Qatar National Cement Company (Q.S.C.)

UKAS QUALITY MANAGEMENT

Annual Report 2010

Contents

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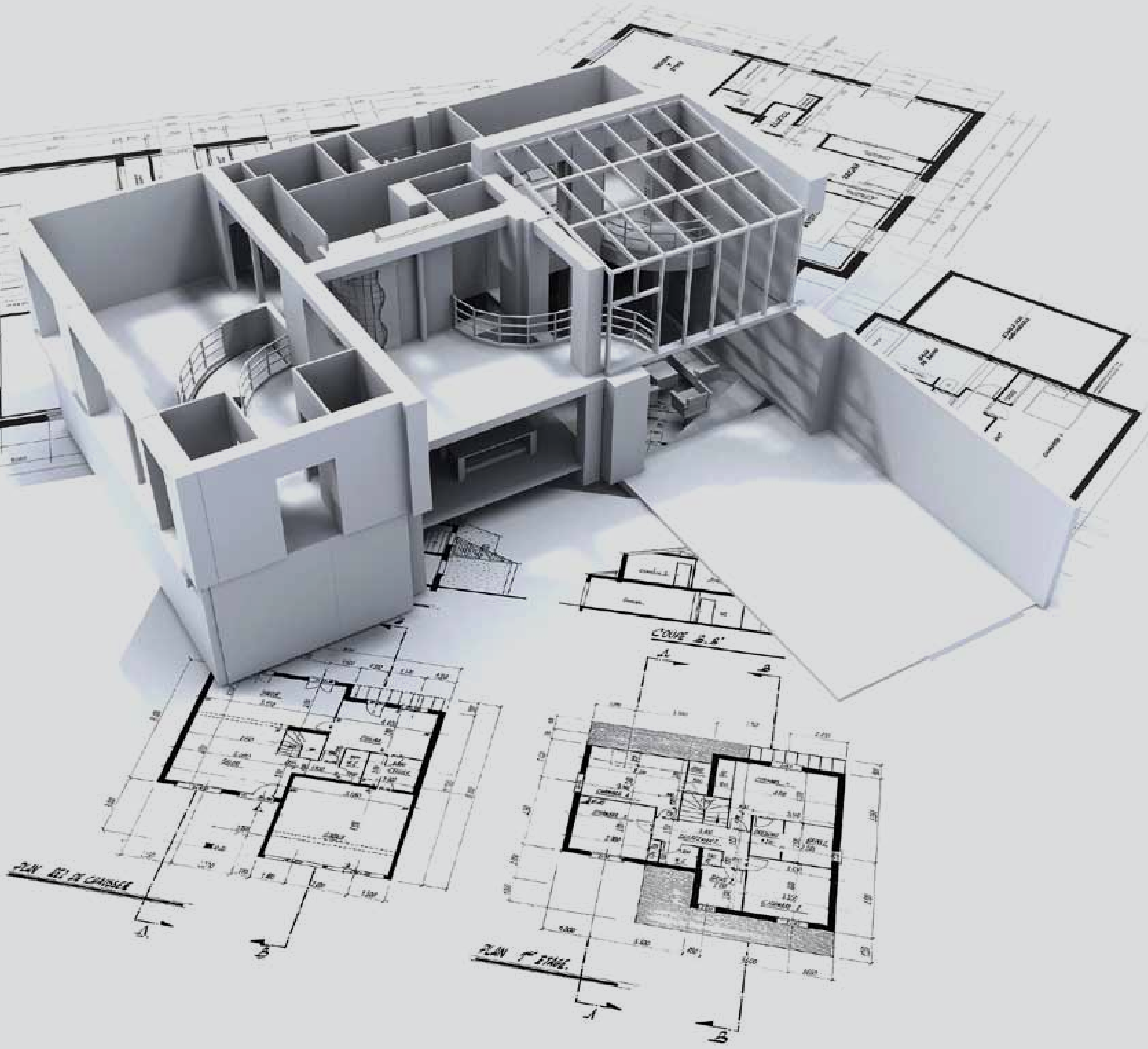
In the Name of Allah,
the Most Gracious, the Most Merciful

His Highness
Sheikh Hamad Bin Khalifa Al-Thani
Emir of the State of Qatar

His Highness
Sheikh Tamim Bin Hamad Bin Khalifa Al-Thani
The Heir Apparent



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Board of Directors

Salem Bin Butti Al-Naimi
Chairman & Managing Director

Sulaiman Khalid Al Mana
Deputy Chairman

Badr Ahmed Qayed
Member

Sh. Abdulaziz Bin Jassim Al-Thani
Member

Abdel Latif Al Mohanadi
Member

Hassan Al Jufairi
Member

Najib Al Sada
Member

Khalil Ibrahim Radwani
Member

Mohammad Ali Al Sulaity
General Manager

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Board of Directors’ Report

Dear Shareholders,

Al-Salamu Alaikum

I have the pleasure, personally and on behalf of the Board of Directors, to welcome you to this meeting and to present to you the Board of Directors’ Report for the financial year 2010 on the company’s performance and its financial position, and our future plan for the year 2011.

Production, Sales & Profits of 2010

The Company’s production in both categories of cement, OPC & SRC, reached 3.8 million tons during the year 2010 compared to 4.1 million tons during the previous year. The production of washed sand reached 5.6 million tons during the year 2010 compared to 7.5 million tons during the previous year. Lime production in both categories, Calcined & Hydrated, reached 18.6 thousand tons during 2010 against 22.2 thousand tons during the previous year.

Sales of all types of cement (OPC, SRC, Slag Blended Cement & Fly Ash Blended Cement) reached 3.8 million tons during the year 2010 against 4 million tons of production and 1.1 million tons of imported cement during the previous year. The sales of washed sand amounted to 4.7 million tons during the year 2010 compared to 6.6 million tons during the previous year. Sales of lime in both categories amounted to 17.2 thousand tons during the year 2010 against 20.7 thousand tons in the previous year.

The total value of sales revenue from production was recorded at QR 1.1 billion during the year 2010 compared to QR 1.2 billion during the previous year in addition to QR 300 million from the sale of imported cement. The reported fall on the sales revenue was due to the decreased market demand for both cement and washed sand caused by the effects of the global financial crisis and also due to the new entrant in the domestic cement sector. Accordingly the Company stopped the import of cement during the year 2010 in order to manage profitability and optimize supply.

Net profit increased to QR 467 million for the year 2010 against QR 417 million for the previous year, which confirms the strong financial position of the Company, in spite of the adverse conditions in the market.

Financial Position and Profit Distribution

The financial position of the Company became stronger, and the rights of the shareholders increased to QR 2.2 billion as at 31st December 2010 against QR 1.9 billion at the end of the previous year, an increase of QR 300 million (+12%).

Accordingly, the Company’s Board of Directors recommend your graceful meeting to approve the distribution of 60% of the share capital to the shareholders as cash dividend and 10% of the share capital as bonus shares for the year 2010.

Significant Achievements during 2010

The final hand over of the Cement Plant 4 was fully completed and the plant is operational with its full capacity of 5,000 tons of clinker and around 5,500 tons of cement per day, and the Company’s total production reached around 12,000 tons of clinker per day and around 15,500 tons of cement per day.

Market demand for all types of cement, washed sand and lime of both categories, calcined & hydrated, was successfully met, thereby providing a strong support to the unprecedented construction development in the Country.

The shareholder’s equity improved during 2010 and achieved a progress of 12% compared to last year.

Major part of the Calcium Carbonate Plant has been completed. We intend to supply limestone to Qatar Electricity and Water Company for 25 years and we hope that the plant will be operational in the coming weeks.

The Company has already started taking the primary steps required to increase its cement production capacity by replacing the old cement mills of Plant 1 with a new cement mill in order to meet the anticipated demand for cement in the near future for developing the infrastructure needed for the hosting the 2022 FIFA World Cup.

Contributing towards and supporting national activities is a part of the Company’s commitment towards the community in line with the State’s policy. Accordingly the Company is contributing 2.5% of its annual net profit as social contribution.

Future Plans

- The Company will continue to meet the local market demand for different kinds of Cement, Washed Sand & both kinds of Lime with timely increase in production capacity commensurate with the macro development plans of the State.
- Improve the sales of washed sand to maximize the profitability in that particular segment.
- The Company will continue to execute the approved plans to develop and update the Company’s regulations and to implement the ERP solution in order to achieve the best performance levels.
- The Company will continue to protect the environment and ensure the safety of the natural reserves by applying the highest protection standards adopted in the Country.
- Encourage Qatari nationals to join the Company in line with the State’s policy that targets the employment of a national workforce.
- Improve the services and welfare of the Company’s employees working at different sites.
- Support all the national activities and projects that are aimed at the welfare of the community in general.

Finally

I take immense pleasure in extending our most profound gratitude to HH Sheikh Hamad Bin Khalifa Al-Thani, Emir of the State of Qatar and to HH Sheikh Tamim Bin Hamad Bin Khalifa Al-Thani, the Heir Apparent, for their continuous and generous support during our various development stages.

Also I would like to thank HE Sheikh Hamad Bin Jassim Bin Jabor Al-Thani, Prime Minister and Minister of Foreign Affairs, HE Abdullah Bin Hamad Al Attiyah, Deputy Premier and Chief of Emiri Diwan; all ministries, government departments, establishments and institutions; and the Qatari and foreign companies who are co-operating with our company. My sincere thanks are also extended to our esteemed customers for their continuous co-operation and encouragement.

I would like to take this opportunity to express my sincere thanks to our employees for their hard work and diligence in executing their work for the benefit and development of the Company in order to achieve the organisation’s goals, as well as to our respected shareholders for the trust they continue to bestow upon us in managing this leading industrial institution. We reiterate our commitment to continue to develop and achieve perpetual growth for our company.

I pray to Almighty Allah to give us the strength to achieve our targeted objectives for the development and welfare of the State of Qatar.

Salem Bin Butti Al-Naimi
Chairman & Managing Director

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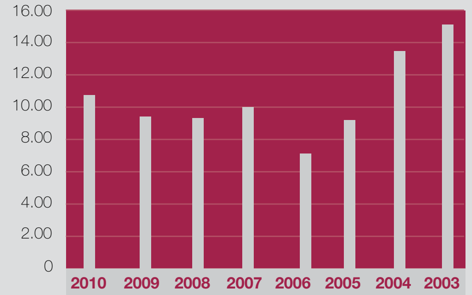
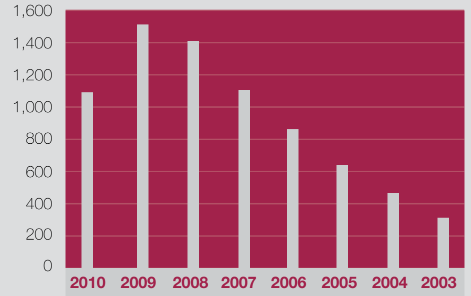
Financial Highlights

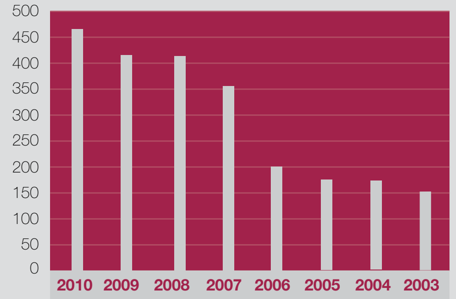
EARNINGS PER SHARE (in QR)



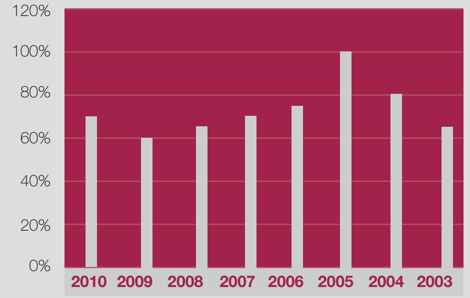
SALES (in QR Million)



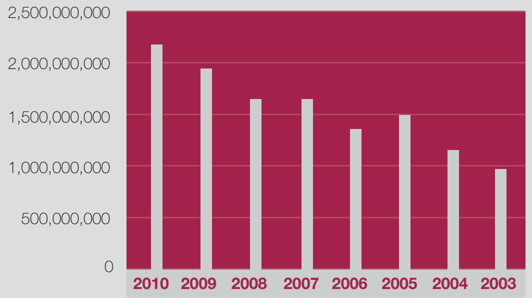
NET PROFIT (in QR Million)



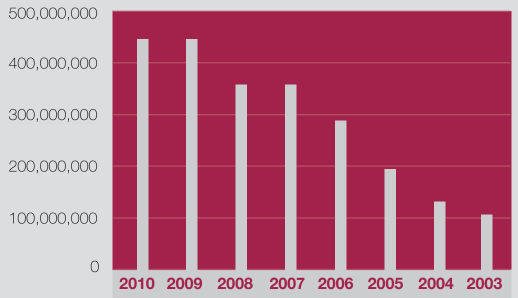
DISTRIBUTIONS (%)



NET WORTH (in QR)



SHARE CAPITAL (in QR)



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Independent Auditors' Report

To
The shareholders of
Qatar National Cement Company Q.S.C

Report on the financial statements

We have audited the accompanying financial statements of **Qatar National Cement Company Q.S.C** (the "Company"), which comprise the statement of financial position as at 31 December 2010 and statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Responsibility of the Directors for the financial statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. Furthermore, the Directors' are responsible for such internal control as Directors' determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2010, and of its financial performance, its cash flows and the changes in its equity for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

In addition, in our opinion, the Company has maintained proper accounting records and the financial statements are in agreement therewith. We have reviewed the accompanying report of the board of directors and confirm that the financial information contained thereon is in agreement with the books and records of the Company. We are not aware of any violations of the provisions of Qatar Commercial Companies law No. 5 of 2002 or the terms of Articles of Association having occurred during the year which might have had a material effect on the business of the Company or its financial position as at 31 December 2010. Satisfactory explanations and information have been provided to us by the management in response to all our requests.

Gopal Balasubramaniam
KPMG
Qatar Auditor's Registry No. 251

8 February 2011
Doha, State of Qatar

Statement of Financial Position

As at 31 December 2010

In Qatari Riyals

	Note	2010	2009
Assets			
Non-current assets			
Property, plant and equipment	4	1,692,333,277	1,790,026,193
Investment properties	5	13,586,411	15,085,157
Investment in associates	6	43,436,832	41,794,715
Investment securities	7	176,637,735	163,469,766
Total non-current assets		**1,925,994,255**	2,010,375,831
Current assets			
Inventories	8	439,580,662	296,852,666
Accounts receivables and prepayments	9	142,414,282	164,656,398
Cash and bank balances	10	99,804,940	54,275,335
Total current assets		681,799,884	515,784,399
Total assets		**2,607,794,139**	2,526,160,230
Equity and liabilities			
Equity (pages 6-7)			
Share capital	11	446,369,050	446,369,050
Legal reserve	12	223,184,525	220,251,166
Other reserves	13	481,766,057	444,144,630
Retained earnings		1,008,418,707	812,180,621
Total equity		**2,159,738,339**	1,922,945,467
Liabilities			
Non-current liabilities			
Employees' end of service benefits	15	8,766,345	7,328,963
Non-current portion of term loans	16	163,867,500	160,226,000
Total non-current liabilities		**172,633,845**	167,554,963
Current liabilities			
Trade and other payables	17	115,195,955	106,355,869
Current portion of term loans	16	160,226,000	160,226,000
Bank overdraft	10	-	169,077,931
Total current liabilities		**275,421,955**	435,659,800
Total liabilities		**448,055,800**	603,214,763
Total equity and liabilities		**2,607,794,139**	2,526,160,230

The financial statements were approved by the Board of Directors and were signed on its behalf by the following on 8 February 2011:

Mr. Salem Bin Butti Al-Naimi
Chairman and Managing Director

Mr. Sulaiman Khalid Al Mana
Deputy Chairman

The attached notes 1 to 29 form an integral part of these financial statements.

Statement of Income

For the year ended 31 December 2010

In Qatari Riyals

	Note	2010	2009
Revenue		1,090,176,821	1,519,125,054
Cost of sales	19	(580,595,643)	(1,097,485,804)
Gross profit		**509,581,178**	421,639,250
Other income	20	46,839,985	124,946,518
Selling and distribution expenses		(10,309,657)	(11,256,771)
General and administrative expenses	21	(47,117,534)	(45,587,487)
Share of profit from associates	6	2,132,492	1,963,023
Impairment loss on available-for-sale assets	7	(12,000,000)	(40,301,698)
Finance charges		(10,159,413)	(23,855,411)
Profit before contribution to social fund		**478,967,051**	427,547,424
Social fund contribution	22	(11,974,176)	(10,511,969)
Net profit for the year		**466,992,875**	417,035,455
Earnings per share			
Basic earnings per share (Qatari Riyal)	25	**10.46**	9.34

The attached notes 1 to 29 form an integral part of these financial statements.

Statement of Comprehensive Income

For the year ended 31 December 2010

In Qatari Riyals

	Note	2010	2009
Net profit for the year		**466,992,875**	417,035,455
Other comprehensive income:			
Net change in fair value of available-for-sale financial assets	13	44,988,990	43,610,590
Net change in share of fair value reserves of associates	13	839,625	(587,327)
Net change in fair value of available-for-sale financial assets transferred to profit or loss	13	(8,207,188)	(28,302,406)
Other comprehensive income for the year		**37,621,427**	14,720,857
Total comprehensive income for the year		**504,614,302**	431,756,312

The attached notes 1 to 29 form an integral part of these financial statements.

Statement of changes in equity

For the year ended 31 December 2010

In Qatari Riyals

	Attributable to equity holders of the Company							
			Other reserves					
2009	Share capital	Legal reserve	Fair value reserve-investments available-for-sale	Share of fair value reserves of associates	Development reserve	Total other reserves	Retained earnings	Total Equity
Balance as at 1 January 2009	357,095,240	178,547,620	19,204,577	3,630,685	406,588,511	429,423,773	677,460,618	1,642,527,251
Total comprehensive income for the year								
Profit for the year	-	-	-	-	-	-	417,035,455	417,035,455
Other comprehensive income								
Net change in fair value of available-for-sale financial assets	-	-	43,610,590	-	-	43,610,590	-	43,610,590
Net change in share of fair value reserves of associates	-	-	-	(587,327)	-	(587,327)	-	(587,327)
Net change in fair value of available-for-sale financial assets transferred to profit or loss	-	-	(28,302,406)	-	-	(28,302,406)	-	(28,302,406)
Total other comprehensive income	-	-	15,308,184	(587,327)	-	14,720,857	-	14,720,857
Total comprehensive income for the year	-	-	15,308,184	(587,327)	-	14,720,857	417,035,455	**431,756,312**
Bonus shares issued for the year 2008	89,273,810	-	-	-	-	-	(89,273,810)	-
Transfer from retained earnings to legal reserve	-	41,703,546	-	-	-	-	(41,703,546)	-
Dividend paid for the year 2008	-	-	-	-	-	-	(142,838,096)	(142,838,096)
Directors' remuneration paid	-	-	-	-	-	-	(8,500,000)	(8,500,000)
Balance as at 31 December 2009	446,369,050	220,251,166	34,512,761	3,043,358	406,588,511	444,144,630	812,180,621	1,922,945,467

The attached notes 1 to 29 form an integral part of these financial statements.

Statement of Changes In Equity

For the year ended 31 December 2010

In Qatari Riyals

2010	Attributable to equity holders of the Company							
			Other reserves					
	Share capital	Legal reserve	Fair value reserve-investments available-for-sale	Share of fair value reserves of associates	Development reserve	Total other reserves	Retained earnings	Total Equity
Balance as at 1 January 2010	446,369,050	220,251,166	34,512,761	3,043,358	406,588,511	444,144,630	812,180,621	1,922,945,467
Total comprehensive income for the year								
Profit for the year	-	-	-	-	-	-	466,992,875	466,992,875
Other comprehensive income								
Net change in fair value of available-for-sale financial assets	-		44,988,990	-	-	44,988,990	-	44,988,990
Net change in share of fair value reserves of associates	-	-		839,625	-	839,625	-	839,625
Net change in fair value of available-for-sale financial assets transferred to profit or loss	-	-	(8,207,188)		-	(8,207,188)	-	(8,207,188)
Total other comprehensive income	-	-	36,781,802	839,625	-	37,621,427	-	37,621,427
Total comprehensive income for the year	-	-	36,781,802	839,625	-	37,621,427	466,992,875	504,614,302
Transfer from retained earnings to legal reserve	-	2,933,359	-	-	-	-	(2,933,359)	-
Dividend paid for the year 2009	-	-	-	-	-	-	(267,821,430)	(267,821,430)
Directors' remuneration paid	-	-	-	-	-	-	-	-
Balance as at 31 December 2010	**446,369,050**	**223,184,525**	**71,294,563**	**3,882,983**	**406,588,511**	**481,766,057**	**1,008,418,707**	**2,159,738,339**

The attached notes 1 to 29 form an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31 December 2010

In Qatari Riyals

	Note	2010	2009
Operating activities			
Profit for the year		466,992,875	417,035,455
Adjustments for:			
Provision/ (reversal) for slow moving inventory	8.a	474,881	(2,758,587)
Gain on sale of available-for-sale financial assets	20	(8,207,188)	(28,302,406)
Depreciation on property, plant and equipment and investment properties	4&5	125,163,517	106,102,772
Gain on disposal of property, plant and equipment		(48,375)	(28,352)
Provision for employees' end of service benefits	15	1,617,556	1,632,037
Interest income	20	(4,048,603)	(1,050,327)
Dividend income	20	(9,181,394)	(7,068,677)
Share of results from investments in associates	6	(2,132,492)	(1,963,023)
Impairment from available-for-sale financial assets	7	12,000,000	40,301,698
Cash generated from operating activities		**582,630,777**	523,900,590
Change in inventories		(143,202,877)	197,998,426
Change in accounts receivables & prepayments		22,242,116	103,134,531
Change in payables and other liabilities		(37,680,436)	(262,013,698)
Employees' end of service benefits paid	15	(180,174)	(67,318)
Board of directors' remuneration paid		-	(8,500,000)
Net cash from operating activities		**423,809,406**	554,452,531
Investing activities			
Acquisition of property, plant and equipment	4	(25,923,480)	(88,969,924)
Proceeds from disposal of property, plant and equipment		-	41,855
Acquisition of investment properties	5	-	(1,633,100)
Acquisition of available-for-sale financial assets	7	(11,495,122)	(31,198,482)
Proceeds from sale of available-for-sale financial assets		31,316,143	79,194,772
Interest received		4,048,603	1,050,327
Dividend income received		9,181,394	7,068,677
Dividend received from associates	6	1,330,000	12,000,000
Net cash flows from / (used in) investing activities		**8,457,538**	(22,445,875)
Financing activities			
Proceeds from finance lease		-	7,499,024
Dividend paid		(221,300,908)	(104,962,481)
Net proceeds /(Repayment) from term loans	16	3,641,500	(87,396,000)
Cash flows used in financing activities		**(217,659,408)**	(184,859,457)
Net increase in cash & cash equivalents		**214,607,536**	347,147,199
Cash and cash equivalents at 1 January		(114,802,596)	(461,949,795)
Cash and cash equivalents at the end of the year	10	**99,804,940**	(114,802,596)

The attached notes 1 to 29 form an integral part of these financial statements.

Notes to the Financial statements

For the year ended 31 December 2010

1) Status and operations

Qatar National Cement Company Q.S.C. (the "Company") was incorporated in the State of Qatar as a Qatari Shareholding Company, under the Emiri Decree No. 7 of 1965 with a Commercial Registration No. of 25. The Company's head office is situated in Doha.

The Company is primarily engaged in the production and sale of cement, washed sand and lime at its plants located in Ummbab, Qatar.

2) Basis of preparation

(a) Statement of compliance

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by International Accounting Standards Board (IASB) and the applicable provisions of the Qatar Commercial Companies Law no 5 of 2002.

(b) Basis of measurement

These financial statements have been prepared under the historical cost basis except for certain investment securities which are carried at fair value.

(c) Functional and presentation currency

The financial statements are presented in Qatari Riyals, which is the Company's functional currency and all values are rounded to the nearest Qatari Riyal except when otherwise indicated.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the note 28.

(e) Standards, amendments and interpretations issued

(i) New standards, amendments and interpretations effective on or after 1 January 2010

The following standards, amendments and interpretations, which became effective in 2010 are relevant to the Company:

Improvements to IFRSs (2009)

Improvements to IFRS issued in April 2009 contained numerous amendments to IFRS that the IASB considers non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes to presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. The amendments are effective for annual periods beginning on or after 1 January 2010 with earlier adoption permitted. There were no material changes to the current accounting policies of the Company as a result of these amendments.

(ii) New standards, amendments and interpretations that are not yet effective for the year ended 31 December 2010 and not yet adopted

The following standards and interpretations have been issued and are expected to be relevant to the Company but not yet effective for the year ended 31 December 2010.

IFRS 9 'Financial Instruments'

Standard issued in November 2009 (IFRS9 (2009))

IFRS 9 (2009) "Financial Instruments" is the first standard issued as part of a wider project to replace IAS 39 "Financial instruments: recognition and measurement". IFRS 9 (2009) retains and simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset.

2) Basis of preparation (continued)

(e) Standards, amendments and interpretations issued (continued)

(ii) New standards, amendments and interpretations that are not yet effective for the year ended 31 December 2010 and not yet adopted (continued)

IFRS 9 'Financial Instruments' (continued)

Standard issued in November 2009 (IFRS9 (2009)) (continued)

The guidance in IAS 39 on impairment and hedge accounting continues to apply. The 2009 standard did not address financial liabilities.

Standard issued in October 2010 (IFRS9 (2010))

IFRS 9 (2010) adds the requirements related to the classification and measurement of financial liabilities, and derecognition of financial assets and liabilities to the version issued in November 2009. It also includes those paragraphs of IAS 39 dealing with how to measure fair value and accounting for derivatives embedded in a contract that contains a host that is not a financial asset, as well as the requirements of IFRIC 9 "reassessment of Embedded Derivatives"

The Company is yet to assess IFRS9's full impact. Given the nature of the Company's operations, this standard is not expected to have a pervasive impact on the Company's financial statements,

While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted. Prior periods need not be restated if an entity adopts the standard for reporting periods beginning before 1 January 2012.

Revised IAS 24 (revised), Related party disclosures

It was issued in November 2009 and is mandatory for periods beginning on or after 1 January 2011. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. When the revised standard will be applied, the Company and the parent will need to disclose transactions between its subsidiaries and its associates. The Company is currently putting systems in place to capture the necessary information.

Improvements to IFRSs 2010

Improvements to IFRS issued in 2010 contained numerous amendments to IFRS that the IASB considers non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes to presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. The amendments are effective for the Company's 2011 annual financial statements with earlier adoption permitted. No material changes to accounting policies are expected as a result of these amendments.

Early adoption of standards

The Company did not early-adopt new or amended standards in 2010.

3) Significant accounting policies

The following significant accounting policies have been applied in the preparation of these financial statements:

(a) Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management.

The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, including the capitalised borrowing. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Notes to the Financial statements

For the year ended 31 December 2010

3) Significant accounting policies (continued)

(a) Property, plant and equipment (continued)

Depreciation on all property, plant and equipment is charged to the profit and loss account on the straight line method, so as to write off the historical cost of such asset over its estimated useful life mentioned below:

Buildings	5-30 years
Plant, equipment and tools	1-20 years
Motor vehicles	5-10 years
Furniture and fixtures	10 years

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to profit and loss during the period in which they are incurred.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as an income or expense.

Capital work in progress

Capital work in progress is stated at cost less any identified impairment loss and represents expenditure incurred on property, plant and equipment during the construction and installation. Cost also includes applicable borrowing costs. Transfers are made to relevant property, plant and equipment category as and when assets are available for intended use.

(b) Investment property

Investment property is property held either to earn rentals or for capital appreciation or both, but not for sale in ordinary course of business, use in the production or supply of goods or services or for administrative purpose. Investment property is stated at cost less accumulated depreciation and impairment losses, if any. Investment properties, other than land, are depreciated on a straight-line basis over their estimated useful lives of 20-30 years.

(c) Investments in associates

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting power of another entity. It is neither a subsidiary nor an interest in joint venture.

Investments in associates are accounted for using the equity method (equity accounted investees) and are recognised initially at cost.

The Company's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. These financial statements include the Company's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with that of the Company, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Company's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

(d) Financial instruments

Financial instruments represent the Company's financial assets and liabilities. Financial assets and financial liabilities are recognized on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial instruments also include commitments not recognized but adequately disclosed in the respective notes to the financial statements.

Financial assets include trade receivables, available-for-sale financial assets, cash and bank balances and certain other assets. Financial liabilities include term loans, bank overdraft, trade and certain other liabilities.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and are not classified as an investment at fair value through the statement of income or held to maturity or loans or receivables.

3) Significant accounting policies (continued)

(d) Financial instruments (continued)

Available-for-sale financial assets (continued)

Available-for-sale financial assets are initially recognised at fair value plus any directly attributable transaction costs. After the initial recognition, these are stated at fair value, unless fair value can not be measured reliably, with any resulting gains and losses being taken directly to equity until the investment is disposed off or impaired. At each reporting date, these investments are remeasured at fair value, unless fair value cannot be reliably measured. At the time of disposal, the respective surplus or deficit is transferred to profit and loss currently. Fair value of quoted investments is their bid price on Qatar Stock Exchange at the financial position date.

All purchases and sales of investments are recognized on the trade date which is the date that the company commits to purchase or sell the investment.

Accounts receivables

Accounts receivables are stated at cost being the fair value, net of provisions for amounts estimated to be non-collectable. An estimate for doubtful accounts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, balances under current and call accounts with the banks and deposits having a maturity of less than ninety days. For the purpose of the statement of cash flow, cash and cash equivalents consists of bank balances and cash, net of bank overdrafts.

Trade payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Term loans

Term loans are recognised initially at fair value. Subsequent to initial recognition these are measured at amortised cost using the effective interest method.

(e) Inventories

Inventories are stated at the lower of cost and net realisable value after providing for any obsolescence and damages determined by the management. Costs are those expenses incurred in bringing each product to its present location and condition which are computed as follows:

- Raw materials, spare parts and consumables: Purchases costs on weighted average basis.
- Work in progress and finished goods: Cost of direct materials, direct labour and other direct cost plus attributable overheads based on normal level of activity.

Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

(f) Employees' end of service benefits

Expatriate employees

For the expatriate employees, the Company provides for employees' end of service benefits determined in accordance with the requirements of Qatar Labour laws pertaining to retirement and pensions, wherever required. These unfunded charges are made by the Company on the basis of employees' salaries and the number of years of service at the statement of financial position date. Applicable benefits are paid to employees on termination of employment with the Company.

Qatari employees

With respect to its Qatari employees, the Company makes contributions to the General Pension Fund Authority calculated as a percentage of the employees' salaries in accordance with the requirements of Law No. 24 of 2002 pertaining to Retirement and Pensions. The Company's obligations are limited to these contributions, which are expensed when due.

3) Significant accounting policies (continued)

(g) Provision
A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows that reflects current market assessments of the time value of money and the risks specific to the liability.

(h) Revenue recognition
Revenue is measured at fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods
Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

Dividend and interest income
Dividends from investments are recognised when the shareholder's right to receive payment has been established.

Interest is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Profit on sale of investments
Profit on the sale of quoted investments is recognized when the sale is confirmed by the broker.

Rental income
Rental income from investment property is recognised in the statement of income on a straight-line basis over the term of the lease.

Other income
Other income is recognized on an accrual basis.

(i) Borrowing costs
Borrowing costs are finance and other costs that the Company incurs in connection with the borrowing of funds. A qualifying asset for finance cost capitalization is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. The Company capitalizes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The Company recognizes other borrowing costs as an expense in the period in which it incurs them.

The Company begins capitalizing borrowing costs as part of the cost of a qualifying asset on the commencement date. The commencement date for capitalization is the date when the Company first meets all of the following conditions:

(a) incurs expenditures for the asset;

(b) incurs borrowing costs; and

(c) undertakes activities that are necessary to prepare the asset for its intended use or sale.

To the extent that the Company borrows funds specifically for the purpose of obtaining a qualifying asset, the Company determines the amount of borrowing costs eligible for capitalization as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings, if any.

The borrowing costs applicable to the borrowings of the Company that are outstanding during the period, other than those specific borrowings mentioned above as made specifically for the purpose of obtaining a qualified asset, are capitalized by applying a capitalization rate to the expenditures on that asset. The amount of borrowing costs that the Company capitalizes during the year is not to exceed the amount of borrowing costs it incurred during that year.

3) Significant accounting policies (continued)

(i) Borrowing costs (continued)
The Company suspends capitalization of borrowing costs during extended periods in which it suspends active development of a qualifying asset, and ceases capitalizing borrowing costs when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

(j) Foreign currency transactions
All monetary assets and liabilities in foreign currencies are translated into Qatari Riyals at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into Qatari Riyals at exchange rates prevailing at the date of transaction. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into Qatari Riyals at exchange rates prevailing at the date of transaction. Non-monetary assets and liabilities denominated in foreign currency that are stated at fair value are translated into Qatari Riyals at exchange rates prevailing at the date when fair values are determined. Exchange gains and losses are included in the income currently.

(k) Dividend distribution
Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividend is approved by the Company's shareholders.

(l) Related party transactions
The Company enters into transactions with related parties on an arm's length basis. Prices for transactions with related parties are determined using admissible valuation methods, except in extremely rare circumstances where, subject to approval of the Board of Directors, it is in the interest of the Company to do so.

(m) Impairment
Financial assets
A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

All impairment losses are recognized in the statement of income. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in other comprehensive income is transferred to the statement of income.

- For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statement of income;
- For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of the estimated future cash flows discounted at the original effective finance cost rate.
- Significant financial assets are tested for impairment on an individual basis.
- The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

For shares classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counter party; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

Notes to the Financial statements

For the year ended 31 December 2010

3) Significant accounting policies (continued)

(m) Impairment (continued)

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in the statement of income.

Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(n) Fair values

For available-for-sale investments traded in organised financial markets, fair value is determined by reference to the quoted market price at the close of business on the statement of financial position date. For investments which are listed in inactive stock markets, traded in small quantities or have no current prices, the fair value is measured using the current value of cash flows or other applicable methods. If there is no reliable method for the measurement of fair value of these investments, then they are stated at cost less any impairment in their value.

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable and willing parties at arm's length basis. The fair values of the financial assets and liabilities are not considered significantly different from their book values as most of these items are either short-term in nature or re-priced frequently.

4) Property, plant and equipment for the year ended 31 December 2010

In Qatari Riyals

	Buildings	Plant, equipment & tools	Motor vehicles	Furniture and fixtures	Capital work in progress	Total 2010	Total 2009
Cost:							
Balance – 1 January	512,019,064	2,021,284,529	100,581,076	16,623,683	2,047,512	2,652,555,864	2,563,684,440
Additions	1,089,098	6,280,640	5,509,399	1,514,197	11,678,146	26,071,480	88,969,924
Transfers	2,796,361	4,382,100	-	-	(7,178,461)	-	-
Disposals	-	-	(255,000)	-	-	(255,000)	(98,500)
At 31 December	515,904,523	2,031,947,269	105,835,475	18,137,880	6,547,197	2,678,372,344	2,652,555,864
Depreciation:							
At 1 January	171,091,818	622,778,055	57,577,436	11,082,362	-	862,529,671	758,044,868
Charges for the year	24,889,432	89,728,498	8,094,813	952,028	-	123,664,771	104,569,799
Relating to disposals	-	-	(155,375)	-	-	(155,375)	(84,996)
At 31 December	195,981,250	712,506,553	65,516,874	12,034,390	-	986,039,067	862,529,671
Net book values:							
At 31 December 2010	**319,923,273**	**1,319,440,716**	**40,318,601**	**6,103,490**	**6,547,197**	**1,692,333,277**	-
At 31 December 2009	340,927,246	1,398,506,474	43,003,640	5,541,321	2,047,512	-	1,790,026,193

Notes to the Financial statements

For the year ended 31 December 2010

In Qatari Riyals

4) Property, plant and equipment (continued)

(i) The Company's cement plants and sand plants are constructed on land leased from the Government of Qatar. The depreciation charge for the year (for property plant and equipment) is included in the statement of income as follows:

	2010	2009
Cost of sales	119,070,310	100,265,283
Selling and distribution expenses	2,271,677	2,270,905
General and administrative expenses	2,322,784	2,033,611
	123,664,771	104,569,799

5) Investment properties

	2010	2009
Cost:		
Balance as at 1 January	42,222,428	40,589,328
Additions for the year	-	1,633,100
Balance as at	42,222,428	42,222,428
Depreciation:		
Balance as at 1 January	27,137,271	25,604,298
Charge for the year	1,498,746	1,532,973
Balance as at	28,636,017	27,137,271
Net book value as at 31 December	13,586,411	15,085,157

In the statement of income, rental income includes an amount of QR 8.61 million (2009: QR 9.68 million) as rent received from investment properties for the year ended 31 December 2010. As per management estimates, the fair value of the investment properties as at 31 December 2010 is QR 497 million (2009: QR 497 million).

6) Investment in associates

The investments in associates are represented as follows:

	Ownership	2010	2009
Qatar Saudi Gypsum Industries Co. (W.L.L)	33.33%	21,570,499	21,255,698
Qatar Quarries & Building Materials Co.	20%	21,866,333	20,539,017
Balance as at 31 December		43,436,832	41,794,715

Movements on the investments in associates balance during the year are represented as follows:

	2010	2009
Balance at 1 January	41,794,715	52,419,019
Share of net results of associates	2,132,492	1,963,023
Movement in fair value reserve (Note 13a)	839,625	(587,327)
Dividend received from associate	(1,330,000)	(12,000,000)
Balance as at 31 December	43,436,832	41,794,715

6) Investment in associates (continued)

The shares of net results of associates are based on the latest available financial statements:

	Qatar Saudi Gypsum W.L.L.	Qatar Quarries and Building Materials W.L.L.
Total assets	66,541,907	117,353,891
Total liabilities	1,814,227	8,022,226
Total revenue	7,412,418	236,768,140

7) Investment securities

The investment securities comprise of investments in shares of listed companies classified as available-for-sale financials assets.

	2010	2009
Balance at 1 January	163,469,766	208,157,164
Additions during the year	11,495,122	31,198,482
Fair value movement during the year (Note 13a)	44,988,990	43,610,590
Fair value of disposals during the year	(31,316,143)	(79,194,772)
Impairment	(12,000,000)	(40,301,698)
Balance as at 31 December	176,637,735	163,469,766

8) Inventories

	2010	2009
Work in progress	152,693,163	64,316,047
Spare parts	198,730,197	182,512,159
Raw materials	37,278,574	27,046,706
Goods in transit	29,909,115	8,502,681
Finished goods	40,321,229	31,587,925
Fuel oil and lubricants	1,042,391	1,334,140
Miscellaneous	5,155,393	6,627,527
Total	465,130,062	321,927,185
Less: provision for obsolescence and slow moving inventories	(25,549,400)	(25,074,519)
Balance as at 31 December	439,580,662	296,852,666

8a) Provision for obsolete & slow moving inventories:

	2010	2009
Balance at 1 January	25,074,519	27,833,106
Provision for the year	474,881	1,425,000
Reversal of provision	-	(4,183,587)
Balance as at 31 December	25,549,400	25,074,519

Notes to the Financial statements

For the year ended 31 December 2010

In Qatari Riyals

9) Accounts receivables and prepayments

	2010	2009
Accounts receivables	135,025,172	119,549,131
Prepayment and other receivables	5,628,188	27,166,252
Claims from Government	3,056,811	19,236,904
Total	143,710,171	165,952,287
Less: provision for doubtful debts (note 9.a)	(1,295,889)	(1,295,889)
Balance as at 31 December	142,414,282	164,656,398

9a) Provision for doubtful debts

The movement in provisions were as follows:

	2010	2009
Balance at 1 January	1,295,889	1,295,889
Charge for the year	-	-
Balance as at 31 December	1,295,889	1,295,889

10) Cash and cash equivalents

	2010	2009
Cash at bank	99,804,940	54,275,335
Cash and bank balances	99,804,940	54,275,335
Bank overdraft	-	(169,077,931)
Cash and cash equivalents as at 31 December	99,804,940	(114,802,596)

The balances in fixed deposit/call accounts bear mark-up which ranges from 0.65% to 5.25% per annum (2009: 0.65% to 6.5% per annum).

11) Share capital

	2010	2009
Authorized, issued and fully paid up capital	446,369,050	357,095,240
Bonus issue	-	89,273,810
Balance as at 31 December	446,369,050	446,369,050

The authorized and paid up share capital of the Company amounts to QR 446.37 million as at 31 December 2010 comprising 44.64 million shares of QR 10 each, all of equal class and voting rights.

12) Legal reserve

In accordance with Qatar Commercial Companies Law No. 5 of 2002 the Company's Articles of Association, 10% of the net income for the year should be transferred to legal reserve. This reserve is to be maintained until the reserve equals 50% of the paid capital and is not available for distribution except in circumstances specified in the above Law. QR 2.93 million (2009: QR 41.70 million) has been transferred to the legal reserve in the current year.

In Qatari Riyals

13) Other reserves

	2010	2009
Fair value reserve	75,177,546	37,556,119
Development reserve	406,588,511	406,588,511
Balance as at 31 December	481,766,057	444,144,630

The development reserve was created in 1990 to finance the construction of cement plant II.

13a) The movement in the fair value reserve was as follows:

	2010	2009
Balance at the 1 January	37,556,119	22,835,262
Net movement:		
Fair value transferred to statement of income on sale of available-for-sale financial assets	(8,207,188)	(28,302,406)
Revaluation on available-for-sale financial assets	44,988,990	43,610,590
Share of fair value reserve in associates	839,625	(587,327)
Net movement during the year	37,621,427	14,720,857
Balance as at 31 December	75,177,546	37,556,119

14) Dividend proposed

In a meeting held on 8 February 2011 the Board of Directors have proposed a cash dividend distribution of 60% of the paid up capital and 10% bonus shares for the year 2010 (2009: cash dividends 60% of the paid up capital).

15) Employees' end of service benefits

	2010	2009
Balance at the 1 January	7,328,963	5,764,244
Provided for the year	1,617,556	1,632,037
Paid during the year	(180,174)	(67,318)
Balance as at 31 December	8,766,345	7,328,963

The Company employed 1,363 employees as at 31 December 2010 (2009:1,286)

16) Term loans

	2010	2009
Balance at the 1 January	320,452,000	407,848,000
Obtained during the year	163,867,500	-
Repayments during the year	(160,226,000)	(87,396,000)
Balance as at 31 December	324,093,500	320,452,000

The balance is presented in the statement of financial position as follows:

Current portion of term loans	160,226,000	160,226,000
Non Current portion of term loans	163,867,500	160,226,000
Total	324,093,500	320,452,000

Notes to the Financial statements

For the year ended 31 December 2010

In Qatari Riyals

16) Term loans (continued)

Loan - 1

The Company entered into a loan agreement on December 19, 2004 with five leading banks for USD 120 million (QR 436.98 million) to finance the construction of the Cement Plant III in Ummbab.

The term loan bears an interest rate at 0.7% per annum over 3 months LIBOR and is repayable in 10 equal semi-annual instalments starting from June 2007.

Loan - 2

The Company entered into another loan agreement on June 28, 2008 with a foreign bank for USD 40 million (QR 145.66 million) to finance the construction of the Plant IV in Ummbab.

The term loan bears an interest rate of 0.9% per annum over 3 months LIBOR and is repayable in 2 equal instalments. The first instalment was paid on November 15, 2010 and the second instalment is payable on May 15, 2011.

Loan - 3

The Company entered into an Islamic Murabaha facility in May, 2010 with a foreign bank for USD 45 million (QR 163.87 million).

It is quarterly revolving facility, which carries profit rate at 2.80% per annum over 3 months LIBOR and is repayable in four equal quarterly instalments starting from August 2012.

All the above mentioned facilities are secured against assets of the Company.

17) Trade and other payables

	2010	2009
Trade payable	27,353,420	30,620,459
Accruals and provisions (a)	40,470,945	35,828,476
Other payables (b)	47,371,590	39,906,934
Balance as at 31 December	115,195,955	106,355,869

(a) Accruals and provisions includes QR 8.5 million on account of Directors' remuneration.

18) Segment reporting

The Company is organized into one business segment, which comprises the manufacture and sale of cement, sand and other by products. Geographically, the company's entire business operations are concentrated in Qatar. The Chief Operating Decision maker evaluates the results of the Company for this overall segment.

19) Cost of sales

During 2010, the Company had not imported cement due to the decline in the demand of Cement in the State of Qatar and the increased Company capacity due to commissioning of Plant IV in July 2009. This has resulted in significant drop in cost of sale for the year ended 31 December 2010.

20) Other income

	2010	2009
Gain from sale of available-for-sale financial assets	8,207,188	28,302,406
Claims from Government	-	53,119,554
Dividend income	9,181,394	7,068,677
Interest income	4,048,603	1,050,327
Transportation income	14,138,349	18,241,428
Rental income from investment property	8,614,294	9,681,800
Others	2,650,157	7,482,326
	46,839,985	124,946,518

In Qatari Riyals

21) General and administrative expenses

	2010	2009
Staff costs	28,702,597	28,342,172
Depreciation	3,821,531	3,566,584
Directors remuneration	8,500,000	8,500,000
Others	6,093,406	5,178,731
Total	47,117,534	45,587,487

Total staff cost during the year amounted to QR 83.33 million (2009: QR 80.99 million), of which QR 53.12 million (2009: QR 51.15 million) was charged to cost of sales and QR 1.51 million (2009: QR 1.5 million) was charged to selling and distribution expenses.

22) Social fund contribution

Pursuant to Qatar Law No. 13 of 2008 requires all Qatari listed shareholding companies to pay 2.5% of net profit to a social and sports fund.

23) Related party disclosures

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include entities over which the Company exercises significant influence, shareholders and key management personnel of the Company.

A number of these entities transacted with the Company in the reporting period. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

(a) Transactions with Government and its agencies

The Government of Qatar holds 43% of the Company's share capital. In the normal course of business, the Company supplies its products to various Government and semi Government agencies in the State of Qatar. The Company also avails various services from Government and semi Government agencies in the State of Qatar.

During the year 31 December 2009, the Company received from the Government of Qatar QR 360.7 million (2010: nil) towards a claim for refund of the price of imported cement, imported clinker, customs fee, port charges and demurrages, out of which QR 53,119,554 (2010: nil) was classified under other income for the year ended 31 December 2009 and the remaining amount of QR 307,671,533 (2010: nil) was deducted from operating costs for the year ended 31 December 2009.

During the year 31 December 2010 the Company has booked a claim from Government of Qatar amounting to QR 3 million (2009: QR 19.2 million) which was deducted from operating costs.

The rental income includes a sum of QR 3.75 million (2009: 5 million) received from the Government of Qatar.

(b) Compensation of key management personnel

Key management personnel comprise the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Company. The remuneration paid to the Board of Directors during the year has been recognized within general and administrative expenses.

In addition to the above, a sum of QR 1.26 million (2009: QR 1,26 million) has been paid to the members of the Committees of the Board of Directors and salaries and benefits paid to key members of the management amounts to QR 3.2 million (2009: QR 2.7 million).

Notes to the Financial statements

For the year ended 31 December 2010

24) Commitments and contingencies

	2010	2009
Capital commitments	QR 27 Mill	QR 16 Mill
Letters of credit	34,000,000	59,000,000
Commitment for balance of associate share capital	12,000,000	12,000,000

25) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding at the statement of financial position date.

	2010	2009
Net profit attributable to equity holders of the parent	466,992,875	417,035,455
Adjusted weighted average number of outstanding shares	44,636,905	44,636,905
Basic earnings per share	10.46	9.34

The basic and diluted earnings per share are the same as there were no dilutive effects on earnings during the current and prior years.

26. Financial risk management

Financial instrument represents the Company's financial assets and liabilities. Financial assets include deposit with banks, available for sale investments and receivable from customers. The significant financial liabilities include term loan and trade and other payables. The policy for financial instruments is set out in Note

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk;
- Market risk;
- Operational risk; and
- Other risk;

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

The Company's exposure to credit risk is as indicated by the carrying amount of its financial assets which consist principally of account receivables and available-for-sale financial assets.

Accounts receivables

The management has a credit policy in place and the exposure to the credit risk is monitored on an ongoing basis. The Company manages its credit risk by obtaining bank guarantees from the customers. Also, further credit evaluations are performed on all customers requiring credit and are approved by the management.

Goods are sold subject to retention of title clauses, so that in the event of non-payment the Company may have a secured claim. The Company requires collaterals in the form of letters of credit in respect of sales to non related parties.

Accounts receivables are stated at original invoice amount less a provision for any uncollectible amounts. The Company maintains a provision of doubtful accounts; the estimation of such provision is reviewed periodically and established on case to case basis. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery. Provisions for doubtful debts are disclosed in note 9a.

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26. Financial risk management (continued)

(i) Credit risk (continued)
Accounts receivables (continued)

Ageing analysis of accounts receivables

31 December	Gross 2010	Impairment 2010	Net 2010	Gross 2009	Impairment 2009	Net 2009
Not past due	73,894,958	-	73,894,958	78,133,156	-	78,133,156
Past due 0-30 days	36,776,120	-	36,776,120	34,179,531	-	34,179,531
Past due 31 to 120 days	21,881,094	-	21,881,094	4,958,194	-	4,958,194
More than 120 days	2,473,000	(1,295,889)	1,177,111	2,278,250	(1,295,889)	982,361
	135,025,172	(1,295,889)	133,729,283	119,549,131	(1,295,889)	118,253,242

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the other financial instrument categories. The Company's investments in equity securities are classified as available-for-sale investments are all equity securities of locally listed companies.

Bank balances

The Company reduces the exposure of credit risk arising from bank balances by maintaining bank accounts with the reputed banks with strong credit ratings.

With respect to credit risk arising from the above financial assets of the Company, the Company's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

(ii) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following are the contractual maturities of financial liabilities including finance cost payments and excluding the impact of netting agreements, if any:

	Gross undiscounted cash flows				
2010	Carrying Amounts	Contractual cash (out) flows	Less than 1 year	1 – 2 years	2 – 5 Years
Term loans	324,093,500	(324,093,500)	160,226,000	81,933,750	81,933,750
Trade and other payables	103,738,301	(103,738,301)	103,738,301	-	-
Liquidity gap	427,831,801	(427,831,801)	263,964,301	81,933,750	81,933,750

	Gross undiscounted cash flows				
2009	Carrying Amounts	Contractual cash flows	Less than 1 year	1 – 2 years	2 – 5 Years
Term loans	320,452,000	(320,452,000)	160,226,000	160,226,000	-
Trade and other payables	93,806,905	(93,806,905)	91,338,591	2,468,314	-
Bank overdraft	169,077,931	(169,077,931)	169,077,931	-	-
Liquidity gap	583,336,836	(583,336,836)	420,642,522	162,694,314	-

The expected cash flows do not differ significantly from the above analysis.

Notes to the Financial statements

For the year ended 31 December 2010

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26) Financial risk management (continued)

(iii) Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign currency exchange rates and equity prices will affect the Company's profit, equity or value of its holding of financial instruments. The objective of market risk management is to manage and control the market risk exposure within acceptable parameters, while optimizing return.

The Company is subject to market risk in relation to available-for-sale investments. The Company evaluates the current market value and other factors including normal volatility in share price for quoted equities and other relevant factors such as investment manager's periodical reports relating to unquoted equities in order to manage its market risk.

A 10% increase or decrease in market values of the Company's portfolio of available-for-sale investments is expected to result in an increase or decrease of QR 17.66 million (2009: 16.30 million) in the assets and equity of the Company.

a) Foreign Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company's exposure to foreign currency risk on the transactions that are denominated in a currency other than Qatari Riyal is minimal as they are either denominated in USD (to which Qatari Riyal is pegged) or Euros (which is not significant to the financial statements).

The Company's exposure to the foreign currency risk is as follows based on notional amounts.

31 December 2010	USD (in QR)	Euro (in QR)	Others (in QR)	Total (in QR)
Available-for-sale investments	-	-	176,637,735	176,637,735
Accounts receivables	32,612	3,773,421	131,219,139	135,025,172
Cash and bank balances	1,272,954	625,390	97,906,596	99,804,940
Total financial assets	**1,305,566**	**4,398,811**	**405,763,470**	**411,467,847**
Term loans	324,093,500	-	-	324,093,500
Trade and other payables	4,311,065	670,881	98,756,355	103,738,301
Bank overdraft	-	-	-	-
Total financial liabilities	**328,404,565**	**670,881**	**98,756,355**	**427,831,801**

31 December 2009	USD (in QR)	Euro (in QR)	Others (in QR)	Total (in QR)
Available-for-sale investments	-	-	163,469,766	163,469,766
Accounts receivables	-	-	119,549,131	119,549,131
Cash and bank balances	371,416	330,407	53,573,512	54,275,335
Total financial assets	371,416	330,407	336,592,409	337,294,232
Term loans	320,452,000	-	-	320,452,000
Trade and other payables	3,700,859	4,697,959	85,408,087	93,806,905
Bank overdraft	163,407,684	-	5,670,247	169,077,931
Total financial liabilities	487,560,543	4,697,959	91,078,334	583,336,836

26) Financial risk management (continued)

(iii) Market risk (continued)

b) Interest rate risk

The Company adopts a policy of ensuring that interest rates are reviewed quarterly, and that interest rates are not subject to frequent fluctuations.

The Company is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. Management does not hedge its interest rate risk.

Profile

At the reporting date the interest-bearing financial instruments were:

Variable rate instruments	Carrying amounts	
	2010	2009
Financial assets (fixed and call deposits)	99,277,460	54,275,335
Financial liabilities (term loans)	(324,093,500)	(489,529,931)
	(224,816,040)	(435,254,596)

The following table sets out the interest rate risk profile of the Company's financial assets and liabilities as at 31 December 2010:

	1 – 3 Months	3 – 12 Months	1 – 5 Years	Over 5 Years	Total
Assets					
Cash and bank balances	99,277,460	-	-	-	99,277,460
Liabilities					
Term loans	-	160,226,000	163,867,500	-	324,093,500
Bank overdraft		-	-	-	-
Total	**-**	**160,226,000**	**163,867,500**	**-**	**324,093,500**
Interest rate sensitivity gap	**99,277,460**	**(160,226,000)**	**(163,867,500)**	**-**	**(224,816,040)**

The following table sets out the interest rate risk profile of the Company's financial assets and liabilities as 31 December 2009:

	1 – 3 Months	3 – 12 Months	1 – 5 Years	Over 5 Years	Total
Assets					
Cash and bank balances	7,775,335	46,500,000	-	-	54,275,335
Liabilities					
Term loans	40,056,501	120,169,499	160,226,000	-	320,452,000
Bank overdraft	169,077,931	-	-	-	169,077,931
Total	209,134,432	120,169,499	160,226,000	-	489,529,931
Interest rate sensitivity gap	(201,359,097)	(73,669,499)	(160,226,000)	-	(435,254,596)

26) Financial risk management (continued)

(iii) Market risk (continued)

b) Interest rate risk (continued)

Sensitivity analysis

The following table demonstrates the sensitivity of the Company's profit to reasonably possible changes in interest rates, with all other variables held constant. The sensitivity of the profit is the effect of the assumed changes in interest rate on the Company's profit for one year, based on the floating rate financial assets and financial liabilities held at 31 December 2010.

2010	Equity		Profit or loss	
	100 bp Increase	100 bp decrease	100 bp increase	100 bp Decrease
Variable rate financial assets	992,775	(992,775)	992,775	(992,775)
Variable rate financial liabilities	(3,240,935)	3,240,935	(3,240,935)	3,240,935

2009	Equity		Profit or loss	
	100 bp Increase	100 bp decrease	100 bp increase	100 bp Decrease
Variable rate financial assets	542,753	(542,753)	542,753	(542,753)
Variable rate financial liabilities	(4,895,299)	4,895,299	(4,895,299)	4,895,299

c) Equity price risk

Equity price risk is the risk that the fair values of equity instruments decrease as a result of changes in the price indices of investments in other entities' equity instruments as part of the Company's investment portfolio.

The following table demonstrates the sensitivity of the effect of cumulative changes in fair value to reasonably possible changes in quoted equity share prices, with all other variables held constant.

The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increase shown.

	Change in Equity Prices	Effect on Equity
2010		
Available-for-sale investments	**±10%**	**±17,663,774**
2009		
Available-for-sale investments	±10%	± 16,346,978

(iv) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

26) Financial risk management (continued)

(iv) Operational risk (continued)

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each department. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements documentation of controls and procedures requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective.

(v) Other risks

Other risks to which the Company is exposed are regulatory risk, legal risk, and reputational risk.

- Regulatory risk is controlled through a framework of compliance policies and procedures. The operations of the Company are subject to regulatory requirements of the State of Qatar.
- Legal risk is managed through the effective use of internal and external legal advisers.
- Reputational risk is controlled through the Company regular examination of issues that are considered to have reputational repercussions for the Company, with guidelines and policies being issued as appropriate.

(vi) Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	2010	
	Carrying amounts	Fair values
Assets carried at fair value		
Available-for-sale financial assets	176,637,735	176,637,735
Assets carried at amortized cost		
Cash and bank balances	99,804,940	99,804,940
Accounts receivables	135,025,172	135,025,172
Liabilities carried at fair value	-	-
Liabilities carried at amortized cost		
Term loans	324,093,500	324,093,500
Trade and other payables	103,738,301	103,738,301
Bank overdraft	-	-

26) Financial risk management (continued)

(vi) Fair values versus carrying amounts (continued)

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	2009	
	Carrying amounts	Fair values
Assets carried at fair value		
Available-for-sale financial assets	163,469,766	163,469,766
Assets carried at amortized cost		
Cash and bank balances	54,275,335	54,275,335
Accounts receivables	119,549,131	119,549,131
Liabilities carried at fair value	-	-
Liabilities carried at amortized cost		
Term loans	320,452,000	320,452,000
Trade and other payables	93,806,905	93,806,905
Bank overdraft	169,077,931	169,077,931

(vii) Capital risk management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as net operating income divided by total shareholders' equity, excluding minority interests. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Company reviews its capital structure regularly and considers the cost of capital and risks associated with it. It manages its capital to ensure that it will be able to support its operations while maximizing the return to stakeholders through the optimization of debt and equity balance.

Gearing Ratio

The Company's management reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

The gearing ratio at the year end was as follow:

	2010	2009
Debt	324,093,500	320,452,000
Bank overdraft	-	169,077,931
Net debt	324,093,500	489,529,931
Equity	2,159,738,339	1,922,945,467
Net debt to equity	0.15:1	0.25:1

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27) Fair value & classification of financial instrument

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market price in an active market for a similar instrument, quoted price for an identical instrument in markets that are considered less active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using unobservable inputs.

Fair values of financial assets and liabilities that are traded in active markets are based on quoted market prices or dealer quotations. For all other financial instruments the Company determines fair value using valuation techniques. The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	Fair value measurement at end of 31 December 2010 using:			
	Fair value	Level 1	Level 2	Level 3
Financial assets				
Available-for-sale investments	176,637,735	176,637,735	-	-

	Fair value measurement at end of 31 December 2009 using:			
	Fair value	Level 1	Level 2	Level 3
Financial assets				
Available-for-sale investments	163,469,766	163,469,766	-	-

28) Accounting estimates and judgements

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

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Impairment of receivables

An estimate of the collectible amount of trade accounts receivables and due from related parties is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis.

Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

At the reporting date, the allowance for impairment of account receivables amounted to QR 1,295,889 (2009: QR 1,295,889)

28) Accounting estimates and judgements (continued)

(ii) Provision for slow moving inventories

The Company's management determines the estimated amount of slow moving inventories. This estimate is based on the age of items in inventories and this provision is subject to change as a result of technical innovations and the usage of items.

(iii) Impairment of available-for-sale equity investments

The Company treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment and the future cash flows and the discount factors for unquoted equities, if any.

(iv) Classification of investment securities

On acquisition of an investment security, the Company decides on classification. The Company follows the guidance of IAS 39 on classifying its investments. The Company classifies investments as "held for trading" if they are acquired primarily for the purpose of short term profit making and cash generation. All other investments are classified as "available-for-sale". The Company accounts for investments in equity securities as investment in associates only when significant influence over the investee's operations can be proved to exercise, else and regardless of the ownership share, the investment is classified as available-for-sale.

(v) Depreciation and impairment of property and equipment

The cost of property and equipment is depreciated over the estimated useful life, which is based on expected usage of the asset, the repair and maintenance program and technological obsolescence arising from changes. The management has not considered any residual value as it is deemed immaterial.

The carrying amounts of the Company's property and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount.

29) Comparative figures

Certain comparative figures were reclassified to conform to the current year's presentation. These reclassifications did not have any effect on the comparative net profit or equity.