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, 2018

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

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the year ended December 31, 2018

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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, 2018, 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, 2018, 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, has expired in 2015. As of the report date, the Company is negotiating the lease agreement terms and conditions with Qatar Petroleum, which discussions are still in progress.

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 848,150,710) – 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. 396,534,872) -** 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; • In arriving at the cost at of various types of inventories at year end, the Company employs different processes. The cost of work in progress and finished products in particular, involves the use of raw materials and the allocation of payroll cost and overheads using a complex process. • The quantities of different types of inventories at year end are determined using different processes. Particularly, the quantities of raw materials, certain work in progress and finished products are determined using quantity surveys at site, a complex process which requires particular expertise. 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; • Reviewing the results of the quantity surveys at year end; 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.**

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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.

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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

- 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.
- 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
January 23, 2019

For **Deloitte & Touche**
Qatar Branch

M. Salha

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, 2018

	Notes	2018	2017
		QR	QR
ASSETS			
Non-current assets			
Property, plant and equipment and capital work in progress	٥	**2,161,278,663**	2,211,486,057
Investment properties	٦	**5,093,972**	5,547,689
Advances for capital nature assets	8	--	12,108,700
Investments in associates	٩	**53,688,280**	55,076,204
Financial assets at FVTOCI- equity instruments /Available-for- sale financial assets	10	**220,323,895**	110,485,965
Total non-current assets		**2,440,384,810**	2,394,704,615
Current assets			
Inventories	11	**396,534,872**	330,360,958
Prepayments and other debit balances	12	**38,925,846**	23,853,004
Trade receivables	13	**288,322,150**	239,019,934
Cash and bank balances	14	**608,810,582**	910,080,559
Total current assets		**1,332,593,450**	1,503,314,455
Total assets		**3,772,978,260**	3,898,019,070
EQUITY AND LIABILITIES			
Equity			
Share capital	١٥	**653,528,940**	653,528,940
Legal reserve	١٦	**326,764,470**	326,764,470
Fair value reserve of financials assets – equity instruments	18 (a)	**27,691,991**	--
Fair value reserve of available-for-sale financial assets	18 (b)	--	15,308,875
Share of fair value reserves of associates	١٩	**6,590,476**	8,412,685
Retained earnings		**2,181,842,732**	2,131,158,661
Total equity		**3,196,418,609**	3,135,173,631

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

STATEMENT OF FINANCIAL POSITION

As at December 31, 2018

	Notes	2018	2017
EQUITY AND LIABILITIES (CONTINUED)		**QR**	QR
Liabilities			
Non-current liabilities			
Employee's end of service benefits	21	**12,619,945**	11,958,409
Borrowings	24	**91,250,000**	273,112,500
Other liabilities	23	**11,986,827**	37,156,129
Total non-current liabilities		**115,856,772**	322,227,038
Current liabilities			
Accounts payable and other credit balances	22	**251,506,551**	245,945,334
Borrowings	24	**182,500,000**	91,037,500
Other liabilities	23	**26,696,328**	103,635,567
Total current liabilities		**460,702,879**	440,618,401
Total liabilities		**576,559,651**	762,845,439
Total equity and liabilities		**3,772,978,260**	3,898,019,070

These financial statements were approved by the Board of Directors on January 23, 2019 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, 2018

	Notes	2018	2017
		QR	QR
Revenue	26	**848,150,710**	1,033,769,885
Cost of sales	27	**(500,303,304)**	(700,176,053)
Gross profit		**347,847,406**	333,593,832
Other income	28	**42,886,032**	46,694,815
General and administrative expenses	29	**(33,940,728)**	(40,552,190)
Selling and distribution expenses		**(6,488,042)**	(7,087,589)
Share of profit from associates	9	**3,269,285**	2,940,982
Finance charges		**(5,735,789)**	--
Impairment of available-for-sale financial assets	18(b)	**--**	(8,665,523)
Profit for the year		**347,838,164**	326,924,327
Basic and diluted earnings per share	30	**5.32**	5.00

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2018

	Notes	**2018**	2017
		QR	QR
Profit for the year		**347,838,164**	326,924,327
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(b)	--	(34,406,468)
Net changes in share of fair value reserves of Associates	19	**(1,822,209)**	1,221,071
Items that will not be reclassified subsequently to statement of profit or loss			
Net changes in fair value of equity instruments at fair value through other comprehensive income	18(a)	**19,640,887**	--
Other comprehensive income/ (loss) for the year		**17,818,678**	(33,185,397)
Total comprehensive income for the year		**365,656,842**	293,738,930

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

STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2018

	Share capital	Legal reserve	Development reserve	Cumulative changes in fair value reserve related to: Available for sale	Financial assets – FVTOCI	Related to financial assets of associates	Retained earnings	Total
	QR	QR	QR	QR	QR	QR	QR	QR
Balance at January 1, 2017	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
Cumulative effect of first time adoption of IFRS 9 (Note 3, 18 (a) and 18 (b))	--	--	--	(15,308,875)	6,643,352	--	7,037,636	(1,627,887)
Balance at January 1, 2018 (Restated)	653,528,940	326,764,470	--	--	6,643,352	8,412,685	2,138,196,297	3,133,545,744
Total comprehensive income for the year	--	--	--	--	19,640,887	(1,822,209)	347,838,164	365,656,842
Transfer to retained earnings for gain or loss recognized on financial assets-equity sold (Note 18(a))	--	--	--	--	1,407,752	--	(1,407,752)	--
Social and sports fund contribution (Note 31)	--	--	--	--	--	--	(8,695,954)	(8,695,954)
Dividend distribution (Note 20)	--	--	--	--	--	--	(294,088,023)	(294,088,023)
Balance at December 31, 2018	**653,528,940**	**326,764,470**	**--**	**--**	**27,691,991**	**6,590,476**	**2,181,842,732**	**3,196,418,609**

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

STATEMENT OF CASH FLOWS

For the year ended December 31, 2018

	2018	2017
	QR	QR
OPERATING ACTIVITIES		
Profit for the year	**347,838,164**	326,924,327
Adjustments for:		
Depreciation property, plant and equipment and investment properties	**155,592,675**	140,478,670
Amortization of intangibles	**--**	1,857
Impairment of available-for-sale-assets	**--**	8,665,523
Provision for doubtful debts	**(252,659)**	252,659
Provision for /(Reversal of) obsolete and slow moving inventories	**719,351**	(38,340)
Rental income	**(9,835,536)**	(7,494,322)
Gain on disposal of property plant and equipment	**--**	(186,808)
Gain on sale of financial assets –equity instruments/ available-for-sale assets	**--**	(1,196,339)
Interest income	**(20,652,836)**	(23,218,454)
Dividend income from financial assets- equity instruments/ available-for-sale assets	**(10,987,762)**	(6,705,362)
Amortization of discount on long term payable	**1,264,003**	1,877,041
Share of profit from associates	**(3,269,285)**	(2,940,982)
Provision for employees' end of service benefits	**1,476,222**	1,310,188
Operating profit before working capital changes	**461,892,337**	437,729,658
Movements in working capital		
Inventories	**(66,893,265)**	67,381,379
Trade receivables	**(50,677,444)**	(52,774,856)
Prepayments and other debit balances	**(12,164,334)**	(1,132,067)
Other liabilities	**(103,372,544)**	(58,726,461)
Accounts payable and other credit balances	**5,038,371**	18,225,032
Cash generated by operations	**233,823,121**	410,702,685
Social and sports fund contribution paid	**(8,173,108)**	(11,877,528)
Payment for employees' end of service benefits	**(814,686)**	(5,686,957)
Net cash generated by operating activities	**224,835,327**	393,138,200
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment, net of advance payment	**(92,822,864)**	(170,457,989)
Purchase of FVTOCI / available-for-sale assets	**(162,015,864)**	(20,782,387)
Proceeds from disposal of FVTOCI/ available-for-sale assets	**71,818,821**	26,427,412
Proceeds received from sale of property plant and equipment	**--**	298,999
Rental income received	**9,835,536**	7,494,322
Interest income received	**17,744,328**	23,218,454
Dividend income from associates	**2,835,000**	1,333,333
Dividend income from financial assets-equity instruments/ available-for-sale assets	**10,987,762**	6,705,362
Net cash used in investing activities	**(141,617,281)**	(125,762,494)

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

STATEMENT OF CASH FLOWS

For the year ended December 31, 2018

	Note	2018	2017
		QR	QR
FINANCING ACTIVITIES			
Proceeds from borrowings		--	182,075,000
Payments of borrowings		**(90,400,000)**	--
Dividends paid		**(294,088,023)**	(232,514,527)
Net cash used in financing activities		**(384,488,023)**	(50,439,527)
Net (Decrease) increase in cash and cash equivalents		**(301,269,977)**	216,936,179
Cash and cash equivalents at the beginning of the year		**910,080,559**	693,144,380
Cash and cash equivalents at the end of the year	14	**608,810,582**	910,080,559

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 amended IFRS Standards that are effective for the current year

The following new and revised IFRSs, which became effective for annual periods beginning on or after January 1, 2018, have been adopted in these financial statements.

The Company applies, for the first time, IFRS 9 *Financial Instruments* (as revised in July 2014) and IFRS 15 *Revenue from contracts with customers*) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after January 1, 2018. The impact of the initial application of these standards is disclosed as below:

Impact of initial application of IFRS 9 *Financial Instruments*

In the current year, the Company has applied IFRS 9 *Financial Instruments* (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are mandatorily effective for an accounting period that begins on or after January 1, 2018. Transition provisions of IFRS 9 allow an entity not to restate comparatives.

Additionally, the Company adopted consequential amendments to IFRS 7 *Financial Instruments:*

Disclosures were applied to the disclosures about 2018 and to the comparative period. IFRS 9 introduced new requirements for:

Details of these new requirements as well as their impact on the Company's financial statements are described below.

1) The classification and measurement of financial assets and financial liabilities, and Impairment of financial assets

The Company has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

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

2.1 New and amended IFRS Standards that are effective for the current year (continued)

Impact of initial application of IFRS 9 *Financial Instruments* (continued)

1) The classification and measurement of financial assets and financial liabilities, Impairment of financial assets (continued)

<u>(a) Classification and measurement of financial assets</u>

The date of initial application is January 1, 2018. Accordingly, the Company has applied the requirements of IFRS 9 to instruments that have not been derecognised as at January 1, 2018 and has not applied the requirements to instruments that have already been derecognised as at January 1, 2018.

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings.

Debt instruments that are measured subsequently at amortised cost or at FVTOCI are subject to impairment. See (b) below.

The directors of the Company reviewed and assessed the Company’s existing financial assets as at January 1, 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Company’s financial assets as regards their classification and measurement:

- the Company’s investments in equity instruments (neither held for trading nor a contingent consideration arising from a business combination) that were previously classified as available-for-sale financial assets and were measured at fair value at each reporting date under IAS 39 have been designated as at FVTOCI. The change in fair value on these equity instruments continues to be accumulated in the Fair value reserve of financials assets – equity instruments;
- loans and receivables under IAS 39 that were measured at amortised cost continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

Note (d) below tabulates the change in classification and the related adjustments arising from such reclassifications of the Company’s financial assets upon application of IFRS 9.

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

2.1 New and amended IFRS Standards that are effective for the current year (continued)

Impact of initial application of IFRS 9 *Financial Instruments* (continued)

1) The classification and measurement of financial assets and financial liabilities, Impairment of financial assets (continued)

(b) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 based on Company's existing financial assets, requires the Company to recognise a loss allowance for expected credit losses on:

(1) Trade receivables,
(2) Cash and bank balances,

In particular, IFRS 9 requires the Company to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Company is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. IFRS 9 also provides a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables.

As permitted by transitional provisions of IFRS 9, the Company elected not to restate the comparative figures. All adjustments to carrying amount of financial assets and financial liabilities at the date of transitions were recognised in opening retained earnings and other reserves of the current period.

Because the Company has elected not to restate comparatives, for the purpose of assessing whether there has been a significant increase in credit risk since initial recognition of financial instruments that remain recognised on the date of initial application of IFRS 9 on January 1, 2018, the directors have compared the credit risk of the respective financial instruments on the date of their initial recognition to their credit risk as at January 1, 2018.

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

2.1 New and amended IFRS Standards that are effective for the current year (continued)

(b) Impairment of financial assets (continued)

The result of the assessment is as follows:

Items existing as at January 1, 2018 that are subject to the impairment provisions of IFRS 9	**Credit risk attributes at January 1, 2018**	**Cumulative additional loss allowance recognised on: January 1, 2018**
		QR
Trade receivables	The Company applies the simplified approach and recognises lifetime ECL for these assets.	1,627,887
Cash and bank balances	All bank balances are assessed to have low credit risk at each reporting date as they are held with reputable banks and highly regulated by the central bank.	No impairment recognised
		1,627,887

The consequential amendments to IFRS 7 have also resulted in more extensive disclosures about the Company's exposure to credit risk in the financial statements.

(c) Classification and measurement of financial liabilities

The application of IFRS 9 has had no impact on the classification and measurement of the Company's financial liabilities.

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

2.1 New and amended IFRS Standards that are effective for the current year (continued)

Impact of initial application of IFRS 9 *Financial Instruments* (continued)

1) The classification and measurement of financial assets and financial liabilities, Impairment of financial assets (continued)

(d) Disclosures in relation to the initial application of IFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities under IFRS 9 and IAS 39 at the date of initial application, January 1, 2018.

	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	Loss allowance recognized under IFRS 9	New carrying amount under IFRS 9
				QR		QR
Financial assets						
Equity instruments	a	Available-for-sale financial assets	Financial assets – equity instruments designated as FVTOCI instruments	110,485,965	--	110,485,965
Accounts receivable	b	Loans and receivables	Amortised costs	239,019,934	1,627,887	237,392,047

a) These equity instruments represent investments that the Company intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Company has designated these investments at the date of initial application as measured at FVTOCI. The accumulated fair value reserves related to these investments will never be reclassified to the statement of profit or loss.

b) Accounts receivable that were classified as loans and receivables under IAS 39 are now classified at amortised cost. An increase of QR 1,627,887 in the allowance for impairment over these receivables was recognised in the opening retained earnings as at January 1, 2018 on transition to IFRS 9.

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

2.1 New and amended IFRS Standards that are effective for the current year (continued)

Impact of application of IFRS 15 *Revenue from Contracts with Customers*

In the current year, the Company has applied IFRS 15 *Revenue from Contracts with Customers* (as amended in April 2016) which is mandatorily effective for an accounting period that begins on or after January 1, 2018. IFRS 15 introduced a 5-step approach to revenue recognition. Details of the new requirements as well as their impact on the Company's financial statements are described below.

IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue', however the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position. The Company has adopted the terminology used in IFRS 15 to describe such balances.

The Company's accounting policies for its revenue streams are disclosed in detail in note 3 below. Apart from providing more extensive disclosures for the Company's revenue transactions, the application of IFRS 15 has not had a significant impact on the financial position and/or financial performance of the Company

The Company has performed assessment of the impact of IFRS 15 against their current accounting policies for recognising revenue from sales of cement and sand products. The assessment provided that the Company's transition and adoption of IFRS 15 as at January 1, 2018 did not result in a material impact on the financial statements.

The Company has elected modified retrospective approach and the cumulative effect of initially applying IFRS 15 is recognised in opening retaining earnings as at January 1, 2018 and comparative periods are not restated.

Annual Improvements to IFRS Standards 2014 - 2016 Cycle

The Company has adopted the amendments to IAS 28 included in the *Annual Improvements to IFRS Standards 2014-2016 Cycle* for the first time in the current year.

Amendments to IAS 28 Investments in Associates and Joint Ventures

The amendments clarify that the option for a venture capital organization and other similar entities to measure investments in associates and joint ventures at FVTPL is available separately for each associate or joint venture, and that election should be made at initial recognition.
In respect of the option for an entity that is not an investment entity (IE) to retain the fair value measurement applied by its associates and joint ventures that are IEs when applying the equity method, the amendments make a similar clarification that this choice is available for each IE associate or IE joint venture.

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

2.1 New and amended IFRS Standards that are effective for the current year (continued)

IAS 40 (amendments) Transfers of Investment Property

The Company has adopted the amendments to IAS 40 *Investment Property* for the first time in the current year. The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that the situations listed in IAS 40 are not exhaustive and that a change in use is possible for properties under construction.

IFRIC *22 Foreign Currency Transactions and Advance Consideration*

IFRIC 22 addresses how to determine the ‘date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability.

The Interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

Other than the above, there are no other significant IFRSs and amendments that were effective for the first time for the financial year beginning on or after January 1, 2018.

2.2. New and revised IFRSs in issue but not yet effective and not early adopted

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

New and revised IFRSs	**Effective for annual periods beginning on or after**
IFRS 16 *Leases*	January 1, 2019
Annual Improvements to IFRSs 2015–2017 Cycle amending IFRS 3 *Business Combinations*, IFRS 11 *Joint Arrangements*, IAS 12 *Income Taxes* and IAS 23 *Borrowing costs*.	January 1, 2019
IFRIC 23 *Uncertainty over Income Tax Treatments*	January 1, 2019
Amendments in IFRS 9 *Financial Instruments* relating to prepayment features with negative compensation.	January 1, 2019
Amendment to IAS 19 *Employee Benefits* relating to amendment, curtailment or settlement of a defined benefit plan	January 1, 2019
Amendments in IAS 28 *Investments in Associates and Joint Ventures* relating to long-term interests in associates and joint ventures.	January 1, 2019

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

2.2. New and revised IFRSs in issue but not yet effective and not early adopted (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to References to the Conceptual Framework in IFRS Standards - amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework	January 1, 2020
Amendment to IFRS 3 *Business Combinations* relating to definition of a business	January 1, 2020
Amendments to IAS 1 and IAS 8 relating to definition of material	January 1, 2020
IFRS 17 *Insurance Contracts*	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.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments.

IFRS 16 *Leases*

General impact of application of IFRS 16 Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related Interpretations when it becomes effective for accounting periods beginning on or after January , 2019. The date of initial application of IFRS 16 for the Company will be January 1, 2019.

The Company has chosen the modified retrospective approach of IFRS 16. Consequently, the Company will not restate comparative information.

Impact of the new definition of a lease

The Company will make use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to apply to those leases entered or modified before January 1, 2019.

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

2.2. New and revised IFRSs in issue but not yet effective and not early adopted (continued)

IFRS 16 *Leases (continued)*

Impact of the new definition of a lease (continued)

The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The Company will apply the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after January 1, 2019 (whether it is a lessor or a lessee in the lease contract).

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.

Impact on Lessee Accounting

Operating leases

IFRS 16 will change how the Company accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet.

On initial application of IFRS 16, for all leases (except as noted below), the Company will:

a) Recognise right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments;
b) Recognise depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss;
c) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the cash flow statement.

Lease incentives (e.g. rent-free period) will be recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under IFRS 16, right-of-use assets will be tested for impairment in accordance with IAS 36 *Impairment of Assets*. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Company will opt to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

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

2.2. New and revised IFRSs in issue but not yet effective and not early adopted (continued)

IFRS 16 ***Leases (continued)***

Impact on Lessor Accounting

Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

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 (continued)

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
Plant equipment and tools	5 – 10 years
Motor vehicles	5 – 10 years
Furniture and fixtures	3-10 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.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of tangible and intangible assets (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employees' benefits (continued)

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

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.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

Despite the foregoing, the Company may make the following irrevocable election / designation at initial recognition of a financial asset:

- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

<u>Equity instruments designated as at FVTOCI</u>

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Listed shares held by the Company that are traded in an active market are classified as Equity instruments designated as at FVTOCI and are stated at fair value at the end of each reporting period. Fair value is determined in the manner described in Note 18 (a).

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'finance income' line item in profit or loss. Dividends are recognised when the Company's right to receive the dividends is established.

Classification of financial assets accounting policies applicable before January 1, 2018

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 18 (b). 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)

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at at FVTOCI, trade receivables, contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

(i) Significant increase in credit risk (continued)

For financial guarantee contracts, the date that the Company becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Company considers the changes in the risk that the specified debtor will default on the contract.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event (see (ii) above);
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
(e) the disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

(iv) Write-off policy

The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IAS 17 *Leases*.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Impairment of financial assets under IAS 39, applicable before January 1, 2018

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

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 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

Impairment of financial assets under IAS 39, applicable before January 1, 2018

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

Trade receivables

Trade receivables are stated at original invoice amount, less any impairment for doubtful debts. An estimate of provision accounts is made based on the expected credit loss. Bad debts are written off as incurred.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when 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 an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

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.

All financial liabilities are measured subsequently at amortised cost using the effective interest method or 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.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the ‘other gains and losses’ line item in profit or loss for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of a product or service to a customer.

Sale of goods

For sales of goods to the market, revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customer specific location (delivery). A receivable is recognised by the Company when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods at the point of sale. Payment of the transaction price is due immediately at the point the customer purchases the goods.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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:

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

Critical judgments in applying accounting policies (continued)

Classification of investments

Management decides on the acquisition of an investment whether to classify it as fair value through other comprehensive income (FVTOCI), amortised cost, or financial assets at fair value through profit or loss. The Company classifies investments as amortised cost if the management objective is to hold financial assets in order to collect contractual cash flows or the financial asset, if the management objective is to achieve by both collecting contractual cash flows and selling the financial assets its measure the investment as FVTOCI. All other investments are measured at fair value through profit or loss (FVTPL).

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 fair value through other comprehensive income (FVTOCI) rather than at fair value through profit or loss(FVTPL).

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.

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

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.

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.

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.

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

Key sources of estimation uncertainty (continued)

Fair value measurements
Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Company engages qualified external valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in respective notes.

Significant increase in credit risk
As explained in note 13, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Company takes into account qualitative and quantitative reasonable and supportable forward looking information.

Calculation of loss allowance
When measuring ECL the Company uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Financial instruments under IAS 39, applicable before January 1, 2018

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.

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

Key sources of estimation uncertainty (continued)

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.

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, 2017	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
Additions	2,500	19,500,608	--	321,744	85,106,712	104,931,564
Transfers	242,648,062	814,607,699	--	25,150	(1,057,280,911)	--
At December 31, 2018	792,901,146	3,360,662,034	123,093,350	27,601,931	5,321,135	4,309,579,596
Accumulated depreciation and impairment						
At January 1, 2017	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
Depreciation for the year	26,673,644	122,918,431	3,945,013	1,601,870	--	155,138,958
At December 31, 2018	**401,207,427**	**1,607,687,824**	**115,512,924**	**23,892,758**	**--**	**2,148,300,933**
Net book value:						
December 31, 2018	**391,693,719**	**1,752,974,210**	**7,580,426**	**3,709,173**	**5,321,135**	**2,161,278,663**
December 31, 2017	175,716,801	1,041,784,334	11,525,439	4,964,149	977,495,334	2,211,486,057

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 negotiating the lease agreement terms and conditions with Qatar Petroleum who has the concession rights for Dukhan area where the land is located.

b) Plant, equipment and machinery includes capital spares with a net book value of QR 197,974,555 (2017: QR. 200,542,234).

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

	2018	2017
	QR	QR
Construction of Cement Plant 5 at Umm Bab*	**1,053,251,683**	964,835,394
Water tank plant	**1,545,100**	1,545,100
Others	**7,805,263**	11,114,840
The amount transferred during the year	**(1,057,280,911)**	--
	5,321,135	977,495,334

* The amount is composed of the following:

	2018	2017
	QR	QR
Mechanical, electrical, engineering and civil works (1)	**876,004,768**	864,969,943
Electric service station (2)	**57,368,297**	57,368,297
Consultancy and other expenses (3)	**119,878,618**	42,497,154
	1,053,251,683	964,835,394

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 of Plant 5 has been completed during the year, and the work in progress balance has been transferred to the respective property, plant and equipment categories.

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. 6,049,259 (2017: 8,970,516)

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:

	2018	2017
	QR	QR
Cost of sales	**150,641,808**	135,460,023
Selling and distribution expenses	**88,976**	93,697
General and administrative expenses	**4,408,174**	4,445,475
	155,138,958	139,999,195

6. INVESTMENT PROPERTIES

	2018	2017
	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	**37,009,310**	36,529,835
Charge for the year	**453,717**	479,475
Balance at end of the year	**37,463,027**	37,009,310
Net book value at end of the year	**5,093,972**	5,547,689

Investment properties with a net book value of QR. 5 million were appraised by an accredited independent appraiser at a fair value of QR. 259 million as of December 31, 2017. The management believes that there is no indication of significant decline in the value of the properties in 2018. 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, 2018 is QR. 6,599,937 (2017: QR. 6,913,404).

7. INTANGIBLE ASSETS

	2018	2017
	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	**5,872,169**	5,870,312
Charge for the year	--	1,857
Balance at end of the year	**5,872,169**	5,872,169
Net book value at end of the year	--	--

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:

	2018	2017
	QR	QR
Construction of Plant 5 (a)	--	12,106,808
Other advances	--	1,892
	--	12,108,700

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, 2018 is Nil (2017: QR. 964,835,394) (Note 5 (c)).

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	
			2018	2017
			%	%
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:

	2018	2017
	QR	QR
Balance at beginning of the year	**55,076,204**	52,247,484
Share of profit	**3,269,285**	2,940,982
Dividend received	**(2,835,000)**	(1,333,333)
Net changes in fair value reserves (Note 19)	**(1,822,209)**	1,221,071
Balance at end of the year	**53,688,280**	55,076,204

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.)

	2018	2017
	QR	QR
Share of net assets	**29,161,504**	27,435,818
Share of profit	**3,601,093**	492,285
Share of other comprehensive (loss) / income	**(1,875,403)**	1,305,661
Dividend received	**--**	1,333,333

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

	2018	2017
	QR	QR
Share of net assets	**24,526,773**	27,640,386
Share of (loss)/ profit	**(331,808)**	2,448,697
Share of other comprehensive income /(loss)	**53,194**	(84,590)
Dividend received	**2,835,000**	--

10. FINANCIAL ASSETS- EQUITY INSTRUMENTS /AVAILABLE FOR SALE FINANCIAL ASSETS

The financial assets- equity instruments 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.

	2018	2017
	QR	QR
Financial assets at fair value through other comprehensive income (FVTOCI)	**220,323,895**	--
Available for sale financial assets	**--**	110,485,965
Balance at end of the year	**220,323,895**	110,485,965

The movements in financial assets- equity instruments during the year were as follows:

	2018	2017
	QR	QR
Balance at beginning of the year	**110,485,965**	158,006,642
Additions of financial assets- equity instruments	**162,015,864**	20,782,387
Disposal of financial assets- equity instruments	**(73,226,573)**	(26,427,412)
Net fair value gain/(loss) on financial assets- equity instruments	**21,048,639**	(41,875,652)
Balance at end of the year	**220,323,895**	110,485,965

The Company has adopted IFRS 9 Financial instruments beginning January 1, 2018. The Company has changed its accounting policies related to financial assets- equity instruments as a result of the adoption of this standard. All available for sale financial assets are now classified as financial assets at fair value through other comprehensive income (FVTOCI). The net fair value gain on FCTOCI of QR. 22.5 million includes the impact of the reversal of impairment of QR. 8.665 million.

11. INVENTORIES

	2018	2017
	QR	QR
Raw materials	**90,800,277**	110,043,169
Work in progress	**173,492,450**	99,534,297
Finished goods	**35,626,295**	20,576,742
Spare parts	**103,438,370**	109,189,536
Fuel, oil and lubricants	**1,615,199**	1,619,232
Other miscellaneous stocks	**4,228,054**	4,625,807
	409,200,645	345,588,783
Less: Provision for obsolete and slow moving items	**(19,854,473)**	(19,135,122)
	389,346,172	326,453,661
Goods in transit	**7,188,700**	3,907,297
	396,534,872	330,360,958

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

	2018	2017
	QR	QR
Balance at beginning of the year	**19,135,122**	19,173,462
Provisions for the year, net	**719,351**	--
Reversal for the year	--	(38,340)
Balance at end of the year	**19,854,473**	19,135,122

12. PREPAYMENTS AND OTHER DEBIT BALANCES

	2018	2017
	QR	QR
Advances to suppliers	**28,320,752**	12,391,195
Prepayments and other assets	**10,605,094**	11,461,809
	38,925,846	23,853,004

13. TRADE RECEIVABLES

	2018	2017
	QR	QR
Accounts receivable	**291,936,319**	241,258,875
Provision for doubtful debts	**(3,614,169)**	(2,238,941)
	288,322,150	239,019,934

The average credit period on sales of goods is 90 days. No interest is charged on outstanding trade receivables. The Company obtains bank guarantees from its customers.

The Company always measures the loss allowance for trade receivables at an amount equal to lifetime Expected Credit Losses (ECL) using the simplified approach. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period as compared to those made at January 1, 2018, the date of initial application of IFRS 9.

The following table shows the movement in lifetime ECL that has been recognised for in accordance with the simplified approach set out in IFRS 9.

	Total
	QR
Balance as at January 1, 2018 under IAS 39	2,238,941
Adjustment upon application of IFRS 9	1,627,887
Balance as at January 1, 2018 – As restated	3,866,828
Net remeasurement of loss allowance	(252,659)
Balance as at December 31, 2018	**3,614,169**

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, and when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

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.

13. TRADE RECEIVABLES (CONTINUED)

(i) Ageing of neither past due nor impaired

	2017
	QR
Up to 90 days	191,099,520

(ii) Ageing of past due but not impaired

	2017
	QR
91 – 120 days	30,826,128
More than 120 days	17,094,286
	47,920,414

(iii) Ageing of impaired receivables

	2017
	QR
More than 120 days	2,238,941

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:

	2018	2017
	QR	QR
Cash on hand	**59,430**	97,210
Call and current accounts	**3,608,028**	3,246,866
Short term fixed deposits maturing within 90 days	**605,143,124**	906,736,483
	608,810,582	910,080,559

The short term fixed and call deposits have a profit rate of 2.75% to 4.25% per annum during the year (2017: 2.60% to 3.25%). All short-term deposits have original maturity of three months or less.

14. CASH AND CASH EQUIVALENTS (CONTINUED)

Balances with banks are assessed to have low credit risk of default since these banks are highly regulated by the central bank. Accordingly, the management of the Company estimates the loss allowance on balances with banks at the end of the reporting period at an amount equal to 12 month expected credit losses (ECL). None of the balances with banks at the end of the reporting period are past due, and taking into account the historical default experience and the current credit ratings of the bank, the management of the Company have assessed that there is no impairment, and hence have not recorded any loss allowances on these balances.

15. SHARE CAPITAL

	2018	2017
	QR	QR
Balance at beginning of the year	**653,528,940**	594,117,220
Bonus shares issued	--	59,411,720
Balance at end of the year	**653,528,940**	653,528,940

The authorized, issued and fully paid up capital of the Company at December 31, 2018 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, 2018, (2017 QR. 326,764,470) 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. 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. (a) FAIR VALUE OF FINANCIAL ASSETS – EQUITY RESERVE

The reconciliation of movements in the investment revaluation reserve for years 2018 and 2017 is presented below:

	Investment in equity instruments designated as at FVTOCI
	QR
Balance as at January 1, 2018	--
Cumulative effect of first time adoption of IFRS 9 *	6,643,352
Balance as at January 1, 2018 (Restated)	6,643,352
Change during the year:	
Fair value gain arising during the period	19,640,887
Cumulative loss on investments in equity instruments designated as at FVTOCI transferred to retained earnings upon disposal	1,407,752
Balance at December 31, 2018	**27,691,991**

* The cumulative effect of first time adoption of IFRS 9 includes:	
Fair value reserve transferred, related to available-for-sale investments	15,308,875
Reversal of impairment taken prior to January 1,2018	(8,665,523)
	6,643,352

18. (b) FAIR VALUE OF AVAILABLE FOR SALE FINANCIAL ASSETS

	2018	2017
	QR	QR
Balance at the beginning of the year	15,308,875	49,715,343
Net fair value loss on available-for-sale financial assets	--	(41,875,652)
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
Transferred to fair value reserve of financial assets at FVTOCI	(15,308,875)	--
Balance at December 31, 2017	--	15,308,875

19. SHARE OF FAIR VALUE RESERVES OF ASSOCIATES

	2018	2017
	QR	QR
Balance at beginning of the year	**8,412,685**	7,191,614
Net changes in fair value reserves	**(1,822,209**	1,221,071
Balance at end of the year	**6,590,476**	8,412,685

20. DIVIDEND

The Board of Directors of the Company proposed a cash dividend of 50% on the paid up capital which amounted to QR 326,764,470 for the year 2018. This is subject to the approval of the shareholders in the coming annual general assembly.

During the annual General Assembly held on February 25, 2018, it was decided to declare a cash dividend of 45% of the paid up capital amounting to QR. 294,088,023 (2017: QR 237,646,893), relating to the year 2017.

21. EMPLOYEES' END OF SERVICE BENEFITS

	2018	2017
	QR	QR
Balance at beginning of the year	**11,958,409**	16,335,178
Provisions during the year	**1,476,222**	1,310,188
Paid during the year	**(814,686)**	(5,686,957)
	12,619,945	11,958,409

22. ACCOUNTS PAYABLE AND OTHER CREDIT BALANCES

	2018	2017
	QR	QR
Accruals and provisions	**125,895,082**	114,658,934
Dividends payable	**80,917,638**	77,688,651
Accounts payable	**16,112,871**	11,397,674
Advances from customers	**5,180,809**	13,098,413
Accrual for proposed directors' remuneration	**9,500,000**	9,650,000
Retention payable	**574,898**	6,354,528
Provisions for social and sports fund contribution	**8,695,954**	8,173,108
Other payables	**4,629,299**	4,924,026
	251,506,551	245,945,334

23. OTHER LIABILITIES

	2018	2017
	QR	QR
Claims payable to Qatar Petroleum *	**38,385,420**	63,599,412
Payable to contractors **	**297,735**	77,192,284
	38,683,155	140,791,696
Presented in the statement of financial position:		
Non-current	**11,986,827**	37,156,129
Current	**26,696,328**	103,635,567
	38,683,155	140,791,696

* Claims from Qatar Petroleum include the following:

	2018	2017
	QR	QR
Claims against capital assets (a)	**16,660,060**	27,791,097
Claims against quantities supplied (b)	**22,955,183**	38,302,142
Effect of discounting long term payable	**(1,229,823)**	(2,493,827)
	38,385,420	63,599,412

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. 365,000,000). The rate of interest of the loan is LIBOR + 1.3%. Out of the total borrowings availed, an amount of USD 50 million is repayable in 12 months and the remaining in 30 months from the date of agreement.

	2018	2017
	QR	QR
Balance at beginning of the year	**364,150,000**	182,075,000
Borrowings during the year	--	182,075,000
Payments made during the year	**(91,250,000)**	--
Foreign currency revaluation	**850,000**	--
Balance at the end of the year	**273,750,000**	364,150,000
Presented in the financial statements:		
Non-current portion	**91,250,000**	273,112,500
Current portion	**182,500,000**	91,037,500
	273,750,000	364,150,000

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, 2018 (2017: 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, 2018, the Company has paid a sum of QR. 1.88 million (2017: QR. 2.03 million) to members of the Committees of the Board of Directors and salaries and benefits paid to key members of management amounted to QR 4.52 million (2017: QR. 4.38 million).

26. REVENUE

	2018	2017
	QR	QR
Cement	**682,932,121**	815,357,881
Sand	**156,831,527**	210,261,195
Others	**8,387,062**	8,150,809
	848,150,710	1,033,769,885

27. COST OF SALES

	2018	2017
	QR	QR
Raw materials including fuel and spare parts*	**260,117,812**	440,514,910
Depreciation (Note 5 (e))	**150,641,808**	135,460,023
Direct labour and other costs	**89,543,684**	124,201,120
	500,303,304	700,176,053

*During the year, the Company has received from Kahramaa Management to reduce the basis of the Minimum Contracted Quantity from 85% to 65% of the Total Annual Quantity as agreed in the contract starting from 2009. This resulted in a reversal of electricity charges accrued by the Company from 2009 to 2017 with an amount of QR 50,114,467.

28. OTHER INCOME

	2018	2017
	QR	QR
Rental income	**9,835,536**	7,494,322
Transportation income	**650,184**	1,360,766
Interest income	**20,652,836**	23,218,454
Dividend income from Financial assets- equity instruments/ available-for-sale assets	**10,987,762**	6,705,362
Gain on sale of property and equipment	--	186,808
Gain on disposal of available for sale investments	--	1,196,339
Other miscellaneous income	**759,714**	6,532,764
	42,886,032	46,694,815

29. GENERAL AND ADMINISTRATIVE EXPENSES

	2018	2017
	QR	QR
Salaries and benefits	**13,673,134**	13,329,583
Directors' remuneration (Note 25)	**8,750,000**	8,750,000
Loss on foreign currency exchange	**191,345**	8,092,315
Depreciation of property, plant and equipment and investment properties (Notes 5e and 6)	**4,861,891**	4,924,950
Amortization of intangible assets (Note 7)	--	1,857
Provision for/ (reversal of) obsolete and slow moving inventories (Note 11)	**719,351**	(38,340)
Other miscellaneous expenses	**5,745,007**	5,491,825
	33,940,728	40,552,190

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

	2018	2017
	QR	QR
Cost of sales	**39,549,063**	54,358,118
Selling and distribution expenses	**1,949,457**	2,583,042
General and administrative expenses	**13,673,134**	13,329,583
	55,171,654	70,270,743

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:

	2018	2017
	QR	QR
Profit attributable to ordinary shareholders (QR)	**347,838,164**	326,924,327
Weighted average number of ordinary shares outstanding (Notes 15 and 20)	**65,352,894**	65,352,894
Basic earnings per share in QR (Notes 15 and 20)	**5.32**	5.00

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. 8,695,954 for the year ended December 31, 2018 (2017: QR. 8,173,108) 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 manufacturing and sale of cement and sand, and other by-products. Geographically, the Company's entire business operations are concentrated in the 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, 2018:

	Cement	**Sand**	**Others**	**Total**
	QR	**QR**	**QR**	**QR**
Sales	**682,932,121**	**156,831,527**	**8,387,062**	**848,150,710**
Cost of sales	**(376,517,934)**	**(117,623,645)**	**(6,161,725)**	**(500,303,304)**
Gross profit	**306,414,187**	**39,207,882**	**2,225,337**	**347,847,406**
Other income	**--**	**--**	**42,886,032**	**42,886,032**
General and administrative expenses	**(28,418,012)**	**(5,220,830)**	**(301,886)**	**(33,940,728)**
Selling and distribution expenses	**(5,224,180)**	**(1,199,703)**	**(64,159)**	**(6,488,042)**
Finance costs	**--**	**--**	**(5,735,789)**	**(5,735,789)**
Share of profit from associates	**--**	**--**	**3,269,285**	**3,269,285**
Profit for the year	**272,771,995**	**32,787,349**	**42,278,820**	**347,838,164**

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

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 equity instruments 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, 2018	**Level 1**	**Level 2**	**Level 3**
	QR	**QR**	**QR**	**QR**
Investment properties	**259,851,000**	**--**	**--**	**259,851,000**
Financial asset-equity instrument	**220,323,895**	**220,323,895**	**--**	**--**

	December 31, 2017	Level 1	Level 2	Level 3
	QR	QR	QR	QR
Investment properties	259,851,000	--	--	259,851,000
Available-for-sale financial asset	110,485,965	110,485,965	--	--

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:

	2018	2017
	QR	QR
Borrowing	**273,750,000**	364,150,000
Cash and bank balance	**(608,810,582)**	(910,080,559)
Net debt	**(335,060,582)**	(545,930,559)
Equity	**3,196,418,609**	3,135,173,631
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, 2018				
Borrowings	**273,750,000**	**182,500,000**	**91,250,000**	--
Accounts payable and other credit balances	**251,506,551**	**251,506,551**	--	--
Other liabilities	**38,683,155**	**26,696,328**	**11,986,827**	--
	563,939,706	**460,702,879**	**103,236,827**	--

	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	--

Credit risk

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. As at December 31, 2018, the Company's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Company arises from:

- the carrying amount of the respective recognised financial assets as stated in the statement of financial position; and
- the maximum amount the entity would have to pay if the financial guarantee is called upon, irrespective of the likelihood of the guarantee being exercised as disclosed in note 3. The related loss allowance is disclosed in note 13.

In order to minimise credit risk, the Company has tasked its Management to develop and maintain the Company's credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the Management uses other publicly available financial information and the Company's own trading records to rate its major customers and other debtors. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk management (continued)

The Company's current credit risk grading framework comprises the following categories:

Category	**Description**	**Basis for recognising expected credit losses**
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery	Amount is written off

The loss allowance as at December 31, 2018 and January 1, 2018 (on adoption of IFRS 9) was determined as follows for trade receivables:

31/12/2018	**Days past due**					
	Upto 30 days	**31 – 90 days**	**91-180 days**	**181-365 days**	**Over 365 days**	**Total**
	QR	**QR**	**QR**	**QR**	**QR**	**QR**
-Trade receivables (note 13)	64,561,478	91,697,134	86,379,080	29,422,108	19,876,519	291,936,319
Loss allowance	(796,043)	(1,130,626)	(1,065,054)	(362,775)	(259,671)	(3,614,169)
						288,322,150

1/1/2018	**Days past due**					
	Upto 30 days	**31 – 90 days**	**91-180 days**	**181-365 days**	**Over 365 days**	**Total**
	QR	**QR**	**QR**	**QR**	**QR**	**QR**
-Trade receivables (note 13)	70,797,876	120,301,644	46,582,993	1,123,211	2,453,151	241,258,875
Loss allowance	(1,061,968)	(1,804,525)	(698,745)	(16,848)	(32,083)	(3,614,169)
						237,644,706

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk management (continued)

For trade receivables, the Company has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Company determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

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. 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.

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

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (continued)

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:

	2018	2017
	QR	QR
Short term fixed deposits	**605,143,124**	906,736,483
Borrowings	**(273,750,000)**	(364,150,000)
	331,393,124	542,586,483

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.

	2018	2017
	QR	QR
Short term fixed deposits	**1,512,858**	2,266,841
Borrowings	**(684,375)**	(910,375)
	828,483	1,356,466

(i) 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.

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate sensitivity (continued)

(i) Foreign currency risk (continued)

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

	USD	**Euro**	**Total**
	QR	**QR**	**QR**
December 31, 2018			
Financial assets			
Bank accounts	**396,190**	**451,218**	**847,408**
Total financial assets	**396,190**	**451,218**	**847,408**
Financial liabilities			
Accounts payable and other liabilities	**23,127,015**	**1,190,664**	**24,317,679**
Borrowings	**273,750,000**	**--**	**273,750,000**
Total financial liabilities	**296,877,015**	**1,190,664**	**298,067,679**

	USD	Euro	Total
	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

Foreign currency sensitivity analysis
The Company is mainly exposed to Euro 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. 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.

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate sensitivity (continued)

(i) Foreign currency risk (continued)

Foreign currency sensitivity analysis (continued)
At December 31, 2018, if the QR had weakened/strengthened by 10% against Euro with all other variables held constant, profit for the year would have been QR. 73,945 (2017: QR. 4,167,398) lower/higher, mainly as a result of foreign exchange gains/losses on translation of Euro denominated accounts receivable, call and fixed deposits and foreign exchange losses/gains on translation of Euro denominated accounts and other liabilities.

(ii) 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	**2018**	2017
		QR	QR
Financial assets- equity instruments	+ / - 10%	**22,032,390**	--
Available-for-sale financial assets	+ / - 10%	--	11,048,597

36. COMMITMENTS AND CONTINGENCIES

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

	2018	2017
	QR	QR
Contractual commitments	**8,848,188**	2,510,831
Letters of credit	**4,100,564**	78,455,235

(ii) Letters of credit include a sum of nil as at December 31, 2018 (2017: QR. 76,211,042) related to the construction of new Cement Plant 5 at Umm Bab – State of Qatar.

(iii) During 2017, 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.