Industries Qatar Q.P.S.C.

Interim condensed consolidated financial information and independent auditor's review report for the six-month period ended 30 June 2018

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Independent auditor's review report to the Shareholders of Industries Qatar Q.P.S.C.

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 30 June 2018 and the related interim condensed consolidated statements of profit or loss and comprehensive income for the six-month period then ended, and interim condensed consolidated statements of changes in equity and cash flows for the six-month period then ended, and notes comprising changes in significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, 'Interim financial reporting' as issued by the 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.

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.

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
8 August 2018

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2018 (Reviewed)	31 December 2017 (Audited)
ASSETS			
Non–current assets			
Property, plant and equipment	5	**3,476,645**	3,520,369
Investment in associates	6	**1,368,090**	1,438,788
Investment in joint ventures	7	**18,588,585**	18,848,000
Available-for-sale investments		**-**	533,890
Financial assets at fair value through other comprehensive income (FVOCI)		**2,230**	-
		23,435,550	24,341,047
Current assets			
Inventories		**1,387,729**	1,444,233
Trade and other receivables	8	**1,797,306**	1,903,439
Financial assets at fair value through profit or loss (FVPL)	9	**363,368**	3,585
Fixed deposits	11(b)	**4,636,400**	7,041,075
Cash and cash equivalents	11(a)	**3,014,742**	747,627
		11,199,545	11,139,959
Total assets		**34,635,095**	35,481,006
EQUITY AND LIABILITIES			
EQUITY			
Share capital		**6,050,000**	6,050,000
Legal reserve		**94,863**	94,863
Fair value reserve		**2,020**	232,941
Hedging reserve		**843**	(747)
Retained earnings		**27,549,585**	27,861,591
Total equity		**33,697,311**	34,238,648
LIABILITIES			
Non-current liabilities			
Employees' end of service benefits		**200,473**	199,095
Current liabilities			
Borrowings	12	**-**	225,758
Trade and other payables		**737,311**	817,505
		737,311	1,043,263
Total liabilities		**937,784**	1,242,358
Total equity and liabilities		**34,635,095**	35,481,006

This interim condensed consolidated financial information was approved by the Board of Directors and authorised for issue on 8th August 2018 by:

Saad Sherida Al Kaabi
Chairman and Managing Director

Abdulaziz Mohammed Al Mannai
Vice Chairman

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Six-month period ended 30 June	
		2018 (Reviewed)	**2017 (Reviewed)**
Sales		**3,023,201**	2,024,596
Cost of sales		**(2,398,722)**	(1,680,653)
Gross profit		**624,479**	343,943
General and administrative expenses		**(78,128)**	(123,557)
Selling and distribution expenses		**(40,693)**	(16,279)
Share of results of investments in associates	6	**(56,132)**	63,090
Share of result of investments in joint ventures	7	**1,852,312**	1,220,829
Impairment of investments in associates		**-**	(60,853)
Finance costs		**(1,693)**	(5,480)
Other income		**209,439**	188,163
Profit for the period		**2,509,584**	1,609,856
Earnings per share			
Basic and diluted earnings per share (QR per share)	13	**4.15**	2.66

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six-month period ended 30 June	
	Note	**2018 (Reviewed)**	**2017 (Reviewed)**
Profit for the period		**2,509,584**	1,609,856
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
Net movement in fair value of cash flow hedges		**-**	27,702
Net movement in fair value of available-for-sale investments		**-**	(102,142)
Share of other comprehensive income of associates	6	**1,590**	750
Items that will not be reclassified to profit or loss			
Changes in the fair value of equity investments at fair value through other comprehensive income		**615**	-
Other comprehensive income/(loss) for the period		**2,205**	(73,690)
Total comprehensive income for the period		**2,511,789**	1,536,166

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital	Legal reserve	Fair value reserve	Hedging reserve	Retained earnings	Total equity
Balance at 1 January 2017 (Audited)	6,050,000	74,999	373,346	(54,142)	27,069,762	33,513,965
Profit for the period	-	-	-	-	1,609,856	1,609,856
Other comprehensive (loss)/income for the period	-	-	(102,142)	28,452	-	(73,690)
Total comprehensive (loss)/income for the period	-	-	(102,142)	28,452	1,609,856	1,536,166
Transaction with owners in their capacity as owners						
Dividends paid (Note 14)	-	-	-	-	(2,420,000)	(2,420,000)
Balance at 30 June 2017 (Reviewed)	6,050,000	74,999	271,204	(25,690)	26,259,618	32,630,131
Balance at 31 December 2017 as originally presented (Audited)	**6,050,000**	**94,863**	**232,941**	**(747)**	**27,861,591**	**34,238,648**
Adoption of new accounting policy (Note 3)	**-**	**-**	**(231,536)**	**-**	**203,410**	**(28,126)**
Adjusted total equity at 1 January 2018	**6,050,000**	**94,863**	**1,405**	**(747)**	**28,065,001**	**34,210,522**
Profit for the period	**-**	**-**	**-**	**-**	**2,509,584**	**2,509,584**
Other comprehensive income for the period	**-**	**-**	**615**	**1,590**	**-**	**2,205**
Total comprehensive income for the period	**-**	**-**	**615**	**1,590**	**2,509,584**	**2,511,789**
Transaction with owners in their capacity as owners						
Dividends paid (Note 14)	**-**	**-**	**-**	**-**	**(3,025,000)**	**(3,025,000)**
Balance at 30 June 2018 (Reviewed)	**6,050,000**	**94,863**	**2,020**	**843**	**27,549,585**	**33,697,311**

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six-month period ended 30 June 2018 (Reviewed)	2017 (Reviewed)
Cash flows from operating activities			
Profit for the period		**2,509,584**	1,609,856
Adjustments for:			
Depreciation and amortisation	5	**118,065**	111,174
Movement in provision for employees' end of service benefits - net		**1,379**	(24,265)
Impairment of investments accounted for using the equity method	6	**-**	60,853
Share of results of investments in associates	6	**56,132**	(63,090)
Share of results of investments in joint ventures	7	**(1,852,312)**	(1,220,829)
Loss on disposal of property, plant and equipment		**1,946**	5,443
Finance costs		**1,693**	5,480
Interest income		**(132,701)**	(110,051)
Gain on disposal of financial assets at fair value through profit or loss		**(5,703)**	-
Fair value gains on financial assets at fair value through profit or loss		**(13,824)**	-
Dividends received from financial assets at fair value through profit or loss (2017: available for sale investment)		**(26,397)**	(23,730)
Operating cash flows before changes in working capital		**657,862**	350,841
Changes in working capital:			
Inventories		**56,505**	(274,311)
Trade and other receivables		**102,218**	358,804
Trade and other payables		**(47,005)**	45,439
Cash generated from operating activities		**769,580**	480,773
Payment of contribution to social and sports fund		**(83,709)**	(71,757)
Net cash generated from operating activities		**685,871**	409,016
Cash flows from investing activities			
Additions to property, plant and equipment	5	**(76,287)**	(45,184)
Movement in fixed deposits		**2,404,675**	1,377,191
Proceeds from sale of financial assets at fair value through other comprehensive income (2017: available for sale investment)		**192,019**	-
Dividends received from financial assets at fair value through other comprehensive income (2017: available for sale investment)		**26,397**	23,730
Dividends received from investments in joint ventures	7	**2,111,727**	766,385
Dividends received from investments in associates	6	**16,156**	40,000
Interest income received		**136,615**	110,051
Additional capital contribution – investments accounted for using the equity method	6	**-**	(98,320)
Net cash generated from investing activities		**4,811,302**	2,173,853

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	Note	Six-month period ended 30 June 2018 (Reviewed)	2017 (Reviewed)
Cash flows from financing activities			
Finance costs paid		**(1,693)**	(5,480)
Repayment of borrowings		**(225,758)**	(225,286)
Dividends paid to the shareholders		**(3,025,000)**	(2,420,000)
Net cash used in financing activities		**(3,252,451)**	(2,650,766)
Net increase (decrease) in cash and cash equivalents		**2,244,722**	(67,897)
Cash and cash equivalents at beginning of period		**631,134**	964,323
Cash and cash equivalents at end of period	11(a)	**2,875,856**	896,426

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

Notes to the interim condensed consolidated financial information

1. Corporate information

Industries Qatar Q.P.S.C (the "Company" or "IQ") is a Qatari Public Shareholding Company, incorporated in the State of Qatar on 19 April 2003, in accordance with Qatar Commercial Companies Law No. 5 of year 2002, as replaced by Qatar Commercial Companies Law No. 11 of 2015, for a 50 year term by resolution No. 33 of 2003 from the Ministry of Economy and Commerce of the State of Qatar. The Company's shares are listed on the Qatar 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 17. The structure of the Group, included in these interim condensed consolidated financial information is as follows:

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

Also, included in the 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:

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

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

The interim condensed consolidated financial information of the Group for the six-month period ended 30 June 2018 was approved and authorised for issue by the Chairman and the Vice Chairman on 8 August 2018.

Notes to the interim condensed consolidated financial information

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

This interim condensed consolidated financial information for the six months period ended 30 June 2018 has been prepared in accordance with International Accounting Standard 34, 'Interim financial reporting'.

The interim condensed financial information does not include all the notes and disclosures normally included in an annual financial statements. Accordingly, this financial information is to be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2017 and any public announcements made by the Group during the interim reporting period.

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

2.2 Accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017 except for the adoption of revised standards effective as of 1 January 2018.

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make the necessary adjustments as a result of adopting the following standards:

- IFRS 9 Financial Instruments, and
- IFRS 15 Revenue from Contracts with Customers.

The impact of the adoption of these standards and the new accounting policies are disclosed in Note 3. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

(b) New standards and interpretations are effective for annual periods beginning after 1 January 2018 that has an impact on the Group but has not yet been adopted by the Group

IFRS 16 "Leases" (annual periods beginning on or after 1 January 2019) requires lessees to recognise nearly all leases on the statement of financial position which will reflect the right to use an asset for a period of time and the associated liability to pay rentals. The lessor's accounting model largely remains unchanged.

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 214 million. 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.

The Group has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective.

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

Notes to the interim condensed consolidated financial information

3 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of IFRS 9 'Financial instruments' and IFRS 15 'Revenue from Contracts with Customers' on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

(a) Impact on the financial statements

The Group has elected to apply the limited exemption in IFRS 9 paragraph 7.2.15 relating to transition for classification and measurement and impairment, and accordingly has not restated comparative periods in the year of initial application. As a consequence:

- any adjustments to carrying amounts of financial assets or liabilities are recognised at the beginning of the current reporting period, with the difference recognised in opening retained earnings
- financial assets are not reclassified in the statement of financial position for the comparative period
- provisions for impairment have not been restated in the comparative period

The following table show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. The adjustments are explained in more detail in the following note.

Statement of financial position (extract)	31 December 2017	IFRS 9	IFRS 15	1 January 2018 (Adjusted)
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income (FVOCI)	-	1,615	-	**1,615**
Available for sale investments	533,890	(533,890)	-	-
CURRENT ASSETS				
Financial assets at fair value through profit or loss (FVPL)	-	532,275	-	**532,275**
CURRENT LIABILITIES				
Trade and other payables	817,505	28,126	-	**845,631**
EQUITY				
Fair value reserve	232,941	(231,536)	-	**1,405**
Retained earnings	27,861,591	203,410	-	**28,065,001**

(b) IFRS 9 Financial instruments - Impact of adoption

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 3(c).

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

Notes to the interim condensed consolidated financial information

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

The total impact on the Group's retained earnings as at 1 January 2018 is as follows:

	Notes	1 January 2018
Retained earnings 31 December 2017		**27,861,591**
Reclassify investments from available-for-sale to FVPL	(i)	**231,536**
Financial guarantees	(ii)	**(28,126)**
Adjustment to retained earnings from adoption of IFRS 9 on 1 January 2018		**203,410**
Opening retained earnings 1 January – IFRS 9		**28,065,001**

Notes:

(i) Classification and measurement

On 1 January 2018 (the date of initial application of IFRS 9), the Group's management has assessed which business models apply to the financial assets held by the group and has classified its financial instruments into the appropriate IFRS 9 categories (FVPL or FVOCI). The main effects resulting from this reclassification are as follows:

Financial assets – 1 January 2018	FVPL	FVOCI (2017: Available-for-sale investments)
Closing balance 31 December 2017 – IAS 39	**-**	533,890
Reclassify investments from available-for-sale to FVPL	532,275	(532,275)
Opening balance 1 January 2018 – IFRS 9	**532,275**	**1,615**

Reclassification from available-for-sale investments to FVPL and FVOCI

On 1 January 2018, the Group elected to:

- Classify the majority of the previously classified equity instruments as available for sale investments to Financial assets at fair value through profit or loss (QR 532 million as at 1 January 2018) as these instruments are expected to be sold in the short to medium term. As a result, the Group reclassified QR 532 million of its available for sale investments into FVPL and classified these investments as current assets. Further, related fair value gains of QR 231 million were transferred from the fair value reserve to retained earnings on 1 January 2018. In the six months to 30 June 2018, net fair value gains of QR 14 million relating to these investments were recognised in profit or loss.

- Classify the remaining available for sale investments to FVOCI.

Other financial assets

Equity securities that are held for trading are required to be held as FVPL under IFRS 9. There was no impact on the amounts recognised in relation to these assets from the adoption of IFRS 9.

Trade and other receivables (except for those subject to provisional pricing arrangements) and amount due from related parties are debt instruments currently classified as loans and receivables 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. Trade receivables that are subject to provisional pricing arrangements have been reclassified from amortised cost to FVPL since it was assessed that the cash flows do not represent solely payments of principal and interest. However, this reclassification did not have a material impact on the interim condensed consolidated financial information.

Notes to the interim condensed consolidated financial information

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents' 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 and 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.

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.

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.

(ii) Financial guarantees

The Company have previously issued financial guarantee to some of the lenders of SOLB Steel Company for no consideration. On application of IFRS 9, the Company assessed the ECL for that guarantee and recognised QR 28 million as an adjustment to opening retained earnings as allowed by the transition rules.

(iii) Impairment of financial assets

The Group has the following financial assets that are subject to IFRS 9's new expected credit loss model:

- Cash and cash equivalents (including fixed deposits)
- Trade and other receivables (excluding non-financial assets)
- Due from related parties

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. To measure the expected credit losses, trade receivables that are measured at amortised cost are grouped based on shared credit risk characteristics and the days past due. The Group applied the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables (excluding those measured at FVPL). While cash and cash equivalents and fixed deposits are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

No changes to the condensed consolidated interim statement of profit or loss resulted from the adoption of the new standard.

For the balances classified in the due from related parties category, the Group assessed the expected credit losses to be low because of the Group's relations with these related entities, their credit worthiness as well as the history of their transactions.

(c) IFRS 9 Financial instruments – Accounting policies applied from 1 January 2018

(i) Investments and other financial assets

Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Notes to the interim condensed consolidated financial information

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

(ii) Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.
Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iii) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables measured at amortised cost, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

According to IFRS 9, financial guarantees issued by the Group are measured at the higher of:

i. the amount of the expected credit loss allowance determined; and
ii. the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

(d) IFRS 15 Revenue from Contracts with Customers - Impact of adoption

The Group has adopted IFRS 15 "Revenue from Contracts with Customers" with effect from 1 January 2018, which resulted in changes in accounting policies. The adoption of IFRS 15 did not result in changes to the amounts recognised in the financial statements. In accordance with the transition provisions in IFRS 15, the Group has the right to adopt the new rules retrospectively and to restate the comparative figures for 2017.

(i) 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.

Notes to the interim condensed consolidated financial information

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(*ii*) *Impact*

Management has assessed the effects of applying the new standard on Group's financial statements and has identified that the recognition and measurement of revenue for all the current on-going contracts under the IFRS 15 five-step model will not change as currently recognised under IAS 18.

(e) IFRS 15 Revenue from Contracts with Customers – Accounting policies

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

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.

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

Service and management charges

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

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

Notes to the interim condensed consolidated financial information

4 Critical judgments and key sources of estimation uncertainty

The preparation of interim condensed financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim condensed consolidated financial information, the significant judgements 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 consolidated financial statements for the year ended 31 December 2017 with the exception of changes in estimates that are required in determining impairment of investment in associate (note 6).

5 Property, plant and equipment

	Building	Plant machinery and equipment	Heavy duty mobile equipment	Furniture and fixtures	Motor Vehicles	Computer Equipment	Capital work in progress	Total
At 31 December 2017								
Cost	733,244	5,854,616	41,341	35,718	337	64,114	24,089	6,753,459
Accumulated depreciation	(381,989)	(2,683,216)	(21,017)	(28,939)	(335)	(53,000)	-	(3,168,496)
Accumulated impairment	-	(64,594)	-	-	-	-	-	(64,594)
Net book value	351,255	3,106,806	20,324	6,779	2	11,114	24,089	3,520,369
At 30 June 2018								
Opening net book value	**351,255**	**3,106,806**	**20,324**	**6,779**	**2**	**11,114**	**24,089**	**3,520,369**
Additions	**-**	**-**	**-**	**-**	**-**	**-**	**76,287**	**76,287**
Transfers	**158**	**8,472**	**3**	**13**	**-**	**1,270**	**(9,916)**	**-**
Disposals	**-**	**(6,969)**	**-**	**-**	**(55)**	**(878)**	**-**	**(7,902)**
Depreciation charge	**(11,950)**	**(101,722)**	**(1,402)**	**(619)**	**(1)**	**(2,371)**	**-**	**(118,065)**
Depreciation charge on disposals	**-**	**5,023**	**-**	**-**	**55**	**878**	**-**	**5,956**
Closing net book value	**339,463**	**3,011,610**	**18,925**	**6,173**	**1**	**10,013**	**90,460**	**3,476,645**
At 30 June 2018								
Cost	**733,402**	**5,856,119**	**41,344**	**35,731**	**282**	**64,506**	**90,460**	**6,821,844**
Accumulated depreciation	**(393,939)**	**(2,779,915)**	**(22,419)**	**(29,558)**	**(281)**	**(54,493)**	**-**	**(3,280,605)**
Accumulated impairment	**-**	**(64,594)**	**-**	**-**	**-**	**-**	**-**	**(64,594)**
Net book value	**339,463**	**3,011,610**	**18,925**	**6,173**	**1**	**10,013**	**90,460**	**3,476,645**

Plant machinery and equipment include catalyst reformers with a net book amount of QR 40.5 million (31 December 2017: QR 45.9 million).

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

Notes to the interim condensed consolidated financial information

6 INVESTMENT IN ASSOCIATES ACCOUNTED FOR USING EQUITY METHOD

The carrying amount of equity-accounted investments has changed in the six month period ended 30 June 2018 as follows:

	30 June 2018 (Reviewed)	**30 June 2017 (Reviewed)**
Balance at the beginning of the period	**1,438,788**	1,451,409
Share of results for the period from associates	**(56,132)**	63,090
Net share of other comprehensive income for the period from associates	**1,590**	750
Additional capital contribution	**-**	98,320
Impairment loss	**-**	(60,853)
Dividends received from associates accounted for using equity method	**(16,156)**	(40,000)
Balance at the end of the period	**1,368,090**	1,512,716

During the six month period ended 30 June 2018, the Group has recognised its share of net results and other comprehensive income from one of its associates based on management accounts.

Investment in associates: value in use (VIU) calculations

In accordance with the Group 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. ©**
Average sales volume annual growth rate (%)	**9%**	**19%**
Long term growth rate (%)	**2.7%**	**3%**
Budgeted gross margin average (%)	**13%**	**17%**
Discount rate (%)	**11%**	**12%**

Notes to the interim condensed consolidated financial information

6 INVESTMENT IN ASSOCIATES ACCOUNTED FOR USING EQUITY METHOD (CONTINUED)

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.

(i) SOLB Steel Company

Since impairment charge was recognised for the investment in SOLB Steel Company in 2017, the Group assessed whether changes to the recoverable amount may require an additional charge or reversal of impairment.

The Group management carried a VIU estimate using the most recent business plan, which considered recent changes in market conditions and expected business outlook. The assumptions used are presented in the table above.

Based on the analysis made, the VIU have exceeded the carrying value of investment at 30 June 2018. Thus, no additional impairment charge was recognised by the Group for SOLB Steel Company and the carrying value of this investment as at 30 June 2018 is QR 37.8 million (31 December 2017: QR 118 million).

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

Notes to the interim condensed consolidated financial information

6 INVESTMENT IN ASSOCIATES ACCOUNTED FOR USING EQUITY METHOD (CONTINUED)

The recoverable amount of this associate would equal the carrying value if the key assumptions were to change (with other assumptions remaining constant) as follows:

	From	To
Sales volume (% annual growth rate)	**9%**	**7.9%**
Long-term growth rate (%)	**2.7%**	**1.6%**
Budgeted gross margin (%)	**13%**	**11.7%**
Discount rate (%)	**11%**	**11.8%**

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.

(ii) 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 30 June 2018.

The management is of the opinion that changes in the assumptions used to estimate the VIU of Foulath Holding 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 half-year:

	Change in assumption	Impairment charge would have been QR'000		Impact on profit for the half-year QR'000	
	Increase or Decrease by	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate (%)	**0.5%**	**54,750**	**Nil**	**(54,750)**	**Nil**
Long-term growth rate (%)	**0.5%**	**Nil**	**43,800**	**Nil**	**(43,800)**
Budgeted gross margin (%)	**1%**	**Nil**	**14,600**	**Nil**	**(14,600)**
Sales volume (% annual growth rate)	**1%**	**Nil**	**120,450**	**Nil**	**(120,450)**

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

Notes to the interim condensed consolidated financial information

7 INVESTMENTS IN JOINT VENTURES ACCOUNTED FOR USING EQUITY METHOD

	30 June 2018 (Reviewed)	**30 June 2017 (Reviewed)**
Balance at the beginning of the period	**18,848,000**	18,342,580
Share of results for the period from joint ventures	**1,852,312**	1,220,829
Share of other comprehensive income for the period from joint ventures	**-**	27,702
Dividends received from joint ventures	**(2,111,727)**	(766,385)
Balance at the end of the period	**18,588,585**	18,824,726

8 TRADE AND OTHER RECEIVABLES

	30 June 2018 (Reviewed)	31 December 2017 (Audited)
Due from related parties (Note 10)	**701,102**	650,487
Less: Provision for doubtful debts (Note 10)	**(53,317)**	(53,317)
Due from related parties – net	**647,785**	597,170
Receivables measured at fair value through profit or loss (Note 10)*	**555,966**	-
Trade accounts receivable	**295,991**	983,533
Advances to suppliers	**82,312**	76,364
Prepayments	**12,990**	28,439
Loans to employees	**77,346**	74,592
Accrued interest	**104,776**	109,798
Other receivables	**20,140**	33,543
	1,797,306	1,903,439

* Due from related parties include receivables measured at fair value through profit or loss (Note 10).

9 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2018 (Reviewed)	30 June 2017 (Reviewed)
Balance at the beginning of the period	**3,585**	3,585
Reclassify investments from available-for-sale to FVPL	**532,275**	-
Adjusted balance at the beginning of the period	**535,860**	3,585
Disposal	**(186,316)**	-
Increase in fair value	**13,824**	-
Balance at the end of the period	**363,368**	3,585

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

Notes to the interim condensed consolidated financial information

10 RELATED PARTIES

10.1 RELATED PARTY TRANSACTIONS

Related parties represent associated companies, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

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

Goods and services provided to related parties

	Sales	Other income	Management fees
Six month period ended 30 June 2018 (Reviewed)			
Associates and their subsidiaries			
Qatar Metals Coating Company W.L.L	**46,740**	**-**	**591**
Entities under common control			
GASAL Company	**-**	**27**	**-**
Qatar Chemical and Petrochemical Marketing and Distribution Company (Muntajat) Q.J.S.C.	**587,479**	**-**	**-**
	634,219	**27**	**591**
Six month period ended 30 June 2017 (Reviewed)	102,043	6,692	1,021

Goods and services received from related parties

	Purchases	Administrative expenses	Selling expenses
Six month period ended 30 June 2018 (Reviewed)			
Ultimate Parent			
Qatar Petroleum	**59,124**	**67**	**-**
Entities under common control			
QAFCO	**-**	**236**	**-**
QAPCO	**-**	**519**	**-**
Mesaieed Industrial City (MIC)	**-**	**9,157**	**-**
Qatar Chemical and Petrochemical Marketing and Distribution Company (Muntajat) Q.J.S.C	**-**	**-**	**3,709**
GASAL Company	**29,845**	**-**	**-**
Qatar Fuel Company (WOQOD) Q.S.C	**4,334**	**-**	**-**
	93,303	**9,979**	**3,709**
Six month period ended 30 June 2017 (Reviewed)	322,465	9,092	-

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

Notes to the interim condensed consolidated financial information

10 RELATED PARTIES (CONTINUED)

10.2 RELATED PARTY BALANCES

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

	30 June 2018 (Reviewed)	31 December 2017 (Audited)
Due from related parties		
Measured at amortised cost:		
Ultimate parent		
Qatar Petroleum	**9**	-
Joint venture		
Qatar Petrochemical Company Q.P.J.S.C.	**631,200**	571,200
Associates		
Qatar Metals Coating Company W.L.L.	**16,240**	25,634
SOLB Steel Company	**53,613**	53,613
Foulath Holdings B.S.C.	**40**	-
SULB Company B.S.C.	**-**	40
	701,102	650,487
Less: Provision for doubtful debts*	**(53,317)**	(53,317)
	647,785	597,170
Measured at fair value through profit or loss:		
Entities under common control		
Qatar Chemical and Petrochemical Marketing and Distribution Company (Muntajat) Q.J.S.C.	**555,966**	-
	1,203,751	597,170

* Provisions for doubtful debts represents impairment charged in 2017 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.

<u>Loan to related party</u>

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'.

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

Notes to the interim condensed consolidated financial information

10 RELATED PARTIES (CONTINUED)

10.2 RELATED PARTY BALANCES

	30 June 2018 (Reviewed)	31 December 2017 (Audited)
Due to related parties		
Ultimate parent		
Qatar Petroleum	**4,453**	9,358
Associate		
Gasal Company Q.S.C.	**2,553**	3,138
Mesaieed Industrial City	**10,515**	9,601
Bahrain Steel BSC (c)	**18,208**	18,208
Entities under common control		
Qatar Fuel Company (WOQOD) Q.S.C	**2,721**	807
	38,450	41,112

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are approved by the management. Outstanding balances as at 30 June 2018 and as at 31 December 2017 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 financial guarantees for its associates in respect of their borrowings from external banks. Total guarantees at the end of the period amounted to QR 579 million (2017: QR 579 million).

Compensation of key management personnel

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

	Six month ended 30 June	
	2018 (Reviewed)	**2017 (Reviewed)**
Board of Directors' sitting fees	**4,844**	4,844
Short term benefits to key management personnel	**8,169**	8,638
Qatari employees' pension fund contribution	**336**	356
	13,349	13,838

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

Notes to the interim condensed consolidated financial information

11 (a) Cash and cash equivalents

	30 June 2018 (Reviewed)	31 December 2017 (Audited)
Bank balances and cash	**3,014,742**	747,627

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

	30 June 2018 (Reviewed)	31 December 2017 (Audited)
Bank balances and cash	**3,014,742**	747,627
Less: Dividend accounts	**(138,886)**	(116,493)
Cash and cash equivalents	**2,875,856**	631,134

11 (b) Fixed deposits

As at 30 June 2018, fixed deposits with original maturities over 90 days amounted to QR 4,636 million (2017: QR 7,041 million). Fixed deposits are held with banks and denominated mainly in Qatari Riyals with average effective interest rates of 4.17% (2017: 3.15%).

Further, fixed deposits includes restricted cash placed with banks amounting to QR 86 million (2017: QR 86 million) against a guarantee issued in favour of one of the Group's associates.

12 BORROWINGS

Borrowing balances have changed as follow in the six-month period ended 30 June 2018:

	Loan 1 (i)	Loan 2 (ii)	Total
Balance at the beginning of period	**135,039**	**90,719**	**225,758**
Repayments	**(135,039)**	**(90,719)**	**(225,758)**
Balance at end of period	**-**	**-**	**-**

Notes:

(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 8 July 2015.The loan was fully repaid during January 2018.

(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 loan was fully repaid during June 2018.

Notes to the interim condensed consolidated financial information

13 BASIC AND DILUTED EARNINGS PER SHARE

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

	Six month ended 30 June	
	2018 (Reviewed)	2017 (Reviewed)
Profit for the period	**2,509,584**	1,609,856
Weighted average number of shares outstanding during the period (in thousands)	**605,000**	605,000
Basic and diluted earnings per share (expressed in QR per share)	**4.15**	2.66

The figures for basic and diluted earnings per share are the same as the Group has not issued any instruments that would impact the earnings per share when exercised.

14 DIVIDENDS PAID

During the period, cash dividend of QR 5 per share amounting to QR 3,025 million relating to 2017 were approved by the shareholders at the Annual General Meeting held on 4 March 2018 (2017: QR 4 per share amounting to QR 2,420 million relating to 2016).

15 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:	**30 June 2018 (Reviewed)**	31 December 2017 (Audited)
Financial guarantees	**479,126**	575,911
Letters of credit	**20,826**	129,529
Bank guarantees	**4,460**	3,946
Legal cases	**47,733**	47,733

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

	QAPCO	**QAFCO**	**Total**
As of 30 June 2018 (Reviewed)			
Letters of credit	**10,404**	**2,378**	**12,782**
Bank guarantees	**80**	**365**	**445**
	10,484	**2,743**	**13,227**

	QAPCO	**QAFCO**	**Total**
As of 31 December 2017 (Audited)			
Letters of credit	**10,404**	**-**	**10,404**
Bank guarantees	**80**	**1,357**	**1,437**
	10,484	**1,357**	**11,841**

The Group has recognised ECL amounting to QR 28 million on financial guarantees provided to lenders of one of their associates. As discussed in note 3, 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.

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

Notes to the interim condensed consolidated financial information

15 CONTINGENCIES (CONTINUED)

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.P.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
- 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 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.

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 30 June 2018, 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.

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

Notes to the interim condensed consolidated financial information

16 Commitments

(i) Capital commitments

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

	30 June 2018 (Reviewed)	31 December 2017 (Audited)
Property, plant and equipment	**123,483**	75,662

(ii) Non-cancellable operating lease

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.

	30 June 2018 (Reviewed)	31 December 2017 (Audited)
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**35,894**	37,386
Later than one year but not later than five years	**82,241**	89,917
Later than five years	**96,038**	85,562
	214,173	212,865

The above non-cancellable operating lease commitments include QR 214 million (31 December 2017: QR 213 million) relating to the Group's subsidiaries.

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

30 June 2018	**QAPCO**	**QAFAC**	**QAFCO**	**Total**
Capital commitments	**180,120**	**-**	**295,987**	**476,107**
Operating lease commitments:				
Future minimum lease payments:				
Within 1 year	**1,828**	**2,726**	**18,810**	**23,364**
1 to 5 years	**7,463**	**6,299**	**38,146**	**51,908**
More than 5 years	**14,618**	**1,087**	**68,373**	**84,078**
	23,909	**10,112**	**125,329**	**159,350**

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

There were no significant changes to the share of the Group in the associates' capital and non-cancellable operating lease commitments disclosed in the Company's consolidated financial statements for the year ended 31 December 2017.

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

Notes to the interim condensed consolidated financial information

17 OPERATING SEGMENT INFORMATION

The Group operates in the Gulf region. For management purposes, 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.

The information of petrochemical and fertiliser segments represents those of the joint ventures of the Group.

The Managing Director 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 interim condensed consolidated financial information.

17.1 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.

	30 June 2018			**30 June 2017**		
	Total	**Inter-segment revenue**	**Revenue from external customers**	Total	Inter-segment revenue	Revenue from external customers
Petrochemicals	**2,200,574**	-	**2,200,574**	2,125,853	-	2,125,853
Fertilisers	**2,163,221**	-	**2,163,221**	1,952,666	-	1,952,666
Steel	**3,023,201**	-	**3,023,201**	2,024,596	-	2,024,596
Total segment revenue	**7,386,996**	-	**7,386,996**	6,103,115	-	6,103,115
Revenue from investments in joint venture accounted for using equity method	**4,363,795**	-	**4,363,795**	4,078,519	-	4,078,519
Revenue per consolidated statement of profit or loss	**3,023,201**	-	**3,023,201**	2,024,596	-	2,024,596

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 4,951 million (2017: QR 4,079 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 Saudia Arabia and United Arab Emirates. Of the Steel segment's revenues in 2018, 53% is made in Qatar (2017: 56%), 14% is made in UAE (2017: 14%) and the remaining is distributed in a number of countries which is not split for purpose of segment reporting.

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

Notes to the interim condensed consolidated financial information

17 OPERATING SEGMENT INFORMATION (CONTINUED)

17.2 Segment profit

The following table presents profit information regarding the Group's operating segments for the period ended 30 June 2018 and 2017, respectively:

	Petrochemicals	Fertilisers	Steel	Total
As of 30 June 2018				
Segment profit	**1,384,685**	**467,627**	**552,164**	**2,404,476**
Share of results from associates	**-**	**-**	**(56,132)**	**(56,132)**
Total segment profit	**1,384,685**	**467,627**	**496,032**	**2,348,344**
Unallocated income:				
Interest income				**125,381**
Dividend income				**26,397**
Other income				**20,404**
				172,182
Unallocated expense:				
Board of Director's fees and expenses				**(4,069)**
Qatar Petroleum annual fee				**(4,453)**
Qatar Exchange fees/charges				**(909)**
Advertisements				**(374)**
Other expenses				**(1,137)**
				(10,942)
Profit for the period				**2,509,584**

	Petrochemicals	Fertilisers	Steel	Total
As of 30 June 2017				
Segment profit	1,063,730	157,099	287,471	1,508,300
Share of results from associates *	-	-	2,237	2,237
Total segment profit	1,063,730	157,099	289,708	1,510,537
Unallocated income:				
Interest income				100,277
Dividend income				9,206
				109,483
Unallocated expense:				
Board of Director's fees and expenses				(4,069)
Qatar Petroleum annual fee				(3,353)
Qatar Exchange fees/charges				(909)
Advertisements				(346)
Other expenses				(1,487)
				(10,164)
Profit for the period				1,609,856

* Share of results from associates as of 30 June 2017 includes impairment loss amounting to QR 60.9 million (note 6).

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

Notes to the interim condensed consolidated financial information

17 OPERATING SEGMENT INFORMATION (CONTINUED)

17.3 Segment assets

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

	Petrochemicals	Fertilisers	Steel	Total
Segment assets:				
As of 30 June 2018	**9,243,620**	**11,574,790**	**8,426,504**	**29,244,914**
As of 31 December 2017	8,896,935	12,078,129	8,441,894	29,416,958

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

Reconciliation of reportable segments total assets:

	2018	2017
Total assets for reportable segments	**29,244,914**	29,416,958
Other un-allocable assets	**7,620,006**	8,191,112
Recognition of investment in joint ventures using equity method of accounting	**18,588,587**	18,848,000
Assets relating to joint ventures	**(20,818,410)**	(20,975,064)
Consolidated total assets for the period/year	**34,635,097**	35,481,006

18 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

18.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements as at 31 December 2017.

There have been no changes in the risk management department or in any risk management policies since the year end.

18.2 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method.

The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

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

Notes to the interim condensed consolidated financial information

18 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

18.3 Fair value estimation (continued)

As at 30 June 2018, most of the FVPL and FVOCI held by the Group were measured at fair value and fall under level 1 as in the table below:

	Total	**Level 1**	**Level 2**	**Level 3**
As of 30 June 2018 (Reviewed)				
Assets measured at fair value				
Financial assets at fair value through profit or loss	**363,368**	**359,783**	**-**	**3,585**
Financial assets at fair value through other comprehensive income	**2,230**	**2,230**	**-**	**-**
Receivables measured at fair value through profit or loss	**555,966**	**-**	**-**	**555,966**

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2017.

	Total	**Level 1**	**Level 2**	**Level 3**
As of 31 December 2017 (Audited)				
Assets measured at fair value				
Held for trading investments	3,585	-	-	3,585
Available-for-sale investments	533,890	533,890	-	-

During the reporting period ended 30 June 2018 and 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.

There were no changes in valuation techniques during the periods.