

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

**INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION AND
INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE SIX-MONTH
PERIOD ENDED JUNE 30, 2020**

INDUSTRIES QATAR Q.P.S.C.

**INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION AND INDEPENDENT
AUDITOR'S REVIEW REPORT**

For the six-month period ended June 30, 2020

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QR: 99 – 8

RN: 1065/BH/FY2020

INDEPENDENT AUDITOR’S REVIEW REPORT

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Industries Qatar Q.P.S.C. (the “Parent”) and its subsidiaries (together the “Group”) as at June 30, 2020 and the related interim condensed consolidated statements of profit or loss, interim condensed consolidated statements of profit or loss and other comprehensive income, interim condensed consolidated statements of changes in equity and interim condensed consolidated cash flow for the six-months period then ended, and notes to the financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial information in accordance with International Accounting Standard 34, ‘Interim financial reporting’ as issued by International Accounting Standards Board (IASB). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

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

INDEPENDENT AUDITOR'S REVIEW REPORT (CONTINUED)

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 as issued by the IASB.

Emphasis of Matter

We draw attention to Note 4 of the interim condensed consolidated financial statements, which describes the accounting judgment the Group has applied to account for the impact of an agreement regarding the settlement of taxes with the appropriate authorities. Our conclusion is not modified in respect of this matter.

Doha, State of Qatar
July 27, 2020

For Deloitte & Touche
Qatar Branch



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

INDUSTRIES QATAR Q.P.S.C.**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at June 30, 2020

	Note	June 30, 2020 (Reviewed) QR' 000	December 31, 2019 (Audited) QR' 000
ASSETS			
Non-current assets			
Property, plant and equipment	5	12,851,693	3,336,020
Investments in associates	6	1,471,387	1,475,914
Goodwill	10	1,530,126	--
Investments in joint ventures	7	6,921,128	16,732,460
Right-of-use assets	8	359,627	134,588
Catalysts		95,448	--
Intangible asset - license fee		10,077	--
Deferred tax asset	20	685	--
Total non-current assets		23,240,171	21,678,982
Current assets			
Inventories	9	2,127,069	1,851,492
Trade and other receivables	11	1,733,567	1,297,246
Financial assets at fair value through profit or loss (FVTPL)	12	313,193	324,581
Cash and bank balances	14	4,806,313	1,959,597
Fixed deposits	14(ii)	6,350,178	8,758,419
Total current assets		15,330,320	14,191,335
Total assets		38,570,491	35,870,317

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION

INDUSTRIES QATAR Q.P.S.C.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2020

		June 30, 2020 (Reviewed) QR' 000	December 31, 2019 (Audited) QR' 000
EQUITY AND LIABILITIES			
EQUITY			
Share capital		6,050,000	6,050,000
Legal reserve		158,148	158,148
Hedging reserve		(3,235)	(4,080)
Other reserve		6,057	6,057
Retained earnings		26,084,957	28,019,701
Equity attributable to equity holders of the parent		32,295,927	34,229,826
Non-controlling interest		3,696,813	--
Total equity		35,992,740	34,229,826
LIABILITIES			
Non-current liabilities			
Lease liabilities	8	447,511	167,778
Employees' end of service benefits	15	457,668	200,684
Deferred tax liabilities	20	18,908	--
Total non-current liabilities		924,087	368,462
Current liabilities			
Lease liabilities	8	84,086	33,026
Trade and other payables		1,524,232	1,239,003
Employees' end of service benefits	15	10,956	--
Income tax payable	20	34,390	--
Total current liabilities		1,653,664	1,272,029
Total liabilities		2,577,751	1,640,491
Total equity and liabilities		38,570,491	35,870,317

This interim condensed consolidated financial information was approved by the Board of Directors and authorised for issue on July 27, 2020 by:



Saad Sherida Al-Kaabi
Chairman and Managing Director



Abdulaziz Mohammed Al-Mannai
Vice Chairman

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

INDUSTRIES QATAR Q.P.S.C.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six-month period ended June 30, 2020

	Note	For the six-month period ended June 30,	
		2020	2019
		(Reviewed)	(Reviewed)
		QR' 000	QR' 000
Revenues	16	3,722,546	2,313,138
Cost of sales	17	(3,286,772)	(2,188,127)
Gross profit		435,774	125,011
General and administrative expenses		(238,764)	(66,942)
Selling and distribution expenses		(25,691)	(31,137)
Share of results of investments in associates	6	6,726	82,496
Share of results of investments in joint ventures	7	309,170	1,104,813
Finance costs		(16,860)	(5,965)
Fair value gain on business combination	10	1,172,751	--
Impairment loss on property, plant and equipment	5	(1,224,893)	--
Other income/expenses – net		147,513	251,314
Profit before tax		565,726	1,459,590
Income tax	20	(144,505)	--
Deferred tax	20	(18,400)	--
Profit for the period		402,821	1,459,590
Attributable to:			
Equity holders of the parent		485,256	1,459,590
Non-controlling interest		(82,435)	--
		402,821	1,459,590
Earnings per share			
Basic and diluted earnings per share	18	0.08	0.24

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

INDUSTRIES QATAR Q.P.S.C.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six-month period ended June 30, 2020

	For the six-month period ended June 30,	
	2020	2019
	(Reviewed)	(Reviewed)
	QR' 000	QR' 000
Profit for the period	402,821	1,459,590
Other comprehensive income/(loss)		
<i>Items that may be reclassified subsequently to statement of profit or loss</i>		
Share of other comprehensive income/(loss) of associates	845	(7,058)
Other comprehensive income/(loss) for the period	845	(7,058)
Total comprehensive income for the period	403,666	1,452,532
Attributable to:		
Equity holders of the parent	486,101	1,452,532
Non-controlling interest	(82,435)	--
	403,666	1,452,532

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

INDUSTRIES QATAR Q.P.S.C.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended June 30, 2020

	Share capital	Legal reserve	Hedging reserve	Other reserves	Retained earnings	Attributable to owners of the parent	Non- controlling interest	Total equity
	QR' 000	QR' 000	QR' 000	QR' 000	QR' 000	QR' 000	QR' 000	QR' 000
Balance as at December 31, 2019 (Audited)	6,050,000	158,148	(4,080)	6,057	28,019,701	34,229,826	--	34,229,826
Non-controlling interest arising from business combination (Note 10)	--	--	--	--	--	--	3,780,508	3,780,508
Profit for the period	--	--	--	--	485,256	485,256	(82,435)	402,821
Other comprehensive income	--	--	845	--	--	845	--	845
Total comprehensive income for the period	6,050,000	158,148	(3,235)	6,057	28,504,957	34,715,927	3,698,073	38,414,000
<i>Transaction with owners</i>								
Dividends declared (Note 19)	--	--	--	--	(2,420,000)	(2,420,000)	(1,260)	(2,421,260)
Balance at June 30, 2020 (Reviewed)	6,050,000	158,148	(3,235)	6,057	26,084,957	32,295,927	3,696,813	35,992,740

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

INDUSTRIES QATAR Q.P.S.C.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended June 30, 2020

	Share capital	Legal reserve	Hedging reserve	Other reserves	Retained earnings	Attributable to owners of the parent	Non- controlling interest	Total equity
	QR' 000	QR' 000	QR' 000	QR' 000	QR' 000	QR' 000	QR' 000	QR' 000
Balance as at December 31, 2018 (Audited)	6,050,000	126,824	602	15,905	29,297,132	35,490,463	--	35,490,463
Impact of adopting IFRS 16	--	--	--	--	(139,713)	(139,713)	--	(139,713)
Balance at January 1, 2019 – restated	6,050,000	126,824	602	15,905	29,157,419	35,350,750	--	35,350,750
Profit for the period	--	--	--	--	1,459,590	1,459,590	--	1,459,590
Other comprehensive loss	--	--	(7,058)	--	--	(7,058)	--	(7,058)
Total comprehensive income for the period	--	--	(7,058)	--	1,459,590	1,452,532	--	1,452,532
<i>Transaction with owners</i>								
Dividends declared (Note 19)	--	--	--	--	(3,630,000)	(3,630,000)	--	(3,630,000)
Balance at June 30, 2019 (Reviewed)	6,050,000	126,824	(6,456)	15,905	26,987,009	33,173,282	--	33,173,282

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

INDUSTRIES QATAR Q.P.S.C.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended June 30, 2020

	Note	For the six-month period ended June 30,	
		2020	2019
		(Reviewed) QR' 000	(Reviewed) QR' 000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		565,726	1,459,590
<i>Adjustments for:</i>			
Depreciation and amortisation	5	617,774	119,546
Amortisation of right-of-use assets		33,018	16,315
Provision for employees' end of service benefits		41,666	23,155
Fair value gain on business combination		(1,172,751)	--
Impairment loss on property, plant and equipment		1,224,893	--
Impairment loss reversal adjustment		10,000	--
Share of results of investments in associates	6	(6,726)	(82,496)
Share of results of investments in joint ventures	7	(309,170)	(1,104,813)
Loss on disposal of property, plant and equipment		152	1,147
Finance costs		16,860	5,965
Interest income		(152,543)	(189,013)
Provision for obsolete and slow moving inventories		16,003	--
Fair value loss on financial assets at fair value through profit or loss		11,388	28,138
Dividends received from financial assets at fair value through profit or loss		(15,455)	(15,455)
Cash flow from operating activities before changes in working capital		880,835	262,079
Movements in working capital			
Inventories		482,689	(320,315)
Trade and other receivables		533,192	61,105
Trade and other payables		(257,357)	(258,410)
Cash generated from/(used in) operating activities		1,639,359	(255,541)
Payments of employees' end of service benefits		(66,000)	(19,344)
Payment of contribution to social and sports fund		(59,572)	(124,919)
Net cash generated from/(used in) operating activities		1,513,787	(399,804)

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

INDUSTRIES QATAR Q.P.S.C.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended June 30, 2020

	Note	For the six-month period ended June 30,	
		2020	2019
		(Reviewed) QR' 000	(Reviewed) QR' 000
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment and catalysts	5	(139,518)	(95,787)
Movement in fixed deposits		2,408,241	494,717
Proceeds from disposal of property, plant and equipment		17	--
Dividends received from financial assets at fair value through profit or loss		15,455	15,455
Dividends received from investments in joint ventures		146,407	1,880,926
Dividends received from investment in associate		2,100	3,500
Interest income received		114,499	266,159
Receipt of loan given to investment accounted for using the equity method		--	98,318
Net cash addition from business combination	10	1,223,752	--
Net cash generated by investing activities		3,770,953	2,663,288
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid related to lease liability		(11,900)	(5,965)
Other finance charges paid		(2,045)	--
Payment of lease liability		(24,727)	(16,718)
Movement in unclaimed dividend bank accounts		(20,648)	(14,196)
Dividends paid		(2,399,352)	(3,615,803)
Net cash used in financing activities		(2,458,672)	(3,652,682)
Net increase/(decrease) in cash and cash equivalents		2,826,068	(1,389,198)
Cash and cash equivalents at January 1		1,838,317	1,883,715
Cash and cash equivalents at June 30	14(i)	4,664,385	494,517

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

INDUSTRIES QATAR Q.P.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six-month period ended June 30, 2020

1. INCORPORATION AND ACTIVITIES

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

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

Through the Group companies, IQ operates in three main distinct segments: petrochemicals, fertilisers and steel. More information about the Group activities is given in note 22. The structure of the Group, included in these interim condensed consolidated financial information is as follows:

	<u>Type of interest</u>	<u>Country of incorporation</u>	<u>Percentage of holding</u>
Qatar Steel Company Q.P.S.C.	Subsidiary	Qatar	100%
Qatar Steel Industrial Investment Company S.P.C.	Subsidiary	Qatar	100%
Qatar Steel Company FZE (Dubai)	Subsidiary	United Arab Emirates	100%
Qatar Fertiliser Company P.S.C. (“QAFCO”) (Note 10)	Subsidiary	State of Qatar	75%
Gulf Formaldehyde Company (Q.S.C.C.) (GFC)	Subsidiary	State of Qatar	52.50%
Qatar Melamine Company (Q.S.C.C.) (QMC)	Subsidiary	State of Qatar	45%

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

	<u>Type of interest</u>	<u>Country of incorporation</u>	<u>Percentage of holding</u>
Qatar Petrochemical Company (QAPCO) Q.P.J.S.C. (“QAPCO”)	Joint venture	State of Qatar	80%
Qatar Fuel Additives Company Limited Q.P.S.C. (“QAFAC”)	Joint venture	State of Qatar	50%
Qatar Metals Coating Company W.L.L.	Associate	State of Qatar	50%
SOLB Steel Company (SSC)	Associate	Kingdom of Saudi Arabia	31.03%
Foulath Holding B.S.C.	Associate	Kingdom of Bahrain	25%

INDUSTRIES QATAR Q.P.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six-month period ended June 30, 2020

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six-month period ended June 30, 2020 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”).

The interim condensed consolidated financial information are prepared in Qatari Riyals, which is the Group’s functional and presentation currency and all values are rounded to the nearest thousands (QR’ 000) except when otherwise indicated.

The interim condensed consolidated financial information does not include all information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended December 31, 2019. In addition, results for the six-month period ended June 30, 2020 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2020.

Judgments, estimates and risk management

The preparation of the interim condensed consolidated financial information requires management to make judgments, estimates and assumptions that affects the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group’s annual consolidated financial statements for the year ended December 31, 2019, except as mentioned in Note 4 and Note 25.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of this interim condensed consolidated financial information are consistent with those used in the preparation of the Group’s annual consolidated financial statements for the year ended December 31, 2019 and the notes attached thereto, except for the adoption of certain new and revised standards, that became effective in the current period and new policies as set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Application of new and revised International Financial Reporting Standards (IFRSs)

(i). Revised standards

Effective for annual periods beginning on or after January 1, 2020

- Amendments to IFRS 3 *Amendments to clarify the definition of a business*
- Amendments to IFRS 7 *Amendments regarding pre-replacement issues in the context of the IBOR reform.*
- Amendments to IFRS 9 *Amendments regarding pre-replacement issues in the context of the IBOR reform*
- Amendments to IAS 1, IAS 8 *Amendments regarding the definition of material*

(ii.) New and revised standards and interpretations but not yet effective

Effective for annual periods beginning on or after 1 January 2021

- Amendments regarding the classification of liabilities
- Original issue regarding IFRS 17 Insurance contracts
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and
- Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture

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

3.2 Revenue

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied or services rendered, stated net of freight, insurance, customs, off-take charges, discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Service fee

Revenue from the service fee upon rendering services in plant I – IV by converting natural gas received from Qatar Petroleum into fertilisers consists of fixed and a variable component. The Group will recognise the fixed annual rate which shall be the sum of the monthly portion of the annual operating expenses for the Group's facilities. This is recognized over time.

The margin of the Net Sales Proceeds derived from the sale of related products, under the Muntajat Sales Agreements, is recognized at a point in time.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred. At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Business combination (continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

4. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The critical judgements and estimates used in the preparation of these interim condensed consolidated financial information are consistent with those used in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2019 except for the changes highlighted below and in Note 25 which are primarily arising due to impact of Coronavirus ("COVID-19"):

Assessment of control over QAFCO

On December 31, 2019, the joint venture agreement between Yara and the Group expired. Due to the expiry of the joint venture agreement, the Group now has the power to appoint and remove the majority of the board of directors of the entity. The relevant activities of the above entities are determined by the board of directors based on simple majority votes. The management of the Group concluded that the Group now has control over QAFCO and hence consolidated QAFCO in these financial statements from the date of obtaining control. The Group has classified its 75% interest in QAFCO as a subsidiary after achieving control over the entity. The investment in QAFCO was previously accounted as a joint venture using the equity accounting method.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Due to the expiry of the joint venture agreement with the previous shareholder, the Group concluded that it now holds control over QAFCO with effect from January 1, 2020.

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

Valuation of investment in QAFCO at acquisition date

At the date of reclassification of investment in QAFCO as a subsidiary, the Group ceases to equity account for the share in the profit of QAFCO. The investment in QAFCO is remeasured to its acquisition-date fair value.

Management has provisionally assessed the fair value of the investment by using discounted cash flow model. The calculations were based on the following assumptions:

- WACC: 11.4%
- Utilization of capacity: 95% to 100%
- Enterprise value to Earnings Before interest, tax, depreciation and amortisation (EBITDA) multiple: 7 multiple
- Terminal period growth rate: 0%
- Projected cash flows over 5 years

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

Management is in the process of carrying out a final detailed valuation analysis and purchase price allocation, which is not yet complete at the date of these interim condensed consolidated financial statements.

Fair value of non-controlling interest in QAFCO at the time of acquisition

The fair value of the non-controlling interest in QAFCO, an unlisted company, was estimated based on the acquisition price of a recent acquisition of the non-controlling interest. Management believes that this price represents the fair market value of the 25% non-controlling interest in QAFCO.

Income tax

Under the provisions of the Law 24 of 2018, in particular Article 4 (11) of the said law, the tax exemptions does not apply to the share of profits attributable to companies that are owned, wholly or partly by the State, whether owned directly or indirectly, and that are engaged in Petroleum Operations or operating in Petrochemical Industry. Furthermore, Article 2 (12) of the executive regulations accompanying the Tax Law states that the tax exemption available to companies listed on the capital markets is not applicable to their components.

Management received a signed Memorandum of Understanding ("hereby referred to as the MOU") between Qatar Petroleum, General Tax Authority and Ministry of Finance. The MOU covers the tax reporting and payment implications applicable to the components of certain companies listed on Qatar Exchange.

The MOU also states that the tax amounts due on the share of the public shareholding companies will be recorded in the books and in the tax returns to be submitted to General Tax Authority. Each company shall pay the amount of the income tax relating to the share of profit of the public shareholding company directly to the public shareholding company, and settlement of this amount with the General Tax Authority will be made through the defined arrangement between the public shareholding company, Qatar Petroleum and the Ministry of Finance as per the MOU.

INDUSTRIES QATAR Q.P.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six-month period ended June 30, 2020

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

Income tax (continued)

Accordingly, for the purpose of accruing the tax liability for the financial period ended June 30, 2020 and the year ended December 31, 2019 management of the components has considered the taxable income of components as 100% taxable.

As the MOU was signed on February 04, 2020 any additional taxable amounts related to the year ended December 31, 2019, have been recorded the period.

Management of the Group has recorded the group tax credit received through the settlement mechanism defined in the MOU within the tax expense for that related to subsidiaries and within the share of results of investments in associates and joint ventures for group tax credit related to those Group entities. Deferred tax has been adjusted accordingly.

Period of mothballing for property and equipment

Due to continuous losses over past periods on sales made to international customers, Qatar Steel made a reassessment of its business model. Based on the reassessment made, the Group concluded that the prices of steel in export market are not expected to recover due to current COVID-19 pandemic and other economic factors to the extent, which will enable the Group to make profits on sales to international customer. Hence, the Board of Directors of Qatar Steel decided to cease Qatar Steel's foreign operations and mothball one of Qatar Steel's production facility until the prices of steel in international market comes to a sustainable position. Accordingly, Management assessed the impairment of property, plant and equipment during the current period which led to full impairment of property, plant and equipment related to the mothballed production facility.

INDUSTRIES QATAR Q.P.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six-month period ended June 30, 2020

5. PROPERTY, PLANT AND EQUIPMENT

	Buildings and foundation	Plant machinery and equipment	Furniture and fixtures	Capital work in progress	Total
	QR' 000	QR' 000	QR' 000	QR' 000	QR' 000
At December 31, 2019 (Audited):					
Cost	737,215	6,031,277	106,726	106,602	6,981,820
Accumulated depreciation	(429,721)	(3,125,729)	(90,350)	--	(3,645,800)
Net book value	307,494	2,905,548	16,376	106,602	3,336,020
Six-months period ended June 30, 2020 (Reviewed):					
Opening net book value	307,494	2,905,548	16,376	106,602	3,336,020
Additions	--	--	--	134,068	134,068
Additions from business combination	3,745,146	7,285,632	6,586	246,478	11,283,842
Transfers	11,544	(35,777)	3,420	(49,779)	(70,592)
Disposals	--	--	(169)	--	(169)
Impairment loss (ii)	--	(1,224,893)	--	--	(1,224,893)
Depreciation charge	(124,306)	(477,127)	(5,150)	--	(606,583)
Closing net book value	3,939,878	8,453,383	21,063	437,369	12,851,693
At June 30, 2020 (Reviewed)					
Cost	7,369,768	22,875,223	206,985	437,369	30,889,627
Accumulated depreciation and impairment losses	(3,429,890)	(14,421,841)	(185,922)	--	(18,037,934)
Net book value	3,939,878	8,453,383	21,063	437,369	12,851,693

(i) Refer to Note 25 for the assessment and conclusion made as a result of COVID-19.

INDUSTRIES QATAR Q.P.S.C.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

For the six-month period ended June 30, 2020

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

- (ii) Due to downward fluctuations in steel prices in export market and due to current economic impact of COVID-19 on global economies, Qatar Steel was forced to reassess its business model. Based on the business model's reassessment, the Group concluded to discontinue its export sales until the prices of steel in international market comes to a sustainable position. Accordingly, the Board of Directors of Qatar Steel approved the plan to "Mothball" Qatar Steel's production facilities which were used for the purpose of production of international supplies.

Due to "Mothballing" decision, the Group reassessed the recoverable amount of mothballed facility as at June 30, 2020 using value-in-use method and recorded QR. 1.22 billion of impairment loss as a result of the impairment assessment.

6. INVESTMENTS IN ASSOCIATES

Details of the Group's associates at June 30, are as follows:

<u>Name of associate</u>	<u>Principal activity</u>	<u>Place of incorporation and operation</u>	<u>Effective ownership %</u>	
			<u>June 30, 2020 (Reviewed)</u>	<u>December 31, 2019 (Audited)</u>
SOLB Steel Company (i)	Manufacturing of steel	Kingdom of Saudi Arabia	31.03%	31.03%
Foulath Holding B.S.C.	Manufacturing of steel	Kingdom of Bahrain	25%	25%
Qatar Metals Coating Company W.L.L.	Production of epoxy resin coated bars	State of Qatar	50%	50%

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

	<u>June 30, 2020</u> <u>QR' 000</u>	<u>December 31, 2019</u> <u>QR' 000</u>
Foulath holding B.S.C.	1,459,447	1,462,708
Qatar Metals Coating Company W.L.L.	11,940	13,206
SOLB Steel Company	--	--
	<u>1,471,387</u>	<u>1,475,914</u>

INDUSTRIES QATAR Q.P.S.C.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

For the six-month period ended June 30, 2020

6. INVESTMENTS IN ASSOCIATES (CONTINUED)

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

	June 30, 2020	December 31, 2019
	QR' 000	QR' 000
Balance at the beginning of the year	1,475,914	1,407,089
Dividends received from associates	(2,100)	(3,500)
Share of results from associates	6,726	75,328
Loan repayments	--	(98,321)
Reversal of impairment loss	--	100,000
Adjustment relating to reversal of impairment	(10,000)	--
Net share of other comprehensive income / (loss)	847	(4,682)
Balance at the end of the year	1,471,387	1,475,914

- i. SOLB Steel Company is a company incorporated in the Kingdom of Saudi Arabia and is engaged in the manufacture and sale of steel products. The investment was fully impaired during December 2018 and accordingly held at a carrying amount of zero as at December 31, 2019 and June 30, 2020. The share of results of SOLB Steel Company during the period was QR nil (June 30, 2019: QR. nil).

Foulath Holding B.S.C.

	June 30, 2020	December 31, 2019
	(Reviewed)	(Audited)
	QR' 000	QR' 000
Current assets	3,623,310	2,795,768
Non-current assets	5,603,522	5,678,597
Current liabilities	(2,638,344)	(2,053,866)
Non-current liabilities	(2,741,081)	(2,599,491)
Net assets	3,847,407	3,821,008
Group's share of associate's net assets percentage	25%	25%
Group's share of associate's net assets	961,852	955,252
Impairment	(180,000)	(170,000)
Goodwill	684,804	684,804
Other adjustments	(7,209)	(7,348)
Carrying amount of the investment	1,459,447	1,462,708

**For the six-month period
ended June 30,**

	2020	2019
	(Reviewed)	(Reviewed)
	QR' 000	QR' 000
Group's share of associate's revenue and results:		
Revenues	559,013	842,647
Share of results	5,892	81,237

INDUSTRIES QATAR Q.P.S.C.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

For the six-month period ended June 30, 2020

6. INVESTMENTS IN ASSOCIATES (CONTINUED)

Qatar Metals Coating Company W.L.L.	June 30, 2020 (Reviewed)	December 31, 2019 (Audited)
	QR' 000	QR' 000
Current assets	55,442	58,895
Non-current assets	11,555	12,123
Current liabilities	(14,627)	(16,459)
Non-current liabilities	(2,687)	(2,657)
Net assets	<u>49,683</u>	<u>51,902</u>
Group's share of associate's net assets percentage	50%	50%
Group's share of associate's net assets	24,842	25,951
Other adjustments	(12,902)	(12,745)
Carrying amount of the investment	<u>11,940</u>	<u>13,206</u>
	For the six-month period ended June 30,	
	2020	2019
	(Reviewed)	(Reviewed)
	QR' 000	QR' 000
Group's share of associate's revenue and results:		
Revenues	<u>17,982</u>	<u>22,994</u>
Share of results	<u>834</u>	<u>1,259</u>

7. INVESTMENTS IN JOINT VENTURES

Details of the Group's joint ventures at June 30, are as follows:

Name of joint ventures	Principal activity	Place of incorporation and operation	Effective ownership %	
			June 30, 2020 (Reviewed)	December 31, 2019 (Audited)
QAPCO	Petrochemical	Qatar	80%	80%
QAFCO (Note 10)	Fertiliser	Qatar	--	75%
QAFAC	Petrochemical	Qatar	50%	50%

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

	June 30, 2020 (Reviewed)	December 31, 2019 (Audited)
	QR'000s	QR'000s
Balance at January 1	16,732,460	17,885,703
Adoption of IFRS 16, Leases	--	(80,173)
Balance at January 1, as restated	<u>16,732,460</u>	<u>17,805,530</u>

INDUSTRIES QATAR Q.P.S.C.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

For the six-month period ended June 30, 2020

7. INVESTMENTS IN JOINT VENTURES (CONTINUED)

	June 30, 2020 (Reviewed)	December 31, 2019 (Audited)
	QR.'000s	QR.'000s
Balance at January 1,	16,732,460	17,805,530
Reclassification to subsidiary as a result of business combination	(9,847,874)	--
Share of net result of joint ventures	(238,730)	2,180,755
Deferred tax related to Group tax credit	421,922	--
Share of other comprehensive loss	--	(9,848)
Share of derecognition of exempted tax reserve	--	15,795
Dividends income	(146,650)	(3,259,772)
Balance at the end of the period / year	6,921,128	16,732,460

Reconciliation of share in net results of joint venture as presented in statement of profit or loss follow:

	June 30, 2020 (Reviewed)	December 31, 2019 (Audited)
	QR.'000s	QR.'000s
Share of net results of joint venture	(238,730)	2,180,755
Adjustment for the Group tax credit and related deferred tax	547,900	--
Share of results of investments in joint ventures	309,170	2,180,755

QAPCO

	June 30, 2020 (Reviewed)	December 31, 2019 (Audited)
	QR' 000	QR' 000
Current assets	1,743,050	1,672,790
Non-current assets	6,402,919	7,045,815
Current liabilities	(479,753)	(796,147)
Non-current liabilities	(506,238)	(507,642)
Net assets	7,159,978	7,414,816
Group's share of joint venture's net assets	5,727,982	5,931,853
Group tax related adjustments	436,981	--
Carrying amount of the investment	6,164,963	5,931,853

**For the six-month period
ended June 30,**

	2020 (Reviewed)	2019 (Reviewed)
	QR' 000	QR' 000
Group's share of joint venture's revenue and results:		
Revenues	1,063,301	1,192,763
Share of results	(203,870)	622,972

INDUSTRIES QATAR Q.P.S.C.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

For the six-month period ended June 30, 2020

7. INVESTMENTS IN JOINT VENTURES (CONTINUED)

QAFCO	June 30, 2020 (Reviewed)	December 31, 2019 (Audited)
	QR' 000	QR' 000
Current assets	--	2,916,560
Non-current assets	--	11,483,403
Current liabilities	--	(631,359)
Non-current liabilities	--	(497,597)
Non-controlling interest	--	(140,408)
Net assets	--	13,130,499
Carrying amount of the investment	--	9,847,874

**For the six-month period
ended June 30,**

	2020 (Reviewed)	2019 (Reviewed)
	QR' 000	QR' 000
Group's share of joint venture's revenue and results:		
Revenues	--	2,141,834
Share of results	--	437,853

QAFAC	June 30, 2020 (Reviewed)	December 31, 2019 (Audited)
	QR' 000	QR' 000
Current assets	462,156	825,914
Non-current assets	1,171,684	1,288,130
Current liabilities	(71,583)	(355,049)
Non-current liabilities	(137,534)	(173,552)
Net assets	1,424,723	1,585,443
Group's share of joint venture's net assets	712,362	792,722
Group tax related adjustments	43,803	160,011
Carrying amount of the investment	756,165	952,733

**For the six-month period
ended June 30,**

	2020 (Reviewed)	2019 (Reviewed)
	QR' 000	QR' 000
Group's share of joint venture's revenue and results:		
Revenues	309,559	401,172
Share of results	(34,860)	43,988

INDUSTRIES QATAR Q.P.S.C.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

For the six-month period ended June 30, 2020

8. LEASES*Group as a Lessee*

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

	Right-of-use assets					Lease liabilities
	Land and building	Heavy duty equipment	Motor vehicles	Other assets	Total	
	QR '000s	QR '000s	QR '000s	QR '000s	QR '000s	
January 1, 2020	52,927	38,031	6,118	37,512	134,588	200,804
Additions	120,326	--	--	--	120,326	120,976
Additions through business combination	135,338	--	1,739	654	137,731	231,628
Depreciation expense	(18,894)	(10,588)	(2,980)	(556)	(33,018)	--
Interest expense	--	--	--	--	--	14,815
Payments	--	--	--	--	--	(36,626)
June 30, 2020 (Reviewed)	289,697	27,443	4,877	37,610	359,627	531,597

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

INDUSTRIES QATAR Q.P.S.C.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

For the six-month period ended June 30, 2020

8. LEASES (CONTINUED)

The lease liability is presented in the financial statements as:

	June 30, 2020 (Reviewed)	December 31, 2019 (Audited)
	<u>QR' 000</u>	<u>QR' 000</u>
Current	84,086	33,026
Non-current	447,511	167,778
	<u>531,597</u>	<u>200,804</u>

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

9. INVENTORIES

	June 30, 2020 (Reviewed)	December 31, 2019 (Audited)
	<u>QR' 000</u>	<u>QR' 000</u>
Finished goods and goods for resale	380,705	663,632
Raw materials	367,348	346,593
Spares and consumables and supplies	884,966	199,209
Work in process	323,169	300,489
Additives	285,909	255,259
Goods in transit	32,914	120,296
	<u>2,275,011</u>	<u>1,885,478</u>
Less: Provision for slow-moving inventory and write downs	(147,942)	(33,986)
	<u>2,127,069</u>	<u>1,851,492</u>

Movements in the provision for obsolete and slow moving inventories are as follows:

	June 30, 2020 (Reviewed)	December 31, 2019 (Audited)
	<u>QR' 000</u>	<u>QR' 000</u>
Balance at the beginning of the period / year	(33,986)	(34,179)
Additional provision from business combination	(92,097)	--
Provision during the year	(16,003)	--
Write down of inventory to net realizable value	(6,006)	--
Reversal of provision	150	193
Balance at the end of the period / year	<u>(147,942)</u>	<u>(33,986)</u>

INDUSTRIES QATAR Q.P.S.C.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**For the six-month period ended June 30, 2020

10. BUSINESS COMBINATION

During the six-month period ended June 30, 2020, the Group has obtained control over QAFCO, which was previously accounted for as Investment in Joint Venture. Accordingly, the Group has consolidated the financial statements of the acquiree in accordance with requirements of IFRS 10 Consolidated Financial Statements effective from January 1, 2020.

Details of the purchase consideration of the subsidiary acquired, the net assets acquired and goodwill are as follows:

Purchase consideration:

	<u>Amount</u> <u>QR '000s</u>
Fair value of previously recognised investment in joint venture (i)	11,020,625
Fair value of non-controlling interest	<u>3,780,508</u>
Total purchase consideration	14,801,133
Less: Book value of the identifiable net assets of QAFCO (i)	<u>(13,271,007)</u>
Goodwill	<u><u>1,530,126</u></u>

- (i) The acquisition of control over QAFCO is considered a business combination achieved without transfer of consideration. As at the acquisition date, the Group measured the fair value of previously recognised investment in joint venture based on a discounted cash flow approach. Assumptions used by the management in assessing the fair value of the previously recognized investment in joint venture are disclosed in Note 4 to these interim condensed consolidated financial statements. As a result of assessing the fair value of the previously held interest in QAFCO, the Group recognizes fair value gain amounting to QR. 1,173 million recorded in the statement of profit or loss.

Net cash inflow on acquisition of subsidiary

	<u>Amount</u> <u>QR. 000</u>
Cash and cash equivalent balances acquired	1,223,752
Less: consideration paid in cash	<u>--</u>
	<u><u>1,223,752</u></u>

INDUSTRIES QATAR Q.P.S.C.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

For the six-month period ended June 30, 2020

10. BUSINESS COMBINATION (CONTINUED)

The identifiable assets acquired and liabilities assumed as a result of acquisition are as follows:

	Amount
	QR '000
Cash and cash equivalents	1,223,752
Due from related parties	828,253
Trade and other receivables	111,146
Inventories	774,269
Catalysts	30,273
Intangible asset – license fee	10,400
Property, plant and equipment	11,283,842
Right of use assets	137,732
Deferred tax asset	296
Provision for employee benefits	(292,274)
Lease liabilities	(231,628)
Deferred tax liabilities	(20,969)
Trade and other payables	(237,028)
Due to related parties	(238,690)
Income tax payable	(108,367)
Net identifiable assets acquired	13,271,007
Goodwill	1,530,126
Total net assets acquired through business combination	14,801,133
Share of non-controlling interest in the opening equity	3,780,508

The initial accounting for the acquisition of QAFCO has been provisionally determined at the end of the reporting period. At the date of finalization of these interim condensed consolidated financial statements, the necessary market valuations and other calculations had not been finalized and they have, therefore, only been provisionally determined based on management's best estimated fair values using the carrying values at acquisition. Accordingly, management is in the process of carrying out a detailed fair market value assessment of the assets and liabilities and purchase price allocation.

Notes to cash flow statement

The net identifiable assets acquired amounting QR. 12,047 million (QR. 13,271 million excluding cash and cash equivalent of QR. 1,224 million) are non-cash activities and are not reflected in the statement of cash flows.

Non-controlling interest

The non-controlling interest (25% ownership interest in QAFCO) recognized at the acquisition date was measured by reference to the fair value of the non-controlling interest and amounted to QR. 3,781 million.

INDUSTRIES QATAR Q.P.S.C.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**For the six-month period ended June 30, 2020

10. BUSINESS COMBINATION (CONTINUED)

The profit allocated to non-controlling interest and the accumulated non-controlling interest as June 30, 2020 is set out below:

	Proportion of ownership interest	Profit (loss) allocated to non- controlling interest	Accumulated non-controlling interest
		June 30, 2020 QR '000	June 30, 2020 QR '000
Non-controlling interest	25%	(82,435)	3,696,813

Summarized financial information as at June 30, 2020 in respect of the above subsidiary that has non-controlling interest is set out below:

	Amount
	QR '000
Current assets	3,583,434
Non current assets	11,130,886
Current liabilities	1,092,051
Non current liabilities	645,064
Equity attributable to owners of the Company	12,850,357
Non controlling interests	126,847
Revenue	1,928,887
Profit (loss) for the year	(292,542)
Profit (loss) attributable to owners of the Company	(280,142)
Profit (loss) attributable to non controlling interest	12,400

INDUSTRIES QATAR Q.P.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six-month period ended June 30, 2020

11. TRADE AND OTHER RECEIVABLES

	June 30, 2020 (Reviewed)	December 31, 2019 (Audited)
	<u>QR' 000</u>	<u>QR' 000</u>
Trade accounts receivable at amortized cost	200,761	123,222
Due from related parties (Note 13.2)	450,967	400,090
Advances to suppliers	26,017	85,670
Prepayments	113,622	36,608
Loans to employees	112,409	80,887
Accrued interest	122,983	83,883
Other receivables	23,305	16,801
	<u>1,050,064</u>	<u>827,161</u>
Less: loss allowance (i)	(54,851)	(54,068)
	<u>995,213</u>	<u>773,093</u>
Trade accounts receivable measured at fair value (Note 13.2)	738,354	524,153
	<u><u>1,733,567</u></u>	<u><u>1,297,246</u></u>

- i) The Group has recorded a loss allowance on trade accounts receivable and due from related parties amounting to QR 1.2 million (2019: QR 0.41 million) and QR 53.65 million (2019: QR 53.65 million) (Note 13.2), respectively. No interest is charged on outstanding trade receivables.

Movement in loss allowance

	June 30, 2020 (Reviewed)	December 31, 2019 (Audited)
	<u>QR' 000</u>	<u>QR' 000</u>
Balance as at January 1,	54,068	54,068
Net remeasurement of loss allowance	--	--
Loss allowance from business combination	783	--
Balance as at the end of the period/year	<u><u>54,851</u></u>	<u><u>54,068</u></u>

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

	June 30, 2020 (Reviewed)	December 31, 2019 (Audited)
	<u>QR' 000</u>	<u>QR' 000</u>
Balance at the beginning of the period / year	324,581	364,027
Decrease in fair value	(11,388)	(39,446)
Balance at the end of the period/ year	<u><u>313,193</u></u>	<u><u>324,581</u></u>

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

INDUSTRIES QATAR Q.P.S.C.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

For the six-month period ended June 30, 2020

13. RELATED PARTIES**13.1 RELATED PARTIES TRANSACTIONS**

Related parties, as defined in International Accounting Standard 24: *Related Party Disclosures*, include associate companies, major shareholders, directors and other key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties.

The following transactions were carried out with related parties:

	June 30, 2020 (Reviewed) QR' 000	June 30, 2019 (Reviewed) QR' 000
Sales of goods and services		
<i>Associates and their subsidiaries</i>		
Qatar Metals Coating Company W.L.L	24,865	37,919
<i>Ultimate Parent</i>		
Qatar Petroleum	584,814	1,912
<i>Entities under common control</i>		
Gasal Company Q.S.C.	17	27
Qatar Chemical and Petrochemical Marketing and Distribution Company (Muntajat) Q.J.S.C.	2,717,092	1,677,201
	3,326,788	1,717,059
	June 30, 2020 (Reviewed) QR' 000	June 30, 2019 (Reviewed) QR' 000
Purchases of goods and services		
<i>Ultimate Parent</i>		
Qatar Petroleum	401,181	66,777
<i>Joint ventures</i>		
QAFCO (Note 10)	--	204
QAFAC	12,900	--
QAPCO	437	610
	13,337	814
<i>Entities under common control</i>		
Gasal Company Q.S.C.	27,300	29,009
Qatar Chemical and Petrochemical Marketing and Distribution Company (Muntajat) Q.J.S.C	5,662	850
Qatar Fuel Company (WOQOD) Q.P.S.C	4,160	5,622
	37,122	35,481
	451,640	103,072

INDUSTRIES QATAR Q.P.S.C.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

For the six-month period ended June 30, 2020

13. RELATED PARTIES (CONTINUED)**13.2 RELATED PARTIES BALANCES**

The following are the balances arising on transactions with related parties:

	June 30, 2020 (Reviewed) QR' 000	December 31, 2019 (Audited) QR' 000
Receivables from related parties		
Measured at amortised cost:		
<i>Ultimate parent</i>		
Qatar Petroleum	10,803	--
<i>Joint venture</i>		
QAPCO	125,979	329,600
QAFAC	262	--
<i>Associates and their subsidiaries</i>		
Qatar Metals Coating Company W.L.L.	13,519	15,289
SOLB Steel Company	53,614	53,614
SULB Company B.S.C.	40	40
<i>Entity under common control:</i>		
Qatar Chemical and Petrochemical Marketing and Distribution Company (Muntajat) Q.J.S.C.	235,711	--
Al Koot Insurance and Reinsurance Company P.J.S.C.	10,910	--
Qatar Vinyl Company Limited Q.P.J.S.C.	129	--
GASAL Company Q.S.C.	--	1,547
	450,967	400,090
Less: loss allowance (i)	(53,654)	(53,654)
	397,313	346,436
Measured at fair value through profit or loss:		
<i>Entities under common control</i>		
Qatar Chemical and Petrochemical Marketing and Distribution Company (Muntajat) Q.J.S.C.	738,354	542,153
	1,135,667	870,589

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

INDUSTRIES QATAR Q.P.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six-month period ended June 30, 2020

13. RELATED PARTIES (CONTINUED)**13.2 RELATED PARTIES BALANCES (CONTINUED)**

	June 30, 2020 (Reviewed)	December 31, 2019 (Audited)
	<u>QR' 000</u>	<u>QR' 000</u>
Payables to related parties		
<i>Ultimate parent</i>		
Qatar Petroleum	358,183	23,301
<i>Joint venture</i>		
QAFAC	3,231	--
<i>Shareholder in a subsidiary</i>		
Qatar Industrial Manufacturing Company	513	--
<i>Entities under common control</i>		
Gasal Company Q.S.C.	1,007	--
Al Koot Insurance And Reinsurance Company P.J.S.C.	29	
Qatar Chemical Company Limited Q.P.J.S.C.	61	
Qatar Fuel Company (WOQOD) Q.P.S.C	43	325
	<u>363,067</u>	<u>23,626</u>

A significant portion of the Group's transactions are with the shareholders. The prices and terms of payment for these transactions are in accordance with specific agreements entered into, with the shareholders as follows:

- (a) Gas sale and purchase agreement entered with Qatar Petroleum, on June 18, 1994 for a period of 25 years (renewable), to purchase feed gas to use for the production of Urea and Ammonia. This agreement was amended on and from January 09, 2017. The agreement has expired last December 31, 2019.
- (b) Gas sale and purchase agreement entered with Qatar Petroleum, on June 01, 2010 for a period until January 01, 2034 (renewable), to purchase feed gas to use for the production of Urea and Ammonia for QAFCO - V project. This agreement was amended on and from March 31, 2013.
- (c) Effective March 01, 2013 the Group has entered into an agreement with Muntajat, whereby the latter will provide all marketing and sales services to the Group.
- (d) Effective January 01, 2020 the Group has entered into a gas processing agreement with Qatar Petroleum, whereby the title of the inventories of Qatar Fertiliser Company plant I to IV shall at all times remain with Qatar Petroleum. The Company, as agent on behalf of Qatar Petroleum, deliver and sell Products to Muntajat pursuant to and in accordance with the Muntajat Sales Agreements. Qatar Petroleum shall pay Qatar Fertiliser Company a processing charge relating to the operating expenditure for producing Product from Qatar Fertiliser Company's Facilities.

INDUSTRIES QATAR Q.P.S.C.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

For the six-month period ended June 30, 2020

13. RELATED PARTIES (CONTINUED)**13.2 GUARANTEES WITH RELATED PARTIES**

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

13.3 COMPENSATION OF KEY MANAGEMENT PERSONNEL

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

	June 30, 2020 (Reviewed) QR' 000	June 30, 2019 (Reviewed) QR' 000
Board of Directors' sitting fees	6,030	4,650
Short term benefits to key management personnel	14,678	8,505
	20,708	13,155

14. CASH AND BANK BALANCES

	June 30, 2020 (Reviewed) QR' 000	December 31, 2019 (Audited) QR' 000
Cash and bank balances	926,567	263,841
Short term fixed deposits	3,879,746	1,695,756
	4,806,313	1,959,597

INDUSTRIES QATAR Q.P.S.C.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

For the six-month period ended June 30, 2020

14. CASH AND BANK BALANCES (CONTINUED)

- i) For the purpose of the interim condensed consolidated statement of cash flows, bank balances consist of the following:

	June 30, 2020 (Reviewed) QR' 000	December 31, 2019 (Audited) QR' 000
Cash and bank balances	4,806,313	1,959,597
Less: Dividend accounts	(141,928)	(121,280)
Cash and cash equivalents	4,664,385	1,838,317

- ii) As at June 30, 2020, fixed deposits with maturities greater than 90 days amounted to QR 6,350 million (December 31, 2019: QR 8,758 million). Fixed deposits are held with banks and denominated mainly in Qatari Riyals with an average effective interest rate of 3.20% (December 31, 2019: 3.76%).

15. PROVISION FOR EMPLOYEE BENEFITS

The Group provides for end of service benefits for its employees. Movements in the provision are as follows:

	June 30, 2020 (Reviewed) QR' 000	December 31, 2019 (Audited) QR' 000
Balance at the beginning of the period / year	200,684	205,024
Addition from business combination	387,425	--
Provision during the period / year	41,666	35,579
End of service benefits paid	(161,151)	(39,919)
Balance at the end of the period / year	468,624	200,684
Current	10,956	--
Non-current	457,668	200,684
	468,624	200,684

INDUSTRIES QATAR Q.P.S.C.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

For the six-month period ended June 30, 2020

16. REVENUES

The Group derives its revenue from contracts with customers for the transfer of goods and services at a point in time and overtime as following:

	For the six-month ended June 30,	
	2020	2019
	(Reviewed)	(Reviewed)
	QR' 000	QR' 000
Disaggregation of revenue – over time		
Processing fee (Annual Operating Expenditure)	507,780	--
Disaggregation of revenue – at a point in time		
Bar sales	1,416,614	1,907,548
Billet sales	276,648	247,445
Coil sales	100,397	158,145
Processing fee (Margin of Net Sales Proceeds)	77,024	--
Urea sales	1,221,461	--
Ammonia sales	61,262	--
Melamine sales	61,360	--
	3,722,546	2,313,138

17. COST OF SALES

	For the six-month ended June 30,	
	2020	2019
	(Reviewed)	(Reviewed)
	QR' 000	QR' 000
Raw materials consumed	1,436,618	1,665,800
Utilities	193,994	223,638
Salaries and wages	414,852	255,096
Depreciation	559,718	117,376
Repair and maintenance	86,173	44,433
Amortisation of right-of-use assets	18,001	16,315
Others	143,618	73,986
Net changes in inventory of finished products and work in progress	433,798	(208,517)
	3,286,772	2,188,127

INDUSTRIES QATAR Q.P.S.C.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

For the six-month period ended June 30, 2020

18. BASIC AND DILUTED EARNINGS PER SHARE

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

	For the six-month ended June 30,	
	2020 (Reviewed)	2019 (Reviewed)
Profit for the period (QR' 000)	<u>485,256</u>	<u>1,459,590</u>
Weighted average number of shares outstanding during the period (in thousands)	<u>6,050,000</u>	<u>6,050,000</u>
Basic and diluted earnings per share (expressed in QR per share)	<u>0.08</u>	<u>0.24</u>

19. DIVIDENDS

During the period, cash dividends of QR. 4 per share amounting to QR. 2,420 million relating to 2019 were approved by the shareholders at the Annual General Assembly Meeting held on March 1, 2020 (June 30, 2019: QR 6 per share amounting to QR 3,630 million relating to 2018).

20. INCOME TAX

	For the six-month ended June 30,	
	2020 (Reviewed)	2019 (Reviewed)
<i>Current income tax</i>		
Current income tax charge	137,951	--
Adjustments for prior year income tax	<u>440,067</u>	--
	578,018	--
Group tax credit (i)	<u>(433,513)</u>	--
	144,505	--
<i>Deferred tax</i>		
	<u>18,400</u>	--
	<u>162,905</u>	--

(i) As per the MOU between the General Tax Authority and Ministry of Finance, the proportion of income tax of the subsidiaries, joint ventures and their components attributable to the effective shareholding of the public shareholding company shall be settled with the General Tax Authority by the Ministry of Finance through the defined settlement arrangement between the public shareholding company, Qatar Petroleum and the Ministry of Finance.

INDUSTRIES QATAR Q.P.S.C.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

For the six-month period ended June 30, 2020

20. INCOME TAX (CONTINUED)

Reconciliation between income tax and the product of accounting profit multiplied by the effective tax rate for the year is as follows:

	For the six months ended	
	June 30, 2020	June 30, 2019
	(Reviewed)	(Reviewed)
	QR' 000	QR' 000
Profit before tax	565,733	--
Adjustments for:		
Non-taxable income	(1,595,934)	--
Non-deductible expenses and losses	1,424,346	--
Taxable income	394,145	--
Current income tax at 35%	137,951	--

Movement of income tax payable is as follow:

	For the six months ended	
	June 30, 2020	June 30, 2019
	(Reviewed)	(Reviewed)
	QR' 000	QR' 000
Opening balance	--	--
Additions through business combination	108,367	
Income tax for the period	137,951	--
Income tax for the prior year net of previously recognized payable	332,931	--
Amount paid during the period	(111,346)	--
Group tax credit	(433,513)	
Closing balance	34,390	--

Movement of deferred tax asset is as follow:

	For the six months ended	
	June 30, 2020	June 30, 2019
	(Reviewed)	(Reviewed)
	QR' 000	QR' 000
Opening balance	--	--
Additions through business combination	296	--
Increase due to change in tax status	418	--
Deferred tax income during the period	193	--
Group consolidation adjustment	(222)	
Closing balance	685	--

INDUSTRIES QATAR Q.P.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six-month period ended June 30, 2020

20. INCOME TAX (CONTINUED)

Movement of deferred tax liability is as follow

	For the six months ended	
	June 30, 2020	June 30, 2019
	(Reviewed)	(Reviewed)
	QR' 000	QR' 000
Opening balance	--	--
Additions through business combination	20,969	--
Increase due to change in tax status	15,726	--
Deferred tax income during the period / year	(1,928)	--
Group consolidation adjustment	(15,859)	--
Closing balance	18,908	--

21. FINANCIAL INSTRUMENTS

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

Level 1: Quoted prices (unadjusted) prices in active markets for identical assets or liabilities that the Group can access at the measurement date;

Level 2: Inputs other than quoted prices included within level 1 that are observable for the assets of liability, either directly or indirectly; and

Level 3: Unobservable inputs for the asset or liability.

The following table provides the fair value measurement hierarchy of the Group's financial asset and liabilities at June 30, 2020 and December 31, 2019.

	Financial assets	Hierarchy levels			
	FVTPL	1	2	3	Total
	QR' 000	QR' 000	QR' 000	QR' 000	QR' 000
June 30, 2020 (Reviewed)					
Financial assets at fair value through profit or loss (FVTPL) (Note 12)	313,193	309,608	--	3,585	313,193
Trade accounts receivable measured at fair value (Note 13.2)	738,354	--	738,354	--	738,354
December 31, 2019 (Audited)					
Financial assets at fair value through profit or loss (FVTPL) (Note 12)	324,581	320,996	--	3,585	324,581
Trade accounts receivable measured at fair value (Note 13.2)	542,153	--	542,153	--	542,153

INDUSTRIES QATAR Q.P.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six-month period ended June 30, 2020

21. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Valuation techniques and assumptions applied for the purposes of measuring fair value.

Fair value measurements recognised in the statement of financial position.

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined:

Financial assets	Fair value as at		Carrying Value as at		Fair value hierarchy
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019	
	(Reviewed)	(Audited)	(Reviewed)	(Audited)	
	QR' 000	QR' 000	QR' 000	QR' 000	
Financial assets at fair value through profit or loss (FVTPL) (Note 12)	313,193	324,581	--	--	Level 1 and 3
Trade accounts receivable measured at fair value (Note 13.2)	738,354	542,153	738,354	542,153	Level 2

Management consider that the carrying amounts of financial assets and financial liabilities recognised in these interim condensed consolidated financial information approximate their fair values.

22. SEGMENT INFORMATION

Information regarding the Group's reportable segments is set out below in accordance with "IFRS 8 Operating Segments". IFRS 8 requires reportable segments to be identified on the basis of internal reports that are regularly reviewed by the Group's Managing Director and used to allocate resources to the segments and to assess their performance. The majority of the Group's revenues, profits and assets relate to its operations in the State of Qatar.

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

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

INDUSTRIES QATAR Q.P.S.C.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

For the six-month period ended June 30, 2020

22. SEGMENT INFORMATION (CONTINUED)**Operating segments:**

The following table present revenue and profit information regarding the Group's operating segments for the six month period ended June 30, 2020 and 2019:

For the six month period ended June 30, 2020 (reviewed)

	<u>Petrochemicals</u> QR' 000	<u>Fertilisers</u> QR' 000	<u>Steel</u> QR' 000	<u>Combined</u> QR' 000	<u>Adjustments and Elimination</u> QR' 000	<u>Consolidated</u> QR' 000
Revenue						
External customers	1,372,859	1,928,887	1,793,659	5,095,405	(1,372,859)	3,722,546
Inter-segment revenue	--	--	--	--	--	--
Total revenue	<u>1,372,859</u>	<u>1,928,887</u>	<u>1,793,659</u>	<u>5,095,405</u>	<u>(1,372,859)</u>	<u>3,722,546</u>
	<u>Petrochemicals</u> QR' 000	<u>Fertilisers</u> QR' 000	<u>Steel</u> QR' 000	<u>Combined</u> QR' 000	<u>Adjustments and Elimination</u> QR' 000	<u>Consolidated</u> QR' 000
Results						
Segment profit before tax	309,170	371,474	(1,389,276)	(708,632)	1,274,358	565,726
Depreciation and amortisation	193,173	520,931	129,861	843,964	(193,173)	650,792
Finance costs	3,213	11,304	5,556	20,073	(3,213)	16,860

INDUSTRIES QATAR Q.P.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six-month period ended June 30, 2020

22. SEGMENT INFORMATION (CONTINUED)**Operating segments (continued)***For the six month period ended June 30, 2019 (reviewed)*

	Petrochemicals	Fertilisers	Steel	Combined	Adjustments and Elimination	Consolidated
	QR' 000	QR' 000	QR' 000	QR' 000	QR' 000	QR' 000
Revenue						
External customers	1,593,935	2,141,834	2,313,138	6,048,907	(3,735,769)	2,313,138
Inter-segment revenue	--	--	--	--	--	--
Total revenue	<u>1,593,935</u>	<u>2,141,834</u>	<u>2,313,138</u>	<u>6,048,907</u>	<u>(3,735,769)</u>	<u>2,313,138</u>

	Petrochemicals	Fertilisers	Steel	Combined	Adjustments and Elimination	Consolidated
	QR' 000	QR' 000	QR' 000	QR' 000	QR' 000	QR' 000
Results						
Segment profit before tax	666,960	437,853	146,970	1,251,783	207,807	1,459,590
Depreciation and amortisation	200,605	395,147	135,861	731,613	(595,752)	135,861
Finance costs	4,423	5,096	5,965	15,484	(9,519)	5,965

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.

INDUSTRIES QATAR Q.P.S.C.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

For the six-month period ended June 30, 2020

22. SEGMENT INFORMATION (CONTINUED)**Operating segments (continued)**

Revenues of approximately QR 4,005 million (June 30, 2019: QR. 5,362 million) are derived from a single external customer, Qatar Chemical and Petrochemical Marketing and Distribution Company Q.J.S.C. (“Muntajat”). Pursuant to Decree Law 11 of 2012 of the State of Qatar, Muntajat was established in the year 2012 to carry out marketing and distribution activities of all regulated chemical and petrochemical products.

The Group entities are domiciled in Qatar, the Kingdom of Bahrain, the Kingdom of Saudi Arabia and United Arab Emirates. Of the group’s revenues in the six-month period 2020, 88% is made in Qatar (2019: 74%), 8% is made in UAE (2019: 16%) and the remaining is distributed in a number of countries which is not split for purpose of segment reporting.

The following table presents segment assets of the Group’s operating segments as at June 30, 2020 and December 31, 2019.

Segment assets	Adjustments				Total
	Petrochemicals	Fertilisers	Steel	and eliminations	
	QR’ 000	QR’ 000	QR’ 000	QR’ 000	QR’ 000
At June 30, 2020					
(Reviewed)	7,337,796	14,714,320	6,815,473	9,702,902	38,570,491
At December 31, 2019 (Audited)	8,031,906	10,799,972	8,475,025	8,563,414	35,870,317

23. CONTINGENCIES

The Group had contingent liabilities in respect of bank and other guarantees, legal claims and other matters arising in the ordinary course of business.

The Group’s contingent liabilities are as follows:

	June 30, 2020 (Reviewed) QR’ 000	December 31, 2019 (Audited) QR’ 000
Letters of credit	109,246	32,569
Bank guarantees	4,346	4,256
Legal cases	29,740	29,790
Donations to Qatar University	10,000	--

The below table provides the Group’s share in the contingencies of the joint ventures:

	QAPCO QR’ 000
As of June 30, 2020 (Reviewed)	
Bank guarantees	80
Letters of credit	4,449
	4,529

INDUSTRIES QATAR Q.P.S.C.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

For the six-month period ended June 30, 2020

23. CONTINGENCIES (CONTINUED)

	<u>QAPCO</u> QR' 000	<u>QAFCO</u> QR' 000	<u>Total</u> QR' 000
As of December 31, 2019 (Audited)			
Letters of credit	4,450	--	4,450
Bank guarantees	80	75	155
Donations to Qatar University	--	7,500	7,500
	<u>4,530</u>	<u>7,575</u>	<u>12,105</u>

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 behind what is recognised at period end. Legal cases represent claims not acknowledged based on the confirmation received from the Group's lawyers.

Site restoration obligations

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

Under the lease agreements, the lessor has the right, upon termination or expiration of the lease term, to notify the lessee 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
- remove the facilities and all the other properties from the land and restore it to at least the condition in which it was delivered to the Group entities, 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 elected by the lessor. However, it has been assessed by Group management that it is more likely for the lessor to opt not to request the Group entities to restore leased lands to their original condition when they were delivered to the Group entities.

As required by IAS 37, the Group assesses 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 June 30, 2020 and December 31, 2019 no provision has been recognised for its restoration obligations.

Refer to Note 25 for the assessment and conclusion made as a result of COVID-19.

INDUSTRIES QATAR Q.P.S.C.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

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24. COMMITMENTS

(i) Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as a liability is as follows:

	June 30, 2020 (Reviewed) QR' 000	December 31, 2019 (Audited) QR' 000
Property, plant and equipment	471,586	96,758

(ii) Group's share in commitments incurred by joint venture entities:

	QAPCO QR' 000	QAFAC QR' 000	Total QR' 000
As of June 30, 2020 (Reviewed)			
Capital commitments	235,672	51,125	286,797
	QAPCO QR' 000	QAFAC QR' 000	QAFCO QR' 000
As of December 31, 2019 (Audited)			
Capital commitments	124,546	54,320	241,692
	Total QR' 000		420,558

25. IMPACT OF COVID-19

On March 11, 2020, COVID-19 was declared as pandemic by the World Health Organisation and is causing disruptions to businesses and economic activities. The fiscal and monetary authorities, both domestic and international, have announced various support measures across the globe to counter possible adverse implications. The Group is closely monitoring the situation progress and has activated its business continuity planning and other risk management practices to manage the potential business operation disruption and financial performance in 2020.

25. IMPACT OF COVID-19 (CONTINUED)

COVID-19 has brought about uncertainties in the global economic environment. In light of the rapidly escalating situation, the Group has considered whether any adjustments and changes in judgments, estimates and risk management are required to be considered and reported in the interim condensed consolidated financial statements. The Group's business operations are affected as a result of significant weaker oil prices and a general decline in demand owing to slowdown in GDP growth and industrial activity. These adverse conditions directly translated into declining commodity prices and caused product prices to fall.

Impairment of property, plant and equipment

The Group's management tested its property, plant and equipment for impairment as at reporting date due to indicators of impairments existed at that date.

Impairment testing is an area involving management judgment, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections discounted at an appropriate rate. For the purpose of the impairment testing, assets are grouped together into CGU. In calculating value in use, certain assumptions are required to be made in respect of highly uncertain matters including the estimated future cash flows that are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset/CGU.

The Group prepares detailed long term plans for its property, plant and equipment which are reflected in the financial models. These plans are reviewed and approved by the management of the Group and are subsequently used as the basis for its impairment reviews. In estimating the value in use, the Group uses financial models which are regularly reviewed and updated over the operating period of the assets. As part of the review process, management challenges and reassess the validity of the underlying assumptions of these financial models.

In calculating the net present value of the future cash flows, the following assumptions are to be made in respect of highly uncertain matters, including:

- Discount rates: 12%
- Terminal period growth rate: 3%
- Projected cash flows over 5 years
- Scrap value: Nil

During the year, the Group has assessed impairment on property, plant and equipment amounting to QR. 1.22 billion. The details of the impairment are disclosed in Note 5.

Impairment of investments in joint ventures, associates and other assets

The Group's management reviews periodically its investments in joint ventures and associates to assess whether indicators exist that the investment impaired.

The Group has performed a qualitative assessment for its investments in joint ventures and associates and compared the actual results for the six-month period ended June 30 2020 against the budget and industry benchmarks and conclude that the impairment assessment remains unchanged.

25. IMPACT OF COVID-19 (CONTINUED)

The Group has also considered any impairment indicators and any significant uncertainties impacting its inventories and right-of-use assets especially arising from any change in lease terms and concluded that there is no material impact of COVID-19.

The uncertainties caused by COVID-19 have required the Group to reassess the inputs and assumptions used for the determination of expected credit losses (“ECLs”) as at June 30, 2020. The Group has updated the relevant forward-looking information of its international operations with respect to; the weightings of the relevant macroeconomic scenarios of the respective market in which it operates; significant increase in credit risk; and assessing the indicators of impairment for the exposures in potentially affected sectors. As a result, the Group determined that it has adequate provision on impacted assets for the six-month period ended June 30, 2020.

Commitments and contingent liabilities

The Group has assessed the impact of any operational disruptions, including any contractual challenges and changes in business or commercial relationships among the Group entities, customers and suppliers, to determine if there is any potential increase in contingent liabilities and commitments. As a result of the assessment, the Group concluded that there is no material impact on the Group’s contingent liabilities and commitments. Refer to Notes 23 and 24.

Going concern

The Group has performed an assessment of whether it is a going concern in the light of current economic conditions and all available information about future risks and uncertainties. The projections have been prepared covering the Group’s future performance, capital and liquidity. The impact of COVID-19 may continue to evolve, but at the present time the projections show that the Group has sufficient resources to continue in operational existence and its going concern position remains largely unaffected and unchanged from December 31, 2019. As a result, these interim condensed consolidated financial statements have been appropriately prepared on a going concern basis.

The Group will continue to closely monitor the impact of COVID-19 as the situation progresses to manage the potential business disruption COVID-19 outbreak may have on its’ operations and financial performance in 2020.

26. APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

This interim condensed financial information was approved by the Board of Directors and authorised for issue on July 27, 2020.