,826**	35,490,463
LIABILITIES			
Non-current liabilities			
Lease liability	10	**167,778**	--
Employees' benefit obligations	18	**200,684**	205,024
		368,462	205,024
Current liabilities			
Trade and other payables	19	**1,239,003**	1,374,201
Lease liability	10	**33,026**	--
		1,272,029	1,374,201
Total liabilities		**1,640,491**	1,579,225
Total equity and liabilities		**35,870,317**	37,069,688

These consolidated financial statements were approved and authorized for issue by the Board of Directors on February 10, 2020 and signed on their behalf by:

Saad Sherida Al-Kaabi
Chairman and Managing Director

Abdulaziz Mohammed Al-Mannai
Vice Chairman

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

INDUSTRIES QATAR Q.P.S.C.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ending 31 December 2019

	Note	Year ended 31 December	
		2019	2018
		QR. '000s	QR. '000s
Revenues	22	**5,095,823**	5,791,018
Cost of sales	23	**(5,091,571)**	(4,868,058)
Gross profit		**4,252**	922,960
General and administrative expenses	26	**(139,743)**	(157,021)
Selling and distribution expenses		**(82,606)**	(81,950)
Share of net results of investment in joint ventures	9	**2,180,755**	3,877,848
Share of net results of investment in associates	8	**75,328**	32,643
Reversal of impairment losses/ (impairment losses) of investment in associates	8	**100,000**	(49,535)
Income from investments	25	**381,302**	338,498
Finance cost		**(11,497)**	(1,948)
Other income	24	**66,822**	148,321
Profit for the year		**2,574,613**	5,029,816
Earnings per share			
Basic and diluted earnings per share (QR per share)	21	**0.43**	0.83

	Note	Year ended 31 December	
		2019	2018
		QR. '000s	QR. '000s
Profit for the year		**2,574,613**	5,029,816
Other comprehensive (loss) / income			
Items that may be reclassified subsequently to profit or loss			
Share of other comprehensive income of investment in joint ventures			
Net unrealised (loss) / gain on defined benefit obligation	9	**(9,848)**	15,905
Share of other comprehensive income of investment in associates			
Movement in cash flow hedges	8	**(4,682)**	1,349
		(14,530)	17,254
Items that will not be reclassified to profit or loss			
Changes in the fair value of equity investments at fair value through other comprehensive income		**--**	(1,081)
Other comprehensive (loss) / income for the year		**(14,530)**	16,173
Total comprehensive income for the year		**2,560,083**	5,045,989

INDUSTRIES QATAR Q.P.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ending 31 December 2019

	Note	Share capital QR. '000s	Legal reserve QR. '000s	Fair value reserve QR. '000s	Hedging reserve QR. '000s	Other reserve QR. '000s	Retained earnings QR. '000s	Total QR. '000s
Balance at January 1, 2018		6,050,000	94,863	137	(747)	--	27,450,140	33,594,393
Loss on disposal of equity investments at fair value through other comprehensive income		--	--	944	--	--	(944)	--
Profit for the year		--	--	--	--	--	5,029,816	5,029,816
Other comprehensive income / (loss) for the year		--	--	(1,081)	1,349	15,905	--	16,173
Total comprehensive income for the year		--	--	(1,081)	1,349	15,905	5,029,816	5,045,989
Dividends declared for 2017		--	--	--	--	--	(3,025,000)	(3,025,000)
Social fund contribution	16	--	--	--	--	--	(124,919)	(124,919)
Transfer to legal reserve	15	--	31,961	--	--	--	(31,961)	--
Balance at December 31, 2018		6,050,000	126,824	--	602	15,905	29,297,132	35,490,463
Balance at January 1, 2019 as previously presented		**6,050,000**	**126,824**	**--**	**602**	**15,905**	**29,297,132**	**35,490,463**
Adoption of new accounting policy (Note 2)		**--**	**--**	**--**	**--**	**--**	**(146,943)**	**(146,943)**
Balance at January 1, 2019 as restated		**6,050,000**	**126,824**	**--**	**602**	**15,905**	**29,150,189**	**35,343,520**
Share of derecognition of exempted tax reserve	9	**--**	**--**	**--**	**--**	**--**	**15,795**	**15,795**
Profit for the year		**--**	**--**	**--**	**--**	**--**	**2,574,613**	**2,574,613**
Other comprehensive (loss) / income for the year		**--**	**--**	**--**	**(4,682)**	**(9,848)**	**--**	**(14,530)**
Total comprehensive income for the year		**--**	**--**	**--**	**(4,682)**	**(9,848)**	**2,590,408**	**2,575,878**
Dividends declared for 2018	17	**--**	**--**	**--**	**--**	**--**	**(3,630,000)**	**(3,630,000)**
Social fund contribution	16	**--**	**--**	**--**	**--**	**--**	**(59,572)**	**(59,572)**
Transfer to legal reserve	15	**--**	**31,324**	**--**	**--**	**--**	**(31,324)**	**--**
Balance at December 31, 2019		**6,050,000**	**158,148**	**--**	**(4,080)**	**6,057**	**28,019,701**	**34,229,826**

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

INDUSTRIES QATAR Q.P.S.C.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ending 31 December 2019

	Note	Year ended 31 December	
		2019	2018
		QR. '000s	QR. '000s
Cash flows from operating activities			
Profit for the year		**2,574,613**	5,029,816
Adjustments for:			
Depreciation of property, plant and equipment	7	**244,828**	237,437
Amortisation of right-of-use assets	10	**32,445**	--
Provision for employees' end of service benefits	18	**35,579**	40,598
Share of net results from investment in joint ventures	9	**(2,180,755)**	(3,877,848)
Share of net results from investment in associates	8	**(75,328)**	(32,643)
Loss on disposal of property, plant and equipment		**8,506**	5,225
Dividend income from financial assets at fair value through profit or loss	25	**(15,455)**	(26,756)
Fair value loss / (gains) from financial assets at fair value through profit or loss		**39,446**	(14,483)
Gain on disposal of financial assets at fair value through profit or loss		**--**	(5,703)
Finance costs		**11,497**	1,948
Reversal of provision for inventory write down		**(193)**	(2,439)
Interest income	25	**(365,847)**	(311,742)
(Reversal of impairment loss) / impairment loss of investment in associate	8	**(100,000)**	49,535
Operating cash flows before changes in working capital		**209,336**	1,092,945
Changes in working capital			
Inventories		**(134,221)**	(270,406)
Trade and other receivable		**267,712**	342,494
Trade and other payable		**(67,233)**	119,082
Cash generated from operations		**275,594**	1,284,115
Payments of end of service benefits		**(39,919)**	(34,669)
Social fund contribution		**(124,919)**	(83,709)
Net cash generated from operating activities		**110,756**	1,165,737
Cash flows from investing activities			
Proceeds from disposals of property, plant and equipment		**4,435**	--
Additions to property, plant and equipment	7	**(155,873)**	(160,209)
Dividend received from investment in associate	8	**3,500**	16,156
Proceeds from disposal of financial assets at fair value through profit or loss	11	**--**	192,019
Proceeds from disposal of financial assets at fair value through other comprehensive income		**--**	534
Dividend received from financial assets at fair value through profit or loss	25	**15,455**	26,756
Dividends received from investment in joint ventures		**3,259,772**	4,570,001
Proceeds from loans from an associate	8	**98,321**	--
Movement in fixed deposits	6	**(177,329)**	(1,540,015)
Interest income received		**470,061**	234,309
Net cash generated from investing activities		**3,518,342**	3,339,551

	Note	Year ended 31 December	
		2019	2018
		QR. '000s	QR. '000s
Cash flows from financing activities			
Repayment of borrowings		**--**	(225,758)
Repayment of principal repayment and interest expense related to lease liability		**(44,142)**	--
Finance costs paid		**(354)**	(1,948)
Movement in unclaimed dividend bank accounts		**2,618**	(7,405)
Dividends paid to equity holders		**(3,632,618)**	(3,017,596)
Net cash used in financing activities		**(3,674,496)**	(3,252,707)
Net (decrease) / increase in cash and cash equivalents		**(45,398)**	1,252,581
Cash and cash equivalents at beginning of year		**1,883,715**	631,134
Cash and cash equivalents at end of year	5	**1,838,317**	1,883,715

Notes to cash flow statement:

The following noncash activities are entered into by the Group and are not reflected in the consolidated statement of cash flow

- As at January 1, 2019, the Group adopted IFRS 16 and recognized right-of-use assets amounting to QR. 160 million, lease liability amounting to QR. 227 million, reduction of investment in joint venture QR. 80 million and cumulative effect on retained earnings amounting to QR. 147 million as debit.
- During the year, the Group made additions to right of use assets and lease liability amounting to QR. 6.97 million.

1. CORPORATE INFORMATION

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

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

Through the Group companies, IQ operates in three main distinct segments: petrochemicals, fertilisers and steel. More information about the Group activities is given in Note 29. The structure of the Group, included in these consolidated financial information is as follows:

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

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

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

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

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

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

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

1. CORPORATE INFORMATION (CONTINUED)

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

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

The consolidated financial statements of the Group for the year ended December 31, 2019 were approved and authorised for issue by the Board of Directors on February 10, 2020.

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

2.1 New and amended IFRS Standards that are effective for the current year

In the current year, the Group, for the first time, has adopted IFRS 16 *Leases* (as issued by the IASB in January 2016). The standard replaces the existing guidance on leases, including IAS 17 'Leases", IFRIC 4 'Determining whether an Arrangement contains a Lease", SIC 15 "Operating Leases – Incentives" and SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease".

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Therefore, IFRS 16 does not have an impact for leases where the Group is the lessor. Details of these new requirements are described in Note 3. The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.

The date of initial application of IFRS 16 for the Group is January 1, 2019.

The Group has opted for the modified retrospective application permitted by IFRS 16 upon adoption of the new standard. The Group does not restate any comparative information. Instead, the cumulative effect of applying the standard is recognised as an adjustment to the opening balance of retained earnings (or another component of equity, as appropriate) at the date of initial application.

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

2.1 New and amended IFRS Standards that are effective for the current year (continued)

Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to leases entered or modified before January 1, 2019. The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. The Group applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after January 1, 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not change significantly the scope of contracts that meet the definition of a lease for the Group.

Impact on Lessee Accounting

Former operating leases

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off-balance-sheet.

Applying IFRS 16, for all leases (except as noted below), the Group:

a) recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of future lease payments;

b) recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss; and

c) separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows.

Lease incentives (e.g. free rent period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets. This replaces the previous requirement to recognise a provision for onerous lease contracts. For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within other expenses in the statement of profit or loss.

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

2.1 New and amended IFRS Standards that are effective for the current year (continued)

Financial impact of initial application of IFRS 16

The tables below show the amount of adjustment for each financial statement line item affected by the application of IFRS 16 for the year December 31, 2019

Impact on profit or loss

	December 31, 2019
	QR. '000s
Increase in amortisation expense	(32,445)
Increase in finance costs	(11,143)
Decrease in other expenses	44,142
Increase in profit for the year	554

Impact on statement of cash flows

	December 31, 2019
	QR. '000s
Operating lease payments reported under "Finance costs"	44,142
Net cash flows from operating activities	44,142
Repayment of principal repayment and interest expense related to lease liability	(44,142)
Net cash flows used in financing activities	(44,142)

Impact on assets, liabilities and equity as at January 1, 2019

	As previously reported	Adjustments	As restated
	QR. '000s	QR. '000s	QR. '000s
Right-of-use assets (a)	**--**	**160,061**	**160,061**
Investment in joint ventures (a)	**17,885,703**	**(80,173)**	**17,805,530**
Net impact on total assets	**17,885,703**	**79,888**	**17,965,591**
Lease liabilities (a)	**--**	**226,831**	**226,831**
Net impact on total liabilities	**--**	**226,831**	**226,831**
Retained earnings	**29,297,132**	**(146,943)**	**29,150,189**
Net impact on total liabilities and equity	**29,297,132**	**(146,943)**	**29,150,189**

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

2.1 New and amended IFRS Standards that are effective for the current year (continued)

Financial impact of initial application of IFRS 16 (continued)

The off-balance sheet lease obligations as of December 31, 2018 are reconciled as follows to the recognized lease liabilities as of January 1, 2019.

	QR. '000s
Operating lease commitments disclosed as of December 31, 2018	**168,164**
Less: Other adjustments	**(8,103)**
Adjusted balance as at January 1, 2019	**160,061**
Add: Adjustments as a result of different treatment of extension and termination options	**66,770**
Lease liability recognised as at January 1, 2019	**226,831**
Of which are:	
Current lease liabilities	**32,999**
Non-current lease liabilities	**193,832**
	226,831

The associated right-of-use assets for property leases were measured on a modified retrospective basis as if new rules have been applied. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognized right of use of assets relate to the following types of assets:

	December 31, 2019	January 1, 2019
	QR. '000s	QR. '000s
Land and buildings	**52,927**	**56,059**
Heavy duty equipment	**38,031**	**54,314**
Motor vehicle	**6,118**	**11,481**
Other assets	**37,512**	**38,207**
Total right-of-use assets	**134,588**	**160,061**

Group as a lessee

a) The application of IFRS 16 to leases previously classified as operating leases under IAS 17 resulted in the recognition of right-of-use assets and leases liabilities. It resulted in a decrease in other expense and an increase in depreciation and amortisation expense and in interest expense.

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

2.2 New and amended IFRS applied with no material effect on the financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after January 1, 2019, have been adopted in these consolidated financial statements.

New and revised IFRSs	**Effective for annual periods beginning on or after**
Amendments to IFRS 9 *Prepayment Features with Negative Compensation and Modification of financial liabilities*	January 1, 2019
The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.	
The amendment applies to annual periods beginning on or after January 1, 2019, with earlier application permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9.	
Amendments to IAS 28 *Investment in Associates and Joint Ventures*: Relating to long-term interests in associates and joint ventures.	January 1, 2019
These amendments clarify that an entity applies IFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	
Annual Improvements to IFRSs 2015-2017 *Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs*	January 1, 2019
The *Annual Improvements* include amendments to four Standards.	
IAS 12 *Income Taxes*	January 1, 2019
The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.	
IAS 23 *Borrowing costs*	January 1, 2019
The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.	

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

2.2 New and amended IFRS applied with no material effect on the financial statements (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 3 *Business Combinations*	January 1, 2019
The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including re-measuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be re-measured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.	
IFRS 11 *Joint Arrangements*	January 1, 2019
The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not re-measure its PHI in the joint operation.	
Amendments to IAS 19 *Employee Benefits Plan Amendment, Curtailment or Settlement*	January 1, 2019
The amendments to IAS 19 Employee Benefits clarify the accounting for defined benefit plan amendments, curtailments and settlements.	
IFRIC 23 *Uncertainty over Income Tax Treatments*	January 1, 2019
The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: • Whether tax treatments should be considered collectively; • Assumptions for taxation authorities' examinations; • The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and • The effect of changes in facts and circumstances.	

The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

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

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

New and revised IFRSs	**Effective for annual periods beginning on or after**
Definition of Material - Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'	January 1, 2019
Definition of a Business – Amendments to IFRS 3 *Business Combinations* The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. IASB also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'.	January 1, 2020
Amendments to *References to the Conceptual Framework in IFRS Standards* Amendments to References to the Conceptual Framework in IFRS Standards related IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.	January 1, 2020
IFRS 7 Financial Instruments: Disclosures and IFRS 9 — Financial Instruments Amendments regarding pre-replacement issues in the context of the IBOR reform	January 1, 2020
IFRS 17 *Insurance Contracts* IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as at January 1, 2022.	January 1, 2022
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 16 as highlighted in previous paragraphs, may have no material impact on the consolidated financial statements of the Group in the period of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of preparation

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

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

Basis of consolidation

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

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

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

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

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

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

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

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

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

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

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

Investments in associates and joint ventures

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

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

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures (continued)

Under the equity method, an investment in an associate or a joint venture is recognised initially in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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

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

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture. When the Group retains an interest in the former associate or a joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate or a joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or a joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate or joint venture is disposed of.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities. When a Group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures (continued)

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

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

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Managing Director (MD) who is the chief operating decision maker of the Group. The MD is responsible for allocating resources and assessing performance of the operating segments. Additional disclosures on each of these segments are shown in Note 29, including the factors used to identify the reportable segments and the measurement basis of segment information.

Revenue recognition

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

Sale of steel products

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

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

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

As discussed in Note 1, Qatar Steel Company Q.P.S.C. has signed an offtake agreement with Muntajat. Terms of delivery to customers are specified in the Offtake Requirements for the sale of steel. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or possible return of goods. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Service and management charges

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

Leases, applicable from January 1, 2019

The Group as lessee

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases, applicable from January 1, 2019 (continued)

The Group as lessee (continued)

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

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

The Group did not make any such adjustments during the periods presented.

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases, applicable from January 1, 2019 (continued)

Leases under IAS 17, applicable before January 1, 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term

The Company as lessee

Assets held under finance leases are initially recognised as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

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

Property, plant and equipment

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

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

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

Buildings	25 years or land lease term, whichever is shorter
Plant machinery and equipment	6 - 25 years
Furniture and other equipment	4 - 10 years

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

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

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

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

Inventories

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

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

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

Borrowing costs

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement

For measurement and disclosure purposes, the Group determines the fair value of an asset or liability at initial measurement or at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs Fair value for measurement and/or disclosure purposes in these financial statements is determined on the basis as explained above, except for share-based payment transactions that are within the scope of IFRS 2; leasing transactions that are within the scope of IFRS 16 for current year (IAS 17 for 2018) and measurements that have some similarities to fair value, but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

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

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

Financial assets

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

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

Classification of financial assets

(i) Debt instruments designated at amortised cost

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

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

(ii) Debt instrument designated at other comprehensive income

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

Classification of financial assets (continued)

(ii) Debt instrument designated at other comprehensive income (continued)

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

Amortised cost and effective interest rate method

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

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

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

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

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

(iii) Equity instruments designated as at FVTOCI

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

Classification of financial assets (continued)

(iii) Equity instruments designated as at FVTOCI (continued)

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

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

(iv) Financial assets at FVTPL

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

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

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

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

Impairment of financial assets

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

Impairment of financial assets (continued)

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

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

(i) Significant increase in credit risk

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

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

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

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

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

(ii) Definition of default

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

Impairment of financial assets (continued)

(iii) Credit-impaired financial assets

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

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

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

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

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

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

(iv) Write-off policy

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

(v) Measurement and recognition of expected credit losses

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

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

Derecognition of financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

Derecognition of financial assets (continued)

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

Financial liabilities

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

Financial liabilities at FVTPL

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

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

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

Financial liabilities measured subsequently at amortised cost

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

Derecognition of financial liabilities

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

Employee benefits

Short-term obligations

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

Post-employment benefits

The Group operates defined contribution and defined benefit retirement plans.

a.) Defined contribution pension plan

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

b.) Defined benefit plan

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits (continued)

b.) Defined benefit plan (continued)

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

Other short-term employees' benefits

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

Provisions

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

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

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

Social fund contribution

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

Dividends distribution

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

Exceptional items

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Earnings per share

Basic earnings per share is calculated by dividing:

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

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

Events after the reporting date

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

4. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements

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

Revenue recognition

Management considers recognizing revenue over time, if one of the following criteria is met, otherwise revenue will be recognized at a point in time:

a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
c) the Group's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

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

Critical judgements (continued)

Judgements in determining the timing of satisfaction of performance obligations

The Group generally recognise revenue over time as it performs continuous transfer of control of goods or services to the customers. Because customers simultaneously receives and consumes the benefits provided and the control transfer takes place over time, revenue is also recognised based on the extent of transfer/completion of transfer of each performance obligation. In determining the method for measuring progress for these POs, we have considered the nature of these goods and services as well as the nature of its performance.

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

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

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

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

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

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

Business model assessment

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

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

Critical judgements (continued)

Significant increase in credit risk

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

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group had identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors. The Group has recognized a loss allowance of 6.56% against all receivables.

Determining the lease term

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

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

Going concern

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

Classification of Qatar Metals Coating Company WLL as an associate

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

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

Critical judgements (continued)

Classification of investments as joint ventures

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

Site restoration obligation

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

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

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

Income tax

Qatar Petroleum, Ministry of Finance and the General Tax Authority have reached an agreement through a Memorandum of Understanding ("hereby referred to as the MOU") that the share of profit attributable to certain companies listed on stock market and included in the MOU will be considered tax exempt. This entity is included in the MOU. Accordingly, for the purpose of accruing tax liability for financial year ended December 31, 2019, management has considered the share of profits attributable to listed companies and companies owned by the State, whether wholly or partly, and included in the above MOU as exempt. The mechanism for formalizing the tax exemption is expected in due course.

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

Estimates

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

Measurement of loss on potential liabilities related to financial guarantee

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

Discounting of lease payments

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

Impairment of tangible and intangible assets

The Group's management tests annually whether there is an indication that tangible and intangible assets have suffered impairment in accordance with accounting policies stated in note 3. The recoverable amount of an asset is determined based on value-in-use method. This method uses estimated cash flow projections over the estimated useful life of the asset discounted using market rates.

Estimated useful lives of property, plant and equipment

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

At year-end, if the useful life increased/decreased by 5% against the current useful life with all other variables held constant, profit for the year would have been higher or lower by QR. 12.4 million (2018: QR. 11.9 million higher or lower).

Estimation of inventory net realisable value

Inventories are stated at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and written down according to the inventory type and the degree of ageing or obsolescence, any difference between the amounts actually realised in future periods and the amounts expected are recognised in the consolidated statement of comprehensive income.

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

Estimates (continued)

Estimation of inventory net realisable value (continued)

At year-end, if the estimate used by management increased/decreased by 5% with all other variables held constant, profit for the year would have been higher or lower by QR. 1.7 million (2018: higher or lower by QR. 1.7 million).

Estimation of provision for employee's end of service benefits

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

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

Discount rate	4.6%
Salary growth rate	6.0%
Staff turnover rate	3.0%

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

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

Calculation of loss allowance

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

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

Investments in Associates- Impairment reversal

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

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

Estimates (continued)

Investments in Associates- Impairment reversal (continued)

- Discount rates: 13%
- Utilization of capacity: 95% to 110%
- Earnings Before interest, tax, depreciation and amortisation (EBITDA): 12% - 16%
- Terminal period growth rate: 1.5%
- Projected cash flows over 5 years

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

5. CASH AND CASH EQUIVALENTS

	2019	2018
	QR. '000s	QR. '000s
Cash on hand	**96**	79
Cash in banks	**263,745**	902,966
Fixed deposits less than 3 months	**1,695,756**	1,104,568
Cash and bank balances	**1,959,597**	2,007,613

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

	2019	2018
	QR. '000s	QR. '000s
Bank balances and cash	**1,959,597**	2,007,613
Less: Dividend accounts	**(121,280)**	(123,898)
Cash and cash equivalents	**1,838,317**	1,883,715

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

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

6. FIXED DEPOSITS

As at December 31, 2019, fixed deposits with maturities after 90 days amounted to QR 8,758 million (2018: QR. 8,581 million). Fixed deposits are held with banks and denominated in Qatari Riyals with average effective interest rate of 3.76% (2018: 4.02%).

7. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant machinery and equipment	Furniture and other equipment	Capital work in progress	Total
	QR. '000s	QR. '000s	QR. '000s	QR. '000s	QR. '000s
Cost					
As at January 1, 2018	733,244	5,895,957	100,169	24,089	6,753,459
Additions	--	--	--	160,209	160,209
Transfers	3,156	81,303	8,507	(92,966)	--
Disposals	--	(17,634)	(4,178)	--	(21,812)
As at December 31, 2018	736,400	5,959,626	104,498	91,332	6,891,856
Additions	--	--	--	155,873	155,873
Transfers	815	136,857	2,931	(140,603)	--
Disposals	--	(65,206)	(703)	--	(65,909)
As at December 31, 2019	**737,215**	**6,031,277**	**106,726**	**106,602**	**6,981,820**
Accumulated depreciation:					
As at January 1, 2018	381,989	2,768,826	82,275	--	3,233,090
Charge for the year	23,951	206,892	6,594	--	237,437
Disposals	--	(12,654)	(3,933)	--	(16,587)
As at December 31, 2018	405,940	2,963,064	84,936	--	3,453,940
Charge for the year	23,781	214,930	6,117	--	244,828
Disposals	--	(52,265)	(703)	--	(52,968)
As at December 31, 2019	**429,721**	**3,125,729**	**90,350**	**--**	**3,645,800**
Net book value:					
As at December 31, 2019	**307,494**	**2,905,548**	**16,376**	**106,602**	**3,336,020**
As at December 31, 2018	330,460	2,996,562	19,562	91,332	3,437,916

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes:

(i) Plant machinery and equipment includes Catalyst reformers with a net book amount of QR. 43.5 million (2018: QR. 35.2 million).

(ii) Buildings with net book value of QR. 284 million (2018: QR. 330 million) represent the industrial plant, offsite and administrative facilities constructed on land leased from Qatar Petroleum, the Ultimate Parent, for the duration of the Company's existence.

(iii) Plant and structures include capital spares and other spares with net book value of QR.22 million (2018: QR. 13 million) with useful lives of between 15 and 25 years.

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

	2019
	QR. '000s
Buildings	**153,732**
Plant machinery and equipment	**1,178,419**
Furniture and other equipment	**75,442**
	1,407,593

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

	2019	2018
	QR. '000s	QR. '000s
Cost of sales (Note 23)	**240,631**	233,046
General and administrative expenses (Note 26)	**3,556**	3,756
Selling expenses	**641**	635
	244,828	237,437

8. INVESTMENTS IN ASSOCIATES

Set out below are the associates of the Group as at December 31, 2019 which are accounted for using the equity method and in the opinion of the directors, are material to the Group. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

	Place of business/ country of incorporation	**% of ownership**		**Nature of relationship**	**Measurement method**
		2019	2018		
Foulath Holding B.S.C. © (i)	Kingdom of Bahrain	**25%**	25%	Associate	Equity method
SOLB Steel Company (ii)	Kingdom of Saudi Arabia	**31.03%**	31.03%	Associate	Equity method
Qatar Metals Coating Company W.L.L. (iii)	State of Qatar	**50%**	50%	Associate	Equity method

8. INVESTMENTS IN ASSOCIATES (CONTINUED)

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

(i) Foulath Holding B.S.C. ©

Foulath Holding B.S.C. is a Bahraini Closed Joint Stock Company incorporated on June 26, 2008 in the Kingdom of Bahrain. Foulath Holding B.S.C. is a holding company for a group of commercial/industrial companies that are engaged in the manufacture and sale of various steel products.

During the current year, the Group reversed a previously recognized impairment loss on the investment in Foulath Holding amounting to QR. 100 million in the consolidated financial statements. Please refer to Note (4) of the consolidated financial statements for areas of judgments and estimates that have been considered to conclude the impairment reversal.

(ii) SOLB Steel Company

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

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

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

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

	2019	2018
	QR. '000s	QR. '000s
Foulath holding B.S.C. ©	**1,462,708**	1,391,968
Qatar Metals Coating Company W.L.L.	**13,206**	15,121
SOLB Steel Company	**--**	--
	1,475,914	1,407,089

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

	2019	2018
	QR. '000s	QR. '000s
Balance at the beginning of the year	**1,407,089**	1,438,788
Dividends received from associates	**(3,500)**	(16,156)
Share of results from associates	**75,328**	32,643
Loan repayments	**(98,321)**	--
Reversal of impairment loss / (impairment loss)	**100,000**	(49,535)
Net share of other comprehensive (loss) / income	**(4,682)**	1,349
Balance at the end of the year	**1,475,914**	1,407,089

8. INVESTMENTS IN ASSOCIATES (CONTINUED)

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

Summarised statement of financial position	**Foulath Holding B.S.C. ©**		**SOLB Steel Company**		**Qatar Metals Coating Company W.L.L.**	
	2019	2018	**2019**	2018	**2019**	2018
	QR.'000s	QR.'000s	**QR.'000s**	QR.'000s	**QR.'000s**	QR.'000s
Current assets	**2,795,768**	3,280,096	**--**	583,879	**58,895**	55,756
Non-current assets	**5,678,597**	5,684,220	**--**	2,278,115	**12,123**	11,688
Current liabilities	**(2,053,866)**	(2,037,808)	**--**	(1,254,304)	**(16,459)**	(10,655)
Non-current liabilities	**(2,599,491)**	(2,989,408)	**--**	(1,337,098)	**(2,657)**	(1,067)
Net assets	**3,821,008**	3,937,100	**--**	270,592	**51,902**	55,722
Group's share in %	**25%**	25%	**31.03%**	31.03%	**50%**	50%
Group's share in QR	**955,252**	984,275	**--**	83,965	**25,951**	27,861
Impairment and other losses	**(170,000)**	(270,000)	**--**	(150,796)	**--**	--
Goodwill	**684,804**	684,804	**--**	68,277	**--**	--
Pre-acquisition equity adjustment	**660**	660	**--**	--	**--**	--
Intercompany margin elimination	**(6,435)**	(5,801)	**--**	--	**(12,745)**	(12,740)
Other adjustments	**(1,573)**	(1,970)	**--**	(1,446)	**--**	--
Carrying amount	**1,462,708**	1,391,968	**--**	--	**13,206**	15,121

8. INVESTMENTS IN ASSOCIATES (CONTINUED)

Summarised statement of comprehensive income	**Foulath Holding B.S.C. ©**		**SOLB Steel Company**		**Qatar Metals Coating Company W.L.L.**	
	2019	2018	**2019**	2018	**2019**	2018
	QR.'000s	QR.'000s	**QR.'000s**	QR.'000s	**QR.'000s**	QR.'000s
Revenue	**6,117,835**	5,330,723	**--**	969,409	**81,325**	87,081
Profit/(loss) from continuing operations	**295,103**	448,123	**--**	(181,002)	**3,170**	7,088
Other comprehensive income	**(17,049)**	4,674	**--**	--	**--**	--
Total comprehensive (loss)/ income	**278,054**	452,797	**--**	(181,002)	**3,170**	7,088
Group's share in results	**73,743**	98,007	**--**	(68,896)	**1,585**	3,532
Group's share in other comprehensive income	**(4,682)**	1,349	**--**	--	**--**	--
Dividends received from associates	**--**	--	**--**	--	**(3,500)**	(16,156)

9. INVESTMENT IN JOINT VENTURES

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

	2019	2018
	QR.'000s	QR.'000s
Balance at January 1	**17,885,703**	18,848,000
Adoption of new accounting policy (Note 2)	**(80,173)**	--
Correction of prior period errors*	**--**	(255,255)
Balance at January 1, as restated	**17,805,530**	18,592,745
Share of results of joint ventures	**2,180,755**	3,877,848
Share of other comprehensive (loss) / income	**(9,848)**	15,905
Share of derecognition of exempted tax reserve	**15,795**	--
Dividends income	**(3,259,772)**	(4,600,795)
Balance at 31 December	**16,732,460**	17,885,703

*In 2018, Management have performed a reconciliation of the Group's share in the net assets of QAPCO (joint venture) and the carrying value of QAPCO recorded in IQ's books. The total difference amounted to QR 255 million, of which QR 107 million pertains to incorrect accounting of the dividend received by IQ by virtue of its tax exempt status while the remaining difference of QR 148 million is an error in the accounting for the Group's share in net results of QAPCO from past periods.

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

9. INVESTMENT IN JOINT VENTURES (CONTINUED)

As at 31 December 2019	**QAPCO**	**QAFAC**	**QAFCO**	**Total**
	QR.'000s	**QR.'000s**	**QR.'000s**	**QR.'000s**
Current assets				
Cash and cash equivalents	**530,742**	**215,089**	**1,223,752**	**1,969,583**
Other current assets	**1,142,048**	**610,825**	**1,692,807**	**3,445,680**
	1,672,790	**825,914**	**2,916,559**	**5,415,263**
Non-current assets	**7,045,815**	**1,288,130**	**11,483,403**	**19,817,348**
Current liabilities				
Financial liabilities (excluding trade payables)	**(775,572)**	**(332,564)**	**(715,218)**	**(1,823,354)**
Other current liabilities	**(20,575)**	**(22,485)**	**(64,549)**	**(107,609)**
	(796,147)	**(355,049)**	**(779,767)**	**(1,930,963)**
Non-current liabilities	**(507,642)**	**(173,552)**	**(349,189)**	**(1,030,383)**
Net assets before minority interest	**7,414,816**	**1,585,443**	**13,271,006**	**22,271,265**
Minority interest	**--**	**--**	**(140,508)**	**(140,508)**
Attributable to the Group	**7,414,816**	**1,585,443**	**13,130,498**	**22,130,757**
Reconciliation to carrying amounts:				
Opening net assets 1 January	**7,570,088**	**1,542,736**	**14,355,384**	**23,468,208**
Profit for the year	**1,369,280**	**275,809**	**1,163,212**	**2,808,301**
Other comprehensive income	**--**	**--**	**(13,131)**	**(13,131)**
Other movements	**(2,552)**	**(7,422)**	**(78,167)**	**(88,141)**
Dividends paid	**(1,522,000)**	**(225,680)**	**(2,296,800)**	**(4,044,480)**
Closing net assets	**7,414,816**	**1,585,443**	**13,130,498**	**22,130,757**
Group's share %	**80%**	**50%**	**75%**	
Group's share	**5,931,853**	**792,722**	**9,847,874**	**16,572,449**
Effect of IQ's tax exempt status	**--**	**160,011**	**--**	**160,011**
	5,931,853	**952,733**	**9,847,874**	**16,732,460**
Revenues	**2,863,071**	**1,935,038**	**5,676,798**	**10,474,907**
Other income	**701,943**	**10,801**	**162,324**	**875,068**
Depreciation and amortization	**(343,108)**	**(261,807)**	**(1,027,141)**	**(1,632,056)**
Interest expense	**(9,339)**	**(2,183)**	**(17,954)**	**(29,476)**
Income tax expense	**--**	**(150,036)**	**(1,053)**	**(151,089)**
Other cost and expenses	**(1,843,287)**	**(1,256,004)**	**(3,640,997)**	**(6,740,289)**
Profit for the year	**1,369,280**	**275,809**	**1,151,977**	**2,797,066**
Minority interest	**--**	**--**	**11,236**	**11,236**
Attributable to the Group	**1,369,280**	**275,809**	**1,163,213**	**2,808,302**
Other comprehensive income	**--**	**--**	**(13,131)**	**(13,131)**
Total comprehensive income	**1,369,280**	**275,809**	**1,150,082**	**2,795,171**
Group's share of net profit	**1,095,424**	**212,923**	**872,408**	**2,180,755**
Group's share of other comprehensive income	**--**	**--**	**(9,848)**	**(9,848)**

9. INVESTMENT IN JOINT VENTURES (CONTINUED)

As at 31 December 2018	**QAPCO**	**QAFAC**	**QAFCO**	**Total**
	QR.'000s	**QR.'000s**	**QR.'000s**	**QR.'000s**
Current assets				
Cash and cash equivalents	891,741	574,538	1,720,313	3,186,592
Other current assets	1,203,612	602,430	1,951,102	3,757,144
	2,095,353	1,176,968	3,671,415	6,943,736
Non-current assets	6,883,648	1,223,995	12,073,859	20,181,502
Current liabilities				
Financial liabilities (excluding trade payables)	(1,092,555)	(638,188)	(833,001)	(2,563,744)
Other current liabilities	(55,245)	(12,690)	(50,477)	(188,412)
	(1,147,800)	(650,878)	(883,478)	(2,682,156)
Non-current liabilities	(261,113)	(207,350)	(295,366)	(763,829)
Net assets before minority interest	7,570,088	1,542,735	14,566,430	23,679,253
Minority interest	--	--	(211,045)	(211,045)
Attributable to the Group	7,570,088	1,542,735	14,355,385	23,468,208
Reconciliation to carrying amounts:				
Opening net assets 1 January	8,235,454	1,519,104	14,655,347	24,409,905
Profit for the year	2,443,634	687,203	1,858,831	4,989,668
Other comprehensive income	--	--	21,207	21,207
Dividends paid	(3,109,000)	(663,572)	(2,180,000)	(5,952,572)
Closing net assets	7,570,088	1,542,735	14,355,385	23,468,208
Group's share %	80%	50%	75%	
Group's share	6,056,070	771,368	10,766,539	17,593,977
Effect of IQ's tax exempt status	--	291,726	--	291,726
Total	6,056,070	1,063,094	10,766,539	17,885,703
Revenues	3,681,827	2,831,396	6,214,975	12,728,198
Other income	942,300	21,006	216,970	1,180,276
Depreciation and amortization	(315,345)	(208,714)	(1,021,836)	(1,545,895)
Interest expense	--	(3,540)	--	(3,540)
Income tax expense	--	(370,432)	--	(370,432)
Other cost and expenses	(1,865,148)	(1,582,513)	(3,534,679)	(6,982,340)
Profit for the year	2,443,634	687,203	1,875,430	5,006,267
Minority interest	--	--	(16,599)	(16,599)
Attributable to the Group	2,443,634	687,203	1,858,831	4,989,668
Other comprehensive income	--	--	21,207	21,207
Total comprehensive income	2,443,634	687,203	1,880,038	5,010,875
Group's share of net profit	1,954,907	528,818	1,394,123	3,877,848
Group's share of other comprehensive income	--	--	15,905	15,905

10. LEASES

Group as a Lessee

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

	Right-of-use assets					
	Land and building	**Heavy duty equipment**	**Motor vehicles**	**Other assets**	**Total**	**Lease liabilities**
	QR. '000s	**QR. '000s**	**QR. '000s**	**QR. '000s**	**QR. '000s**	**QR. '000s**
January 1, 2019 (restated)	56,059	54,314	11,481	38,207	160,061	226,831
Additions	1,899	5,073	--	--	6,972	6,972
Amortisation expense	(5,031)	(21,356)	(5,363)	(695)	(32,445)	--
Interest expense	--	--	--	--	--	11,143
Payments	--	--	--	--	--	(44,142)
December 31, 2019	**52,927**	**38,031**	**6,118**	**37,512**	**134,588**	**200,804**

Maturity analysis of lease liability follow:

	2019	2018
	QR.'000s	QR. '000s
Not later than 1 year	**33,026**	--
Later than 1 but not later than 5 years	**57,665**	--
Later than 5 years	**110,113**	--
	200,804	--

The lease liability is presented in the financial statements as:

	2019	2018
	QR.'000s	QR. '000s
Current	**33,026**	--
Non-current	**167,778**	--
	200,804	--

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

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019	2018
	QR.'000s	QR. '000s
Balance at the beginning of the period	**364,027**	3,585
Reclassify investments from available-for-sale to FVPL	**--**	533,890
At January 1, measured at fair value	**364,027**	537,475
Disposal	**--**	(187,794)
Movement in fair value recognised directly in profit or loss	**(39,446)**	14,346
At 31 December, measured at fair value	**324,581**	364,027

Majority of investments are in quoted equity shares in the State of Qatar.

On January 1, 2018, the Group elected to classify the majority of the previously classified equity instruments as available-for-sale investments to FVPTL.

12. INVENTORIES

	2019	2018
	QR.'000s	QR. '000s
Finished goods and goods for resale	**663,632**	437,960
Raw materials	**346,593**	233,835
Spares and consumables	**199,209**	193,039
Work in process	**300,489**	414,789
Additives	**255,259**	354,545
Goods in transit	**120,296**	117,089
	1,885,478	1,751,257
Less: write down of inventory to net realisable value	**(33,986)**	(34,179)
	1,851,492	1,717,078

Inventories recognised as an expense during the year ended December 31, 2019 amounted to QR. 3.6 billion (2018: QR. 3.4 billion). These were included in cost of sales.

Net reversal of write down of inventory amounted to QR 0.2 million (2018: net reversal of write down of QR. 2.4 million) was recognised during the year ended December 31, 2019 and included in 'cost of sales' in the consolidated statement of profit or loss.

13. TRADE AND OTHER RECEIVABLES

	2019	2018
	QR.'000s	QR. '000s
Trade accounts receivable at amortised cost	**123,222**	105,190
Due from related parties (Note 20)	**400,090**	664,636
Advance to suppliers	**85,670**	63,234
Prepayments	**36,608**	35,657
Loans to employees	**80,887**	80,659
Accrued interest	**83,883**	188,098
Other receivables	**16,801**	18,477
	827,161	1,155,951
Less: Expected credit losses	**(54,068)**	(54,068)
	773,093	1,101,883
Trade receivables measured at fair value (Note 20)	**524,153**	567,289
	1,297,246	1,669,172

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

			Past due but not impaired				
	Total	**Neither past due nor impaired**	**< 30 days**	**31 to 60 days**	**61 to 90 days**	**91 to 180 days**	**180 to 365 days**
	QR. '000s	**QR. '000s**	**QR. '000s**	**QR. '000s**	**QR. '000s**	**QR. '000s**	**QR. '000s**
2019	**123,222**	**123,222**	**--**	**--**	**--**	**--**	**--**
2018	105,190	105,190	--	--	--	--	--

Movement in expected credit loss:

	2019	2018
	QR.'000s	QR. '000s
Balance at 1 January	**54,068**	53,317
Charge for the year	**--**	751
Balance at 31 December	**54,068**	54,068

See Note 3 for the impairment policy for trade receivables measured at amortised cost following the adoption of IFRS 9.

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

14. SHARE CAPITAL

	2019	2018
	QR.'000s	QR. '000s
Authorised, issued and paid-up:		
6,050,000,000 shares of QR 1 each	**6,050,000**	6,050,000

In line with the instructions of the Qatar Financial Markets Authority (QFMA), the Board of Directors approved the stock split of its ordinary shares' par value from QR 10 to QR 1 per share, and the amendments of the Company's Article of Association at the Group's Extraordinary General Meeting held on March 5, 2019. The stock split was exercised on June 25, 2019 and the total number of shares were increased from 605,000,000 to 6,050,000,000 ordinary shares. Consequently, earnings per share for comparative periods has been restated to reflect the stock split.

15. RESERVES

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

	Legal reserves (i)	**Fair value reserve (ii)**	**Hedging reserve (iii)**	**Other reserve (iv)**	**Total reserves**
	QR.'000s	**QR.'000s**	**QR.'000s**	**QR.'000s**	**QR.'000s**
Balance at January 1, 2018	94,863	137	(747)	--	94,253
Other comprehensive (loss) / income	--	(1,081)	1,349	15,905	16,173
Transfer of remaining fair value reserve to retained earnings on disposal of equity investments at FVOCI	--	944	--	--	944
Transfer to legal reserve	31,961	--	--	--	31,961
Balance at December 31, 2018	126,824	--	602	15,905	143,331
Balance at January 1, 2019	**126,824**	**--**	**602**	**15,905**	**143,331**
Other comprehensive (loss)	**--**	**--**	**(4,682)**	**(9,848)**	**(14,530)**
Transfer to legal reserve	**31,324**	**--**	**--**	**--**	**31,324**
Balance at December 31, 2019	**158,148**	**--**	**(4,080)**	**6,057**	**160,125**

Notes:

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

15. RESERVES (CONTINUED)

(iii) Changes in the fair value of investments that are classified as financial assets at fair value through profit or loss are recognised directly in the consolidated statement of profit or loss. Additional policies are disclosed in Note 3

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

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

16. SOCIAL FUND CONTRIBUTION

In accordance with Law No. 13 of 2008, the Group made an appropriation of profit of QR 59.6 million (2018: QR. 124.9 million) equivalents to 2.5% of the adjusted consolidated net profit for the year for the support of sports, cultural, social and charitable activities.

17. DIVIDENDS

The Board of Directors has proposed cash dividend distribution of QR. 0.40 per share for the year ended December 31, 2019 (2018: QR. 6 per share). The dividends for 2018 amounting to QR 3,630 million were approved by the shareholders at the Annual General Meeting held on March 5, 2019. The proposed final dividend for the year ended December 31, 2019 will be submitted for formal approval at the Annual General Meeting.

18. EMPLOYEES' BENEFIT OBLIGATION

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

	2019	2018
	QR.'000s	QR. '000s
Balance as at 1 January	**205,024**	199,095
Provision during the year	**35,579**	40,598
Paid during the year	**(39,919)**	(34,669)
Balance as at 31 December	**200,684**	205,024

a. Pension obligations

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

18. EMPLOYEES' BENEFIT OBLIGATION (CONTINUED)

b. Employee benefits expenses

	2019	2018
	QR.'000s	QR. '000s
Cost of sales (Note 23)	**507,455**	498,336
Selling expenses	**12,938**	24,736
General and administrative expenses (Note 26)	**84,645**	85,372
	605,038	608,444

c. Pension and end of service cost

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

	2019	2018
	QR.'000s	QR. '000s
Defined contribution benefits – employer share	**6,459**	8,245
End of service charges	**35,579**	40,598
	42,038	48,843

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

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

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

Discount rate	**4.6%**
Salary growth rate	**6.0%**
Staff turnover rate	**3.0%**

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

The discount rate used for estimating end of service liabilities is 4.6% and the average future salary increases is 6.0%. Therefore the discounting future salaries results in approximately current levels of salary. Therefore, the management calculated the employees' end of service obligations as the amount that would be paid if all employees retire and receive their entitlements at the date of financial position, that is the final monthly salary at year-end multiplied by the number of years in service to arrive at the employee benefit at that date.

18. EMPLOYEES' BENEFIT OBLIGATION (CONTINUED)

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

19. TRADE AND OTHER PAYABLES

	2019	2018
	QR.'000s	QR. '000s
Trade payables	**289,871**	308,908
Due to related parties (Note 20)	**23,626**	46,914
Financial guarantees*	**389,000**	389,000
Accrued expenses	**267,097**	294,008
Provision for social fund contribution	**59,572**	124,919
Dividend payable	**121,280**	123,897
Due to government	**34,289**	34,289
Other payables	**54,268**	52,266
	1,239,003	1,374,201

* The Group previously issued financial guarantees to some of the lenders of SOLB Steel Company, an associate company, in respect of certain of the associate's borrowings. SOLB Steel Company defaulted on the repayment and breached financial covenants on the loans on which the financial guarantee was issued since 2016. The issuance of the guarantee results in a present obligation. An assessment have been performed to determine whether it was probable that there would be an outflow of resources to settle the obligation. The default on loan repayment and breach of covenants by SOLB Steel Company since 2016 indicated that it was probable that the guarantee will be called upon to settle SOLB Steel Company's obligations. Therefore a provision have been recorded in the Group's financial statements in respect of the guarantee issued. As per the terms of the financial guarantees agreement, the maximum exposure of the Group is QR. 489 million upon which QR. 389 million is recognised as a liability.

20. RELATED PARTY DISCLOSURES

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

a) Related party transactions

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

Goods and services provided to related parties

	Sales	**Other income**	**Management fees**
	QR.'000s	**QR.'000s**	**QR.'000s**
Year ended 31 December 2019			
Associates and their subsidiaries			
Qatar Metals Coating Company W.L.L	**71,969**	**--**	**598**
Entities under common control			
Qatar Chemical and Petrochemical Marketing and Distribution Company (Muntajat) Q.J.S.C.	**4,021,998**	**2,651**	**--**
GASAL Company Q.S.C.	**--**	**80**	**--**
	4,093,967	**2,731**	**598**

	Sales	Other income	Management fees
	QR.'000s	QR.'000s	QR.'000s
Year ended 31 December 2018			
Associates and their subsidiaries			
Qatar Metals Coating Company W.L.L	63,316	--	864
SOLB Steel Company	65,131	--	--
SULB Company B.S.C.	--	6,665	--
Entities under common control			
Qatar Chemical and Petrochemical Marketing and Distribution Company (Muntajat) Q.J.S.C.	2,667,661	6,274	--
GASAL Company Q.S.C.	--	54	--
	2,796,108	12,993	864

20. RELATED PARTY DISCLOSURES (CONTINUED)

a) Related party transactions (continued)

Goods and services from related parties

	Purchases	**Administrative expenses**
	QR.'000s	**QR. '000s**
Year ended December 31, 2019		
Ultimate parent		
Qatar Petroleum	**121,908**	**26,533**
Joint venture:		
QAFCO	**--**	**206**
QAPCO	**--**	**696**
Entities under common control		
Qatar Chemical and Petrochemical Marketing and Distribution Company (Muntajat) Q.J.S.C.	**--**	**2,612**
GASAL Company Q.S.C.	**58,876**	**--**
Qatar Fuel Company Q.P.S.C	**11,654**	**--**
	192,438	**30,047**

	Purchases	Administrative expenses
	QR.'000s	QR. '000s
Year ended December 31, 2018		
Ultimate parent		
Qatar Petroleum	118,640	30,287
Joint venture:		
QAFCO	--	244
QAPCO	--	659
Entities under common control		
Qatar Chemical and Petrochemical Marketing and Distribution Company (Muntajat) Q.J.S.C.	--	1,387
GASAL Company Q.S.C.	59,424	--
Qatar Fuel Company Q.P.S.C	10,294	--
	188,358	32,577

20. RELATED PARTY DISCLOSURES (CONTINUED)

b) Related party balances:

Due from related parties

	2019 QR.'000s	2018 QR. '000s
Measured at amortised cost		
Joint venture:		
QAPCO *	**329,600**	601,994
Associates and their subsidiaries:		
SOLB Steel Company	**53,614**	53,614
Qatar Metal Coating Company W.L.L.	**15,289**	8,988
SULB Company	**40**	40
Entity under common control:		
GASAL Company Q.S.C.	**1,547**	--
	400,090	664,636
Less: Expected credit loss (i)	**(53,654)**	(53,654)
	346,436	610,982
Measured at fair value through profit or loss		
Under common control		
Qatar Chemical and Petrochemical Marketing and Distribution Company (Muntajat) Q.J.S.C.	**524,153**	567,289
	870,589	1,178,271

* *The balance represents dividend receivable from QAPCO.*

Due to related parties

	2019 QR.'000s	2018 QR. '000s
Ultimate Parent Company:		
Qatar Petroleum	**23,301**	21,186
Entity under common control:		
GASAL Company Q.S.C.	**--**	7,371
Qatar Fuel Company Q.P.S.C	**325**	149
Associate:		
Bahrain Steel BSC	**--**	18,208
	23,626	46,914

(i) Expected credit losses

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

20. RELATED PARTY DISCLOSURES (CONTINUED)

Loan to related party

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

During 2019, the outstanding balance of the loan was has been fully repaid.

Terms and conditions of transactions with related parties

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

Outstanding balances as at December 31, 2019 and as at 2018 are unsecured and interest-free. There have been no guarantees provided or received for any related party receivables or payables.

Other guarantees with related parties

The Group has provided bank guarantees for its associates in respect of their borrowings from external banks. Total guarantees at the end of the year amounted to QR. 489 million (2018: QR. 551 million).

Compensation of key management personnel

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

	2019	2018
	QR.'000s	QR. '000s
Board of Directors remuneration	**9,300**	9,300
Short term benefits	**17,751**	15,687
	27,051	24,987

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

21. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share (EPS) are calculated by dividing the profit for the year attributable to equity holders of the parent by the weighted average number of shares outstanding during the year.

	2019	2018
	QR.'000s	QR. '000s
Profit for the year	**2,574,613**	5,029,816
Weighted average number of shares outstanding during the year (in thousands) (as restated to reflect stock split)	**6,050,000**	6,050,000
Basic and diluted earnings per share (QR) (as restated to reflect stock split)	**0.43**	0.83

22. REVENUES

	2019	2018
	QR.'000s	QR. '000s
Disaggregation of revenue – point in time basis		
Bars sales	**3,793,678**	4,330,700
Billets sales	**1,027,799**	1,216,348
Coil sales	**282,161**	249,530
Freight revenues	**21,322**	44,533
	5,124,960	5,841,111
Less: Freight charges and marketing fees	**(29,137)**	(50,093)
	5,095,823	5,791,018

23. COST OF SALES

	2019	2018
	QR.'000s	QR. '000s
Raw materials and consumables used (Note 12)	**3,566,979**	3,435,012
Utilities	**605,448**	655,268
Employee benefits expenses (Note 18)	**507,455**	498,336
Depreciation (Note 7)	**240,631**	233,046
Repair and maintenance	**97,115**	114,474
Amortisation of right-of-use assets	**32,445**	--
Others	**190,931**	189,786
Net changes in inventory of finished products and work in progress	**(149,433)**	(257,864)
	5,091,571	4,868,058

24. OTHER INCOME

	2019	2018
	QR.'000s	QR. '000s
Gain on foreign exchange	**--**	1,421
By-product	**29,238**	36,212
Other income – net*	**37,584**	110,688
	66,822	148,321

*Other income is presented net of fair value loss from financial assets at fair value through profit or loss amounting to QR. 39 million (2018: QR. 14 million gain).

25. INCOME FROM INVESTMENTS

	2019	2018
	QR.'000s	QR. '000s
Dividend income	**15,455**	26,756
Interest on bank deposits – Islamic banks	**104,791**	118,456
Interest on bank deposits – Other banks	**261,056**	193,286
	381,302	338,498

26. GENERAL AND ADMINISTRATIVE EXPENSES

	2019	2018
	QR.'000s	QR. '000s
Employee benefits expenses (Note 18)	**84,645**	85,372
Loss on disposal of property, plant and equipment	**8,506**	5,225
Board of director's remuneration	**9,300**	9,300
Qatar Petroleum fees	**6,953**	8,905
Rental, utilities and supplies	**4,685**	4,506
Depreciation (Note 7)	**3,556**	3,756
Qatar Exchange fees	**1,818**	1,818
Travel, transportation and communication	**1,573**	1,468
External services	**9,341**	14,228
Expected credit loss (Note 13)	**--**	751
Others	**9,366**	21,692
	139,743	157,021

27. COMMITMENTS

a. Capital commitments:

	2019	2018
	QR.'000s	QR. '000s
Estimated capital expenditure contracted for at the reporting date but not provided for:		
Property, plant and equipment	**96,758**	113,961

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

	QAPCO	**QAFAC**	**QAFCO**	**Total**
	QR.'000s	**QR.'000s**	**QR.'000s**	**QR.'000s**
December 31, 2019				
Capital commitments	**124,546**	**54,320**	**241,692**	**420,558**
December 31, 2018				
Capital commitments	262,239	70,035	222,031	554,305
Operating lease commitments:				
Future minimum lease payments:				
Within 1 year	1,828	2,464	21,284	25,576
1 to 5 years	7,616	5,817	70,356	83,789
More than 5 years	13,552	564	88,300	102,416
	22,996	8,845	179,940	211,781

28. CONTINGENT LIABILITIES

	2019	2018
	QR.'000s	QR. '000s
Financial guarantees	**--**	61,177
Bank guarantees	**4,246**	4,246
Letters of credit	**32,569**	68,908
Legal cases	**29,790**	30,614

The Group anticipates that no material liabilities will arise from the above guarantees and letter of credits, which are issued in the ordinary course of business beyond what is recognised previously (QR. 389 million). Legal cases represent best estimate of claims not acknowledged based on the confirmation received from the Group's lawyers.

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

December 31, 2019	**QAPCO**	**QAFCO**	**Total**
	QR.'000s	**QR.'000s**	**QR.'000s**
Bank guarantees	**80**	**75**	**155**
Letters of credit	**4,450**	**--**	**4,450**
Donations to Qatar University	**--**	**7,500**	**7,500**
	4,530	**7,575**	**12,105**

December 31, 2018	**QAPCO**	**QAFCO**	**Total**
	QR.'000s	QR.'000s	QR.'000s
Bank guarantees	80	365	445
Letters of credit	10,594	152	10,746
Donations to Qatar University	--	7,500	7,500
	10,674	8,017	18,691

Site restoration obligations

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

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

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

28. CONTINGENT LIABILITIES (CONTINUED)

Site restoration obligations (continued)

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

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

29. SEGMENT REPORTING

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

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

The information of petrochemical and fertilizer segments represents those of the joint ventures of the group.

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

Segment revenue

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

	31 December 2019			31 December 2018		
	Total	**Inter-segment revenue**	**Revenue from external customers**	Total	Inter-segment revenue	Revenue from external customers
	QR. '000s	**QR. '000s**	**QR. '000s**	QR. '000s	QR. '000s	QR. '000s
Petrochemicals	**3,257,976**	**--**	**3,257,976**	4,361,160	--	4,361,160
Fertilisers	**4,257,598**	**--**	**4,257,598**	4,661,231	--	4,661,231
Steel	**5,095,823**	**--**	**5,095,823**	5,791,018	--	5,791,018
Total segment revenue	**12,611,397**	**--**	**12,611,397**	14,813,409	--	14,813,409
Revenue from investments in joint venture accounted for using equity method	**7,515,574**	**--**	**7,515,574**	9,022,391	--	9,022,391
Revenue per consolidated statement of profit or loss	**5,095,823**	**--**	**5,095,823**	5,791,018	--	5,791,018

29. SEGMENT REPORTING (CONTINUED)

Segment revenue (continued)

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

Revenues of approximately QR. 11,328 million (2018: QR. 11,734 million) are derived from a single external customer, Qatar Chemical and Petrochemical Marketing and Distribution Company Q.J.S.C. ("Muntajat"). Pursuant to Decree Law 11 of 2012 of the State of Qatar, Muntajat was established in the year 2012 to carry out marketing and distribution activities of all steel products and regulated chemical and petrochemical products.

The Group entities are domiciled in Qatar, the Kingdom of Bahrain, the Kingdom of Saudi Arabia and United Arab Emirates. Of the Steel segment's revenues in 2019, 80% is made in Qatar (2018: 62 %), 14% is made in UAE (2018: 14%) and the remaining is distributed in a number of countries which is not split for purpose of segment reporting.

Segment profit

The following table presents profit information regarding the Group's operating segments for the year ended 31 December 2019 and 2018, respectively:

	Petrochemicals	**Fertilisers**	**Steel**	**Total**
As of 31 December 2019	**QR. '000s**	**QR. '000s**	**QR. '000s**	**QR. '000s**
Segment profit	**1,308,346**	**872,409**	**(39,219)**	**2,141,536**
Share of results from associates	**--**	**--**	**75,328**	**75,328**
Total segment profit	**1,308,346**	**872,409**	**36,109**	**2,216,864**
*Unallocated income:**				
Interest income				**353,651**
Dividend income				**15,455**
Other income				**8,364**
				377,470
*Unallocated expense:**				
Board of Director's fees and expenses				**(7,750)**
Qatar Petroleum annual fee				**(6,953)**
Qatar Exchange fees/charges				**(1,818)**
Advertisements				**(320)**
Other expenses				**(2,880)**
				(19,721)
Profit for the year				**2,574,613**

29. SEGMENT REPORTING (CONTINUED)

Segment profit (continued)

As of 31 December 2018	Petrochemicals QR. '000s	Fertilisers QR. '000s	Steel QR. '000s	Total QR. '000s
Segment profit	2,483,725	1,394,123	756,096	4,633,944
Share of results from associates	--	--	32,643	32,643
Total segment profit	2,483,725	1,394,123	788,739	4,666,587
*Unallocated income:**				
Interest income				294,255
Dividend income				26,756
Other income				64,680
				385,691
*Unallocated expense:**				
Board of Director's fees and expenses				(7,750)
Qatar Petroleum annual fee				(8,905)
Qatar Exchange fees/charges				(1,818)
Advertisements				(418)
Other expenses				(3,571)
				(22,462)
Profit for the year				5,029,816

* These represent the income and expenses of IQ. These do not include the dividend from subsidiary amounting to QR. 500 million (2018: QR. 251 million) and dividend from joint ventures amounting to QR. 3,259.77 million (2018: QR. 4,600.80 million). The subsidiary is fully consolidated and dividend received from subsidiary is eliminated at consolidated level. Investment in joint ventures are accounted for using equity method and are eliminated at consolidated level.

Segment assets

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

	Petrochemicals QR. '000s	**Fertilisers** QR. '000s	**Steel** QR. '000s	**Total** QR. '000s
Segment assets:				
December 31, 2019	**8,031,906**	**10,799,972**	**8,475,025**	**27,306,903**
December 31, 2018	8,383,682	11,808,956	8,879,183	29,071,821

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

29. SEGMENT REPORTING (CONTINUED)

Segment assets (continued)

Reconciliation of reportable segments total assets:

	2019	2018
	QR. '000s	QR. '000s
Total assets for reportable segments	**27,306,903**	29,071,821
Other un-allocable assets **	**10,662,831**	10,304,801
Recognition of investment in joint ventures using equity method of accounting	**16,732,461**	17,885,703
Assets relating to joint ventures	**(18,831,878)**	(20,192,638)
Consolidated total assets for the year	**35,870,317**	37,069,688

** These pertain to the total assets of IQ including the Investment in subsidiary and joint ventures amounting to QR 4,819.92 million (2018: QR 4,819.92 million). Below is the breakdown of IQ's statement of financial position:

	2019	2018
	QR. '000s	QR. '000s
Assets		
Non-current assets		
Investment in subsidiary and joint ventures (at cost)	**4,819,916**	4,819,916
	4,819,916	4,819,916
Current assets		
Prepayments and other debit balances	**85,545**	187,049
Due from related parties	**329,600**	601,994
Fixed deposits	**8,599,419**	8,519,090
Financial asset at fair value through profit or loss	**324,581**	364,027
Cash and bank balances	**1,323,686**	632,641
	10,662,831	10,304,801
Total assets	**15,482,747**	15,124,717
Current liabilities		
Accounts payable and accruals	**190,244**	258,337
Due to related parties	**7,077**	8,905
Total liabilities	**197,321**	267,242
Equity		
Share capital	**6,050,000**	6,050,000
Legal reserve	**83,149**	51,825
Retained earnings	**9,152,277**	8,755,650
Total equity	**15,285,426**	14,857,475
Total liabilities and equity	**15,482,747**	15,124,717

30. FINANCIAL RISK MANAGEMENT

a. Objectives and policies

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

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

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

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

b. Market risk

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

(i) Interest rate risk

Exposure

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

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

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

The remaining borrowings of the Group have been fully repaid during 2018.

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

b. Market risk (continued)

Sensitivity

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

The sensitivity of the consolidated statement of profit or loss and other comprehensive income is the effect of the assumed changes in interest rates on the Group's profit for one year, based on the floating rate financial assets and liabilities held at December 31, 2019. The effect of decreases in interest rate is expected to be equal and opposite to the effect of the increases shown.

	Increase in basis points	**Effect on profit 2019**	Increase in basis points	Effect on profit 2018
		QR. '000s		QR. '000s
Fixed deposits	**+25**	**23,756**	+25	18,378

(ii) Foreign currency exchange risk

Exposure

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

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

(iii) Equity price risk

Exposure

The Group's exposure to equity securities price risk arises from investments held by the Group and classified in the statement of financial position as financial assets at fair value through profit or loss (Note 11).

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

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

Sensitivity

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

	Change in equity price 2019	**Effect on profit 2019**	Change in equity price 2018	Effect on equity 2018
		QR. '000s		QR. '000s
Qatar Exchange	**+5%**	**+16,229**	+5%	+18,022

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

b. Market risk (continued)

(iv) Commodity price risk

Exposure

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

c. Credit risk

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

(i) Risk management

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

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

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

(ii) Security

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

(iii) Credit risk

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

	2019	2018
	QR. '000s	QR. '000s
Trade accounts receivables at amortised cost		
Counterparties with external credit rating		
Existing customers (less than 3 months) with no defaults in the past	**123,222**	105,190
Existing customers (more than 3 months) with some defaults in the past. All defaults were fully recovered.	**--**	--
	123,222	105,190

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

c. Credit risk (continued)

(iv) Credit risk grading framework

The Group's current credit risk grading framework comprises the following categories

Category	Description	Basis for recognising expected credit losses
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery	Amount is written off

The tables below detail the credit quality of the Company's financial assets, contract assets and financial guarantee contracts, as well as the Company's maximum exposure to credit risk by credit risk rating grades.

December 31, 2019

	Note	External credit ratings	Internal credit ratings	12 month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
					QR. '000s	QR. '000s	QR. '000s
Trade and other receivables*	13	N/A	i	Lifetime ECL	704,883	(54,068)	650,815
Fixed deposits	6	N/A	i	Lifetime ECL	8,758,419	--	8,758,419
Cash and bank balances	5	Aaa, Aa and A	N/A	12-month ECL	1,959,597	--	1,959,597

December 31, 2018

	Note	External credit ratings	Internal credit ratings	12 month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
					QR. '000s	QR. '000s	QR. '000s
Trade and other receivables*	13	N/A	i	Lifetime ECL	1,057,060	(54,068)	1,002,992
Fixed deposits	6	N/A	i	Lifetime ECL	8,581,090	--	8,581,090
Cash and bank balances	5	Aaa, Aa and A	N/A	12-month ECL	2,007,613	--	2,007,613

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

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

c. Credit risk (continued)

(iv) Credit risk grading framework (continued)

(i) For trade receivables, finance lease receivables and contract assets, the Company has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Company determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

d. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. At the end of the reporting period the Group held deposits at call of QR. 10.4 billion (2018: QR. 9.7 billion) that are expected to readily generate cash inflows for managing liquidity risk. Due to the dynamic nature of the underlying businesses, Group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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

(i) Financing arrangements

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

	2019	2018
	QR. '000s	QR. '000s
Floating rate		
- Expiring within one year (bank overdraft and bill facility)	**989,000**	989,000

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

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

d. Liquidity risk (continued)

(ii) Maturities of financial liabilities

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

Contractual maturities of financial liabilities	**Less than 6 months**	**6 -12 months**	**Between 1 -2 years**	**Total contractual cash flows**	**Carrying amount of liabilities**
	QR. '000s	**QR. '000s**	**QR. '000s**	**QR. '000s**	**QR. '000s**
At December 31, 2019					
Lease liability	**33,026**	**--**	**167,778**	**200,804**	**200,804**
Trade payables	**289,871**	**--**	**--**	**289,871**	**289,871**
Accrued expenses	**267,097**	**--**	**--**	**267,097**	**267,097**
Financial guarantees	**389,000**	**--**	**--**	**389,000**	**389,000**
Due to related parties	**23,626**	**--**	**--**	**23,626**	**23,626**
Due to government	**34,289**	**--**	**--**	**34,289**	**34,289**
Other payables	**54,268**	**--**	**--**	**54,268**	**54,268**
	1,091,177	**--**	**167,778**	**1,258,955**	**1,258,955**

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

Capital management

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

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2019 and 2018.

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

Capital management (continued)

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

As at December 31, 2019, the Group is ungeared and therefore no gearing ratio was presented to these consolidated financial statements.

31. FAIR VALUES OF FINANCIAL INSTRUMENTS

a.) Fair value measurements

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

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

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

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

Classes and categories of financial instruments and their fair values

The following table combines information about:

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

31. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

a.) Fair value measurements (continued)

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

December 31, 2019

		Carrying value					Fair value			
		Financial assets		Financial liabilities			Level			
	Valuation technique(s) and key input(s)	FVTPL	Amortised cost	FVTPL	Amortised cost	Total	1	2	3	Total
		QR '000s	QR '000s	QR '000s	QR '000s	QR '000s	QR '000s	QR '000s	QR '000s	QR '000s
Trade and other receivables *	At amortized cost	--	650,815	--	--	650,815	--	650,815	--	650,815
Financial assets at fair value through profit or loss	Quoted price in an active market	320,996	--	--	--	320,996	320,996	--	--	320,996
Financial assets at fair value through profit or loss	Based on unobservable inputs	3,585	--	--	--	3,585	--	--	3,585	3,585
Receivables measured at fair value	Based on unobservable inputs	524,153	--	--	--	524,153	--	--	524,153	524,153
Cash and bank balances	At amortized cost	--	1,959,597	--	--	1,959,597	--	--	1,959,597	1,959,597
Fixed deposits	At amortized cost	--	8,758,419	--	--	8,758,419	--	--	8,758,419	8,758,419
Lease liability	At amortized cost	--	--	--	200,804	200,804	--	--	200,804	200,804
Trade and other payables**	At amortized cost	--	--	--	1,058,151	1,058,151	--	--	1,058,151	1,058,151

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

31. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

a.) Fair value measurements (continued)

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

December 31, 2018

		Carrying value					Fair value			
		Financial assets		Financial liabilities			Level			
	Valuation technique(s) and key input(s)	FVTPL	Amortised cost	FVTPL	Amortised cost	Total	1	2	3	Total
		QR '000s	QR '000s	QR '000s	QR '000s	QR '000s	QR '000s	QR '000s	QR '000s	QR '000s
Trade and other receivables *	At amortized cost	--	1,002,992	--	--	1,002,992	--	1,002,992	--	1,002,992
Financial assets at fair value through profit or loss	Quoted price in an active market	360,442	--	--	--	360,442	360,442	--	--	360,442
Financial assets at fair value through profit or loss	Based on unobservable inputs	3,585	--	--	--	3,585	--	--	3,585	3,585
Receivables measured at fair value	Based on unobservable inputs	567,289	--	--	--	567,289	--	--	567,289	567,289
Cash and bank balances	At amortized cost	--	2,007,613	--	--	2,007,613	--	--	2,007,613	2,007,613
Fixed deposits	At amortized cost	--	8,581,090	--	--	8,581,090	--	--	8,581,090	8,581,090
Trade and other payables**	At amortized cost	--	--	--	1,125,385	1,125,385	--	--	1,125,385	1,125,385

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

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

During the year ended December 2019, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

31. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

b.) Reconciliation of liabilities arising from financing activities

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

	At January 1, 2019	**Financing cash flows**	**Non cash changes *(Note 10)***	**At December 31, 2019**
	QR. '000s	**QR. '000s**	**QR. '000s**	**QR. '000s**
Lease liability (Note 2.1)	**226,831**	**(44,142)**	**(18,115)**	**200,804**

	At January 1, 2018	Financing cash flows	Non cash changes	At December 31, 2018
	QR. '000s	QR. '000s	QR. '000s	QR. '000s
Borrowings	225,758	(225,758)	--	--