QATAR NATIONAL CEMENT COMPANY (Q.P.S.C.)
DOHA – STATE OF QATAR

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2017

QATAR NATIONAL CEMENT COMPANY (Q.P.S.C.)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the year ended December 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Qatar National Cement Company Q.P.S.C.
P.O. Box 1333
Doha, Qatar

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Qatar National Cement Company Q.P.S.C. (the "Company"), which comprise the statement of financial position as at December 31, 2017, and the statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Company's financial statements in the State of Qatar, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

Without qualifying our opinion and as further explained in Note 5(a) to the financial statements, the license issued by the Government to use the land on which quarries, plants and housing are situated had expired in 2015. The Company is currently in the process of getting this license renewed.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matters

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

Key audit matters	How our audit addressed the key audit matters
Revenue recognition (QR 1,033,769,885) – Revenue recognition has been identified as a key audit matter due to the following: • Significant volume of transactions; and • The auditing professional standards presume that there is significant risk related to revenue recognition. The accounting policy for revenue is outlined in Note 3 and a breakdown of revenue is presented in Note 26.	Our audit procedures to address the risk of material misstatement relating to accuracy, completeness and timeliness of revenue recognition included: • Evaluating the design and implementation, and testing the operating effectiveness of relevant controls over the revenue cycle; • Testing of IT general controls and major IT applications controls related to revenue recognition; and • Performing substantive test of details and analytical procedures.
Existence and costing of inventory (QR. 345,588,783) - We have identified inventory existence and costing as an area requiring particular audit attention due to the following: • The Company has significant levels of inventory at year end; and • Various types of inventories involving different processes in arriving at the quantities held and related cost at the reporting date. The accounting policy for inventory is outlined in Note 3, and a breakdown of inventories is presented in Note 11.	Our audit procedures to address the risk of material misstatement relating to inventory existence included: • Attending the physical inventory count at the year end and assessing the adequacy of controls over the existence of inventory; and • Reviewing the Company's process of reflecting the results of physical inventory taking into the accounting books of records. With respect to determination of cost of inventory, our audit procedures included: • For purchased items of inventory including raw materials and spare parts, reviewing the Company's procurement process and testing supporting documentation on a sample basis; and • For work in progress and finished goods, assessing the reasonableness of Company's costing methods and processes through a mix of control and substantive procedures.

Other Information

Management is responsible for the other information. The other information comprises the Director's report, which we obtained prior to the date of this auditors' report. The other information does not include the financial statements and our auditor's report thereon.

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Other Information (continued)

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

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

Further, as required by the Qatar Commercial Companies' Law, we report the following:

- We are also in the opinion that proper books of account were maintained by the Company, physical inventory verification has been duly carried out and the contents of the director's report are in agreement with the Company's financial statements.
- We obtained all the information and explanations which we considered necessary for the purpose of our audit.
- To the best of our knowledge and belief and according to the information given to us, no contraventions of the applicable provisions of Qatar Commercial Companies' Law and the Company's Articles of Associations were committed during the year which would materially affect the Company's financial position and performance.

Doha – Qatar
February 5, 2018

For **Deloitte & Touche**
Qatar Branch

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

QATAR NATIONAL CEMENT COMPANY (Q.P.S.C.)

STATEMENT OF FINANCIAL POSITION

As at December 31, 2017

	Notes	2017 QR	2016 QR
ASSETS			
Non-current assets			
Property, plant and equipment and capital work in progress	5	**2,211,486,057**	2,147,483,149
Investment properties	6	**5,547,689**	6,027,164
Intangible assets	7	--	1,857
Advances for capital nature assets	8	**12,108,700**	45,765,005
Investments in associates	9	**55,076,204**	52,247,484
Available-for-sale financial assets	10	**110,485,965**	158,006,642
Total non-current assets		**2,394,704,615**	2,409,531,301
Current assets			
Inventories	11	**330,360,958**	397,703,996
Prepayments and other debit balances	12	**23,853,004**	22,720,937
Trade receivables	13	**239,019,934**	186,497,737
Cash and bank balances	14	**910,080,559**	693,144,380
Total current assets		**1,503,314,455**	1,300,067,050
Total assets		**3,898,019,070**	3,709,598,351
EQUITY AND LIABILITIES			
Equity			
Share capital	15	**653,528,940**	594,117,220
Legal reserve	16	**326,764,470**	297,058,610
Development reserve	17	--	406,588,511
Fair value reserve of available-for-sale financial assets	18	**15,308,875**	49,715,343
Share of fair value reserves of associates	19	**8,412,685**	7,191,614
Retained earnings		**2,131,158,661**	1,732,583,404
Total equity		**3,135,173,631**	3,087,254,702

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

QATAR NATIONAL CEMENT COMPANY (Q.P.S.C.)

STATEMENT OF FINANCIAL POSITION

As at December 31, 2017

	Notes	2017	2016
EQUITY AND LIABILITIES (CONTINUED)		**QR**	QR
Liabilities			
Non-current liabilities			
Employee's end of service benefits	21	**11,958,409**	16,335,178
Borrowings	24	**273,112,500**	182,075,000
Other liabilities	23	**37,156,129**	61,712,395
Total non-current liabilities		**322,227,038**	260,122,573
Current liabilities			
Accounts payable and other credit balances	22	**245,945,334**	226,292,355
Borrowings	24	**91,037,500**	--
Other liabilities	23	**103,635,567**	135,928,721
Total current liabilities		**440,618,401**	362,221,076
Total liabilities		**762,845,439**	622,343,649
Total equity and liabilities		**3,898,019,070**	3,709,598,351

These financial statements were approved by the Board of Directors on February 5, 2018 and were signed on its behalf by:

Salem Bin Butti Al-Naimi
Chairman and Managing Director

Sulaiman Khalid Al Mana
Deputy Chairman

QATAR NATIONAL CEMENT COMPANY (Q.P.S.C.)

STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2017

	Notes	2017 QR	2016 QR
Revenue	26	**1,033,769,885**	1,144,608,060
Cost of sales	27	**(700,176,053)**	(671,565,318)
Gross profit		**333,593,832**	473,042,742
Other income	28	**46,694,815**	41,879,976
General and administrative expenses	29	**(40,552,190)**	(40,012,851)
Selling and distribution expenses		**(7,087,589)**	(6,497,582)
Share of profit from associates	9	**2,940,982**	6,689,145
Impairment of available-for-sale financial assets	18	**(8,665,523)**	--
Profit for the year		**326,924,327**	475,101,430
Basic and diluted earnings per share	30	**5.00**	7.27

QATAR NATIONAL CEMENT COMPANY (Q.P.S.C.)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2017

	Notes	2017	2016
		QR	QR
Profit for the year		**326,924,327**	475,101,430
Other comprehensive income			
Items that will be reclassified subsequently to statement of profit or loss			
Net fair value movement in available-for-sale financial assets	18	**(34,406,468)**	(1,020,911)
Net changes in share of fair value reserves of associates	19	**1,221,071**	(3,788,913)
Other comprehensive loss for the year		**(33,185,397)**	(4,809,824)
Total comprehensive income for the year		**293,738,930**	470,291,606

QATAR NATIONAL CEMENT COMPANY (Q.P.S.C.)

STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2017

	Share capital	Legal reserve	Development reserve	Fair value reserve for available-for-sale financial assets	Share of fair value reserves of associates	Retained earnings	Total
	QR	QR	QR	QR	QR	QR	QR
Balance at January 1, 2016	540,106,560	270,053,280	406,588,511	50,736,254	10,980,527	1,566,418,116	2,844,883,248
Total comprehensive income for the year	--	--	--	(1,020,911)	(3,788,913)	475,101,430	470,291,606
Bonus shares (Note 15)	54,010,660	--	--	--	--	(54,010,660)	--
Transfer to legal reserves (Note 16)	--	27,005,330	--	--	--	(27,005,330)	--
Social and sports fund contribution (Note 31)	--	--	--	--	--	(11,877,528)	(11,877,528)
Dividend distribution (Note 20)	--	--	--	--	--	(216,042,624)	(216,042,624)
Balance at December 31, 2016	594,117,220	297,058,610	406,588,511	49,715,343	7,191,614	1,732,583,404	3,087,254,702
Total comprehensive income for the year	--	--	--	(34,406,468)	1,221,071	326,924,327	293,738,930
Bonus shares (Note 15)	59,411,720	--	--	--	--	(59,411,720)	--
Transfer to legal reserves (Note 16)	--	29,705,860	--	--	--	(29,705,860)	--
Social and sports fund contribution (Note 31)	--	--	--	--	--	(8,173,108)	(8,173,108)
Dividend distribution (Note 20)	--	--	--	--	--	(237,646,893)	(237,646,893)
Development reserve (Note 17)	--	--	(406,588,511)	--	--	406,588,511	--
Balance at December 31, 2017	**653,528,940**	**326,764,470**	--	**15,308,875**	**8,412,685**	**2,131,158,661**	**3,135,173,631**

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

QATAR NATIONAL CEMENT COMPANY (Q.P.S.C.)

STATEMENT OF CASH FLOWS

For the year ended December 31, 2017

	2017	2016
	QR	QR
OPERATING ACTIVITIES		
Profit for the year	**326,924,327**	475,101,430
Adjustments for:		
Depreciation property, plant and equipment and investment properties	**140,478,670**	147,565,107
Impairment of property, plant and equipment	--	3,513,789
Amortization of intangibles	**1,857**	536,919
Impairment of available-for-sale-assets	**8,665,523**	--
Provision for doubtful debts	**252,659**	--
(Reversal) of /provision for obsolete and slow moving inventories	**(38,340)**	4,172,251
Rental income	**(7,494,322)**	(6,806,247)
Gain on disposal of property and equipment	**(186,808)**	--
Gain on sale of available-for-sale assets	**(1,196,339)**	--
Interest income	**(23,218,454)**	(8,526,706)
Dividend income from available-for-sale assets	**(6,705,362)**	(7,985,995)
Discounting (expense)/income on long term payable	**1,877,041**	(4,370,867)
Share of profit from associates	**(2,940,982)**	(6,689,145)
Provision for employees' end of service benefits	**1,310,188**	2,014,446
Operating profit before working capital changes	**437,729,658**	598,524,982
Movements in working capital		
Inventories	**67,381,379**	(14,184,417)
Trade receivables	**(52,774,856)**	(6,578,578)
Prepayments and other debit balances	**(1,132,067)**	(6,831,317)
Other liabilities	**(58,726,461)**	(5,179,623)
Accounts payable and other credit balances	**18,225,032**	(7,465,883)
Cash generated by operations	**410,702,685**	558,285,164
Social and sports fund contribution paid	**(11,877,528)**	(11,588,780)
Payment for employees' end of service benefits	**(5,686,957)**	(1,474,605)
Net cash generated by operating activities	**393,138,200**	545,221,779
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment, net of advance payment	**(170,457,989)**	(268,988,845)
Purchase of available-for-sale assets	**(20,782,387)**	
Proceeds from disposal of available-for-sale assets	**26,427,412**	--
Proceeds received from sale of property and equipment	**298,999**	--
Rental income received	**7,494,322**	6,806,247
Interest income received	**23,218,454**	8,526,706
Dividend income from associates	**1,333,333**	3,600,000
Dividend income from available-for-sale assets	**6,705,362**	7,985,995
Net cash used in investing activities	**(125,762,494)**	(242,069,897)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

QATAR NATIONAL CEMENT COMPANY (Q.P.S.C.)

STATEMENT OF CASH FLOWS

For the year ended December 31, 2017

	Note	2017 QR	2016 QR
FINANCING ACTIVITIES			
Proceeds from borrowings		**182,075,000**	182,075,000
Dividends paid		**(232,514,527)**	(230,478,331)
Net cash used in financing activities		**(50,439,527)**	(48,403,331)
Net increase in cash and cash equivalents		**216,936,179**	254,748,551
Cash and cash equivalents at the beginning of the year		**693,144,380**	438,395,829
Cash and cash equivalents at the end of the year	14	**910,080,559**	693,144,380

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

1. INCORPORATION AND ACTIVITIES

Qatar National Cement Company (Q.P.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 Commercial Registration No. of 25. The Company's head office is located in Doha, State of Qatar. The Company is a listed entity on the Qatar Stock Exchange.

The Company is primarily engaged in the production and sale of cement and washed sand at its plants located in Umm Bab and Al Rakiya in the State of Qatar. The sand plant is registered as a branch which is an integral part of these financial statements.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

2.1 New and revised IFRSs applied with no material effect on the financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after January 1, 2017, have been adopted in these financial statements.

Amendments to IAS 12 *Income Taxes* Recognition of Deferred Tax Assets for Unrealised Losses

The Company has applied these amendments for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference. The application of these amendments has had no impact on the Company's financial statements.

Amendments to IAS 7 *Disclosure Initiative*

The Company has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The Company's liabilities arising from financing activities consist of borrowings. A reconciliation between the opening and closing balances of the borrowing is provided in note 24. Apart from the additional disclosure in notes, the application of these amendments has had no impact on the Company's financial statements.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

2.2 New and revised IFRS in issue but not yet effective

The Company has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1 and IAS 28.	January 1, 2018
Annual Improvements to IFRS Standards 2015–2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23.	January 1, 2019
IFRIC 22 *Foreign Currency Transactions and Advance Consideration* The interpretation addresses foreign currency transactions or parts of transactions where: • there is consideration that is denominated or priced in a foreign currency; • the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and • the prepayment asset or deferred income liability is non-monetary.	January 1, 2018
IFRIC 23 *Uncertainty over Income Tax Treatments* The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: • Whether tax treatments should be considered collectively; • Assumptions for taxation authorities' examinations; • The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and • The effect of changes in facts and circumstances.	January 1, 2019
Amendments to IFRS 2 *Share Based Payment* regarding classification and measurement of share based payment transactions.	January 1, 2018
Amendments to IFRS 4 *Insurance Contracts*: Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.	January 1, 2018

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

2.2 New and revised IFRS in issue but not yet effective (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 40 *Investment Property*: Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.	January 1, 2018
IFRS 9 *Financial Instruments* (revised versions in 2009, 2010, 2013 and 2014)	January 1, 2018

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas:

- **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.

- **Impairment:** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

2.2 New and revised IFRS in issue but not yet effective (continued)

IFRS 9 Financial Instruments (revised versions in 2009, 2010, 2013 and 2014) (continued)

- **Hedge accounting:** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition**: The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

Amendments to IFRS 9 Financial Instruments: Relating to prepayment features with negative compensation. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.	January 1, 2019

Impact assessment of IFRS 9 Financial Instruments

Based on an analysis of the Company's financial assets and financial liabilities as at December 31, 2017 on the basis of the facts and circumstances that exist at that date, management of the Company have assessed the impact of IFRS 9 to the Company's financial statements as follows:

Classification and measurement:

- Investments in quoted shares classified as available for sale carried at fair value: These shares qualify for designation as measured at FVTOCI under IFRS 9 and management believes that these investments will be classified as such at the initial application. With such classification, the fair value gain or loss accumulated in the fair value reserve will no longer be subsequently reclassified to profit or loss under IFRS 9, which is different from current treatment. This will affect the amounts recognized in the statement of profit or loss but will not affect the total comprehensive income.
- All other financial assets and financial liabilities will continue to be measured on the same bases as is currently adopted under IAS 39.

Impairment:

The Company expects to apply the simplified approach to recognise lifetime expected credit losses for its trade receivables as required or permitted by IFRS 9. In general, the directors anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier recognition of credit losses for the respective items and will increase the amount of loss allowance recognised for these items.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

2.2 New and revised IFRS in issue but not yet effective (continued)

IFRS 15 *Revenue from Contracts with Customers* — January 1, 2018

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

Impact assessment of IFRS 15 Revenue from Contracts with Customers

Based on analysis of the Company's revenues from contracts with customers as at December 31, 2017, management has preliminarily assessed that sale of goods represents single performance obligation and accordingly, revenue will be recognised for the performance obligation when control over the corresponding goods is transferred to the customer. The timing of revenue recognition of each of the performance obligation will be at a point in time for sale of goods when the goods are delivered to the customer. This is similar to the current practice in accordance with IAS 18. Apart from providing more extensive disclosures on the Company's revenue transactions, the management do not anticipate that the application of IFRS 15 will have significant impact on the financial position and financial performance of the Company.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

2.2 New and revised IFRS in issue but not yet effective (continued)

Amendments to IFRS 15 *Revenue from Contracts* with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.	January 1, 2018
IFRS 16 Leases IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. Management has not yet performed a detailed analysis of the impact of the application of this standard and hence have not yet quantified the extent of the impact.	January 1, 2019
Amendments to IAS 28 *Investment in Associatesand Joint Ventures*: Relating to long-term interests in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	January 1, 2019
Amendments to IFRS 7 *Financial Instruments: Disclosures* relating to disclosures about the initial application of IFRS 9.	When IFRS 9 is first applied
IFRS 7 *Financial Instruments: Disclosures* relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.	When IFRS 9 is first applied
IFRS 17 *Insurance Contracts* IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as of 1 January 2021.	January 1, 2021
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

2.2 New and revised IFRS in issue but not yet effective (continued)

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except as mentioned in previous paragraphs, may have no material impact on the financial statements of the Company in the period of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the applicable provisions of Qatar Commercial Company Law.

Basis of preparation

The financial statements have been prepared on the historical cost basis except for available for financial assets that are measured at fair value at the end of each reporting period.

These financial statements are presented in Qatari Riyal (QR), which is the Company's functional and presentation currency. The principal accounting policies are set out below.

Investments in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Company's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the year in which the investment is acquired.

When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset including applicable borrowing costs. 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred.

Items such as spare parts, stand-by equipment and servicing equipment are recognised as property, plant and equipment when they meet the definition of property, plant and equipment as per IAS 16. The capitalised spares are considered necessary by management to ensure the continuity of the production process and are depreciated from the date they become available for use.

Depreciation is calculated based on the estimated useful lives of the applicable assets on a straight-line basis commencing when the assets are ready for their intended use. The estimated useful lives, residual values and depreciation methods are reviewed at each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Estimated useful life of assets are as follows:

Major Building or erection of structure	20 years
Installation and extension of an item for the building	5 – 10 years
Capital spares (electrical and mechanical)	10 – 20 years
Equipment and tools	5 – 10 years
Motor vehicles	5 – 10 years
Furniture and fixtures	10 years

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognised in the statement of profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured at cost, including transaction costs.

Depreciation is calculated based on the estimated useful lives of the applicable assets on a straight-line basis commencing when the assets are ready for their intended use. Investment properties, other than land are depreciated on a straight line basis over the estimated useful lives of 20 – 30 years. The estimated useful lives, residual values and depreciation methods are reviewed at each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in statement of profit or loss in the period in which the property is derecognised.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and impairment losses, if any. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less impairment losses, if any.

Intangible assets represent the cost of software development. The software development cost is amortized on straight-line basis over the estimated useful life of three years. The amortization expense is recognized in the statement of profit or loss as the expense category that is consistent with the function of the intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, is recognised in profit or loss when the asset is derecognised.

Impairment of tangible and intangible assets

At each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of tangible and intangible assets (continued)

The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of profit or loss unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of profit or loss unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of cost and net realisable value after taking an allowance for any slow moving or obsolete items. Cost comprises the purchase price, import duties, transportation handling and other direct costs incurred in bringing the inventories to their present location and condition. Cost is calculated as follows:

- Raw materials, minor spare parts and consumables: purchases cost on weighted average cost 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 represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employees' benefits

Employees' end of service benefits
A provision is made for expatriate employees' end of service benefits which is payable on completion of employment. The provision is calculated in accordance with Qatari Labour Law based on employees' salary and accumulated period of service as at the reporting date.

End of service benefit for Qatari employees
With respect to its Qatari employees, the Company makes contributions to the General Pension Fund Authority calculated as 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.

Employees' leave salary
Provisions for leave salary are determined as per the Management's policy applicable for each level of employees

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest rate method
The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

Financial assets at fair value through profit or loss (FVTPL)
Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:
(i) it has been acquired principally for the purpose of selling in the near future;
(ii) on initial recognition it is a part of an identified portfolio of financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
(iii) it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:
(i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
(ii) the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
(iii) it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

Available-for-sale (AFS) investments
AFS investments are non-derivative financial assets that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Listed shares held by the Company that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. Fair value is determined in the manner described in Note 33. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in the statement of profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of fair value reserve of available-for-sale financial assets. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to the statement of profit or loss.

Dividends on AFS equity instruments are recognised in the statement of profit or loss when the Company's right to receive the dividends is established.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. After initial measurement, loans and receivables (including trade and other receivables, bank balances and cash and others) are subsequently measured at amortised cost using the effective interest rate method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Cash and cash equivalents
Cash and cash equivalents consist of cash on hand, bank balances and short term deposits with an original maturity of three months or less, net of bank overdrafts if any.

Trade receivables
Trade receivables are stated at original invoice amount, less any impairment for doubtful debts. An estimate of provision accounts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Impairment of financial assets

Financial assets, other than those at FVTL, are assessed for indicators of impairment at each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For other financial assets, objective evidence of impairment could include:
(i) significant financial difficulty of the issuer or counterparty; or
(ii) default or delinquency in interest or principal payments; or
(iii) it is becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
(iv) the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually arein addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the statement of profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to statement of profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the statement of profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity securities, impairment losses previously recognised through the statement of profit or loss are not reversed through the statement of profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of fair value reserve of available-for-sale financial assets. In respect of available-for-sale debt securities, impairment losses are subsequently reversed through statement of profit or loss(to the extent of impairment losses previously recognised profit or loss) if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay.If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in the statement of profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets (continued)

On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in the statement of profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities and equity instruments

Classification as debt or equity
Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL
Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:
(i) it has been incurred principally for the purpose of repurchasing it in the near term; or
(ii) on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
(iii) it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:
(i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
(ii) the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
(iii) it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

Financial liabilities at FVTPL
Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss.

Other financial liabilities
Other financial liabilities (including borrowings, accounts payables and other liabilities) are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the sum of the consideration paid and payable is recognised in the statement of profit or loss.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods
Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

(i) the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
(ii) the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
(iii) the amount of revenue can be measured reliably;
(iv) it is probable that the economic benefits associated with the transaction will flow to the Company; and
(v) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Dividend and interest revenue
Dividend revenue from investments is recognised when the Company's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis with 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 on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Profit on sale of available-for-sale financial assets
Profit on sale of quoted investment in available-for-sale financial asset is recognized when the sale is confirmed by the broker.

Rental income
Rental income is recognised in the statement of profit or loss on a straight-line basis over the lease term.

Other income
Other income is recognized on an accrual basis.

Foreign exchange difference

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except as otherwise stated in the Standards.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

Basic and diluted earnings per share

The Company presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. The other borrowing costs are recognised in the statement of profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related party transactions

Parties are considered to be related because they have the ability to exercise control over the Company or to exercise significant influence or joint control over the Company's financial and operating decisions. Further, parties are considered related to the Company when the Company has the ability to exercise influence, or joint control over the financial and operating decisions of those parties.

Transaction with related parties, normally, comprise transfer of resources, services, or obligations between the parties.

Events after the reporting period

The financial statements are adjusted to reflect events that occurred between the reporting date and when the financial statements are authorized for issue, provided they give evidence of conditions that existed at the reporting date.

4. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

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

Classification of investments
Management decides on the acquisition of an investment whether to classify it as available for sale, held-to-maturity or financial assets at fair value through profit or loss. The Company classifies investments as held-to-maturity if it has both the positive intention and ability to hold the investment till maturity. The Company classifies investments as financial assets at fair value through profit or loss if the investment is classified as held for trading and upon initial recognition it is designated by the Company as at fair value through profit or loss. All other investments are classified as available for sale.

The Company invests substantially in quoted securities. The Management has primarily decided to account for them on their potential for long term growth rather than the short term profit basis. Consequently, the entire investments are recognized as available-for-sale rather than at fair value through profit or loss.

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

Critical judgments in applying accounting policies (continued)

Accounting policy for measurement of investment properties
Management of the Company is required to choose as its accounting policy either the fair value model or the cost model and shall apply this policy to all of its investment properties, except if it holds an investment property as a lessee under an operating lease, under which it is required to hold these investment properties only at fair value.

The Company has chosen to adopt the cost model for the purposes of measuring its investment properties in the statement of financial position.

Accounting for spare parts
Spare parts are recognised as property, plant and equipment when they are held for production and are expected to be used during more than one year. All other spares are considered as inventory. The capitalised spares are considered necessary by management to ensure the continuity of the production process and are considered "available for use" when the spare parts are in the store for use in the production.

Key management performance bonus
Key management receive a discretionary bonus each year which is decided upon by the Board of Directors, taking into account the Company's overall financial performance, percentage of profit on revenue and recovery of receivables.

Key sources of estimation uncertainty

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

Impairment of tangible and intangible assets
The Company's management evaluate whether there are indicators that suggest tangible and intangible assets have suffered impairment in accordance with accounting policies stated in Note 3. The recoverable amount of an asset is determined based on the fair value less cost of disposal of the specific asset impaired.

Estimated useful lives of investment properties, intangibles and property, plant and equipment
The costs of items of investment properties, intangibles and property, plant and equipment are depreciated on a systematic basis over the estimated useful lives of the assets. Management has determined the estimated useful lives of each asset and/ or category of assets based on the following factors:

- Expected usage of the assets,
- Expected physical wear and tear, which depends on operational and environmental factors; and
- Legal or similar limits on the use of the assets.

Management has estimated no residual values for any items of investment properties, intangibles and property, plant and equipment at the end of their useful lives as these have been deemed to be insignificant. Management regularly reviews this estimate based on market conditions at the end of each reporting period.

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

Key sources of estimation uncertainty (continued)

Provision for slow moving inventories
The Company's management determines the estimated amount of slow moving and obsolete inventories. This estimate is based on the aging of items in inventories. The provision is subject to change as a result of technical innovations and the usage of items. The Company's assessment of slow moving and obsolete spare parts is based on consistently applied percentages of each age group of such spare parts. Management regularly reviews the percentages used to reflect historical patterns of any change in circumstances.

Impairment of receivables
The Company's management reviews periodically items classified as receivables to assess whether a provision for impairment should be recorded in the statement of profit or loss. Management estimates the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty.

Allowances for estimated irrecoverable receivables are determined using a combination of factors to ensure that trade receivables are not overstated due to uncollectability. The allowance for estimated irrecoverable receivables for all customers is based on a variety of factors, including the overall quality and ageing of receivables, continuing credit evaluation of the customer's financial conditions and collateral requirements from customers in certain circumstances. In addition, specific allowances for individual accounts are recorded when the Company becomes aware of the customer's inability to meet its financial obligations.

Impairment of available for sale investments
The Company follows the guidance of IAS 39 "Financial Instruments: Recognition and measurement" to determine when an available for sale investment is impaired. This determination requires significant judgment. In making this judgement, the Company assesses, among other factors, whether objective evidence of impairment exists. During the year, the Company has recognised an impairment loss of QR. 8,665,523 on its available for sale investments due to significant and prolonged decline in market value of the investment.

Going concern
The Company's Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue the business for foreseeable future. Futhermore, Management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements is continued to be prepared on the going concern basis.

5. PROPERTY, PLANT AND EQUIPMENT AND CAPITAL WORK IN PROGRESS

	Buildings	Plant equipment and tools	Motor vehicles	Furniture and fixtures	Capital work in progress	Total
	QR	QR	QR	QR	QR	QR
Cost:						
At January 1, 2016	546,439,035	2,468,736,317	118,945,988	24,976,788	537,341,543	3,696,439,671
Additions	818,475	28,393,223	4,530,000	1,750,831	269,215,501	304,708,030
At December 31, 2016	547,257,510	2,497,129,540	123,475,988	26,727,619	806,557,044	4,001,147,701
Additions	299,046	29,220,422	435,000	527,508	173,632,318	204,114,294
Transfers	2,694,028		--	--	(2,694,028)	--
Reclassification	--	203,765	--	(90)	--	203,675
Disposals	--	--	(817,638)	--	--	(817,638)
At December 31, 2017	**550,250,584**	**2,526,553,727**	**123,093,350**	**27,255,037**	**977,495,334**	**4,204,648,032**
Accumulated depreciation and impairment:						
At January 1, 2016	323,474,900	1,259,452,257	101,208,143	18,937,529	--	1,703,072,829
Depreciation for the year	26,359,659	113,018,080	5,989,752	1,710,443	--	147,077,934
Impairment	--	3,513,789	--	--	--	3,513,789
At December 31, 2016	349,834,559	1,375,984,126	107,197,895	20,647,972	--	1,853,664,552
Depreciation for the year	24,515,224	108,765,502	5,075,463	1,643,006	--	139,999,195
Reclassification	184,000	19,765	--	(90)	--	203,675
Related to disposals	--	--	(705,447)	--	--	(705,447)
At December 31, 2017	**374,533,783**	**1,484,769,393**	**111,567,911**	**22,290,888**	--	**1,993,161,975**
Net book value:						
December 31, 2017	**175,716,801**	**1,041,784,334**	**11,525,439**	**4,964,149**	**977,495,334**	**2,211,486,057**
December 31, 2016	197,422,951	1,121,145,414	16,278,093	6,079,647	806,557,044	2,147,483,149

5. PROPERTY, PLANT AND EQUIPMENT AND CAPITAL WORK IN PROGRESS (CONTINUED)

a) The Company's cement plants, sand plants and buildings are constructed on land licensed from the State of Qatar via an Emiree decree. The license term for the land had expired in 2015. The Company is currently in the process of renewing the license term.

b) The Company had closed the operations of Cement Plant 1 in Umm Bab with effect from May 31, 2016. As a result of the closure of the plant, the Company carried out a review of the recoverable amount of the plant and related assets, mainly capital spares and recognised an impairment loss of QR. 3,513,789 in 2016. The net book value, after impairment, is expected to be sold at a higher value than its carrying amount.

c) Plant, equipment and machinery includes capital spares with a net book value of QR 200,542,234 (2016: QR. 200,227,620).

d) The capital work in progress consists of the following:

	2017	2016
	QR	QR
Construction of Cement Plant 5 at Umm Bab*	**964,835,394**	794,091,389
Water tank plant	**1,545,100**	1,545,100
New store at Umm Bab	--	1,477,737
Others	**11,114,840**	9,442,818
	977,495,334	806,557,044

* The amount is composed of the following:

	2017	2016
	QR	QR
Mechanical, electrical, engineering and civil works (1)	**864,969,943**	712,982,888
Electric service station (2)	**57,368,297**	55,143,581
Consultancy and other expenses (3)	**42,497,154**	25,964,920
	964,835,394	794,091,389

1) The Company has signed a contract on April 13, 2014 with a foreign contractor for the construction of Cement Plant 5 with a cement production capacity of 5,500 MT per day. The total value of the contract is Euro 99,300,000 plus USD 125,950,000. The construction has reached advanced stage and management expects it to be completed towards end of first quarter of 2018.

2) The Company entered into contract with a local contractor on November 26, 2014 to provide design, engineering, supply, installation, testing and commission of sub-station for Cement Plant 5.

3) This includes borrowing costs capitalised during the year amounting to QR. 8,970,516 (2016: 1,896,114)

5. PROPERTY, PLANT AND EQUIPMENT AND CAPITAL WORK IN PROGRESS (CONTINUED)

e) The depreciation charge for the year is included in the statement of profit or loss as follows:

	2017	2016
	QR	QR
Cost of sales	**135,460,023**	142,758,733
Selling and distribution expenses	**93,697**	95,163
General and administrative expenses	**4,445,475**	4,224,038
	139,999,195	147,077,934

6. INVESTMENT PROPERTIES

	2017	2016
	QR	QR
Cost		
Balance at beginning of the year	**42,556,999**	42,556,999
Balance at end of the year	**42,556,999**	42,556,999
Accumulated depreciation		
Balance at beginning of the year	**36,529,835**	36,042,662
Charge for the year	**479,475**	487,173
Balance at end of the year	**37,009,310**	36,529,835
Net book value at end of the year	**5,547,689**	6,027,164

Investment properties with a net book value of QR. 5.5 million were appraised by an accredited independent appraiser at a fair value of QR. 259 million as of December 31, 2017 (2016: QR 292 million). The appraiser is an industry specialist in valuing these types of investment properties. The fair value was determined based on the market comparable approach that reflects recent transaction prices for similar properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Rental income for investment properties included in the statement of profit or loss for the year ended December 31, 2017 is QR. 6,913,404 (2016: QR. 6,806,247).

7. INTANGIBLE ASSETS

	2017	2016
	QR	QR
Cost		
Balance at beginning of the year	**5,872,169**	5,872,169
Balance at end of the year	**5,872,169**	5,872,169
Accumulated amortization		
Balance at beginning of the year	**5,870,312**	5,333,393
Charge for the year	**1,857**	536,919
Balance at end of the year	**5,872,169**	5,870,312
Net book value at end of the year	--	1,857

Intangible assets represent the cost of software development – SAP ERP, which was completed and implemented in 2013 and the total development cost incurred were transferred from capital work in progress and capitalized as intangible assets. The software development cost is amortized on straight line basis over the estimated useful life of three years.

8. ADVANCES FOR CAPITAL NATURE ASSETS

The advances for capital nature assets are as follows:

	2017	2016
	QR	QR
Construction of Plant 5 (a)	**12,106,808**	43,415,681
Construction of New Sub-Station for Plant 5 (b)	--	291,709
Supply of slip ring / induction motors	--	2,055,723
Other advances	**1,892**	1,892
	12,108,700	45,765,005

a.) It represents advances paid to a foreign contractor for the construction of new Cement Plant 5 at Umm Bab – State of Qatar. The total value of the contract is Euro 99,300,000 plus USD 125,950,000. Related capital work in progress as of December 31, 2017 is QR 864,969,943 (2016: QR. 712,982,888) (Note 5 (d)).

b.) The Company had paid 10% advance payment to a local contractor for the construction of a new sub-station for the Plant 5 at Umm Bab. Related capital work in progress as of December 31, 2017 is QR. 57,368,297 (2016: QR. 55,143,581).

9. INVESTMENTS IN ASSOCIATES

Details of the Company's associates at December 31, are as follows:

Name of the associates	Principal activity	Place of incorporation and operation	Proportion of ownership interest	
			2017	2016
			%	%
Qatar Saudi Gypsum Industries Co. (W.L.L.)	Production of gypsum	Qatar	**33.325**	33.325
Qatar Quarries & Building Materials Co. (P.Q.S.C)	Production of gabbro aggregate	Qatar	**20**	20

The movements in investments in associates during the year were as follows:

	2017	2016
	QR	QR
Balance at beginning of the year	**52,247,484**	52,947,252
Share of profit	**2,940,982**	6,689,145
Dividend income	**(1,333,333)**	(3,600,000)
Net changes in fair value reserves (Note 19)	**1,221,071**	(3,788,913)
Balance at end of the year	**55,076,204**	52,247,484

The summarised financial information of the above individually immaterial associates based on their latest available financial statements is as follows:

(a) Qatar Saudi Gypsum Industries Co. (W.L.L.)

	2017	2016
	QR	QR
Share of net assets	**27,435,818**	26,971,205
Share of profit	**492,285**	817,851
Share of other comprehensive income /(loss)	**1,305,661**	(3,683,921)
Dividend received	**1,333,333**	--

(b) Qatar Quarries & Building Materials Co. (P.Q.S.C.)

	2017	2016
	QR	QR
Share of net assets	**27,640,386**	25,276,279
Share of profit	**2,448,697**	5,871,294
Share of other comprehensive loss	**(84,590)**	(104,992)
Dividend received	**--**	3,600,000

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

The available-for-sale financial assets comprise investment in shares of companies listed on Qatar Exchange. The fair value of the quoted equity share is determined by reference to published price quotations in Qatar Exchange.

The movements in available-for-sale financial assets during the year were as follows:

	2017 QR	2016 QR
Balance at beginning of the year	**158,006,642**	159,027,553
Additions to available-for-sale assets	**20,782,387**	--
Disposal of available-for-sale assets	**(26,427,412)**	--
Net fair value loss on available-for-sale financial assets	**(41,875,652)**	(1,020,911)
Balance at end of the year	**110,485,965**	158,006,642

11. INVENTORIES

	2017 QR	2016 QR
Raw materials	**110,043,169**	133,938,077
Work in progress	**99,534,297**	137,017,082
Finished goods	**20,576,742**	21,286,999
Spare parts	**109,189,536**	117,210,957
Fuel, oil and lubricants	**1,619,232**	2,253,067
Other miscellaneous stocks	**4,625,807**	3,329,082
	345,588,783	415,035,264
Less: Provision for obsolete and slow moving items	**(19,135,122)**	(19,173,462)
	326,453,661	395,861,802
Goods in transit	**3,907,297**	1,842,194
	330,360,958	397,703,996

Movement for provision for obsolete and slow moving inventories as at December 31:

	2017 QR	2016 QR
Balance at beginning of the year	**19,173,462**	15,001,211
Provisions for the year, net	--	4,172,251
Reversal for the year	**(38,340)**	--
Balance at end of the year	**19,135,122**	19,173,462

12. PREPAYMENTS AND OTHER DEBIT BALANCES

	2017	2016
	QR	QR
Advances to suppliers	**12,391,195**	12,559,645
Prepayments and other assets	**11,461,809**	10,161,292
	23,853,004	22,720,937

13. TRADE RECEIVABLES

	2017	2016
	QR	QR
Accounts receivable	**241,258,875**	188,484,019
Provision for doubtful debts	**(2,238,941)**	(1,986,282)
	239,019,934	186,497,737

(i) Ageing of neither past due nor impaired

	2017	2016
	QR	QR
Up to 90 days	**191,099,520**	180,245,480

(ii) Ageing of past due but not impaired

	2017	2016
	QR	QR
91 – 120 days	**30,826,128**	6,214,405
More than 120 days	**17,094,286**	37,852
	47,920,414	6,252,257

(iii) Ageing of impaired receivables

	2017	2016
	QR	QR
More than 120 days	**2,238,941**	1,986,282

13. TRADE RECEIVABLES (CONTINUED)

The average credit period on sales of goods is 90 days. The Company does not charge interest for overdue receivables. Included in the Company's trade receivables balance are debtors with a carrying amount of QR. 47,920,415 which are past due at the reporting date for which the Company has not provided provisions as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Company obtains bank guarantees from its customers.

In determining the recoverability of a trade receivables, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that no further provision is required in excess of the current allowance for doubtful debts.

14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	2017	2016
	QR	QR
Cash on hand	**97,210**	211,165
Call and current accounts	**3,246,866**	2,960,882
Short term fixed deposits maturing within 90 days	**906,736,483**	689,972,333
	910,080,559	693,144,380

The short term fixed and call deposits have a profit rate of 2.60% to 3.25% per annum during the year (2016: 2.75% to 3.25%). All short-term deposits have original maturity of three months or less.

15. SHARE CAPITAL

	2017	2016
	QR	QR
Balance at beginning of the year	**594,117,220**	540,106,560
Bonus shares issued	**59,411,720**	54,010,660
Balance at end of the year	**653,528,940**	594,117,220

The authorized, issued and fully paid up capital of the Company at December 31, 2017 amounted to QR. 653,528,940 (65,352,894 of shares at QR. 10 each). On March 1, 2017, the Company declared 10% bonus share amounting to QR. 59,411,720 (5,941,172 shares at QR. 10 each) to its shareholders.

16. LEGAL RESERVE

The statutory reserve of the Company, amounting to QR. 326,764,470 as at December 31, 2017, (2016: QR. 297,058,610) was created pursuant to Qatar Commercial Companies' Law, which mandates 10% of the net profit for the year is to be deducted annually and retained in the legal reserve account. The deduction shall be suspended when the balance in this reserve account amounts to at least 50% of the Company's capital. Accordingly, only QR 29,705,860 (2016: QR. 27,005,330) was transferred to legal reserve account in 2017. This reserve is not available for distribution except in the circumstances specified in the law.

17. DEVELOPMENT RESERVE

Development reserve represents reserve created in the past by transferring amounts from retained earnings. Pursuant to approval of shareholders in the annual general assembly, development reserve amounting to QR. 406,588,511 was transferred to retained earnings in 2017.

18. FAIR VALUE RESERVE OF AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017	2016
	QR	QR
Balance at beginning of the year	**49,715,343**	50,736,254
Net fair value loss on available-for-sale financial assets	**(41,875,652)**	(1,020,911)
Reclassification of gain to profit or loss on disposal of investments	**(1,196,339)**	--
Reclassification of impairment loss to profit or loss	**8,665,523**	--
Balance at end of the year	**15,308,875**	49,715,343

19. SHARE OF FAIR VALUE RESERVES OF ASSOCIATES

	2017	2016
	QR	QR
Balance at beginning of the year	**7,191,614**	10,980,527
Net changes in fair value reserves	**1,221,071**	(3,788,913)
Balance at end of the year	**8,412,685**	7,191,614

20. DIVIDEND

The Board of Directors of the Company proposed a cash dividend of 45% on the paid up capital which amounted to QR. 294,088,023 for the year 2017. This is subject to the approval of the shareholders in the coming annual general assembly.

During the annual General Assembly held on March 1, 2017, it was decided to declare a cash dividend of 40% of the paid up capital amounting to QR. 237,646,893 (2016: QR 216,042,624) and bonus shares of 10% on the paid up capital which amounted to QR. 59,411,720 (2016: QR 54,010,660), relating to the year 2016.

21. EMPLOYEES' END OF SERVICE BENEFITS

	2017	2016
	QR	QR
Balance at beginning of the year	**16,335,178**	15,795,337
Provisions during the year	**1,310,188**	2,014,446
Paid during the year	**(5,686,957)**	(1,474,605)
	11,958,409	16,335,178

22. ACCOUNTS PAYABLE AND OTHER CREDIT BALANCES

	2017	2016
	QR	QR
Accruals and provisions	**114,658,934**	96,567,826
Dividends payable	**77,688,651**	72,556,289
Accounts payable	**11,397,674**	20,112,442
Advances from customers	**13,098,413**	5,743,091
Accrual for proposed directors' remuneration	**9,650,000**	9,650,000
Retention payable	**6,354,528**	6,881,701
Provisions for social and sports fund contribution	**8,173,108**	11,877,528
Other payables	**4,924,026**	2,903,478
	245,945,334	226,292,355

23. OTHER LIABILITIES

	2017	2016
	QR	QR
Claims payable to Qatar Petroleum *	63,599,412	88,155,676
Payable to contractors **	77,192,284	109,485,440
	140,791,696	197,641,116
Presented in the statement of financial position:		
Non-current	37,156,129	61,712,395
Current	103,635,567	135,928,721
	140,791,696	197,641,116

* Claims from Qatar Petroleum include the following:

	2017	2016
	QR	QR
Claims against capital assets (a)	27,791,097	38,907,536
Claims against quantities supplied (b)	38,302,142	53,619,007
Effect of discounting long term payable	(2,493,827)	(4,370,867)
	63,599,412	88,155,676

a) Qatar Petroleum and the Company entered into an agreement with effect from July 2015 to pay the outstanding cost recovery amount of QR. 55,582,195 for Cement Plant 4 in 60 equal monthly instalments.

The cost recovery mainly consists of expenses related to installation of pipe lines, metering facilities and other related costs incurred towards the supply of natural gas for the Cement Plant 4 located at Umm Bab.

b) Qatar Petroleum and the Company also had entered into an agreement related to an amount of QR. 92,128,817 outstanding for take or pay claims against quantity supplied to Cement Plant 1 to 4 in the prior years. In July 2015, the Company settled QR. 4,056,553 and an amount of QR. 11,482,392 was waived by Qatar Petroleum. The remaining balance of QR. 76,589,872 shall be paid in 60 equal monthly instalments with effect from July 2015.

The claims against quantities supplied represent the dues arises, pursuant to the gas sales and purchase agreements with Qatar Petroleum signed in the years 2007 and 2009 for consumption of natural gas on the basis of take and pay or, pay if not taken the unutilized quantities by the Company. These obligations relate to the years 2007 to 2013 for which the Company has waived its rights over the "Make over Gas".

** Contractor payables relate to construction of Plant 5 at Umm Bab.

24. BORROWINGS

On July 31, 2016, the Company entered into an agreement with commercial bank to avail a dollar term loan facility (unsecured) in an aggregate amount of USD 100,000,000. As per the terms of the agreement, this facility shall be utilised to finance the construction of new Cement Plant 5. As at the reporting date, the Company has utilised an amount of USD 100,000,000 (QR. 364,150,000). The rate of interest of the loan is LIBOR + 1.3%. Out of the total borrowings availed, an amount of USD 25 million is repayable in 24 months and the remaining in 30 months from the date of agreement.

	2017	2016
	QR	QR
Balance at beginning of the year	**182,075,000**	--
Borrowings during the year	**182,075,000**	182,075,000
Balance at the end of the year	**364,150,000**	182,075,000
Presented in the financial statements:		
Non-current portion	**273,112,500**	182,075,000
Current portion	**91,037,500**	--
	364,150,000	182,075,000

25. RELATED PARTY DISCLOSURES

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

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 approved by management.

a) Transactions with Government and its agencies

Various Government entities together holds about 46% of the Company's share capital. In the normal course of business, the Company supplies its commodities to various Government and semi Government agencies and companies in the State of Qatar. The Company also avails of various services from Government and semi Government agencies and companies in the State of Qatar, in particular from Qatar Petroleum for natural gas and Kahramaa for power supply.

The rental income includes a sum of QR. 5 million for the year ended December 31, 2017 (2016: QR. 5 million) from the Government of Qatar.

25. RELATED PARTY DISCLOSURES (CONTINUED)

b) Transactions with 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 entity. The remuneration proposed to the Board of Directors during the year has been separately recognized within general and administrative expenses (Note 29).

During the year ended December 31, 2017, the Company has paid a sum of QR. 2.03 million (2016: QR. 2.03million) to members of the Committees of the Board of Directors and salaries and benefits paid to key members of management amounted to QR 4.38 million (2016: QR. 4.29 million).

26. REVENUE

	2017	2016
	QR	QR
Cement	**815,357,881**	947,858,498
Sand	**210,261,195**	184,182,451
Others	**8,150,809**	12,567,111
	1,033,769,885	1,144,608,060

27. COST OF SALES

	2017	2016
	QR	QR
Raw materials including fuel and spare parts	**440,514,910**	399,922,896
Depreciation (Note 5 (e))	**135,460,023**	142,758,733
Direct labour and other costs	**124,201,120**	128,883,689
	700,176,053	671,565,318

28. OTHER INCOME

	2017	2016
	QR	QR
Rental income	**7,494,322**	6,806,247
Transportation income	**1,360,766**	3,526,003
Interest income	**23,218,454**	8,526,706
Dividend income from available-for-sale assets	**6,705,362**	7,985,995
Gain on foreign currency exchange	--	5,467,665
Discounting income on long term payable	--	4,370,867
Gain on sale of property and equipment	**186,808**	--
Gain on disposal of available for sale investments	**1,196,339**	--
Other miscellaneous income	**6,532,764**	5,196,493
	46,694,815	41,879,976

29. GENERAL AND ADMINISTRATIVE EXPENSES

	2017	2016
	QR	QR
Salaries and benefits	**13,329,583**	13,746,094
Directors' remuneration (Note 25)	**8,750,000**	8,750,000
Loss on foreign currency exchange	**8,092,315**	--
Depreciation of property, plant and equipment and investment properties (Notes 5e and 6)	**4,924,950**	4,711,211
Amortization of intangible assets (Note 7)	**1,857**	536,919
Provision for obsolete and slow moving inventories (Note 11)	**(38,340)**	4,172,251
Impairment of capital spares (Note 5(b))	--	3,513,789
Other miscellaneous expenses	**5,491,825**	4,582,587
	40,552,190	40,012,851

Salaries and benefits for the year is included in the statement of profit or loss as follows:

	2017	2016
	QR	QR
Cost of sales	**54,358,118**	62,884,085
Selling and distribution expenses	**2,583,042**	2,484,889
General and administrative expenses	**13,329,583**	13,746,094
	70,270,743	79,115,068

30. BASIC AND DILUTED EARNINGS PER SHARE

a) Basic earnings per share

The basic earnings per share is computed by dividing the profit for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year as follows:

	2017	2016
Profit attributable to ordinary shareholders (QR)	**326,924,327**	475,101,430
Weighted average number of ordinary shares outstanding (2016: Restated as a result of bonus shares – Notes 15 and 20)	**65,352,894**	65,352,894
Basic earnings per share in QR (2016: Restated as a result of bonus shares – Notes 15 and 20)	**5.00**	7.27

b) Diluted earnings per share

No separate diluted earnings per share were calculated since the diluted earnings per share were equal to the basic earnings per share.

31. SOCIAL AND SPORTS FUND CONTRIBUTION

In accordance with Law No. 13 of 2008, the Company has taken a provision for the support of sports, social, cultural and charitable activities with an amount equivalent to 2.5% of the net profit. This social and sports contribution is considered as an appropriation of retained earnings of the Company and presented in the statement of changes in equity.

The Company made an appropriation from retained earnings amounting to QR. 8,173,108 for the year ended December 31, 2017 (2016: QR. 11,877,528) for contribution to the Social and Sports Development Fund of Qatar.

32. SEGMENT REPORTING

The Company is organized into two major business segments, which comprises the manufacture and sale of cement and sand, and other by-products. Geographically, the Company's entire business operations are concentrated in State of Qatar. The Chief Operating Decision Makers evaluate the operating results of the business units separately for the purpose of making decisions about resource allocation and performance assessment. The Company has elected to disclose only the results of operating segments in the financial statements as management does not maintain and capture segment-wise information about assets and liabilities as it is not required for decision making purposes.

32. SEGMENT REPORTING (CONTINUED)

December 31, 2017:

	Cement	Sand	Others	Total
	QR	QR	QR	QR
Sales	815,357,881	210,261,195	8,150,809	1,033,769,885
Cost of sales	(538,096,322)	(157,695,896)	(4,383,835)	(700,176,053)
Gross profit	277,261,559	52,565,299	3,766,974	333,593,832
Other income	--	--	46,694,815	46,694,815
General and administrative expenses	(33,694,159)	(6,602,100)	(255,931)	(40,552,190)
Selling and distribution expenses	(5,590,144)	(1,441,563)	(55,882)	(7,087,589)
Impairment on available-for-sale assets	--	--	(8,665,523)	(8,665,523)
Share of profit from associates	--	--	2,940,982	2,940,982
Profit for the year	237,977,256	44,521,636	44,425,435	326,924,327

December 31, 2016:

	Cement	Sand	Others	Total
	QR	QR	QR	QR
Sales	947,858,498	184,182,451	12,567,111	1,144,608,060
Cost of sales	(514,902,923)	(147,160,431)	(9,501,964)	(671,565,318)
Gross profit	432,955,575	37,022,020	3,065,147	473,042,742
Other income	13,364,529	--	28,515,447	41,879,976
General and administrative expenses	(34,434,041)	(5,209,723)	(369,087)	(40,012,851)
Selling and distribution expenses	(5,381,043)	(1,045,613)	(70,926)	(6,497,582)
Share of profit from associates	--	--	6,689,145	6,689,145
Profit for the year	406,505,020	30,766,684	37,829,726	475,101,430

33. FINANCIAL INSTRUMENTS

Financial instruments represent any contractual agreement that creates a financial asset, financial liability or an equity instrument. Financial assets comprise cash and bank balances, trade receivables and available-for-sale (AFS) investments. Financial liabilities comprise borrowings, accounts payable and other liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

Fair value of the Company's financial assets and financial liabilities that are measured at fair value on a recurring basis.

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments 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 significant effect on the recorded fair value observable, either directly or indirectly.
Level 3: techniques which uses input which have a significant effect on the recorded fair value that are not based on observable market data.

As at December 31, the Company held the following financial instruments measured at fair value:

	December 31, 2017	**Level 1**	**Level 2**	**Level 3**
	QR	**QR**	**QR**	**QR**
Available-for-sale financial asset	**110,485,965**	**110,485,965**	**--**	**--**

	December 31, 2016	Level 1	Level 2	Level 3
	QR	QR	QR	QR
Available-for-sale financial asset	158,006,642	158,006,642	--	--

During the year, there were no transfers between level 1, level 2 and level 3 categories of fair value.

34. CAPITAL MANAGEMENT

The Company'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 as well as the level of dividends to ordinary shareholders.

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

The Company is not subject to any externally imposed capital requirements.

Gearing ratio
The gearing ratio at year end was as follows:

	2017	2016
	QR	**QR**
Borrowing	**364,150,000**	182,075,000
Cash and bank balance	**(910,080,559)**	(693,144,380)
Net debt	**(545,930,559)**	(511,069,380)
Equity	**3,135,173,631**	3,087,254,702
Net debt to equity ratio	--	--

35. FINANCIAL RISK MANAGEMENT

The Company's principal financial liabilities comprise borrowing, accounts payables and other liabilities. The main purpose of these financial liabilities is to management Company's cash flows and partially finance capital work in progress. The Company has various financial assets such as accounts and other receivables, available-for-sale financial assets and cash and cash equivalents, which arise directly from operations.

The main risk arising from Company's financial instruments are liquidity risk, credit risk and market risk (including currency risk, interest rate risk and other price risk). The Company seeks to minimize the effect if these risks by diversifying the sources of its capital. The Management reviews and agrees policies for managing each of these risks, which are summarized below:

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in raising funds to meet commitments associated with financial instruments. The Company manages liquidity by maintaining adequate reserves, banking facilities, and by continually monitoring cash flows and matching the maturity profiles of financial assets and liabilities.

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.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

The following are the contractual maturities of financial liabilities:

	Carrying amount	**Less than 1 year**	**More than 1 year less than 5 years**	**More than 5 years**
	QR	**QR**	**QR**	**QR**
December 31, 2017				
Borrowings	**364,150,000**	**91,037,500**	**273,112,500**	--
Accounts payable and other credit balances	**245,945,334**	**245,945,334**	--	--
Other liabilities	**140,791,696**	**103,635,567**	**37,156,129**	--
	750,887,030	**440,618,401**	**310,268,629**	--

	Carrying amount	Less than 1 year	More than 1 year less than 5 years	More than 5 years
	QR	QR	QR	QR
December 31, 2016				
Borrowings	182,075,000	--	182,075,000	--
Accounts payable and other credit balances	226,292,355	226,292,355	--	--
Other liabilities	197,641,116	135,928,721	61,712,395	
	606,008,471	362,221,076	243,787,395	--

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to the concentration of credit risk are cash at banks, accounts and other receivables.

Accounts receivable
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.

Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. The Company maintains a provision of doubtful debts; the estimation of such provision is reviewed periodically and established on case by 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. Provision for doubtful debts and ageing analysis of accounts receivable are disclosed in Note 13.

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Cash at banks
The credit risk on bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. Bank balances are held with reputed banks in Qatar. Given these reputation, management do not expect these banks to fail on their obligations.

The maximum risk exposure to the Company is represented in the carrying amount of these instruments as disclosed in the relevant notes.

Market risk

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

The market risk primarily consists of the followings:

- Interest rate risk
- Foreign currency risk
- Equity price risk

(i) Interest rate risk

The Company has maintained recognized financial instruments which are subject to interest rate risk and which may potentially result in changes in the contractually determined cash flows associated with or may cause reprising of such financial instruments.

The Company is exposed to interest rate risk on its interest-bearing financial assets. Management does not hedge its interest rate risk.

The sensitivity of the Company's profit to change in interest rate on interest bearing assets based on balance as at the reporting date.

At the reporting date, the profile of the Company's interest-bearing financial instruments was:

	2017	2016
	QR	QR
Short term fixed deposits	**906,736,483**	689,972,333
Borrowings	**(364,150,000)**	(182,075,000)
	542,586,483	507,897,333

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Interest rate risk (continued)

Interest rate sensitivity

The following table demonstrates the sensitivity of the interest to reasonably possible changes in interest rates by 25 basis points, with all other variables held constant.

	2017	2016
	QR	QR
Short term fixed deposits	**2,266,840**	1,724,930
Borrowings	**(910,375)**	(455,187)
	1,356,465	1,269,743

(ii) Foreign currency risk

The Company incurs foreign currency risk on its purchases that are denominated in a currency other than Qatari Riyal which is Company's functional and presentation currency.

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 USD is minimal as Qatari Riyal is pegged against USD.

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

	USD	**Euro**	**GBP**	**Total**
	QR	**QR**	**QR**	**QR**
December 31, 2017				
Financial assets				
Prepayments and other debit balances	**1,992,583**	**4,442,715**	--	**6,435,298**
Bank accounts	**192,021**	**247,572**	--	**439,593**
Total financial assets	**2,184,604**	**4,690,287**	--	**6,874,891**
Financial liabilities				
Accounts payable and other liabilities	**30,828,017**	**46,364,267**	--	**77,192,284**
Borrowings	**364,150,000**	--	--	**364,150,000**
Total financial liabilities	**394,978,017**	**46,364,267**	--	**441,342,284**

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Foreign currency risk (continued)

	USD	Euro	GBP	Total
	QR	QR	QR	QR
December 31, 2016				
Financial assets				
Prepayments and other debit balances	4,530,721	6,571,643	33,023	11,135,387
Bank accounts	70,774	164,079	--	234,853
Total financial assets	4,601,495	6,735,722	33,023	11,370,240
Financial liabilities				
Accounts payable and other liabilities	57,976,158	71,622,670	42,480	129,641,308
Borrowings	182,075,000	--	--	182,075,000
Total financial liabilities	240,051,158	71,622,670	42,480	311,716,308

Foreign currency sensitivity analysis
The Company is mainly exposed to Euro and GBP as the US Dollar is pegged to Qatari Riyal (QR).

The following paragraph details the Company's sensitivity to a 10% increase and decrease in the QR against Euro and GBP. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 10% change in foreign currency rates.

At December 31, 2017, if the QR had weakened/strengthened by 10% against the Euro and GBP with all other variables held constant, profit for the year would have been QR. 4,167,398 (2016: QR. 6,489,640) lower/higher, mainly as a result of foreign exchange gains/losses on translation of Euro and GBP denominated accounts receivable, call and fixed deposits and foreign exchange losses/gains on translation of Euro denominated accounts and other liabilities.

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Equity price risk

Equity price risk is the risk that the fair values of equity instruments change 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 change in equity prices is expected to be equal and opposite to the effect of the increase shown.

	Changes in equity prices	Effect on equity	
	QR	**2017**	2016
		QR	QR
Available-for-sale financial assets	+ / - 10%	**11,048,597**	+/-15,800,664

36. COMMITMENTS AND CONTINGENCIES

(i) The Company had the following commitments and contingent liabilities outstanding at December 31:

	2017	2016
	QR	QR
Contractual commitments	**2,510,831**	6,302,852
Letters of credit	**78,455,235**	231,232,101

(ii) Letters of credit include a sum of QR. 76,211,042 as at December 31, 2017 (2016: QR. 229,510,817) related to the construction of new Cement Plant 5 at Umm Bab – State of Qatar.

(iii) During the year, Ministry of Municipality and Environment has filed a lawsuit against the Company for extracting raw materials used in cement industry from outside the designated areas during the period 2008 to 2011. Ministry is claiming an amount of QR. 68,974,667 as compensation including the litigation fees and expenses. The Company has denied the claim and is of the view that the materials used were extracted within the valid territories and requested the court to reject the case. The Company is confident that the resolution of the case will not have any material impact on the Company's financial statements.