Industries Qatar Q.S.C.

Consolidated financial statements and
Independent Auditor's Report

For the year ended 31 December 2017

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For the year ended 31 December 2017

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

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our opinion

In our opinion, the consolidated financial statements of Industries Qatar Q.S.C. (the "Company") and its subsidiaries (together the "Group") present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2017;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

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

Our audit approach

Overview

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

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the Management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

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We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

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

Key audit matter	*How our audit addressed the Key audit matter*
Impairment of investments in associates and joint ventures	
The Group's investment in associates and joint ventures amounted to QR 1.43 billion and QR 18.8 billion, respectively, totalling QR 20.23 billion at 31 December 2017, representing 57% of total Group assets at that date. These investments are accounted for using the equity method, because of the Group's significant influence over, or joint control of, these entities that comes from its shareholdings (note 2.2.4). The Group assesses at each reporting date whether there is any objective evidence that an investment accounted for using the equity method is impaired. The decrease in sale prices in the market, reduced profitability and increasing cost pressures were considered to be possible indicators that an impairment may exist. Therefore, according to IFRS and the Group's accounting policies, an impairment review of certain investments in associates and joint ventures was performed by management using a value in use model to estimate the investments' values assuming the investments continue to be held rather than sold. When deemed necessary, management performed a further impairment review at the level of subsidiaries, associates, and joint venture entities indirectly held by the Group through its associates and joint ventures. Based on the impairment review, the Group recognised an impairment loss of QR 101 million for one of its associates in the year ended 31 December 2017.	We obtained management's impairment model and discussed the critical assumptions used both with them and with the Board Audit Committee (BAC). The discussion focussed on the growth rates used to estimate future cash flows and the discount rates used. Additional levels of discussion were carried out when estimated cash flows were not based on Board approved business plans or the plans are not very recent. Our internal valuation experts reviewed the appropriateness of the model and the inputs selected to calculate the value in use. They independently recalculated the discount rates applied to the cash flows in the model based on their assessment of the Group's specific financing and capital costs. We tested the inputs used in the determination of the assumptions for the calculation of the value in use to third-party sources, where available, including using external data from analysts' reports. We tested the mathematical accuracy of the model. We also reviewed disclosures in the financial statements made in relation to impairment testing for compliance with accounting standards.

Key audit matter	*How our audit addressed the Key audit matter*
The many assumptions used in the model to estimate future profits attributable to the Group are derived from a combination of analysts' forecasts and management's best estimates and are highly judgemental. These are difficult to substantiate and require management to form a view on future growth in the steel, petrochemicals, and fertilisers segments of activities, and the Qatar and other GCC countries where the Group mainly operates. Refer to Note 3 for more details about critical accounting estimates and assumptions used. We focused on this area because of the materiality of investments in associates and joint ventures, and an impairment, if it exists, could have a material impact on the financial statements. We also focused on this area due to the significant judgments involved in performing the impairment test as set out above.	

Other information

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

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

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

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

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

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

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

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Further, as required by the Qatar Commercial Companies Law number 11 of 2015, we report that:

- We have obtained all the information we considered necessary for the purpose of our audit;
- The Company has carried out a physical verification of inventories at the year-end in accordance with observed principles;
- The Company has maintained proper books of account and the consolidated financial statements are in agreement therewith;
- The financial information included in the Board of directors' report is in agreement with the books and records of the Company; and
- Nothing has come to our attention, which causes us to believe that the Company has breached any of the provisions of the Qatar Commercial Companies Law number 11 of 2015, or of its Articles of Association, which would materially affect the reported results of its operations or its consolidated financial position as at 31 December 2017.

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

Mohamed Elmoataz

Auditor’s registration number 281
Doha, State of Qatar
12 February 2018

(All amounts are expressed in thousands of Qatari Riyals unless otherwise stated)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2017	2016
ASSETS			
Non-current assets			
Property, plant and equipment	6	**3,520,369**	3,670,978
Investments in associates	7	**1,438,788**	1,451,409
Investments in joint ventures	8	**18,848,000**	18,342,580
Available-for-sale investments	9	**533,890**	674,295
		24,341,047	24,139,262
Current assets			
Inventories	10	**1,444,233**	1,243,570
Trade and other receivables	11	**1,903,439**	1,727,900
Financial assets at fair value through profit or loss		**3,585**	3,585
Cash and cash equivalents	4	**747,627**	1,098,144
Fixed deposits	5	**7,041,075**	6,973,371
		11,139,959	11,046,570
Total assets		**35,481,006**	35,185,832
EQUITY AND LIABILITIES			
EQUITY			
Share capital	12	**6,050,000**	6,050,000
Legal reserve	13	**94,863**	74,999
Fair value reserve	13	**232,941**	373,346
Hedging reserve	13	**(747)**	(54,142)
Retained earnings		**27,861,591**	27,069,762
Net equity		**34,238,648**	33,513,965
LIABILITIES			
Non-current liabilities			
Borrowings	16	**-**	225,758
Employees' benefit obligations	17	**199,095**	214,983
		199,095	440,741
Current liabilities			
Borrowings	16	**225,758**	450,571
Trade and other payables	18	**817,505**	780,555
		1,043,263	1,231,126
Total liabilities		**1,242,358**	1,671,867
Total equity and liabilities		**35,481,006**	35,185,832

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 12 February 2018 and signed on their behalf by:

Saad Sherida Al Kaabi
Chairman and Managing Director

Mohammed Nasser Al Hajri
Vice Chairman

(All amounts are expressed in thousands of Qatari Riyals unless otherwise stated)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Year ended 31 December	
	Note	**2017**	2016
Revenues	21	**4,628,483**	4,674,300
Cost of sales	22	**(3,918,924)**	(3,529,365)
Gross profit		**709,559**	1,144,935
General and administrative expenses	25	**(199,196)**	(230,625)
Selling and distribution expenses		**(57,826)**	(38,658)
Share of net results of investment in joint ventures	8	**2,606,615**	1,716,339
Share of net results of investment in associates	7	**27,943**	48,660
Impairment of investment in associates	7	**(101,261)**	-
Income from investments	24	**254,610**	226,355
Finance cost		**(10,034)**	(13,135)
Other income	23	**84,992**	101,119
Profit for the year		**3,315,402**	2,954,990
Earnings per share			
Basic and diluted earnings per share (QR per share)	20	**5.48**	4.88

(All amounts are expressed in thousands of Qatari Riyals unless otherwise stated)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
	Note	**2017**	2016
Profit for the year		**3,315,402**	2,954,990
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit or loss			
Available for sale financial investments			
Net movement in cumulative changes in fair value	9	**(140,405)**	2,539
		(140,405)	2,539
Cash flow hedges			
Share of other comprehensive income of investment in joint ventures	8	**51,018**	66,164
Share of other comprehensive income of investment in associates	7	**2,377**	11,488
		53,395	77,652
Other comprehensive (loss)/income for the year		**(87,010)**	80,191
Total comprehensive income for the year		**3,228,392**	3,035,181

(All amounts are expressed in thousands of Qatari Riyals unless otherwise stated)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	Legal reserve	Fair value reserve	Hedging reserve	Retained earnings (Restated)	Total
Balance at 1 January 2016 (as previously stated)		6,050,000	74,999	370,807	(131,794)	27,260,592	33,624,604
Prior year adjustment		-	-	-	-	(49,063)	(49,063)
Restated balance at 1 January 2016		6,050,000	74,999	370,807	(131,794)	27,211,529	33,575,541
Profit for the year		-	-	-	-	2,954,990	2,954,990
Other comprehensive income for the year		-	-	2,539	77,652	-	80,191
Total comprehensive income for the year		-	-	2,539	77,652	2,954,990	3,035,181
Dividends declared for 2015	15	-	-	-	-	(3,025,000)	(3,025,000)
Social fund contribution	14	-	-	-	-	(71,757)	(71,757)
Balance at 31 December 2016		6,050,000	74,999	373,346	(54,142)	27,069,762	33,513,965
Balance at 1 January 2017		**6,050,000**	**74,999**	**373,346**	**(54,142)**	**27,069,762**	**33,513,965**
Profit for the year		-	-	-	-	**3,315,402**	**3,315,402**
Other comprehensive loss for the year		-	-	**(140,405)**	**53,395**	-	**(87,010)**
Total comprehensive income for the year		-	-	**(140,405)**	**53,395**	**3,315,402**	**3,228,392**
Dividends declared for 2016	15	-	-	-	-	**(2,420,000)**	**(2,420,000)**
Social fund contribution	14	-	-	-	-	**(83,709)**	**(83,709)**
Transfer to legal reserve	13	-	**19,864**	-	-	**(19,864)**	-
Balance at 31 December 2017		**6,050,000**	**94,863**	**232,941**	**(747)**	**27,861,591**	**34,238,648**

(All amounts are expressed in thousands of Qatari Riyals unless otherwise stated)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2017	2016
Cash flows from operating activities			
Profit for the year		**3,315,402**	2,954,990
Adjustments for:			
Depreciation and amortisation	6	**225,422**	225,353
Provision for employees' end of service benefits	17	**33,000**	38,479
Share of net results from investment in joint ventures	8	**(2,606,615)**	(1,716,339)
Share of net results from investment in associates	7	**(27,943)**	(48,660)
Loss on disposal of property, plant and equipment		**11,195**	15,832
Dividend received on available-for-sale investments	24	**(23,730)**	(25,521)
Finance costs		**10,034**	13,135
Interest income	24	**(230,880)**	(200,834)
Impairment of property, plant and equipment	6	**-**	64,594
Impairment of investment in associate	7	**101,261**	-
Loss on disposal of available-for-sale investments	9	**-**	8,209
Operating cash flows before changes in working capital		**807,146**	1,329,238
Changes in working capital			
Inventories		**(200,663)**	192,150
Trade and other receivable		**(60,008)**	26,851
Trade and other payable		**42,325**	(24,315)
Cash generated from operations		**588,800**	1,523,924
Payment of employees' end of service benefits		**(48,888)**	(30,966)
Social fund contribution		**(71,757)**	(111,412)
Net cash generated from operating activities		**468,155**	1,381,546
Cash flows from investing activities			
Proceeds from disposals of property, plant and equipment		**112**	2,380
Additions to property, plant and equipment	6	**(86,120)**	(150,981)
Dividend received from investment in associates	7	**40,000**	5,000
Proceeds from disposal of available-for-sale investments	9	**-**	2,729
Dividend received on available-for-sale investments	24	**23,730**	25,521
Dividends received from investment in joint ventures		**2,062,933**	3,086,811
Additional investment in Foulath Holding B.S.C.	7	**(98,320)**	-
Movement in fixed deposits	5	**(67,704)**	(1,047,557)
Interest income received		**204,630**	191,315
Net cash generated from investing activities		**2,079,261**	2,115,218
Cash flows from financing activities			
Repayment of borrowings		**(450,571)**	(450,570)
Finance costs paid		**(10,034)**	(13,135)
Movement in unclaimed dividend bank accounts		**17,328**	5,194
Dividends paid to equity holders		**(2,437,328)**	(3,030,194)
Net cash used in financing activities		**(2,880,605)**	(3,488,705)
Net (decrease) increase in cash and cash equivalents		**(333,189)**	8,059
Cash and cash equivalents at beginning of year		**964,323**	956,264
Cash and cash equivalents at end of year	4	**631,134**	964,323

(All amounts are expressed in thousands of Qatari Riyals unless otherwise stated)

1 CORPORATE INFORMATION

Industries Qatar Q.S.C. (the "Company" or "IQ") is a public shareholding company and was incorporated in the State of Qatar on 19 April 2003, in accordance with Article No. 68 of the Qatar Commercial Companies Law No. 5 of year 2002, for a 50 year term by resolution No. 33 of 2003 from the Ministry of Economy and Commerce of the State of Qatar. The Company's shares are listed on the Qatar Exchange (QE). The Company's registered office is situated in Doha, State of Qatar. After the enactment of amendments to Qatar Commercial Companies Law, the company is in compliance with the Qatar Commercial Companies Law No. 11 of 2015

The Parent Company is Qatar Petroleum, a state-owned public corporation established by Emiri Decree No. 10 in 1974.

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

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

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

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

	Type of interest	Country of incorporation	Percentage of holding
Qatar Petrochemical Company (QAPCO) Q.P.S.C.	Joint venture	Qatar	80%
Qatar Fertiliser Company (QAFCO) Q.S.C.C.	Joint venture	Qatar	75%
Qatar Fuel Additives Company (QAFAC) Limited Q.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.S.C. ("QAPCO"), a Qatari Shareholding Company incorporated in the State of Qatar, is a joint venture between IQ (80%) and Total Petrochemicals (France) (TPF) (20%). QAPCO is engaged in the production and sale of ethylene, polyethylene, hexane and other petrochemical products.

Qatar Fertiliser Company (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.S.C. ("QAFAC"), a Qatari Shareholding Company incorporated in the State of Qatar, is a joint venture between IQ (50%), OPIC Middle East Corporation (20%), International Octane Limited (15%) and by 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.

A number of member states of the Gulf Cooperation Council and certain other countries cut off diplomatic ties and transport links to the State of Qatar in early June 2017. The Group has a subsidiary in the United Arab Emirates, and investments in the Kingdom of Bahrain and Kingdom of Saudi Arabia. The Group also imports and exports steel related products from countries where a ban is imposed on commercial activities.

The Group is closely monitoring the effect of the blockade, and management is amending flow of operations and activities between Group entities as it deemed necessary.

The consolidated financial statements of the Group for the year ended 31 December 2017 was approved and authorised for issue by the Board of Directors on 12 February 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

2.1.1 Compliance with IFRS

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

2.1.2 Historical cost convention

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

2.1.3 New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2017:

- Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12, and
- Disclosure initiative – amendments to IAS 7.

The Group also elected to adopt the following amendments early:

- Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2
- Annual Improvements to IFRS Standards 2014-2016 Cycle, and
- Transfers of Investment Property – Amendments to IAS 40.

The adoption of other standards and amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1.4 New and amended standards not yet adopted by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting period and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

Title of standard	*IFRS 9 Financial instruments*
Nature of change	IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.
Impact	The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018: The Group's financial assets compromise of the following: • Trade receivables • Due from related parties • Available for sale financial investments • Financial assets at fair value through profit or loss • Fixed deposits • Cash and cash equivalents Trade receivables and due from related parties are debt instruments currently classified as held-to-maturity and measured at amortised cost under IAS 39. The Group assessed that they meet the conditions for classification at amortised cost under IFRS 9 since they are cash flows solely payments of principal and interest (SPPI) and the Group's business model is to hold and collect the debt instrument. Cash and cash equivalents, including fixed deposits, definition as per IAS 7 remains unchanged with the application of IFRS 9, short-term investments and time deposits will continue to be presented under cash & cash equivalents, being highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The Group assessed that equity instruments currently classified as available-for-sale investments and financial assets at fair value through profit or loss will satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) under IFRS 9 and hence there will be no change to the accounting for these assets. Accordingly, the Group does not expect the new guidance to affect the classification and measurement of these financial assets. However, gains or losses realised on the sale of financial assets at FVOCI will no longer be transferred to profit or loss on sale, but instead reclassified below the line from the FVOCI reserve to retained earnings. There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

(All amounts are expressed in thousands of Qatari Riyals unless otherwise stated)

	The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group has confirmed that its current hedge relationships will qualify as continuing hedges upon the adoption of IFRS 9. The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group expects an increase of QR 0.32 million in the loss allowance of trade receivables. The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.
Mandatory application date/Date of adoption by Group	Must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

Title of standard	*IFRS 15 Revenue from Contracts with Customers*
Nature of change	The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.
Impact	Management has assessed the effects of applying the new standard on the Group's financial statements and has identified that the recognition and measurement of revenue for all the current ongoing contracts under the IFRS 15 five-step model will not change as currently recognized under IAS 18.
Mandatory application date/ Date of adoption by Group	Mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

(All amounts are expressed in thousands of Qatari Riyals unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1.4 New and amended standards not yet adopted by the Group

Title of standard	*IFRS 16 Leases*
Nature of change	IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.
Impact	The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of QR 213 million see Note 26. The Group estimates that approximately 20-30% of these relate to payments for short-term and low value leases which will be recognised on a straight-line basis as an expense in profit or loss. However, the Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.
Mandatory application date/Date of adoption by Group	Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

2.2 Principles of consolidation and equity accounting

2.2.1 Subsidiaries

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2.2 Associates

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

2.2.3 Joint arrangements

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

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

2.2.4 Equity method

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

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

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

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

2.2.5 Changes in ownership interest

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Managing Director (MD) who is 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 28, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.4 Foreign currency translation

2.4.1 Functional and presentation currency

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

2.4.2 Translations and balances

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

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

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

2.4.3 Group companies

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2.5 Property, plant and equipment

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

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

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

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

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

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

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

2.6 Impairment of non-financial assets

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Impairment of non-financial assets (continued)

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

2.7 Financial assets

2.7.1 Classification

The Group classifies its financial assets in the following categories 'loans and receivable', 'assets at fair value through profit or loss' and 'available for sale investments'.

The classification depends on the purpose for which the financial assets were acquired and whether the assets were quoted in the active market. Management determined the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

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

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' (excluding 'advances to suppliers and prepayments'), 'fixed deposits' and 'cash and cash equivalents' in the consolidated statement of financial position (Notes 11, 5 and 4).

(c) Available-for-sale investments

Available-for-sale investments are non-derivatives that are either designated in this category or not classified in other category. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period (Note 9).

2.7.2 Recognition and measurement

Regular purchase and sale of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Loans and receivables are subsequently carried at amortised cost using the effective interest method. Investments designated as available-for-sale financial assets are initially recorded at cost. After initial measurement, these investments are subsequently measured at fair value on an individual basis.

Unrealized gains and losses are recognised directly in other comprehensive income and accumulated in the consolidated statement of changes in equity under the 'fair value reserve'. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7.2 Recognition and measurements (continued)

When the security is disposed of, the cumulative gain or loss previously recognised in the consolidated statement of comprehensive income as other comprehensive income and accumulated in equity is recognised in the consolidated statement of profit or loss.

Dividends earned whilst holding available-for-sale financial investments are recognised in the consolidated statement of profit or loss and other comprehensive income as 'Dividend income'.

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

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

Financial assets are derecognised when the rights to receive cash flows from the asset have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

2.7.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.7.4 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income.
If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7.4 Impairment of financial assets (continued)

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a Group of financial assets is impaired. For debt securities, the Group uses the criteria referred to in (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated statement of comprehensive income on equity instruments are not reversed through the consolidated statement of profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in consolidated statement of profit or loss, the impairment loss is reversed through the statement of consolidated statement of profit or loss.

2.8 Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges), or
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges)

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(a) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in consolidated statement of profit or loss within other income or other expense.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in consolidated statement of profit or loss within 'finance costs'. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in consolidated statement of profit or loss within 'sales'.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Derivatives and hedging activities (continued)

However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets) the gains and losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss as cost of goods sold in the case of inventory, or as depreciation or impairment in the case of fixed assets.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to consolidated statement of profit or loss.

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in consolidated statement of profit or loss and are included in other income or other expenses.

2.9 Cash and cash equivalents

For the purpose of the presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of 90 days or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

2.10 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are classified under the financial asset category of loans and receivables. Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets.

Other receivables generally arise from transactions outside the normal operating activities of the group. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less any provision for impairment. They are classified as current assets if collectible within one year or less.

2.11 Inventories

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Trade and other payables

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

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

2.13 Borrowings

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

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

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

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

2.14 Borrowing costs

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

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

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

2.15 Employee benefits

2.15.1 Short-term obligations

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15.2 Post-employment benefits

The Group operates defined contribution and defined benefit retirement plans.

(a) Defined contribution pension plan

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

(b) Defined benefit plan

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

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

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

2.15.3 Other short-term employees' benefits

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

2.16 Provisions

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

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

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

2.17 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 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Revenue recognition (continued)

(a) Sales of steel products

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

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

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

(b) Service and management charges

Service and management charges are recognised in the accounting period in which the services are rendered.

(c) Interest income

Interest income is recognised using the effective interest method. When a financial asset classified under the loan and receivable category is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

(d) Dividend income

Dividend income is recognised when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence, refer to note 2.7.4.

2.18 Operating leases

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

2.19 Social fund contribution

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

2.20 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.

(All amounts are expressed in thousands of Qatari Riyals unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Exceptional items

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

2.22 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.

3 CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

3.1 Critical judgments in applying accounting policies

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

- Classification of Qatar Metals Coating Company WLL as an associate (Note 7)
- Site restoration obligation (Note 27)
- Income tax (Note 8)

3.2 Key sources of estimation uncertainty

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

- Estimated useful lives of property, plant and equipment (Note 6)
- Investments in associate - value in use (VIU) calculations (Note 7)
- Estimation of inventory net realisable value (Note 10)
- Estimation of provision for employee’s end of service benefits (Note 17)

4 CASH AND CASH EQUIVALENTS

	2017	2016
Cash in bank	**747,521**	1,098,052
Cash on hand	**106**	92
	747,627	1,098,144

(All amounts are expressed in thousands of Qatari Riyals unless otherwise stated)

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

	2017	2016
Bank balances and cash	**747,627**	1,098,144
Less: Dividend accounts	**(116,493)**	(133,821)
	631,134	964,323

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

5 FIXED DEPOSITS

As at 31 December 2017, fixed deposits with maturities after 90 days amounted to QR 7,041,075 (2016: QR 6,973,371). Fixed deposits are held with banks and denominated mainly in Qatari Riyals with average effective interest rates of 2.5% to 3.6% (2016: 1.36% to 3.6%).

6 PROPERTY, PLANT AND EQUIPMENT

	Buildings	**Plant machinery and equipment**	**Furniture and other equipment**	**Capital work in progress**	**Total**
Cost					
As at 1 January 2016	690,279	5,594,564	91,065	222,453	6,598,361
Additions	-	34,124	-	116,857	150,981
Transfers	9,445	109,756	6,425	(125,626)	-
Disposals	-	(41,927)	(2,881)	-	(44,808)
As at 31 December 2016	699,724	5,696,517	94,609	213,684	6,704,534
Additions	**-**	**-**	**-**	**86,120**	**86,120**
Transfers	**33,521**	**235,316**	**6,874**	**(275,711)**	**-**
Disposals	**-**	**(35,879)**	**(1,260)**	**-**	**(37,139)**
As at 31 December 2017	**733,245**	**5,895,954**	**100,223**	**24,093**	**6,753,515**
Accumulated depreciation:					
As at 1 January 2016	336,402	2,359,704	74,099	-	2,770,205
Reclassification	-	1	(1)	-	-
Impairment	-	64,594	-	-	64,594
Charge for the year	22,834	197,025	5,494	-	225,353
Disposals	-	(24,202)	(2,394)	-	(26,596)
As at 31 December 2016	359,236	2,597,122	77,198	-	3,033,556
Charge for the year	**22,683**	**196,356**	**6,383**	**-**	**225,422**
Disposals	**-**	**(24,577)**	**(1,255)**	**-**	**(25,832)**
As at 31 December 2017	**381,919**	**2,768,901**	**82,326**	**-**	**3,233,146**
Net book value:					
As at 31 December 2017	**351,326**	**3,127,053**	**17,897**	**24,093**	**3,520,369**
As at 31 December 2016	340,488	3,099,395	17,411	213,684	3,670,978

(All amounts are expressed in thousands of Qatari Riyals unless otherwise stated)

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes:

(i) Plant machinery and equipment include Catalyst reformers with a net book amount of QR 45,895 (2016: QR 56,620).

(ii) Buildings with net book value of QR 351 million (2016: QR 340 million) represent the industrial plant, offsite and administrative facilities constructed on land leased from Qatar Petroleum, the Parent, for the duration of the Company's existence.

(iii) Plant and structures include capital spares and re-buildable spares with net book value of QR 20 million (2016: QR 22 million) with useful lives of between 15 and 25 years.

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

(in QR millions)	**Building**	**Plant machinery and equipment**	**Furniture and other equipment**	**Total**
Fully depreciated	**136.9**	**1,043.2**	**63.0**	**1,243.1**

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

	2017	2016
Cost of sales (Note 22)	**221,532**	221,831
General and administrative expenses (Note 25)	**3,253**	2,884
Selling expenses	**637**	638
	225,422	225,353

(vi) During the year ended 31 December 2016, the Group decided the closure and impairment of certain production plants in Qatar due to their operational and environmental issues. Total impairment amounted to QR 65 million.

Significant estimate – useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and residual values of its property, plant and equipment for calculating depreciation as outlined in note 2.5. This estimate is determined after considering the expected usage of the asset, physical wear and tear and technical or commercial obsolescence. The estimated useful lives, residual values and depreciation methods are reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis. At year-end, management assessed that no changes occurred to these estimates.

At year-end, if the useful life increased/decreased by 5% against the current useful life with all other variables held constant, profit for the year would have been higher or lower by QR 11.27 million (2016: QR 11.26 million higher or lower).

7 INVESTMENTS IN ASSOCIATES

Set out below are the associates of the Group as at 31 December 2017 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.

(All amounts are expressed in thousands of Qatari Riyals unless otherwise stated)

7 INVESTMENTS IN ASSOCIATES (CONTINUED)

	Place of business/ country of incorporation	**% of ownership**		**Nature of relationship**	**Measurement method**
		2017	**2016**		
Foulath Holding B.S.C. © (i)	Kingdom of Bahrain	**25%**	25%	Associate	Equity method
SOLB Steel Company (ii)	Kingdom of Saudi Arabia	**31.03%**	31.03%	Associate	Equity method
Qatar Metals Coating Company W.L.L. (iii)	State of Qatar	**50%**	50%	Associate	Equity method

The associates above are private entities and there is no quoted price available.

(i) Foulath Holding B.S.C. ©

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

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

(ii) SOLB Steel Company

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

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

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

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

The Group has 50% interest in Qatar Metals Coating Company W.L.L., with the remaining 50% is held by Qatar Industrial Manufacturing Company. The articles of association and shareholder agreement of Qatar Metals Coating Company W.L.L. requires appointment of a board member by each Company. The Chairman is selected on rotation between Qatar Steel Company and Qatar Industrial Manufacturing Company, where the Chairman has voting casting power; therefore, control is not demonstrated by the entity that does not appoint the Chairman. The current term of office requires appointment of the Chairman by Qatar Industrial Manufacturing Company. The Group has assessed that although the Chairman appointed by Qatar Industrial Manufacturing Company in the current term of office, the rotation of position limits the ability of the Group to exercise control and therefore, is classifying its interest in Qatar Metal Coating W.L.L. as an associate and is accounted for using the equity method as described in note 2.2.4.

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

	2017	2016
Foulath holding B.S.C. ©	**1,292,612**	1,172,453
SOLB Steel Company	**118,431**	216,947
Qatar Metals Coating Compant W.L.L.	**27,745**	62,009
	1,438,788	1,451,409

(All amounts are expressed in thousands of Qatari Riyals unless otherwise stated)

7 INVESTMENTS IN ASSOCIATES (CONTINUED)

The carrying amount of equity-accounted investments has changed as follows for the period ended 31 December 2017:

	2017	2016
Balance at the beginning of the year	**1,451,409**	1,396,261
Dividends received from associates accounted for using equity method	**(40,000)**	(5,000)
Share of results from associates	**27,943**	48,660
Additional capital contribution (i)	**98,320**	-
Impairment charge	**(101,261)**	-
Net share of other comprehensive income	**2,377**	11,488
Balance at the end of the year	**1,438,788**	1,451,409

(i) Additional capital contribution represents a non-interest bearing loan provided to the Group's associate Foulath Holding B.S.C. ©, an associate, as disclosed in Note 19.

The tables below provide summarised financial information for those associates that are material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant associates and not Qatar Steel's share of those amounts. They have been amended to reflect adjustments made by the entity 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.**	
	2017	2016	**2017**	2016	**2017**	2016
Current assets	**2,317,782**	2,474,672	**669,288**	882,203	**100,200**	279,979
Non-current assets	**5,981,950**	6,196,733	**2,308,377**	2,194,635	**12,603**	12,375
Current liabilities	**(1,401,162)**	(2,001,716)	**(1,198,876)**	(1,413,845)	**(30,749)**	(142,805)
Non-current liabilities	**(3,358,213)**	(3,608,655)	**(1,290,831)**	(1,127,449)	**(1,108)**	(916)
Net assets	**3,540,357**	3,061,034	**487,958**	535,544	**80,946**	148,633
Group's share in %	**25%**	25%	**31.03%**	31.03%	**50%**	50%
Group's share in QR	**885,089**	765,259	**151,413**	166,179	**40,473**	74,317
Impairment and other losses	**(270,000)**	(270,000)	**(101,261)**	-	**-**	-
Goodwill	**684,804**	684,804	**68,279**	68,334	**-**	-
Pre-acquisition equity adjustment	**660**	660	**-**	(505)	**-**	-
Intercompany margin elimination	**(6,367)**	(6,333)	**-**	-	**(12,728)**	(12,308)
Other adjustments	**(1,574)**	(1,937)	**-**	(17,061)	**-**	-
Carrying amount	**1,292,612**	1,172,453	**118,431**	216,947	**27,745**	62,009

(All amounts are expressed in thousands of Qatari Riyals unless otherwise stated)

7 INVESTMENTS IN ASSOCIATES (CONTINUED)

Summarised statements of comprehensive income	Foulath Holding B.S.C. ©		SOLB Steel Company		Qatar Metals Coating Company W.L.L.	
	2017	2016	**2017**	2016	**2017**	2016
Revenue	**3,808,292**	2,892,473	**516,970**	874,724	**116,322**	792,068
Profit/(loss) from continuing operations/for the year	**77,983**	(89,020)	**(122,969)**	32,318	**12,312**	100,134
Other comprehensive income	**-**	1,014	**3,667**	-	**-**	-
Total comprehensive income/ (loss) for the year	**77,983**	(88,006)	**(122,969)**	32,318	**12,312**	100,134
Dividends received from associates	**-**	-	**-**	-	**(40,000)**	(5,000)

Significant estimate - Value In Use (VIU) calculations

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

The calculations use cash flow projections based on financial budgets of the associate's management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. These growth rates are consistent with forecasts included in industry reports specific to the country in which each associate operates.

The following table sets out the key assumptions:

	SOLB Steel Company	Foulath Holding B.S.C. ©
Sales volume (% annual growth rate) average	**9%**	**19%**
Long term growth rate (%)	**2.7%**	**3%**
Budgeted gross margin average	**13%**	**17%**
Discount rate (%)	**11%**	**12%**

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

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

SOLB Steel Company

During the recent period, SOLB Steel Company, an associate company, experienced significant down-turn in its operations, faced liquidity issues and did not meet certain debt covenants. This situation resulted from the imposed limitations to export, the location of the facility, as well as the static economic condition in which the associate operated.

(All amounts are expressed in thousands of Qatari Riyals unless otherwise stated)

7 INVESTMENTS IN ASSOCIATES (CONTINUED)

These conditions indicated existence of impairment, so that Group management carried a VIU estimate to assess whether impairment charge is required. To do so, a recent business plan was used, which considered recent changes in market conditions and expected business outlook. One of the main changes to current market conditions was to allow the company to export freely. The assumptions used are presented in the table above.

During the year ended 31 December 2017, the Group recognised an impairment charge of QR 101.26 million for SOLB Steel Company, arriving at carrying amount that represents the recoverable amount of QR 118.4 million as at 31 December 2017.

The table summarizes the impact of the increase /decrease of the key assumptions used in the VIU calculation on the impairment charge and profit for the year:

	Change in assumption	**Impairment charge would have been**		**Impact on profit for the year**	
	Increase or Decrease by	**Increase in assumption**	**Decrease in assumption**	**Increase in assumption**	**Decrease in assumption**
Discount rate (%)	**0.5%**	**153,024**	**53,669**	**(51,763)**	**47,592**
Long-term growth rate (%)	**0.5%**	**N/A**	**136,282**	**N/A**	**(35,021)**
Budgeted gross margin (%)	**1%**	**93,174**	**109,348**	**8,087**	**(8,087)**
Sales volume (% annual growth rate)	**1%**	**39,076**	**163,446**	**62,185**	**(62,185)**

The long term growth rate used by management equal to the inflation of the economy in which Solb Steel Company operates. Thus it is unreasonable to sensitise upward this assumption.

Foulath Holding B.S.C. ©

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

The management used approved budgets to develop its estimate of recoverable amount for Foulath Holding and employed the key assumptions presented in the previous page. Based on the analysis made, the VIU is estimated to approximate the carrying amount of Foulath Holding as at 31 December 2017.

The management is of the opinion that changes in assumptions are reasonably possible to occur, therefore, concluded that reversal of previously recognised impairment is premature in the current time.

The table summarizes the impact of the increase /decrease of the key assumptions used in the VIU calculation on the impairment charge and profit for the year:

	Change in assumption	**Impairment charge would have been QR'000**		**Impact on profit for the year QR'000**	
	Increase or Decrease by	**Increase in assumption**	**Decrease in assumption**	**Increase in assumption**	**Decrease in assumption**
Discount rate (%)	**0.5%**	**88,205**	**N/A**	**(88,205)**	**N/A**
Long-term growth rate (%)	**0.5%**	**N/A**	**70,115**	**N/A**	**(70,115)**
Budgeted gross margin (%)	**1%**	**N/A**	**22,991**	**N/A**	**(22,991)**
Sales volume (% annual growth rate)	**1%**	**N/A**	**165,312**	**N/A**	**(165,312)**

Similar to Solb Steel Company, the long term growth rate used by management is equal to the inflation of the economy in which Foulath Holding operates. Thus it is unreasonable to sensitise upward this assumption.

(All amounts are expressed in thousands of Qatari Riyals unless otherwise stated)

8 INVESTMENT IN JOINT VENTURES

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

	2017	2016
Balance at 1 January	**18,342,580**	19,557,129
Share of results of joint ventures	**2,606,615**	1,716,339
Share of other comprehensive income	**51,018**	66,164
Dividends income	**(2,152,213)**	(2,997,052)
Balance at 31 December	**18,848,000**	18,342,580

(All amounts are expressed in thousands of Qatari Riyals unless otherwise stated)

8 INVESTMENT IN JOINT VENTURES (CONTINUED)

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

As of 31 December 2017	**QAPCO**	**QAFAC**	**QAFCO**	**Total**
Current assets				
Cash and cash equivalents	687,907	485,838	1,654,335	2,828,080
Other current assets	1,650,825	680,185	1,618,781	3,949,791
	2,338,732	1,166,023	3,273,116	6,777,871
Non-current assets	7,233,109	1,312,901	12,831,056	21,377,066
Current liabilities				
Financial liabilities (excluding trade payables)	(896,302)	(652,527)	(875,549)	(2,424,378)
Other current liabilities	(177,217)	(7,797)	(59,665)	(244,679)
	(1,073,519)	(660,324)	(935,214)	(2,669,057)
Non-current liabilities	(262,868)	(299,496)	(316,015)	(878,379)
Net assets before minority interest	8,235,454	1,519,104	14,852,943	24,607,501
Minority interest	-	-	(197,596)	(197,596)
Attributable to the Group	8,235,454	1,519,104	14,655,347	24,409,905
Reconciliation to carrying amounts:				
Opening net assets 1 January	8,143,659	1,525,085	14,088,490	23,757,234
Profit for the year	2,338,390	462,123	506,732	3,307,245
Other comprehensive income	7,405	-	60,125	67,530
Dividends paid	(2,254,000)	(468,104)	-	(2,722,104)
Closing net assets	8,235,454	1,519,104	14,655,347	24,409,905
Group's share %	80%	50%	75%	
Group's share	6,588,363	759,552	10,991,510	18,339,425
Effect of IQ's tax exempt status	108,770	253,374	-	362,144
Other	145,737	-	694	146,431
	6,842,870	1,012,926	10,992,204	18,848,000
Revenues	3,964,994	2,444,922	5,221,694	11,631,610
Other income	831,931	13,832	134,573	980,336
Depreciation and amortization	(301,203)	(219,303)	(1,013,241)	(1,533,747)
Interest expense	-	(4,324)	(106,305)	(110,629)
Income tax expense	-	(249,584)	-	(249,584)
Impairment loss	-	(34,460)	(21,338)	(55,798)
Other cost and expenses	(2,157,332)	(1,488,960)	(3,688,172)	(7,334,464)
Profit for the year	2,338,390	462,123	527,211	3,327,724
Minority interest	-	-	(20,479)	(20,479)
Attributable to the Group	2,338,390	462,123	506,732	3,307,245
Other comprehensive income	7,405	-	60,125	67,530
Total comprehensive income	2,345,795	462,123	566,857	3,374,775
Group's share of net profit	1,870,712	355,854	380,049	2,606,615
Group's share of other comprehensive income	5,924	-	45,094	51,018

(All amounts are expressed in thousands of Qatari Riyals unless otherwise stated)

8 INVESTMENT IN JOINT VENTURES (CONTINUED)

As of 31 December 2016	**QAPCO**	**QAFAC**	**QAFCO**	**Total**
Current assets				
Cash and cash equivalents	916,949	343,837	2,634,348	3,895,134
Other current assets	1,310,619	549,458	1,405,633	3,265,710
	2,227,568	893,295	4,039,981	7,160,844
Non-current assets	7,349,066	1,507,425	13,669,693	22,526,184
Current liabilities				
Financial liabilities (excluding trade payables)	(1,070,884)	(472,158)	(3,034,021)	(4,577,063)
Other current liabilities	(144,720)	(7,786)	(78,330)	(230,836)
	(1,215,604)	(479,944)	(3,112,351)	(4,807,899)
Non-current liabilities	(217,371)	(395,691)	(328,266)	(941,328)
Net assets before minority interest	8,143,659	1,525,085	14,269,057	23,937,801
Minority interest	-	-	(180,567)	(180,567)
Attributable to the Group	8,143,659	1,525,085	14,088,490	23,757,234
Reconciliation to carrying amounts:				
Opening net assets 1 January	8,458,314	1,452,306	15,319,650	25,230,270
Profit/ (loss) for the period	2,618,066	295,838	(807,347)	2,106,557
Other comprehensive income	11,279	-	76,187	87,466
Dividends paid	(2,944,000)	(223,059)	(500,000)	(3,667,059)
Closing net assets	8,143,659	1,525,085	14,088,490	23,757,234
Group's share %	80%	50%	75%	
Group's share	6,514,927	762,543	10,566,368	17,843,838
Effect of IQ's tax exempt status	164,422	229,090	-	393,512
Other	104,538	-	692	105,230
	6,783,887	991,633	10,567,060	18,342,580
Revenues	3,892,829	1,842,680	4,795,268	10,530,777
Other income	950,342	12,726	54,877	1,017,945
Depreciation and amortization	(293,388)	(211,746)	(1,084,619)	(1,589,753)
Interest expense	(552)	(4,734)	(127,756)	(133,042)
Income tax expense	-	(158,956)	-	(158,956)
Impairment loss	-	-	(798,235)	(798,235)
Other cost and expenses	(1,931,165)	(1,184,132)	(3,927,637)	(7,042,934)
Profit for the year	2,618,066	295,838	(1,088,102)	1,825,802
Minority interest	-	-	280,755	280,755
Attributable to the Group	2,618,066	295,838	(807,347)	2,106,557
Other comprehensive income	11,279	-	76,187	87,466
Total comprehensive income	2,629,345	295,838	(731,160)	2,194,023
Group's share of net profit	2,094,453	227,396	(605,510)	1,716,339
Group's share of other comprehensive income	9,023	-	57,141	66,164

(All amounts are expressed in thousands of Qatari Riyals unless otherwise stated)

8 INVESTMENT IN JOINT VENTURES (CONTINUED)

Significant judgment – Income tax

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

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

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

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

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

9 AVAILABLE- FOR- SALE INVESTMENTS

	2017	2016
At 1 January fair value	**674,295**	682,694
Disposal	**-**	(10,936)
(Decrease)/increase in the fair value	**(140,405)**	2,537
At 31 December fair value	**533,890**	674,295

Included in available-for-sale investments is an investment in a company domiciled in Australia with a carrying value of QR 1.65 million at 31 December 2017 (2016: QR 0.44 million). All other investments are in equity shares in the State of Qatar.

10 INVENTORIES

	2017	2016
Finished goods and goods for resale	**416,184**	251,631
Raw materials	**372,109**	302,405
Spares and consumables	**190,824**	207,027
Work in process	**278,754**	170,169
Additives	**205,017**	214,060
Goods in transit	**17,963**	134,601
	1,480,851	1,279,893
Less: write down of inventory to net realisable value	**(36,618)**	(36,323)
	1,444,233	1,243,570

(All amounts are expressed in thousands of Qatari Riyals unless otherwise stated)

10 INVENTORIES (CONTINUED)

Inventories recognised as an expense during the year ended 31 December 2017 amounted to QR 2,605 million (2016: QR 1,982 million). These were included in cost of sales.

Write down of inventory amounted to QR 16.7 million was recognised as an expense for the year ended 31 December 2016 and included in 'cost of sales' in the consolidated statement of comprehensive income.

During 2016, the Group reversed QR 10.7 million of a previously recognised write down of inventory as the Group sold the relevant goods that had been written down to third party at a price above recognised net realisable value. The amount reversed has been included in 'cost of sales' in the consolidated statement of profit or loss.

Significant estimate – Inventory net realizable value

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

At year-end, if the estimate used by management increased/decreased by 5% with all other variables held constant, profit for the year would have been higher or lower by QR 1.8 million (2016: higher or lower by QR 1.8 million).

11 TRADE AND OTHER RECEIVABLES

	2017	2016
Trade accounts receivable	**983,533**	824,552
Due from related parties (Note 19)	**650,487**	674,001
Advance to suppliers	**76,364**	11,601
Prepayments	**28,439**	25,294
Loans to employees	**74,592**	71,651
Accrued interest	**109,798**	85,677
Other receivables	**33,543**	35,124
	1,956,756	1,727,900
Less: Provision for doubtful debts (Note 19)	**(53,317)**	-
	1,903,439	1,727,900

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

			Past due but not impaired					
	Total	Neither past due nor impaired	< 30 days	31 to 60 days	61 to 90 days	91 to 180 days	180 to 365 days	Past due and impaired
2017	**983,533**	**967,697**	**13,385**	**1,577**	**548**	**22**	**304**	**-**
2016	824,552	784,759	35,163	1,677	1,966	946	41	-

(All amounts are expressed in thousands of Qatari Riyals unless otherwise stated)

11 TRADE AND OTHER RECEIVABLES (CONTINUED)

Movement in provision for doubtful debts:

	2017	2016
Balance at 1 January	-	1,483
Reversal of unused amount	-	(1,483)
Balance at 31 December	-	-

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The Group does not hold any collateral in relation to these receivables.

12 SHARE CAPITAL

	2017	2016
Authorised, issued and paid-up:		
605,000,000 shares of QR 10 each	**6,050,000**	6,050,000

13 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)	**AFS financial assets (ii)**	**Cash flow hedges (iii)**	**Total other reserves**
Balance at 1 January 2016	74,999	370,807	(131,794)	314,012
Revaluation	-	2,539	77,652	80,191
Balance at 31 December 2016	74,999	373,346	(54,142)	394,203
Balance at 1 January 2017	**74,999**	**373,346**	**(54,142)**	**394,203**
Revaluation	**-**	**(140,405)**	**53,395**	**(87,010)**
Transfer to legal reserve	**19,864**	**-**	**-**	**19,864**
Balance at 31 December 2017	**94,863**	**232,941**	**(747)**	**327,057**

(i) 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 purposes and the amount decided by IQ Board to transfer during the year from the current year profit after taking in to consideration the group companies Articles of Association provisions and to ensure compliance to the Qatar Commercial Companies Law No. 11 of 2015.

(ii) Changes in the fair value of investments that are classified as available-for-sale (AFS) financial assets, are recognised in other comprehensive income and accumulated in a separate reserve within equity. Amounts are reclassified to consolidated statement of profit or loss when the associated assets are sold or impaired.

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

(All amounts are expressed in thousands of Qatari Riyals unless otherwise stated)

14 Social fund contribution

In accordance with Law No. 13 of 2008, the Group made an appropriation of profit of QR 83.71 million (2016: QR 71.76 million) equivalents to 2.5% of the adjusted consolidated net profit for the year for the support of sports, cultural, social and charitable activities.

15 Dividends

The Board of Directors has proposed cash dividend distribution of QR 5 per share for the year ended 31 December 2017 (2016: QR 4 per share). The dividends for 2016 amounting to QR 2,420 million were approved by the shareholders at the Annual General Meeting held on 27 February 2017. The proposed final dividend for the year ended 31 December 2017 will be submitted for formal approval at the Annual General Meeting.

16 Borrowings

	2017			2016		
Unsecured	**Current**	**Non-current**	**Total**	Current	Non-current	Total
Bank loan 1 (i)	**135,039**	-	**135,039**	269,133	135,039	404,172
Bank loan 2 (ii)	**90,719**	-	**90,719**	181,438	90,719	272,157
Total borrowings	**225,758**	-	**225,758**	450,571	225,758	676,329

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

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

The Group has complied with the financial covenants of its borrowing facilities during the 2017 and 2016 reporting periods through not pledging or mortgaging any of its assets and maintaining compliance with local laws and regulations.

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

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

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

	2017	2016
Cash and cash equivalents	**628,264**	636,679
Borrowings – repayable within one year (including overdraft)	**(225,758)**	(450,571)
Borrowings – repayable after one year	-	(225,758)
Net debt	**402,506**	(39,650)

(All amounts are expressed in thousands of Qatari Riyals unless otherwise stated)

	Other assets	Liabilities from financing activities		
	Cash and cash equivalents	Borrowings due within 1 year	Borrowings due after 1 year	Total
Net debt as at 1 January 2017	636,679	(450,571)	(225,758)	(39,650)
Cash (inflow)/outflow	(8,415)	224,813	225,758	442,156
Net debt as at 31 December	628,264	(225,758)	-	402,506

17 EMPLOYEES' BENEFIT OBLIGATION

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

	2017	2016
Balance as at 1 January	214,983	207,470
Provision during the year	33,000	38,479
Paid during the year	(48,888)	(30,966)
Balance as at 31 December	199,095	214,983

17.1 Pension obligations

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

17.2 Employee benefits expenses

	2017	2016
Cost of sales	474,958	477,489
Selling expenses	23,985	24,461
General and administrative expenses	81,986	88,535
	580,929	590,485

17.2.1 Pension and end of service cost

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

	2017	2016
Defined contribution benefits – employer share	7,163	7,776
End of service charges	33,000	38,479
	40,163	46,255

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

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

(All amounts are expressed in thousands of Qatari Riyals unless otherwise stated)

17 EMPLOYEES' BENEFIT OBLIGATION (CONTINUED)

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

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

At year-end, if the assumptions differ by 1% from management's estimates with all other variables held constant, profit for the year would have been effected as follows:

		Impact on profit for the year	
	Change in assumption	**Increase/ (decrease)**	**Increase/ (decrease)**
Discount rate	1.00%	14,217	(16,720)
Salary growth rate	1.00%	(16,404)	14,167
Staff turnover	20.00%	1,127	(1,141)

18 TRADE AND OTHER PAYABLES

	2017	2016
Trade payables	**126,597**	119,125
Due to related parties (note 19)	**41,112**	106,143
Accrued expenses	**373,328**	273,144
Provision for social fund contribution	**83,709**	71,757
Dividend payable	**116,493**	133,821
Due to government	**34,289**	34,289
Other payables	**41,977**	42,276
	817,505	780,555

(All amounts are expressed in thousands of Qatari Riyals unless otherwise stated)

19 RELATED PARTY DISCLOSURES

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

a) Related party transactions

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

GOODS AND SERVICES PROVIDED TO RELATED PARTIES

	Sales	**Other income**	**Management fees**
Year ended 31 December 2017			
Associates and their subsidiaries:			
Qatar Metals Coating Company W.LL.	**78,515**	**-**	**2,306**
SOLB Steel Company	**65,131**	**-**	**-**
SULB Company B.S.C.	**-**	**6,665**	**-**
Entities under common control:			
GASAL Company Q.S.C.	**-**	**54**	**-**
	143,646	**6,719**	**2,306**
Year ended 31 December 2016			
Parent Company:			
Qatar Petroleum	-	57	-
Associates and their subsidiaries:			
Qatar Metals Coating Company W.LL.	534,336	-	10,823
SULB Company B.S.C	-	18,734	-
Entities under common control:			
GASAL Q.S.C.	-	54	-
Qatar Fuel Company (WOQOD) Q.S.C	7,120	-	-
	541,456	18,845	10,823

	Purchases	**Administrative expenses**
Year ended 31 December 2017		
Parent Company:		
Qatar Petroleum	**115,251**	**7,543**
Associates and their subsidiaries:		
Bahrain Steel BSC	**224,963**	**-**
Joint venture:		
QAFCO	**-**	**246**
QAPCO	**-**	**831**
Entities under common control:		
Mesaieed Industrial City (MIC)		**16,559**
GASAL Q.S.C.	**57,883**	**-**
Qatar Fuel Company (WOQOD) Q.S.C	**7,999**	**-**
	406,096	**25,179**

(All amounts are expressed in thousands of Qatari Riyals unless otherwise stated)

19 RELATED PARTY DISCLOSURES (CONTINUED)

a) Related party transactions (continued)

GOODS AND SERVICES PROVIDED FROM RELATED PARTIES

	Purchases	Administrative expenses
Year ended 31 December 2016		
Parent Company:		
Qatar Petroleum	117,023	8,450
Associates and their subsidiaries:		
Qatar Metals Coating Company W.LL.	20,342	-
Bahrain Steel BSC	418,314	-
Joint venture:		
QAFCO	-	621
Entities under common control:		
Mesaieed Industrial City (MIC)	-	16,551
GASAL Company Q.S.C.	51,120	-
Woqod Q.S.C.	7,120	-
	613,919	25,622

b) Related party balances:

DUE FROM RELATED PARTIES

	2017	2016
Joint venture:		
Qatar Petrochemical Company Q.S.C.	**571,200**	481,920
Associates and their subsidiaries:		
SOLB Steel Company	**53,613**	58,460
Qatar Metal Coating Company W.L.L.	**25,634**	129,790
SULB Company	**40**	2,547
Entity under common control:		
GASAL Company Q.S.C.	**-**	1,284
	650,487	674,001
Less: Provision for doubtful debts (i)	**(53,317)**	-
	597,170	674,001

DUE TO RELATED PARTIES

	2017	2016
Parent Company:		
Qatar Petroleum	**9,358**	17,330
Entity under common control:		
GASAL Company Q.S.C.	**3,138**	-
Mesaieed industrial city	**9,601**	1,282
Woqod Q.S.C.	**807**	-
Associate:		
Bahrain Steel BSC (c)	**18,208**	87,531
	41,112	106,143

(All amounts are expressed in thousands of Qatari Riyals unless otherwise stated)

19 RELATED PARTY DISCLOSURES (CONTINUED)

b) Related party balances:

Note:

(i) Provision for doubtful debts

Provisions for doubtful debts amounting to QR 53 million represents impairment charged during the year against old outstanding receivables from SOLB Steel Company due to liquidity conditions of the associate. The management believes that the pattern of repayment of this balance in the past suggests that it may take considerable time until collected. Therefore, recovery of any amount in future will be recognised as reversal of impairment provisions.

Loan to related party

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

Terms and conditions of transactions with related parties

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

Outstanding balances as at 31 December 2017 and as at 2016 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 578 million (2016: QR 590 million).

Compensation of key management personnel

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

	2017	2016
Board of Directors remuneration	**9,688**	9,300
Short term benefits	**15,654**	17,497
	25,342	26,797

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

20 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 Company by the weighted average number of shares outstanding during the year.

	2017	2016
Profit for the year	**3,315,402**	2,954,990
Weighted average number of shares outstanding during the year (in thousands)	**605,000**	605,000
Basic and diluted earnings per share (QR.)	**5.48**	4.88

21 Revenues

	2017	2016
Bars sales	**3,599,035**	4,176,756
Billets sales	**722,597**	127,027
Coil sales	**231,046**	291,554
Sales of HBI/DRI	**82,128**	92,553
Freight revenues	**10,796**	39,476
	4,645,602	4,727,366
Less: Freight charges	**(17,119)**	(53,066)
	4,628,483	4,674,300

22 Cost of sales

	2017	2016
Raw materials and consumables used (Note 10)	**2,605,132**	1,982,397
Utilities	**607,537**	399,280
Employee benefits expenses	**474,958**	477,489
Depreciation (Note 6)	**221,532**	221,831
Repair and maintenance	**96,762**	95,718
Write down of inventory (Note 10)	**-**	16,700
Others	**184,741**	137,427
Net changes in inventory of finished products and work in progress	**(271,738)**	198,523
	3,918,924	3,529,365

23 Other income

	2017	2016
Gain on foreign exchange	**2,691**	2,588
By-product	**43,559**	27,771
Other income	**38,742**	70,760
	84,992	101,119

(All amounts are expressed in thousands of Qatari Riyals unless otherwise stated)

24 INCOME FROM INVESTMENTS

	2017	2016
Dividend income	**23,730**	25,521
Interest on bank deposits – Islamic banks	**89,723**	103,400
Interest on bank deposits – Other banks	**141,157**	97,434
	254,610	226,355

25 GENERAL AND ADMINISTRATIVE EXPENSES

	2017	2016
Employee benefits expenses	**81,986**	89,986
Provision for doubtful debts (Note 19)	**53,317**	-
Loss on disposal of property, plant and equipment	**11,195**	15,832
Donations	**100**	-
Board of director's remuneration	**9,688**	9,300
Qatar Petroleum fees	**7,471**	7,963
Rental, utilities and supplies	**4,962**	5,042
Depreciation (Note 6)	**3,253**	2,884
Qatar Exchange fees	**1,818**	1,818
Travel, transportation and communication	**1,643**	1,457
External Services	**10,544**	12,095
Impairment of property, plant and equipment	**-**	64,594
Others	**13,219**	19,654
	199,196	230,625

26 COMMITMENTS

26.1 Capital commitments:

	2017	2016
Estimated capital expenditure contracted for at the reporting date but not provided for:		
Property, plant and equipment	**75,662**	56,850

26.2 Operating lease commitments:

The Group leases land under non-cancellable operating leases expiring within 13 years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. Future minimum rentals payable under these leases at December 31 are as follows:

	2017	2016
Within one year	**37,386**	29,407
After one year but not more than five years	**89,917**	72,007
More than five years	**85,562**	98,267
Total operating lease expenditure contracted for at the reporting date	**212,865**	199,681

The above non-cancellable operating lease commitments of QR 0.34 million (2016: QR 0.91 million) relating to the Group's subsidiaries.

(All amounts are expressed in thousands of Qatari Riyals unless otherwise stated)

26 COMMITMENTS (continued)

26.3 Commitments for purchase of goods and services

Purchase commitments consist primarily of major agreements for procuring raw materials. The Group also has a number of agreements for electricity, natural gas and industrial gases. The contractual obligation for future purchases not recognised as a liability amounted to QR 4.54 billion as of 31 December 2017. In addition to those purchase commitments disclosed above, the Group enters into purchasing contracts as part of its normal operations which have minimum volume requirements but for which there are no take-or-pay or penalty clauses included in the contract.

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

Purchase commitments include commitments given to a subsidiary of an associate of Nil (2016: QR 120.5 million).

26.4 Group's share in commitments incurred by joint venture entities

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

31 December 2016	**QAPCO**	**QAFAC**	**QAFCO**	**Total**
Capital commitments	210,134	13,022	361,017	584,173
Operating lease commitments:				
Future minimum lease payments:				
Within 1 year	1,584	3,604	48,510	53,698
1 to 5 years	7,311	4,234	40,892	52,437
More than 5 years	17,512	2,646	45,232	65,390
	26,407	10,484	134,634	171,525

26.5 Group's share in commitments incurred by associates

	2017	2016
Capital commitments	**27,050**	32,721
Operating lease commitments:		
Future minimum lease payments:		
Within 1 year	**6,117**	3,645
1 to 5 years	**25,372**	15,346
More than 5 years	**56,526**	36,715
	88,015	55,706

(All amounts are expressed in thousands of Qatari Riyals unless otherwise stated)

27 CONTINGENCIES

	2017	2016
Financial guarantees	**578,397**	589,748
Bank guarantees	**1,460**	1,460
Letters of credit	**129,529**	5,880
Legal cases	**47,733**	24,387

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

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

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

31 December 2016	**QAPCO**	**QAFCO**	**Total**
Bank guarantees	80	580	660
Letters of credit	25,510	-	25,510
	25,590	580	26,170

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

	2017	**2016**
Letters of credit	**84,615**	71,603
Bank guarantees	**144**	7,362
	84,759	78,965

Site restoration obligations

The main entities composing the Group (Qatar Steel, QAFAC, QAFCO and QAPCO) are parties to land lease agreements with the Qatar Petroleum, the 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.S.C.	2005	2030
QAFAC	2002	2024
QAFCO		
Lease 1	2009	2029
Lease 2	2007	2032
QAPCO	2005	2030

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

- transfer all the facilities to the lessor or a transferee nominated by the lessor, against a price acceptable by the Group, or;

27 CONTINGENCIES (CONTINUED)

- remove the facilities and all the other property from the land and restore it to at least the condition in which it was delivered to the Group, at the Group's cost and expense, unless otherwise is agreed with the lessor.

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

Significant judgement –site restoration obligation

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

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

As at 31 December 2017, no provision has been recognised for its restoration obligations. The estimated useful lives of the assets are expected to continue well beyond the term of land lease agreement, such that management believes that the lessor is unlikely to require site restoration at the end of the land lease agreement.

28 SEGMENTAL 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.

(All amounts are expressed in thousands of Qatari Riyals unless otherwise stated)

28.1 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 2017			31 December 2016		
	Total	Inter-segment revenue	Revenue from external customers	Total	Inter-segment revenue	Revenue from external customers
Petrochemicals	4,394,456	-	4,394,456	4,035,603	-	4,035,603
Fertilisers	3,916,271	-	3,916,271	3,487,699	-	3,487,699
Steel	4,628,483	-	4,628,483	4,674,300	-	4,674,300
Total segment revenue	12,939,210	-	12,939,210	12,197,602	-	12,197,602
Revenue from investments in joint venture accounted for using equity method	8,310,727	-	8,310,727	7,523,302	-	7,523,302
Revenue per consolidated statement of profit or loss	4,628,483	-	4,628,483	4,674,300	-	4,674,300

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 8,311 million (2016: QR 7,523 million) are derived from a single external customer, Qatar Chemical and Petrochemical Marketing and Distribution Company Q.J.S.C. ("Muntajat"). These revenues are attributed to the Petrochemical and Fertilisers segment. Pursuant to Decree Law 11 of 2012 of the State of Qatar, Muntajat was established in the year 2012 to carry out marketing and distribution activities of all regulated chemical and petrochemical products.

The Group entities are domiciled in Qatar, the Kingdom of Bahrain, the Kingdom of Saudia Arabia and United Arab Emirates. Of the Steel segment's revenues in 2017, 56% is made in Qatar (2016: 70 %), 14% is made in UAE (2016: 16%) 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 2017 and 2016, respectively:

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

(All amounts are expressed in thousands of Qatari Riyals unless otherwise stated)

28 SEGMENTAL REPORTING (CONTINUED)

	Petrochemicals	Fertilisers	Steel	Total
As of 31 December 2016				
Segment profit	2,321,850	(605,509)	1,024,947	2,741,288
Share of results from associates	-	-	48,660	48,660
Total segment profit	2,321,850	(605,509)	1,073,607	2,789,948
Unallocated income:				
Interest income				175,923
Dividend income				9,613
Other income				269
				185,805
Unallocated expense:				
Board of Director's fees and expenses				(7,750)
Qatar Petroleum annual fee				(7,963)
Qatar Exchange fees/charges				(1,818)
Advertisements				(410)
Other expenses				(2,822)
				(20,763)
Profit for the year				2,954,990

28.2 Segment assets

The following table presents segmental assets regarding the Group's business segments as at 31 December 2017 and year ended 31 December 2016 respectively:

	Petrochemicals	Fertilisers	Steel	Total
Segment assets:				
As of 31 December 2017	**8,896,935**	**12,078,129**	**8,441,894**	**29,416,958**
As of 31 December 2016	8,861,657	13,282,256	9,057,052	31,200,965

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

Reconciliation of reportable segments total assets:

	2017	2016
Total assets for reportable segments	**29,416,958**	31,200,965
Other un-allocable assets	**8,191,112**	7,786,200
Recognition of investment in joint ventures using equity method of accounting	**18,848,000**	18,342,580
Assets relating to joint ventures	**(20,975,064)**	(22,143,913)
Consolidated total assets for the year	**35,481,006**	35,185,832

(All amounts are expressed in thousands of Qatari Riyals unless otherwise stated)

29 FINANCIAL RISK MANAGEMENT

29.1 Objectives and policies

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

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

The Group has various financial assets such as available for sale financial investment, 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.

29.2 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 three months.

Sensitivity

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

The sensitivity of the consolidated statement of profit or loss and other comprehensive income is the effect of the assumed changes in interest rates on the Group's profit for one year, based on the floating rate financial assets and liabilities held at 31 December 2016. 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 2017**	Increase in basis points	Effect on profit 2016
Fixed deposits	**+25**	**53,447**	+25	44,709
Borrowings	**+25**	**(1,051)**	+25	(2,244)

(All amounts are expressed in thousands of Qatari Riyals unless otherwise stated)

29 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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 available-for-sale financial investments (note 9).

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

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

Sensitivity

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

	Change in equity price 2017	**Effect on equity 2017**	**Change in equity price 2016**	**Effect on equity 2016**
Qatar Exchange	**+5%**	**33,115**	+5%	34,252
Australian Securities Exchange	**+5%**	**+81**	+5%	22

(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.

29.3 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.

(All amounts are expressed in thousands of Qatari Riyals unless otherwise stated)

29 FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

	2017	2016
Trade receivables		
Counterparties with external credit rating		
Existing customers (less than 3 months) with no defaults in the past	**983,207**	824,511
Existing customers (more than 3 months) with some defaults in the past. All defaults were fully recovered.	**326**	41
	983,533	824,552

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

29.4 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 7.5 billion (2016: QR 7.8 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 entity 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 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:

	2017	2016
Floating rate		
- Expiring within one year (bank overdraft and bill facility)	**989,000**	881,640

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.

(All amounts are expressed in thousands of Qatari Riyals unless otherwise stated)

29 FINANCIAL RISK MANAGEMENT (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 (assets)/liabilities**
At 31 December 2017					
Trade payables	**122,212**	**4,385**	**-**	**126,597**	**126,597**
Amounts due to related parties	**41,112**	**-**	**-**	**41,112**	**41,112**
Due to government	**34,289**	**-**	**-**	**34,289**	**34,289**
Borrowings	**225,758**	**-**	**-**	**225,758**	**225,758**
	423,371	**4,385**	**-**	**427,756**	**427,756**
Bank guarantees	**579,857**	**-**	**-**	**579,857**	**579,857**

Contractual maturities of financial liabilities	**Less than 6 months**	**6 -12 months**	**Between 1 -2 years**	**Total contractual cash flows**	**Carrying amount (assets)/ liabilities**
At 31 December 2016					
Trade payables	98,124	734	20,267	119,125	119,125
Amounts due to related parties	106,143	-	-	106,143	106,143
Due to government	34,289	-	-	34,289	34,289
Borrowings	225,285	225,285	225,758	676,328	676,328
	463,841	226,019	246,025	935,885	935,885
Bank guarantees	591,208	-	-	591,208	591,208

29.5 Capital management

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

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2017 and 2016.

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

(All amounts are expressed in thousands of Qatari Riyals unless otherwise stated)

29 FINANCIAL RISK MANAGEMENT (CONTINUED)

	2017	2016
Interest bearing loans and borrowings	225,758	676,329
Accounts payable and accruals	776,393	674,412
Due to related parties	41,112	106,143
	1,043,263	1,456,884
Less: Cash and cash equivalents and Fixed deposits	(7,788,702)	(8,071,515)
Net debt	(6,745,439)	(6,614,631)
Equity	34,238,648	33,513,965
Adjustments:		
Fair value reserve	(232,941)	(373,346)
Hedging reserve	747	54,142
	34,006,454	33,194,761
Capital and net debt	27,261,015	26,580,130
Gearing ratio	(25%)	(25%)

30 FAIR VALUES OF FINANCIAL INSTRUMENTS

The Group holds the following financial instruments:

Financial assets	Notes	Assets at FVOCI	Financial assets at amortised cost	Total
2017				
Trade and other receivables *	11	-	1,798,636	1,798,636
Available-for-sale financial assets	9	533,890	-	533,890
Cash and cash equivalents	4	-	747,627	747,627
Fixed deposits	5	-	7,041,075	7,041,075
		533,890	9,587,338	10,121,228
2016				
Trade and other receivables *	11	-	1,691,005	1,691,005
Available-for-sale financial assets	9	674,295	-	674,295
Cash and cash equivalents	4	-	1,098,144	1,098,144
Fixed deposits	5	-	6,973,371	6,973,371
		674,295	9,762,520	10,436,815

* excluding advances to suppliers and prepayments

Financial liabilities	Notes	Liabilities amortised at cost	Total
2017			
Trade and other payables	18	817,505	817,505
Borrowings	16	225,758	225,758
		1,043,263	1,043,263
2016			
Trade and other payables	18	780,555	780,555
Borrowings	16	676,329	676,329
		1,456,884	1,456,884

(All amounts are expressed in thousands of Qatari Riyals unless otherwise stated)

30 FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

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

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

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

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

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

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

As at 31 December 2016	**Total**	**Level 1**	**Level 2**	**Level 3**
Assets measured at fair value:				
Held for trading investments	3,585	-	-	3,585
Available-for-sale investments – equity	674,295	674,295	-	-

During the year ended 31 December 2017, 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.