

Industries Qatar Q.S.C.

**UNAUDITED INTERIM CONDENSED
CONSOLIDATED
FINANCIAL STATEMENTS**

30 JUNE 2012

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF INDUSTRIES QATAR Q.S.C.

Introduction

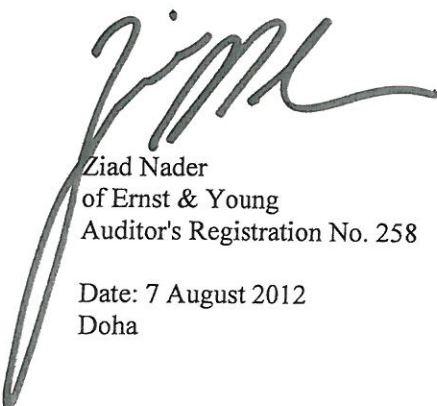
We have reviewed the accompanying interim condensed consolidated financial statements of Industries Qatar Q.S.C. (the "Company") and its subsidiaries and jointly controlled entities (together referred as the "Group") as at 30 June 2012, comprising of the interim consolidated statement of financial position as at 30 June 2012 and the related interim consolidated statements of income, comprehensive income, cash flows and changes in equity for the six-month period then ended and related explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements 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. Consequently, it 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 statements are not prepared, in all material respects, in accordance with IAS 34.



Ziad Nader
of Ernst & Young
Auditor's Registration No. 258

Date: 7 August 2012
Doha



Industries Qatar Q.S.C.

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the six months ended 30 June 2012

	Notes	Six months ended 30 June	
		2012 (Unaudited) QR'000	2011 (Unaudited) QR'000
Revenue		9,073,078	8,165,368
Cost of sales		<u>(4,478,700)</u>	<u>(3,662,365)</u>
GROSS PROFIT		4,594,378	4,503,003
Other income		173,655	181,726
General and administrative expenses		(389,622)	(288,409)
Selling expenses		(129,217)	(105,823)
Finance costs		(125,837)	(81,613)
Share of results of associates		(18,189)	43,998
Other costs		(92,752)	(67,820)
Impairment of available-for-sale investments	4	<u>-</u>	<u>(9,615)</u>
PROFIT FOR THE PERIOD		<u>4,012,416</u>	<u>4,175,447</u>
Profit for the period attributable to:			
Equity holders of the parent		4,036,257	4,170,617
Non-controlling interest		<u>(23,841)</u>	<u>4,830</u>
		<u>4,012,416</u>	<u>4,175,447</u>
BASIC AND DILUTED EARNINGS PER SHARE			
(Expressed as QR per share)	5	<u>7.34</u>	<u>7.58</u>

The attached notes 1 to 18 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	<i>Note</i>	<i>Six months ended 30 June</i>	
		<i>2012</i> <i>(Unaudited)</i> <i>QR'000</i>	<i>2011</i> <i>(Unaudited)</i> <i>QR'000</i>
Profit for the period		<u>4,012,416</u>	<u>4,175,447</u>
Other comprehensive (loss) income:			
Net loss on available-for-sale financial investments	4	(38,499)	(115,712)
Net unrealised gain (loss) on cash flow hedges	4	<u>7,494</u>	<u>(23,465)</u>
Other comprehensive loss for the period		<u>(31,005)</u>	<u>(139,177)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>3,981,411</u>	<u>4,036,270</u>
Total comprehensive income for the period attributable to:			
Equity holders of the parent		4,005,252	4,031,440
Non-controlling interest		<u>(23,841)</u>	<u>4,830</u>
		<u>3,981,411</u>	<u>4,036,270</u>

The attached notes 1 to 18 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

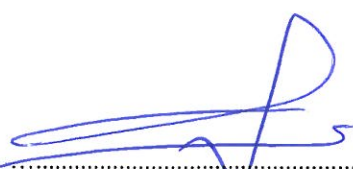
		<i>30 June 2012 (Unaudited) QR'000</i>	<i>31 December 2011 (Audited) QR'000</i>
	<i>Notes</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	6	18,376,087	9,589,230
Projects under development	7	3,461,936	11,905,716
Investment properties		133,229	133,229
Intangible assets		166,110	169,250
Investment in associates	8	1,735,792	1,742,821
Available-for-sale investments		639,941	674,924
Catalysts		98,366	106,886
Other non-current assets		2,470	2,509
		<u>24,613,931</u>	<u>24,324,565</u>
Current assets			
Inventories		1,859,894	2,230,641
Accounts receivable and prepayments		3,063,355	2,665,175
Due from related parties	13	777,287	593,734
Held-for-trading investments		6,604	4,141
Bank balances and cash	10	5,825,935	6,960,094
		<u>11,533,075</u>	<u>12,453,785</u>
TOTAL ASSETS		<u>36,147,006</u>	<u>36,778,350</u>

Continued...


INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2012

		<i>30 June 2012 (Unaudited) QR'000</i>	<i>31 December 2011 (Audited) QR'000</i>
	<i>Notes</i>		
EQUITY AND LIABILITIES			
Equity			
Share capital		5,500,000	5,500,000
Legal reserve		280,813	276,791
Cumulative changes in fair value		276,212	314,711
Hedging reserve		(581,908)	(589,402)
Retained earnings		<u>20,641,858</u>	<u>20,734,623</u>
Equity attributable to the parent		26,116,975	26,236,723
Non-controlling interest		<u>368,519</u>	<u>394,610</u>
Total equity		<u>26,485,494</u>	<u>26,631,333</u>
Non-current liabilities			
Interest bearing loans and borrowings	11	4,851,182	5,535,140
Employees' end of service benefits		236,224	219,877
Other financial liabilities	9	<u>544,416</u>	<u>549,949</u>
		<u>5,631,822</u>	<u>6,304,966</u>
Current liabilities			
Accounts payable and accruals		1,205,171	1,384,261
Due to related parties	13	886,869	1,109,232
Other financial liabilities	9	20,865	21,228
Interest bearing loans and borrowings	11	<u>1,916,785</u>	<u>1,327,330</u>
		<u>4,029,690</u>	<u>3,842,051</u>
Total liabilities		<u>9,661,512</u>	<u>10,147,017</u>
TOTAL EQUITY AND LIABILITIES		<u>36,147,006</u>	<u>36,778,350</u>



.....
Dr. Mohamed Bin Saleh Al-Sada
Minister of Energy and Industry
Chairman and Managing Director



.....
Hamad Rashid Al-Mohannadi
Vice Chairman

The attached notes 1 to 18 form part of these interim condensed consolidated financial statements.

Industries Qatar Q.S.C.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	<i>Six months ended 30 June</i>	
	2012	2011
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Note	<i>QR'000</i>	<i>QR'000</i>
OPERATING ACTIVITIES		
Profit for the period	4,012,416	4,175,447
Adjustments for:		
Depreciation and amortisation	477,655	331,618
Provision for employees' end of service benefits	35,585	27,773
Loss (gain) from change in fair value of held-for-trading investments	(973)	1,841
Share of results from associates	18,189	(43,998)
Loss on disposal of property, plant and equipment	19,165	8,805
Finance costs	125,837	81,613
Impairment of available-for-sale investments	-	9,615
Interest income	(45,628)	(38,844)
	<u>4,642,246</u>	<u>4,553,870</u>
Working capital changes:		
Inventories	370,747	(133,594)
Accounts receivable and prepayments and due from related parties	(583,381)	(638,363)
Accounts payable and accruals and due to related parties	(400,240)	178,982
	<u>4,029,372</u>	<u>3,960,895</u>
Cash from operations	4,029,372	3,960,895
Finance costs paid	(125,837)	(81,613)
Employees' end of service benefits paid	(19,238)	(21,534)
	<u>3,884,297</u>	<u>3,857,748</u>
Net cash from operating activities	<u>3,884,297</u>	<u>3,857,748</u>
INVESTING ACTIVITIES		
Proceeds from disposals of property, plant and equipment	497	174
Purchase of property, plant and equipment	(348,343)	(937,119)
Purchases of catalysts	(3,012)	(4,002)
Net movement in projects under development	(478,871)	(616,837)
Net movement in available-for-sale investments	(3,516)	(39,032)
Net movement in other assets	39	(303)
Dividends received from associates	5,000	5,000
Net movements in held for trading investments	(1,490)	(13,106)
Net movement in deposits maturing after 90 days	(631,000)	(907,000)
Net movement in intangible asset	3,140	(45,657)
Net movement in investment properties	-	1,170
Interest received	45,628	38,844
Additional investments in associate	(13,577)	(224,590)
	<u>(1,425,505)</u>	<u>(2,742,458)</u>
Net cash used in investing activities	<u>(1,425,505)</u>	<u>(2,742,458)</u>
FINANCING ACTIVITIES		
Proceeds from interest-bearing loans and borrowings	172,971	-
Repayment of interest-bearing loans and borrowings	(269,672)	(337,758)
Minority interest additional capital contribution	-	390,000
Dividends paid	(4,125,000)	(3,025,000)
Dividend paid to minority shareholders	(2,250)	(2,250)
	<u>(4,223,951)</u>	<u>(2,975,008)</u>
Net cash used in financing activities	<u>(4,223,951)</u>	<u>(2,975,008)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(1,765,159)	(1,859,718)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	6,756,094	5,290,412
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	4,990,935	3,430,694

The attached notes 1 to 18 form part of these interim condensed consolidated financial statements.

Industries Qatar Q.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	<i>Attributable to the equity holders of the parent</i>					<i>Total</i> <i>QR'000</i>	<i>Non-</i> <i>controlling</i> <i>interest</i> <i>QR'000</i>	<i>Total</i> <i>QR'000</i>
	<i>Share</i> <i>capital</i> <i>QR'000</i>	<i>Legal</i> <i>reserve</i> <i>QR'000</i>	<i>Cumulative</i> <i>changes in</i> <i>fair value</i> <i>QR'000</i>	<i>Hedging</i> <i>reserve</i> <i>QR'000</i>	<i>Retained</i> <i>earnings</i> <i>QR'000</i>			
Balance at 1 January 2012 (Audited)	5,500,000	276,791	314,711	(589,402)	20,734,623	26,236,723	394,610	26,631,333
Profit for the period	-	-	-	-	4,036,257	4,036,257	(23,841)	4,012,416
Other comprehensive loss for the period	-	-	(38,499)	7,494	-	(31,005)	-	(31,005)
Total comprehensive income for the period	-	-	(38,499)	7,494	4,036,257	4,005,252	(23,841)	3,981,411
Dividends paid to non-controlling interest	-	-	-	-	-	-	(2,250)	(2,250)
Dividends paid (Note 13)	-	-	-	-	(4,125,000)	(4,125,000)	-	(4,125,000)
Balance at 30 June 2012 (Unaudited)	5,500,000	276,791	276,212	(581,908)	20,645,880	26,116,975	368,519	26,485,494

The attached notes 1 to 18 form part of these interim condensed consolidated financial statements.

Industries Qatar Q.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2012

	<i>Attributable to the equity holders of the parent</i>						<i>Non-controlling interest</i> <i>QR'000</i>	<i>Total</i> <i>QR'000</i>
	<i>Share capital</i> <i>QR'000</i>	<i>Legal reserve</i> <i>QR'000</i>	<i>Cumulative changes in fair value</i> <i>QR'000</i>	<i>Hedging reserve</i> <i>QR'000</i>	<i>Retained earnings</i> <i>QR'000</i>	<i>Total</i> <i>QR'000</i>		
Balance at 1 January 2011 (as previously reported - Audited)	5,500,000	202,392	315,152	(465,511)	16,196,237	21,748,270	13,621	21,761,891
Correction of prior period error (Note 18)	-	-	-	-	(97,438)	(97,438)	-	(97,438)
Reclassifications	-	928	-	-	(928)	-	-	-
Balance at 1 January 2011 (Restated)	<u>5,500,000</u>	<u>203,320</u>	<u>315,152</u>	<u>(465,511)</u>	<u>16,097,871</u>	<u>21,650,832</u>	<u>13,621</u>	<u>21,664,453</u>
Profit for the period	-	-	-	-	4,170,617	4,170,617	4,830	4,175,447
Other comprehensive loss for the period	-	-	(115,712)	(23,465)	-	(139,177)	-	(139,177)
Total comprehensive income for the period	-	-	(115,712)	(23,465)	4,170,617	4,031,440	4,830	4,036,270
Capital contribution	-	-	-	-	-	-	390,000	390,000
Dividends paid to non-controlling interest	-	-	-	-	-	-	(2,250)	(2,250)
Dividends paid (Note 13)	-	-	-	-	(3,025,000)	(3,025,000)	-	(3,025,000)
Balance at 30 June 2011 (Unaudited)	<u>5,500,000</u>	<u>203,320</u>	<u>199,440</u>	<u>(488,976)</u>	<u>17,243,488</u>	<u>22,657,272</u>	<u>406,201</u>	<u>23,063,473</u>

The attached notes 1 to 18 form part of these interim condensed consolidated financial statements.

1 CORPORATE INFORMATION

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

IQ, its subsidiaries and joint venture companies (together “the Group”) operates in the State of Qatar and in the Jebel Ali Free Zone in the United Arab Emirates.

The main activity of IQ is to act as a holding company. The structure of the Group, included in these interim condensed consolidated financial statements of Industries Qatar Q.S.C. is as follows:

<i>Entity Name</i>	<i>Country of incorporation</i>	<i>Relationship</i>	<i>Ownership interest</i>	<i>Status</i>
Qatar Steel Company Q.S.C.	Qatar	Subsidiary	100%	Operating
Qatar Petrochemical Company (QAPCO) Q.S.C.	Qatar	Joint venture	80%	Operating
Qatar Fertiliser Company (Q.S.C.C.)	Qatar	Joint venture	75%	Operating
Qatar Fuel Additives Company Limited Q.S.C.	Qatar	Joint venture	50%	Operating
Fereej Real Estate Company Q.S.C.	Qatar	Joint venture	-	Dissolved on 17 August 2011

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2012 were authorised for issue by the Chairman and the Vice Chairman on 7 August 2012.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**Basis of preparation**

These interim condensed consolidated financial statements are prepared in accordance with the International Accounting Standard (IAS) 34 *Interim Financial Reporting* (“IAS 34”) and have been presented in Qatari Riyals (“QR”), which is the Company’s functional and presentation currency. All values are rounded to the nearest thousands (QR’000) except when otherwise indicated.

The interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards (IFRS) and should be read in conjunction with the 31 December 2011 annual consolidated financial statements and the notes attached thereto. In addition, results for the six months ended 30 June 2012 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2012.

New standards, interpretations and amendments thereof, adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2011, except for the adoption of new standards and interpretations effective for the annual period beginning on or after 1 January 2012, noted below. However, these amendments to IFRS standards did not have any impact on the accounting policies, financial position or performance of the Group.

- *IFRS 7- Disclosures – Transfers of financial assets (Amendment)*
- *IAS 12 - Deferred Tax: Recovery of Underlying Assets (Amendment)*
- *IFRS 1- Severe Hyperinflationary and Removal of Fixed Dates for First-time Adopters (Amendment)*

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

3 INTEREST IN JOINT VENTURES

The following amounts reflect, on a combined basis, the Group's proportionate share of the assets, liabilities, revenues and expenses of joint venture companies included in these interim condensed consolidated financial statements as disclosed in Note 1.

	<i>30 June 2012 (Unaudited) QR'000</i>	<i>31 December 2011 (Audited) QR'000</i>
Assets:		
Current assets	6,436,553	5,854,817
Non-current assets	19,223,277	18,969,087
	<u>25,659,830</u>	<u>24,823,904</u>
Liabilities:		
Current liabilities	4,056,021	4,100,608
Non-current liabilities	4,274,031	5,022,677
	<u>8,330,052</u>	<u>9,123,285</u>
	<i>30 June 2012 (Unaudited) QR'000</i>	<i>30 June 2011 (Unaudited) QR'000</i>
Income:		
Sales	5,744,515	5,313,326
Other income	71,704	69,638
	<u>5,816,219</u>	<u>5,382,964</u>
Expenses:		
Direct costs	2,130,045	1,768,170
General and administrative expenses	295,189	226,390
Selling expenses	111,136	93,058
Interest and finance charges	91,260	43,987
Other costs	92,752	67,820
	<u>2,720,382</u>	<u>2,199,425</u>

4 COMPONENTS OF OTHER COMPREHENSIVE INCOME

	<i>Six months ended 30 June</i>	
	<i>2012</i>	<i>2011</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>QR'000</i>	<i>QR'000</i>
<i>Available-for-sale investments</i>		
Losses arising during the period	(38,499)	(125,327)
Impairment of available-for-sale investments	-	9,615
Total effect on other comprehensive income resulting from revaluation of available-for-sale financial assets	<u>(38,499)</u>	<u>(115,712)</u>
<i>Cash flow hedges</i>		
Gains/(losses) arising during the period – Interest rate swaps	4,911	(23,052)
Share of gains/(losses) from an associate arising during the period – Interest rate swaps	2,583	(413)
Total effect on other comprehensive income resulting from cash flow hedges	<u>7,494</u>	<u>(23,465)</u>

5 BASIC AND DILUTED EARNINGS PER SHARE

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

	<i>Six months ended 30 June</i>	
	<i>2012</i>	<i>2011</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>QR'000</i>	<i>QR'000</i>
Profit attributable to the equity holders of the parent for the period	<u>4,036,257</u>	<u>4,170,617</u>
Weighted average number of shares outstanding during the period (in thousands)	<u>550,000</u>	<u>550,000</u>
Basic and diluted earnings per share (expressed in QR per share)	<u>7.34</u>	<u>7.58</u>

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

6 PROPERTY, PLANT AND EQUIPMENT

	<i>30 June</i>	<i>31 December</i>
	<i>2012</i>	<i>2011</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>QR'000</i>	<i>QR'000</i>
Opening net book value	9,589,230	8,874,082
Additions	348,343	1,651,631
Transfers from/(to) projects under development	8,922,651	(259,641)
Disposals	(19,662)	(27,485)
Depreciation	(464,475)	(649,357)
Closing net book value	<u>18,376,087</u>	<u>9,589,230</u>

At 30 June 2012

7 PROJECTS UNDER DEVELOPMENT

	<i>30 June 2012 (Unaudited) QR'000</i>	<i>31 December 2011 (Audited) QR'000</i>
QAPCO LDPE 3 plant facilities	1,606,209	1,556,003
QAFCO-6 Project	1,540,244	1,460,421
QAFCO-5 Project	<u>315,483</u>	<u>8,889,292</u>
	<u>3,461,936</u>	<u>11,905,716</u>

8 INVESTMENTS IN ASSOCIATES

The Group has the following investments in associates:

	<i>Ownership</i>		<i>Country of incorporation</i>	<i>30 June 2012 (Unaudited) QR'000</i>	<i>31 December 2011 (Audited) QR'000</i>
	<i>2012</i>	<i>2011</i>			
Qatar Metal Coating Company Q.S.C.	50.00%	50.00%	Qatar	23,908	25,586
Gulf United Steel Company (Foulath) B.S.C.Closed	25.00%	25.00%	Bahrain	1,494,272	1,510,105
South Steel Company W.L.L.	31.03%	29.74%	Saudi Arabia	<u>217,612</u>	<u>207,130</u>
				<u>1,735,792</u>	<u>1,742,821</u>

9 OTHER FINANCIAL LIABILITIES

	<i>30 June 2012 (Unaudited) QR'000</i>	<i>31 December 2011 (Audited) QR'000</i>
Other financial liabilities		
<i>Derivatives:</i>		
Interest rate swap – 1	352,656	344,670
Interest rate swap – 2	137,914	148,769
Interest rate swap – 3	<u>74,711</u>	<u>77,738</u>
	<u>565,281</u>	<u>571,177</u>

Presented in the interim consolidated statement of financial position as follows:

Non-current portion	544,416	549,949
Current portion	<u>20,865</u>	<u>21,228</u>
	<u>565,281</u>	<u>571,177</u>

At 30 June 2012

10 CASH AND CASH EQUIVALENTS

	<i>30 June 2012 (Unaudited) QR'000</i>	<i>31 December 2011 (Audited) QR'000</i>
Bank balances and cash	<u>5,825,935</u>	<u>6,960,094</u>

For the purpose of statement of cash flows, cash and cash equivalents consist of the following:

	<i>30 June 2012 (Unaudited) QR'000</i>	<i>31 December 2011 (Audited) QR'000</i>
Bank balances and cash	<u>5,825,935</u>	6,960,094
Less: Fixed deposits maturing after 90 days	<u>(835,000)</u>	<u>(204,000)</u>
	<u><u>4,990,935</u></u>	<u><u>6,756,094</u></u>

11 INTEREST BEARING LOANS AND BORROWINGS

	<i>Interest/profit rate</i>	<i>Entity</i>	<i>Currency</i>	<i>Maturity date</i>	<i>30 June 2012 (Unaudited) QR'000</i>	<i>31 December 2011 (Audited) QR'000</i>
Loan 1	LIBOR plus applicable margin	Qatar Steel	USD	2018	172,971	-
Loan 2	LIBOR plus applicable margin	QAFCO	USD	2017	3,579,228	3,686,235
Loan 3	LIBOR plus applicable margin	Qatar Steel	USD	2018	1,347,789	1,406,772
Loan 4	7.50%	QPPC	QR	2014	1,767	2,132
Syndicated loan	LIBOR plus applicable margin	QATOFIN	USD	2020	1,028,334	1,100,986
Syndicated loan	LIBOR plus 1% to 1.3%	QVC	USD	2013	55,478	83,945
Murabaha facility	5.50%	QAPCO	USD	2013	582,400	582,400
					6,767,967	6,862,470
Less: current portion					<u>(1,916,785)</u>	<u>(1,327,330)</u>
Total non-current portion					<u>4,851,182</u>	<u>5,535,140</u>

12 DIVIDENDS PAID

During the period, cash dividend of QR 7.5 per share amounting to QR 4,125 million relating to 2011 was approved by the shareholders at the Annual General Meeting held on 19 March 2012 (2011: QR 5.5 per share amounting to QR 3,025 million).

13 RELATED PARTY DISCLOSURES**Related party transactions**

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

13 RELATED PARTY DISCLOSURES (CONTINUED)

Transactions with related parties included in the interim consolidated statement of income during the six months ended 30 June 2012 and 2011 are as follows:

<i>Period ended 30 June 2012 (Unaudited)</i>	<i>Sales QR'000</i>	<i>Purchases QR'000</i>	<i>Selling and other expenses QR'000</i>	<i>Lease rental payments QR'000</i>	<i>Other income QR'000</i>
Major shareholders	131,238	1,008,339	12,094	6,719	1,046
Associates	164,227	329,319	2	-	2,952
Joint ventures	278,364	28,106	1,176	-	101,638
Other related parties	1,451,945	17,118	119,651	14,960	5,204
	2,025,774	1,382,882	132,923	21,679	110,840
<i>Period ended 30 June 2011 (Unaudited)</i>	<i>Sales QR'000</i>	<i>Purchases QR'000</i>	<i>Selling and other expenses QR'000</i>	<i>Lease rental payments QR'000</i>	<i>Other income QR'000</i>
Major shareholders	119,502	1,003,230	21,932	19,790	-
Associates	295,508	21,548	1,098	-	94,985
Joint ventures	77,176	254,480	-	-	975
Other related parties	1,055,377	7,649	52,039	-	7,977
	1,547,563	1,286,907	75,069	19,790	103,937

Related party balances

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

	<i>30 June 2012 (Unaudited) QR'000</i>	<i>31 December 2011 (Audited) QR'000</i>
<i>Due from related parties:</i>		
Major shareholder	52,305	46,155
Joint ventures	117,755	55,636
Associates	45,900	27,931
Other related parties	561,327	464,012
	777,287	593,734
	<i>30 June 2012 (Unaudited) QR'000</i>	<i>31 December 2011 (Audited) QR'000</i>
<i>Due to related parties:</i>		
Major shareholder	512,465	825,926
Joint ventures	190,449	139,521
Associates	40,307	1,342
Other related parties	143,648	142,443
	886,869	1,109,232

At 30 June 2012

13 RELATED PARTY DISCLOSURES (CONTINUED)**Compensation of key management personnel**

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

	<i>Six months ended 30 June</i>	
	<i>2012</i>	<i>2011</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>QR'000</i>	<i>QR'000</i>
Board of Directors' sitting fees	1,587	1,245
Short term benefits to key management personnel	26,365	13,724
Qatari employees pension fund contribution	652	532
	<u>28,604</u>	<u>15,501</u>

14 CONTINGENCIES

At 30 June 2012, the Group had contingent liabilities in respect of bank and other guarantees, legal claims and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to QR 382 million (31 December 2011: QR 255 million).

The Group's contingent liabilities are as follows:

	<i>30 June</i>	<i>31 December</i>
	<i>2012</i>	<i>2011</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>QR'000</i>	<i>QR'000</i>
Letters of credit	148,150	25,871
Bank guarantees	192,093	189,079
Others	42,211	40,826
	<u>382,454</u>	<u>255,776</u>

15 EXPENDITURE COMMITMENTS

	<i>30 June</i>	<i>31 December</i>
	<i>2012</i>	<i>2011</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>QR'000</i>	<i>QR'000</i>

Capital expenditure commitments

Estimated capital expenditure contracted for at the end of the reporting period but not provided for:

Property, plant and equipment	<u>1,674,824</u>	<u>1,643,527</u>
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Operating lease commitments

Future minimum lease payments:

Within one year	73,368	70,957
After one year but not more than five years	131,249	142,876
More than five years	344,854	360,091

Total operating lease expenditure contracted for at the end of the reporting period

	<u>549,471</u>	<u>573,924</u>
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16 SEGMENT INFORMATION

For management purposes, the group is organised into business units based on their products and services, and has four reportable operating segments as follows:

- The petrochemical segments, which produces and sells ethylene, polyethylene, MTBE, methanol and other petrochemical products
- The fertilizer segment, which produces and sells urea, ammonia and other by products
- The steel segment, which produces and sells steel pellets, bars, billets and others
- The real estate segment which is involved in the real estate investment, property management and property rentals. As mentioned in Note 1, this operation was dissolved effective 17 August 2011.

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

Operating segments

The following table presents revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2012 and 2011 respectively:

	<i>Petrochemicals</i> <i>QR'000</i>	<i>Fertilisers</i> <i>QR'000</i>	<i>Steel</i> <i>QR'000</i>	<i>Real</i> <i>estate</i> <i>QR'000</i>	<i>Total</i> <i>QR'000</i>
Period ended 30 June 2012					
(Unaudited)					
Total revenue	<u>3,016,392</u>	<u>2,728,123</u>	<u>3,328,563</u>	<u>-</u>	<u>9,073,078</u>
Results:					
Segment profit	<u>1,623,308</u>	<u>1,472,529</u>	<u>899,415</u>	<u>-</u>	<u>3,995,252</u>
<i>Unallocated income :</i>					
Interest income					24,939
Dividend income					7,151
Other income					2,706
<i>Unallocated expense:</i>					
Board of directors' fees					(7,931)
Qatar Petroleum annual fee					(3,839)
Staff allowances					(3,673)
Qatar Exchange fees/charges					(1,002)
Advertisements					(467)
Other expenses					<u>(720)</u>
Profit for the period					<u>4,012,416</u>

16 SEGMENT INFORMATION (CONTINUED)

	<i>Petrochemicals</i> <i>QR'000</i>	<i>Fertilisers</i> <i>QR'000</i>	<i>Steel</i> <i>QR'000</i>	<i>Real</i> <i>estate</i> <i>QR'000</i>	<i>Total</i> <i>QR'000</i>
Period ended 30 June 2011 (Unaudited)					
Total revenue	<u>3,175,479</u>	<u>2,135,801</u>	<u>2,852,042</u>	<u>2,046</u>	<u>8,165,368</u>
Results:					
Segment profit	<u>1,893,441</u>	<u>1,289,863</u>	<u>973,845</u>	<u>234</u>	<u>4,157,383</u>
<i>Unallocated income :</i>					
Interest income					23,160
Dividend income					10,004
<i>Unallocated expense:</i>					
Impairment of available for sale investments					(5,506)
Qatar Petroleum annual fee					(3,302)
Board of directors' fees					(2,400)
Unrealised loss on held-for- trading investments					(1,841)
Qatar Exchange fees/charges					(1,002)
Staff allowances					(323)
Advertisements					(399)
Other expenses					<u>(327)</u>
Profit for the period					<u><u>4,175,447</u></u>

The following table presents segmental assets regarding the Group's business segments for the period ended 30 June 2012 and year ended 31 December 2011 respectively:

	<i>Petrochemicals</i> <i>QR'000</i>	<i>Fertilisers</i> <i>QR'000</i>	<i>Steel</i> <i>QR'000</i>	<i>Total</i> <i>QR'000</i>	<i>Adjustments</i> <i>QR'000</i>	<i>Total</i> <i>QR'000</i>
Segment assets:						
At 30 June 2012	<u>9,882,553</u>	<u>15,704,194</u>	<u>9,148,172</u>	<u>34,734,919</u>	<u>1,412,087</u>	<u>36,147,006</u>
At 31 December 2011	<u>9,697,131</u>	<u>15,014,434</u>	<u>8,399,385</u>	<u>33,110,950</u>	<u>3,667,400</u>	<u>36,778,350</u>

Notes:

- (i) The amount included in the adjustment column represents assets carried in the books of Industries Qatar.
- (ii) The above segmental reporting relates only to the subsidiaries and joint venture companies.

17 FAIR VALUE OF FINANCIAL INSTRUMENTS**Fair value hierarchy**

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

- Level 1 : quoted (unadjusted) prices in active markets for identical assets or liabilities
 Level 2 : other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
 Level 3 : techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

At the end of the period/year, the Group held the following financial instruments measured at fair value:

<i>At 30 June 2012</i>	<i>Total</i> <i>QR'000</i>	<i>Level 1</i> <i>QR'000</i>	<i>Level 2</i> <i>QR'000</i>	<i>Level 3</i> <i>QR'000</i>
<i>Assets measured at fair value</i>				
Available-for-sale investments	637,761	637,761	-	-
Held-for-trading investments	6,604	6,604	-	-
<i>Liabilities measured at fair value</i>				
<i>Other financial liabilities:</i>				
Interest rate swaps	565,281	-	565,281	-
<i>At 31 December 2011</i>	<i>Total</i> <i>QR'000</i>	<i>Level 1</i> <i>QR'000</i>	<i>Level 2</i> <i>QR'000</i>	<i>Level 3</i> <i>QR'000</i>
<i>Assets measured at fair value</i>				
Available-for-sale investments	672,744	672,744	-	-
Held-for-trading investments	4,141	4,141	-	-
<i>Liabilities measured at fair value</i>				
<i>Other financial liabilities:</i>				
Interest rate swaps	571,177	-	571,177	-

During the reporting period ended 30 June 2012 and 31 December 2011, 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.

18 CORRECTION OF PRIOR PERIOD ERROR

In accordance with the Gas Sale and Purchase Agreement with Qatar Petroleum ("QP") relating to QAFCO 5 project, the Qatar Fertiliser Company (Q.S.C.C.) is obliged to take and pay for, or pay if not taken, the take or pay quantity to QP. The Company did not account for their take or pay obligation under this agreement for 2010 amounting to QR 129.9 million during the year ended 31 December 2010. Accordingly, the profit for the year ended 31 December 2010 and the retained earnings balance as at 1 January 2011 has been restated by QR 97.4 million equal to the Group's effective share in the Company.

The effect of the prior period adjustment on the consolidated financial statements is as follows:

	<i>QR'000</i>
Profit for the year ended 31 December 2010 as previously reported	5,577,771
Adjustment for the non-accrual of take or pay obligation for 2010	<u>(97,438)</u>
Profit for the year ended 31 December 2010 as restated	<u>5,480,333</u>
Impact on retained earnings at 1 January 2011	<u>(97,438)</u>