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

ANNUAL REPORT 2012

Contents

Qatar National Cement Co. (Q.S.C.)
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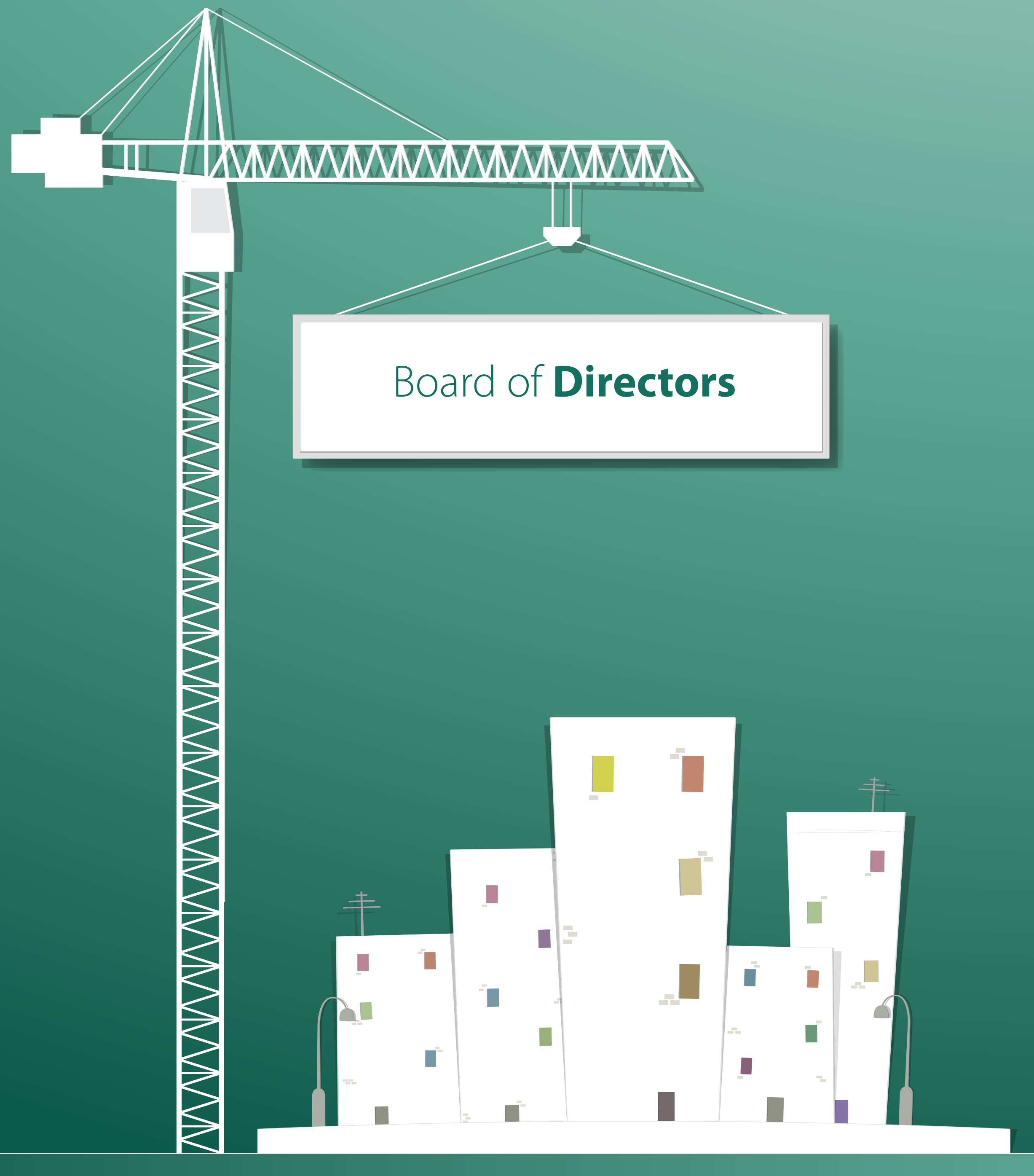
C.R. No. 25

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

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

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



Board of Directors

Salem Bin Butti Al-Naimi
Chairman & Managing Director

Sulaiman Khalid Al Mana
Deputy Chairman

Sh. Abdulaziz Bin Jassim Al-Thani
Member

Abdel Latif Al Mohanadi
Member

Badr Ahmed Qayed
Member

Khalil Ibrahim Radwani
Member

Hassan Al Jufairi
Member

Najib Al Sada
Member

Mohammad Ali Al Sulaity
General Manager

Dear Shareholders,

Al-Salamu Alaikum

I have the pleasure personally and on behalf of the Board of Directors, to welcome you in this meeting and to present to you the forty seventh Directors' Report on the company's performance and its financial position for the financial year 2012, and also present highlight of our future plans as follows:-

Production & Sales

The company's production in both categories of cement OPC & SRC has increased to 3.6 million tons during year 2012 compared to 3.5 million tons during the previous year. The production of washed sand has also increased to 4.1 million tons during the year 2012 compared to 3.6 million tons during the previous year. Lime production in both categories Calcined & Hydrated has been stopped against 14.4 thousand tons during the previous year because M/s. QASCO has stopped their purchases.

Sales of all types of cement (OPC, SRC, Slag Blended Cement & Fly Ash Blended Cement) has decreased to 3.3 million tons during year 2012 against 3.5 million tons during the previous year. The sales of washed sand has increased to 4.8 million tons during the year 2012 compared to 3.9 million tons during the previous year. Sales of lime in both categories have been stopped during year 2012 against 12 thousand tons in the previous year.

The total value of sales revenue is recorded at Qr. 964 million during year 2012 compared to Qr. 990 million for previous year. The reported fall in the sales revenue was due to decreased market demand for cement. In addition to that the main client for the Lime (Qatar Steel) has stopped taking the lime during the whole year 2012.

Profit & the Financial Position

The company has achieved a net profit amounting to QR. 425 million for the year 2012 against QR. 456 million for the previous year, and the Company's financial position became stronger. The shareholders equity increased in 31/12/2012 to QR. 2.4 billion, compared to QR.2.3 billion at the end of the previous year, an increase of QR.119 million (+5%).

Proposed Dividends

Accordingly, the company's Board of Directors recommend your respected meeting to approve the distribution of 60% of the share capital as cash dividend to the shareholders for the year 2012, i.e Qr 6 for each share.

Significant Achievements during 2012

The market demand of all types of cement and washed sand was successfully met from the company's own production maintaining the high quality standards and keeping the same price for all products, providing a strong support to the collateral construction development in the country.

The company reached a stronger financial position during the year 2012. There was a positive increase of Qr. 119 million (+5%) compared to previous year.

Operation of the unit of calcium carbonate with production capacity of 250 tons per day to meet the demand of M/s. Qatar Electricity and Water Company that is executing the State policy to provide the strategic materials internally. The company contracted with M/s. Qatar Electricity and Water Company to supply them with the calcium carbonate for 25 years extendable.

The company has developed a 10 years business strategy for its' sales and production. This was developed with the help of a reputed advisory firm who study the local and regional markets, in order to take a suitable decision for increasing the cement production capacity during the next period.

The company has intended to construct the cement line No. 5. The consultancy work has been placed to the well known M/s. TPF. Basse Sambre of Belgium for a designed capacity of 5000TPD or 7500TPD clinker. A global tender for the project will be floated in the coming days.

The company has completed advanced steps on the implementation of the ERP in all of the company's locations. The system has already been launched, the staff was trained, the equipments were in place, and the Go-Live date was 9th January 2013.

The new organization system of the company has been executed since 1st June 2012, which includes policies and procedures manuals covering Finance, Human Resources, Procurements and Tenders, Information Technology, Investments and Internal Audit. The manuals have been prepared in accordance with the best practices in the world.

The company committed to the regulations of the corporate governance at the level of the Board of Directors and executives management of the company achieving its targets of transparency, disclosure and observance of good conduct, and the company has maintained a clean record with the authorities.

The company continues to be committed, supporting social and sport activities in execution of the State policy in this regard.

Future Plans

- Explore the possibility to increase the production capacity of the cement plants in line with the expected construction development in the country as a result of the preparations for hosting the world cup 2022, and to achieve The Qatar Vision 2030.
- Explore all the opportunities to increase the sales volume of washed sand and to utilize the idle capacity in order to achieve better returns.
- Activate all possible options to absorb the adverse effect resulted from stoppage of lime sales due to Qatar steel's decision since June 2011 in order to avoid consequential losses in future.
- Continue follow up the implementation of the ERP solutions and execution of the new organization manuals for a quality performance in all aspects.
- Complete full implementation of the corporate governance code in respect to the terms of reference and the policies manual to achieve the target of the corporate governance.
- Continue protecting the environment and ensure the safety of the natural reserves by applying the highest protection standards adopted in the country.
- Encourage Qatari nationals to join the company in line with the State›s policy targeting employment of national workforce.
- Improve the services and welfare of the company's employees at the works site in Ummbab & Mekaines.
- Continue supporting the social & sports activities in commitment to execute the state policies aiming to activate the companies' roles in social development.

Finally

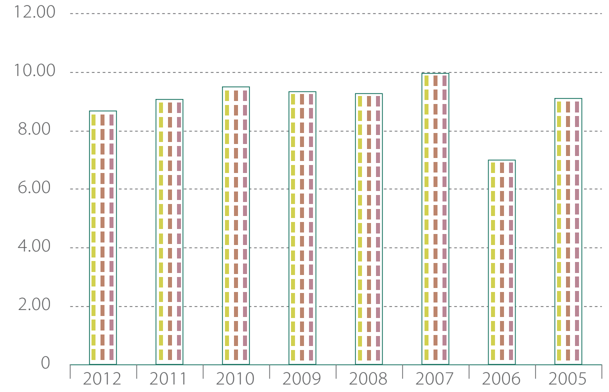
I take immense pleasure in extending our most profound gratitude to His Highness Sheikh Hamad Bin Khalifa Al-Thani , The Emir of the State of Qatar and to His Highness Sheikh Tamim Bin Hamad Bin Khalifa Al-Thani, the Heir Apparent, for their continuous and generous support to its various activities.

Also I would like to thank His Excellency Sheikh Hamad Bin Jasim Bin Jabor Al-Thani, The Prime Minister and Minister of Foreign affairs, to his continuous support, all Ministries, Government departments, establishments and institutions, Qatari and foreign companies who are co-operating with our company. My sincere thanks are extended also to our esteemed customers for their loyalty and support.

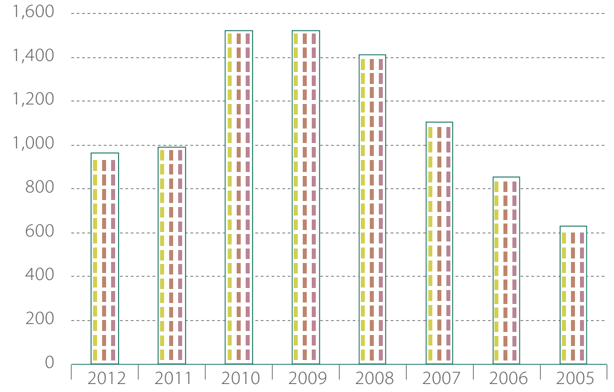
I would like to take this opportunity to express my sincere thanks to our employees for their hard work and diligence in executing their work for the benefit and development of the company in order to achieve the organization's goals, and I would like to congratulate our respected shareholders for the company's achievements during the year 2012 and in response to your trust upon us we ensure our intention to pay all the efforts for the continuous development and perpetual growth of the company.

Salem Bin Butti Al-Naimi
Chairman & Managing Director

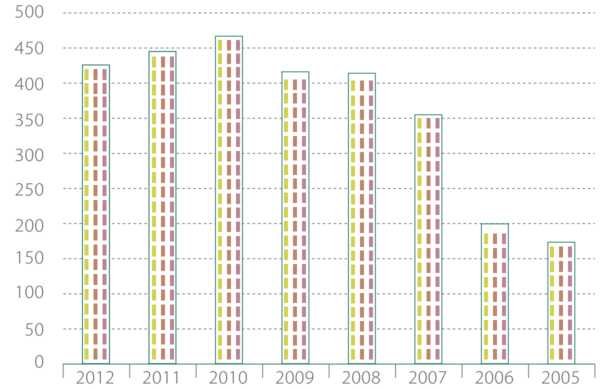
Earnings Per Share (in QR)



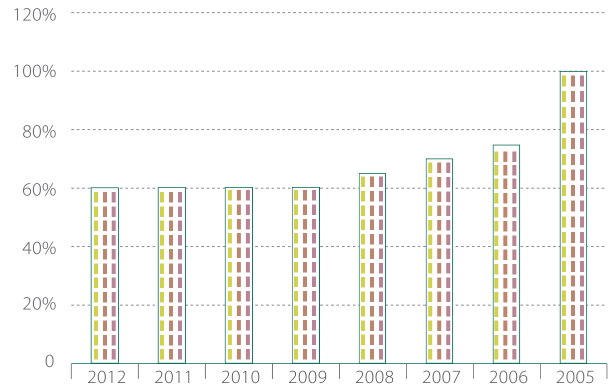
Sales (in QR Million)



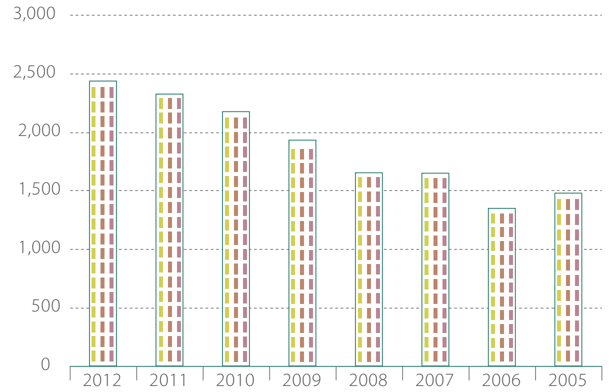
Net Profit (in QR Million)



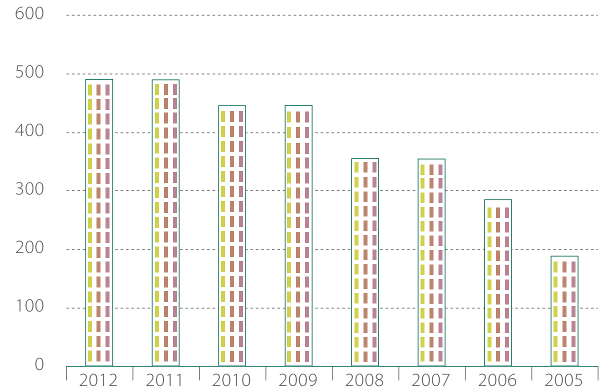
Distributions (%)



Net Worth (in QR Million)



Share Capital (in QR Million)



Independent Auditor's Report

To
The Shareholders
Qatar National Cement Company (Q.S.C.)
Doha – State of Qatar

Report on the Financial Statements

We have audited the accompanying financial statements of **Qatar National Cement Company (Q.S.C.), (the "Company")** Doha-State of Qatar, which comprise the statement of financial position as at December 31, 2012, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Qatar National Cement Company (Q.S.C.), (the "Company"),** Doha-State of Qatar, as at December 31, 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matter

The financial statements for the year ended December 31, 2011 of the Company were audited by another auditor whose report dated February 07, 2012 expressed an unmodified opinion on those financial statements.

Report on Other Legal and Regulatory Requirements

In addition, in our opinion, the Company has maintained proper accounting records and the financial statements are in agreement therewith. Further, we confirm that we have obtained all the information and explanations which we considered necessary for the purpose of our audit and we are not aware of any violations of the provisions of Qatar Commercial Companies Law No. 5 of 2002 or the terms of Articles of Association having occurred during the year which might have had a material effect on the business of the Company or its financial position as at December 31, 2012.

TALAL ABU-GHAZALEH & CO.

Hazim Al Surkhi
(Licence no. 119)
Doha, February 27, 2013

Statement of Financial Position Exhibit A

as at December 31, 2012

	Note	2012 QR	2011 QR
ASSETS			
Non-Current Assets			
Property, plant and equipment and capital work in progress	5	1,660,927,246	1,729,716,596
Investment properties	6	10,748,506	12,280,708
Investments in associates	7	46,251,883	45,208,357
Available-for-sale financial assets	8	153,221,805	149,191,557
Total Non-Current Assets		**1,871,149,440**	**1,936,397,218**
Current Assets			
Inventories	9	327,487,072	267,565,622
Accounts and other receivables	10	153,208,260	160,233,624
Cash and cash equivalents	11	329,829,263	254,568,145
Total Current Assets		**810,524,595**	**682,367,391**
Total Assets		**2,681,674,035**	**2,618,764,609**
EQUITY AND LIABILITIES			
Equity			
Share capital	12	491,005,960	491,005,960
Legal reserve	13	245,502,980	245,502,980
Development reserve	14	406,588,511	406,588,511
Fair value reserve of available-for-sale financial assets	15	46,209,226	47,926,847
Share of fair value reserves of associates	16	6,684,587	5,665,181
Retained earnings	17	1,238,364,991	1,118,292,561
Total Equity – Exhibit D		**2,434,356,255**	**2,314,982,040**
Non–C urrent Liabilities			
Employees' end of service benefits	18	11,033,158	9,912,525
Non-current portion of term loan	19	0	81,933,750
Total Non-Current Liabilities		**11,033,158**	**91,846,275**
Current Liabilities			
Accounts and other payables	20	154,350,872	130,002,544
Current portion of term loan	19	81,933,750	81,933,750
Total Current Liabilities		**236,284,622**	**211,936,294**
Total Liabilities		**247,317,780**	**303,782,569**
Total Equity and Liabilities		**2,681,674,035**	**2,618,764,609**

These financial statements were approved by the Board of Directors on February 27, 2013 and were signed on its behalf by:

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

Mr. Sulaiman Khalid Al Mana
Deputy Chairman

The accompanying notes 1 to 31 constitute an integral part of these financial statements

Income Statement Exhibit B

for the year ended December 31, 2012

	Note	2012 (QR)	2011 (QR)
Revenue		964,279,375	989,624,584
Cost of revenue		(497,356,622)	(510,716,916)
Gross profit		**466,922,753**	**478,907,668**
Other income	21	27,721,340	44,939,712
Selling and distribution expenses		(8,644,610)	(7,976,479)
General and administrative expenses	22	(51,733,916)	(48,243,767)
Share of profit from associates	7	1,024,120	1,319,327
Impairment loss on available-for-sale financial assets	8	(7,875,086)	(7,472,825)
Finance charges		(2,105,877)	(5,421,687)
Profit for the year – Exhibits C, D & E		**425,308,724**	456,051,949
Earnings per share:			
Basic earnings per share (QR.)	23	**8.66**	**9.29**
Diluted earnings per share (QR.)	23	**8.66**	**9.29**

The accompanying notes 1 to 31 constitute an integral part of these financial statements

Statement of
Comprehensive Income Exhibit C

for the year ended December 31, 2012

	Note	2012 (QR)	2011 (QR)
Profit for the year – Exhibit B		**425,308,724**	456,051,949
Other comprehensive income:			
Net changes in fair value of available-for-sale financial assets	15	(1,717,621)	(5,677,093)
Net changes in fair value of available-for-sale financial assets transferred to profit or loss	15	0	(17,690,623)
Net changes in share of fair value reserves of associates	16	1,019,406	1,782,198
Other comprehensive (loss) for the year – Exhibit D		**(698,215)**	**(21,585,518)**
Total comprehensive income for the year – Exhibit D		**424,610,509**	**434,466,431**

The accompanying notes 1 to 31 constitute an integral part of these financial statements

Statement of
Changes in Equity Exhibit D

for the year ended December 31, 2012

	Share Capital (QR.)	Legal Reserve (QR.)	Development Reserve (QR.)	Fair Value Reserve of Available-For-Sale Financial Assets (QR.)	Share of Fair Value Reserve of Associates (QR.)	Retained Earnings (QR.)	Total Equity (QR.)
Balance as at December 31, 2010	446,369,050	223,184,525	406,588,511	71,294,563	3,882,983	1,008,418,707	2,159,738,339
Total comprehensive income for the year							
Profit for the year – Exhibit B	0	0	0	0	0	456,051,949	456,051,949
Other comprehensive income							
Net changes in fair value of available-for-sale financial assets	0	0	0	(5,677,093)	0	0	(5,677,093)
Net changes in fair value of available-for-sale financial assets transferred to profit or loss	0	0	0	(17,690,623)	0	0	(17,690,623)
Net changes in share of fair value reserves of associates	0	0	0	0	1,782,198	0	1,782,198
Other comprehensive (loss) for the year – Exhibit C	0	-0-	0	(23,367,716)	1,782,198	0	(21,585,518)
Total comprehensive income for the year – Exhibit C	0	-0-	0	(23,367,716)	1,782,198	456,051,949	434,466,431
Social and sports fund contribution – Note 24	0	-0-	0	0	0	(11,401,299)	(11,401,299)
Transferred to legal reserve	0	22,318,455	0	0	0	(22,318,455)	0
Bonus shares issued – Note 17(b)	44,636,910	0	0	0	0	(44,636,910)	0
Dividend distribution for the year 2010 – Note 17(b)	0	0	0	0	0	(267,821,431)	(267,821,431)
Balance as at December 31, 2011 – Exhibit A	**491,005,960**	**245,502,980**	**406,588,511**	**47,926,847**	**5,665,181**	**1,118,292,561**	**2,314,982,040**
Total comprehensive income for the year							
Profit for the year – Exhibit B	**0**	**0**	**0**	**0**	**0**	**425,308,724**	**425,308,724**
Other comprehensive income							
Net changes in fair value of available-for-sale financial assets	**0**	**0**	**0**	**(1,717,621)**	**0**	**0**	**(1,717,621)**
Net changes in share of fair value reserves of associates	**0**	**0**	**0**	**0**	**1,019,406**	**0**	**1,019,406**
Other comprehensive (loss) for the year – Exhibit C	**0**	**0**	**0**	**(1,717,621)**	**1,019,406**	**0**	**(698,215)**
Total comprehensive income for the year – Exhibit C	**0**	**0**	**0**	**(1,717,621)**	**1,019,406**	**425,308,724**	**424,610,509**
Social and sports fund contribution – Note 24	**0**	**0**	**0**	**0**	**0**	**(10,632,718)**	**(10,632,718)**
Dividend distribution for the year 2011 – Note 17(b)	**0**	**0**	**0**	**0**	**0**	**(294,603,576)**	**(294,603,576)**
Balance as at December 31, 2012 – Exhibit A	**491,005,960**	**245,502,980**	**406,588,511**	**46,209,226**	**6,684,587**	**1,238,364,991**	**2,434,356,255**

The accompanying notes 1 to 31 constitute an integral part of these financial statements

Statement of Cash Flows Exhibit E

as at December 31, 2012

	Note	2012 (QR)	2011 (QR)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year – Exhibit B		**425,308,724**	456,051,949
Adjustments for:			
Depreciation of property, plant and equipment and investment properties		135,714,767	133,768,807
Gain on disposal of property, plant and equipment		0	(58,953)
Provision for doubtful debts		690,393	0
Provision for employees' end of service benefits		1,790,397	1,762,688
Interest income		(4,572,735)	(2,268,619)
Finance charges		2,105,877	5,421,687
Dividend income		(8,400,576)	(8,692,510)
Share of profit from associates		(1,024,120)	(1,319,327)
Impairment loss on available-for-sale financial assets		7,875,086	7,472,825
Gain on sale of available-for-sale financial assets		0	(17,690,623)
Operating profit before working capital changes		**559,487,813**	**574,447,924**
Changes in operating assets and liabilities			
- Inventories		(59,921,450)	35,080,589
- Accounts and other receivables		6,334,971	(17,819,342)
- Accounts and other payables		13,626,610	3,203,584
Cash generated from operations		519,527,944	594,912,755
Employees' end of service benefits paid		(669,764)	(616,508)
Finance charges paid		(2,016,877)	(5,219,981)
Net Cash from Operating Activities		**516,841,303**	**589,076,266**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and capital work in progress		(65,393,215)	(32,593,948)
Addition to investment properties		0	(334,571)
Proceeds from disposal of property, plant and equipment		0	75,500
Acquisition of available-for-sale financial assets		(13,622,955)	(14,026,519)
Proceeds from sale of available-for-sale financial assets		0	28,322,779
Interest income received		4,572,735	2,268,619
Dividend income received		8,400,576	8,692,510
Dividend received from associates		1,000,000	1,330,000
Net Cash (used in) Investing Activities		**(65,042,859)**	**(6,265,630)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend distribution		(294,603,576)	(267,821,431)
Term loan obtained		0	163,867,500
Repayment of term loan		(81,933,750)	(324,093,500)
Net Cash (used in) Financing Activities		**(376,537,326)**	**(428,047,431)**
Net increase in cash and cash equivalents		**75,261,118**	**154,763,205**
Cash and cash equivalents at beginning of the year		254,568,145	99,804,940
Cash and cash equivalents at end of the year	11	**329,829,263**	**254,568,145**
SUPPLEMENTARY INFORMATION TO THE STATEMENT OF CASH FLOWS			
Non-Cash Transactions			
Inventories (net) transferred to plant, equipments and tools	5	**0**	136,934,451
Social and sports fund contribution transferred from retained earnings to other payables	24	**10,632,718**	11,401,299

The accompanying notes 1 to 31 constitute an integral part of these financial statements

Notes to the Financial Statements

for the year ended December 31, 2012

1. General information

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

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

2. Basis of preparation and application of new and revised international financial reporting standards (ifrss)

a) Statement of Compliance

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

b) Basis of Measurement

The financial statements have been drawn up from the accounting records of the Company under the historical cost convention except for the revaluation of certain non-current assets and financial instruments. Historical cost is generally based on fair value of the consideration initially given in exchange for assets.

c) Functional and Presentation Currency

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

d) Use of Estimates and Judgments

The information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in the note 4.

e) New and revised standards and amendments to IFRSs affecting the financial statements

The accounting policies adopted are consistent with those used in the preparation of previous financial statements, except for the effects of the following revised standards and amendments to IFRSs, where applicable.

IFRS 1: First Time Adoption (Removal of Fixed Dates for First-time Adopters and Severe Hyperinflation) – Amendment

IFRS 7: Financial Instruments (Disclosures –Transfer of Financial Assets) – Amendment

IAS 12: Income taxes (Deferred tax – Recovery of Underlying Assets)-Amendment

f) New and revised standards and amendments to IFRSs in issue but not yet effective

The new and revised standards and amendments to IFRSs have been issued but are not yet effective and the Company intends to adopt these standards, where applicable, when they become effective.

The following new standards have been issued with effective from annual periods beginning on or after January 01, 2013 except for the mandatory effective date of IFRS 9 deferred to annual period beginning on or after January 01, 2015

IFRS 9 : Financial Instruments (As revised in 2010)

IFRS 10 : Consolidated Financial Statements

IFRS 11 : Joint Arrangements

IFRS 12 : Disclosures of Interests in Other Entities

IFRS 13 : Fair Value Measurement

In addition to the above, the following revised standards and amendments to the IFRSs also have been issued but not effective.

	Revised standards and amendments to the IFRSs	Effective Date
IAS 1 :	Financial Statement Presentation (Presentation of Items of Other Comprehensive Income) – Amendment	July 01,2012
IAS 16 :	Property, Plant and Equipment (Classification of servicing equipment) -Annual Improvements to IFRS's 2009-2011 Cycle	January 01,2013
IAS 19 :	Employee Benefits (As revised in 2011)	January 01,2013
IAS 27 :	Separate Financial Statements (As revised in 2011)	January 01,2013
IAS 28 :	Investments in Associates (As revised in 2011)	January 01,2013
IAS 32 :	Financial Instruments: Presentation (Offsetting Financial Assets and Financial Liabilities) – Amendment	January 01,2014
IFRS 7 :	Offsetting financial assets and financial liabilities	January 01,2013

3. Significant Accounting Policies

a) Property, Plant and Equipment

Recognition and measurement

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

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

Depreciation

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

Buildings	5 – 30 years
Plants, equipment and tools	1 – 20 years
Motor vehicles	5 – 10 years
Furniture and fixtures	10 years

Subsequent costs

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

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

Capital work in progress

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

b) Investment Properties

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

Investment property is derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the income statement in the period of de-recognition.

c) Investment in Associates

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

Investments in associates are accounted for using the equity method (equity accounted investees) and are recognized initially at cost. The Company's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. These financial statements include the Company's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with that of the Company, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

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

Notes to the
Financial Statements for the year ended December 31, 2012

d) Financial Instruments

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

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 recognized immediately in profit or loss.

Financial assets

Financial assets include trade receivables, available-for-sale financial assets and cash and cash equivalents. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized 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.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and are not classified as an investment at fair value through the income statement or held to maturity or loans or receivables. Available-for-sale financial assets are initially recognized at fair value plus any directly attributable transaction costs. After the initial recognition, these are stated at fair value, unless fair value cannot be measured reliably, with any resulting gains and losses being taken directly to equity until the investment is disposed off or impaired. At each reporting date, these investments are re-measured at fair value, unless fair value cannot be reliably measured. At the time of disposal, the respective surplus or deficit is transferred to profit and loss currently. Fair value of quoted investments is their bid price on Qatar Exchange at the financial position date.

Accounts receivables

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

Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, balances under current accounts with the banks and deposits having a maturity less than 90 days. For the purpose of statement of cash flows, cash and cash equivalents consists of cash in hand, cash at banks (call and current) and bank fixed deposits.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss or 'other financial liabilities, the other financial liabilities include term loans and accounts and other payables.

Term loans

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

Accounts and other payables Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

e) Inventories

Inventories are measured at the lower of cost and net realizable value after providing for any obsolesce and damages determined by the management. The cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Costs are those expenses incurred in bringing each product to its present location and condition which are computed as follows:

- Raw materials, minor spare parts and consumables: Purchases costs 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 realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

3. Significant Accounting policies (continued)

f) Employees' End of Service Benefits, Leave Salary and Airfare

End of service benefits for expatriate employees

For the expatriate employees, the Company provides for employees' end of service benefits determined in accordance with the requirements of Qatar Labor laws pertaining to retirement and pensions, wherever required. These unfunded charges are made by the Company on the basis of employees' salaries and the number of years of service at the statement of financial position date. Applicable benefits are paid to employees on termination of employment with the Company. The Company has no expectation of settling its employees' end of service benefits obligation in the near term and hence classified this under non-current liability.

End of service benefits for Qatari employees

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

Employees' leave salary and airfare

Provision for leave salary and airfare is determined as per the management policy applicable to each class of employee.

g) Provision

A provision is recognized in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by considering the expected future cash flows of the Company.

h) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Exchanges for goods and services of similar nature and value are not regarded as transactions that generate revenue. Revenue is reduced for estimated customer returns, rebates and other similar allowances. The following specific recognition criteria must also be met before revenue is recognized.

Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

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

Rendering of services

Revenue from a contract to provide services is recognized by reference to the stage of completion of the transaction at the statement of financial position date. The outcome of the transaction can be estimated reliably when all the following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits will flow to the Company;
- The stage of completion at the statement of financial position date can be measured reliably; and
- The costs incurred, or to be incurred, in respect of the transaction can be measured reliably.

When the above criteria are not met, revenue arising from the rendering of services is recognized only to the extent of the expenses recognized are recoverable.

Dividend and interest revenue

Dividend revenue from investments is recognized when the shareholder's right to receive payment has been established. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Profit on sale of available-for-sale of financial assets

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

Rental income

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

Other income

Other income is recognized on an accrual basis.

i) Borrowing Costs

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

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

- incurs expenditures for the asset;
- incurs borrowing costs; and
- undertakes activities that are necessary to prepare the asset for its intended use or sale.

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

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

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

j) Foreign Currency Transactions

Transactions in foreign currencies are initially recorded by the Company at Qatari Riyals at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated Qatari Riyals at exchange prevailing at the reporting date. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using Qatari Riyals at exchange rates prevailing at the dates of the initial transactions. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated into Qatari Riyals at exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss are also recognized in other comprehensive income or profit or loss, respectively).

k) Dividend Distribution

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

l) 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.

m) 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 control, significant influence, or joint control over the financial and operating decisions of those parties.

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

n) Events After the Reporting Period

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

3. Significant Accounting policies (continued)

o) Impairment and Un-collectability of Assets

Financial assets

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

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

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

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

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

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

Non-financial assets

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

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

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in the income statement. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

p) Fair Values

For available-for-sale financial assets traded in organized financial markets, fair value is determined by reference to the quoted market price at the close of business on the statement of financial position date. For investments which are listed in inactive stock markets, traded in small quantities or have no current prices, the fair value is measured using the current value of cash flows or other applicable methods. If there is no reliable method for the measurement of fair value of these investments, then they are stated at cost less any impairment in their value. Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable and willing parties at arm's length basis. The fair values of the financial assets and liabilities are not considered significantly different from their book values as most of these items are either short-term in nature or re-priced frequently.

4. Critical Accounting Judgments And Key Sources Of Estimation Uncertainty

In the application of the Company's accounting policies, which are described in note 3, the directors are 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 Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

a) Classification of Quoted Investment

Quoted securities could be classified either as available-for-sale or at fair value through profit or loss account. The Company invests substantially on quoted securities management has primarily decided to account for them on their potential for long term growth rather than the short term profit basis. Consequently, the entire investments are recognized as available-for-sale rather than at fair value through profit or loss. Financial assets are classified as fair value through profit or loss where the assets are either held for trading or designated as at fair value through profit or loss.

b) Impairment of Receivables

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

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

At the reporting date, the allowance for impairment of accounts receivables amounted to QR.1,986,282 (2011: QR.1,295,889).

c) Provision for Slow Moving Inventories

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

d) Impairment of Available-For-Sale Financial assets

The Company treats investment in available-for-sale financial assets as impaired when there has been a significant or prolonged decline in fair value below its cost or where other objective evidence of impairment exists.

The determination of what is "significant" or "prolonged" requires considerable judgment. In addition, the Company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities, if any.

e) Depreciation and Impairment of Property, Plant and Equipment

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

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

f) 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 in business for the foreseeable future. Furthermore, 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 continue to be prepared on the going concern basis.

5. Property, Plant and Equipment and Capital Workin Progress

A) The details of cost, accumulated depreciation and respective net book value of various categories of property, plant and equipment and capital work in progress are as follows:

	Buildings (QR)	Plants, equipment and tools (QR)	Motor vehicles (QR)	Furniture and fixtures (QR)	Capital work in progress (QR)	Total 2012 (QR)	Total 2011 (QR)
Cost							
As at January 1	516,588,878	2,185,083,236	113,674,366	19,972,453	23,013,513	2,858,332,446	2,678,372,344
Additions during the year	57,327	46,200,471	680,000	2,019,954	16,435,463	65,393,215	32,593,948
Transferred from capital work in progress	416,057	0	0	0	(416,057)	0	0
Cost of spare parts transferred from inventories – Note 5(c)	0	0	0	0	0	0	147,540,804
Disposals during the year	0	0	0	0	0	0	(174,650)
As at December 31	**517,062,262**	**2,231,283,707**	**114,354,366**	**21,992,407**	**39,032,919**	**2,923,725,661**	2,858,332,446
Accumulated Depreciation							
As at January 1	221,086,671	821,268,942	73,120,526	13,139,711	0	1,128,615,850	986,039,067
Charge for the year	25,150,550	100,451,962	7,371,166	1,208,887	0	134,182,565	132,128,533
Spare parts provision transferred from inventories – Note 5(c)	0	0	0	0	0	0	10,606,353
On disposals	0	0	0	0	0	0	(158,103)
As at December 31	**246,237,221**	**921,720,904**	**80,491,692**	**14,348,598**	**0**	**1,262,798,415**	1,128,615,850
Net Book Value							
As at December 31, 2012 – Exhibit A	**270,825,041**	**1,309,562,803**	**33,862,674**	**7,643,809**	**39,032,919**	**1,660,927,246**	0
As at December 31, 2011 – Exhibit A	295,502,207	1,363,814,294	40,553,840	6,832,742	23,013,513	0	1,729,716,596

5. Property, Plant and Equipment and Capital Workin Progress (continued)

b) The Company's cement plants and sand plants are constructed on lands leased from the Government of Qatar.

c) During the year 2011, the Company has transferred major spare parts amounting to QR.147,540,804 along with related provision of QR.10,606,353 to plant and machinery under property, plant and equipment. These spare parts represent critical spare parts that are required to be kept in stock at all times to ensure the continued operation of the cement and other plants. Accordingly, During the year 2012, the Company has acquired a sum of QR.44,899,113 worth of capital nature spare parts and have been capitalized to plants, equipment and tools.

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

	2012 (QR)	2011 (QR)
Calcium Carbonate Plant*	19,689,300	19,531,834
Replacement of Ducts for Raw Mills in Plant-IV**	12,539,076	0
New Office Building at Ummbab***	1,996,452	0
Software Development – SAP ERP	3,242,991	1,952,000
Others	1,565,100	1,529,679
Total	**39,032,919**	**23,013,513**

* The total contract value for the construction of Calcium Carbonate Plant is QR.21,877,000. All civil construction and installation of the plant was completed during the year 2012 and it is under inspection of performance test.

** This item represents the replacement cost of the ducts for Raw Mill in Cement Plant-IV. The total contract price for the work is a lump sum of USD 4,757,786 (equivalent to QR.17,325,478).

*** This amount represents the 10% advance payment to a contractor for the construction of new office building at Ummbab. The total contract value of this project is QR.19,964,524.

On the successful completion of the aforementioned projects will be capitalized to property, plant and equipment and depreciated thereafter except for the Software Development-SAP ERP which will be capitalized to intangible assets and amortized thereafter.

e) The depreciation charge for the year is included in the income statement as follows:

	2012 (QR)	2011 (QR)
Cost of revenue	130,724,712	128,032,669
Selling and distribution expenses	342,604	1,272,903
General and administrative expenses	3,115,249	2,822,961
Total	**134,182,565**	**132,128,533**

6. Investment Properties

a) The movements in investment properties during the year were as follows:

	2012 (QR)	2011 (QR)
Cost		
Balance at beginning of the year	42,556,999	42,222,428
Additions during the year	0	334,571
Balance at end of the year	**42,556,999**	**42,556,999**
Accumulated Depreciation		
Balance at beginning of the year	30,276,291	28,636,017
Charge for the year	1,532,202	1,640,274
Balance at end of the year	**31,808,493**	**30,276,291**
Net Book Value – Exhibit A	**10,748,506**	**12,280,708**

b) Rental income from investment properties included in the income statement for the year ended December 31, 2012 is QR 8.72 million (2011: QR 8.67 million). As per management estimates, the fair value of investment properties as at December 31, 2012 is QR 535 million. (2011: 499 million)

7. Investments In Associates

a) The investments in associates are represented as follows:

	Ownership	2012 (QR)	2011 (QR)
Qatar Saudi Gypsum Industries Co. (W.L.L.)	33.325%	23,763,092	22,546,359
Qatar Quarries & Building Materials Co. (P.Q.S.C.)	20.000%	22,488,791	22,661,998
Total – Exhibit A & Note 7(b)		**46,251,883**	**45,208,357**

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

	2012 (QR)	2011 (QR)
Balance at beginning of the year	45,208,357	43,436,832
Share of profit – Exhibit B	1,024,120	1,319,327
Movements in fair value reserves – Note 16	1,019,406	1,782,198
Dividend received from associates	(1,000,000)	(1,330,000)
Balance at end of the year – Note 7(a)	**46,251,883**	**45,208,357**

c) The share of net results of associates are based on the latest available financial statements for the year ended December 31, 2011 as follows:

	Total Assets (QR)	Total Liabilities (QR)	Total Revenue (QR)
Qatar Saudi Gypsum Industries Co. (W.L.L)	75,998,519	1,690,666	16,510,488
Qatar Quarries & Building Materials Co. (P.Q.S.C.)	**120,591,205**	**8,147,248**	**144,624,585**

8. Available-fFor-Sale Financial Assets

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

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

	2012 (QR)	2011 (QR)
Balance at beginning of the year	149,191,557	176,637,735
Additions during the year	13,622,955	14,026,519
Net changes in fair value – Note 15	(1,717,621)	(5,677,093)
Fair value of disposals during the year	0	(28,322,779)
Impairment loss – Exhibit B	(7,875,086)	(7,472,825)
Balance at end of the year – Exhibit A	**153,221,805**	**149,191,557**

b) For available-for-sale financial assets, the Company assesses at each annual reporting date whether there is objective evidence that an investment or a company of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Company evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Based on these criteria, the Company has identified an impairment loss of QR 7,875,086 for the year ended December 31, 2012 (2011: QR 7,472,825) on available-for-sale financial assets. The impairment loss on available-for-sale financial assets is recognized in the income statement.

9. Inventories

a) This item consists of the following:

	2012 (QR)	2011 (QR)
Work in progress	157,896,935	89,043,707
Spare parts	101,455,122	103,005,098
Raw materials	49,214,926	39,859,571
Finished goods	23,617,068	33,665,598
Fuel, oil and lubricants	1,641,075	1,920,702
Other miscellaneous stocks	2,674,168	2,621,988
Sub Total	**336,499,294**	**270,116,664**
Provision for obsolete and slow moving inventories - Note 9 (b)	(14,943,047)	(14,943,047)
Net	**321,556,247**	255,173,617
Goods in transit	5,930,825	12,392,005
Total – Exhibit A	**327,487,072**	**267,565,622**

b) Provision for obsolete and slow moving inventories

The movement in provision for obsolete and slow moving inventories during the year was as follows:

	2012 (QR)	2011 (QR)
Balance at beginning of the year	14,943,047	25,549,400
Transferred to accumulated depreciation of property, plant and equipment – Note 5(c)	0	(10,606,353)
Balance at end of the year – Note 9 (a)	**14,943,047**	14,943,047

10. Accounts and Other Receivables

a) This item consists of the following:

	2012 (QR)	2011 (QR)
Accounts receivable	141,569,090	139,268,449
Provision for doubtful debts – Note 10(b)	(1,986,282)	(1,295,889)
Net	**139,582,808**	**137,972,560**
Advances to suppliers	1,921,449	6,450,566
Prepayments and other receivables	6,118,172	12,469,319
Claims from Government of Qatar	5,585,831	3,341,179
Total – Exhibit A	**153,208,260**	**160,233,624**

b) **Provision for doubtful debts**

The movement in provision for doubtful debts during the year was as follows:

	2012 (QR)	2011 (QR)
Balance at beginning of the year	1,295,889	1,295,889
Provision for the year	690,393	0
Balance at end of the year – Note 10(a)	**1,986,282**	**1,295,889**

c) Concentration: An amount of QR.21,733,551 is receivable from a major customer which represents 15% of total accounts receivable as at December 31, 2012.

11. Cash and Cash Equivalents

a) This item consists of the following:

	2012 (QR)	2011 (QR)
Cash in hand	0	18,260
Balances in call and current accounts	5,981,141	4,520,857
Fixed deposits	323,848,122	250,029,028
Total – Exhibits A & E	**329,829,263**	**254,568,145**

b) The balances in fixed deposits and call deposits have a profit rate of 0.75% to 1.75% per annum (2011: 1.75% to 3.25% per annum).

12. Share Capital

a) **Authorized, issued and fully paid up capital**

The authorized, issued and fully paid up capital of the Company amounting to QR 491,005,960 (Exhibit-A) as at December 31, 2012 comprising 49,100,596 shares of QR 10 each. (2011: QR 491,005,960 comprising 49,100,596 shares of QR 10 each).

b) **Movement of authorized, issued and fully paid up capital during the year was as follows:**

	2012		2011	
	No. of Shares	Amount (QR)	No. of Shares	Amount (QR)
As at beginning	49,100,596	491,005,960	44,636,905	446,369,050
Bonus shares issued	0	0	4,463,691	44,636,910
As at ending – Exhibit A	**49,100,596**	**491,005,960**	**49,100,596**	**491,005,960**

13. Legal Reserve

a) Pursuant to Qatar Commercial Companies' Law No. 5 of 2002, 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 and is not available for distribution except in the circumstances specified in the law.

b) Movement in legal reserve during the year was as follows:

	2012 (QR)	2011 (QR)
Balance at beginning of the year	245,502,980	223,184,525
Transferred from retained earnings	0	22,318,455
Balance at end of the year – Exhibit A	**245,502,980**	**245,502,980**

14. Development Reserve

Development reserve amounting to QR.406,588,511 (Exhibit-A) as at December 31, 2012 (2011: QR.406,588,511) represents the reserve created in the year of 1990 to finance the construction of Cement Plant-II.

15. Fair Value Reserve Of Available-For-Sale Financial Assets

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

	2012 (QR)	2011 (QR)
Balance at beginning of the year	47,926,847	71,294,563
Movement:		
Net changes in fair value of available-for-sale financial assets – Exhibit C	(1,717,621)	(5,677,093)
Net changes in fair value of available-for-sale financial assets transferred to profit or loss – Exhibit C	0	(17,690,623)
Net movement during the year	**(1,717,621)**	**(23,367,716)**
Balance at end of the year – Exhibit A	**46,209,226**	**47,926,847**

16. Share of Fair Value Reserves of Associates

The movement in the share of fair value reserve of associates was as follows

	2012 (QR)	2011 (QR)
Balance at beginning of the year	5,665,181	3,882,983
Net changes in share of fair value reserves – Exhibit C	1,019,406	1,782,198
Balance at end of the year – Exhibit A	**6,684,587**	**5,665,181**

17. Retained Earnings

a) The movements in the retained earnings during the year were as follows:

	2012 (QR)	2011 (QR)
Balance at beginning of the year	1,118,292,561	1,008,418,707
Profit for the year	425,308,724	456,051,949
Social and sports fund contribution	(10,632,718)	(11,401,299)
Transferred to legal reserve	0	(22,318,455)
Bonus shares issued	0	(44,636,910)
Dividend distribution	(294,603,576)	(267,821,431)
Balance at end of the year – Exhibit A	**1,238,364,991**	**1,118,292,561**

b) Proposed Dividend

In respect of year ended December 31, 2012, the Board of Directors proposed a cash dividend distribution of 60% of the paid up capital totaling QR 294,603,576. This proposed dividend subject to approval by shareholders at the Annual General Assembly.

Relating to the year ended December 31, 2011, following the approval of the Annual General Assembly held on March 14, 2012, it was decided a cash dividend distribution of 60% of the paid up capital totaling QR 294,603,576 (Exhibit-D) (2010: cash dividend distribution of 60% of the paid up capital totaling QR 267,821,431 and 10% bonus shares of the paid up capital totaling QR 44,636,910).

18. Employees' End of Service Benefits

The movements in the employees' end of service benefits during the year were as follows:

	2012 (QR)	2011 (QR)
Balance at beginning of the year	9,912,525	8,766,345
Provisions for the year	1,790,397	1,762,688
Paid during the year	(669,764)	(616,508)
Balance at end of the year – Exhibit A	**11,033,158**	**9,912,525**

19. Term Loan

a) The movements in the term loan during the year were as follows:

	2012 (QR)	2011 (QR)
Balance at beginning of the year	163,867,500	324,093,500
Obtained during the year – Note 19(c)	0	163,867,500
Repayments during the year	(81,933,750)	(324,093,500)
Balance at end of the year – Note 19(b)	**81,933,750**	**163,867,500**

b) The term loan balance is presented in the statement of financial position as follows:

	2012 (QR)	2011 (QR)
Non-current portion of term loan – Exhibit A	0	81,933,750
Current portion of term loan – Exhibit A	81,933,750	81,933,750
Total – Note 19 (a)	**81,933,750**	**163,867,500**

19. Term Loan (continued)

c) The Company has entered into a loan agreement with a local commercial bank on July 24, 2011 for USD 45 million (equivalent to QR 163.87 million) to refinance the Islamic Murahaba facility obtained in May 2010 from a foreign bank for USD 45 million (equivalent to QR 163.87 million).

The current loan carries an interest rate of 0.95% per annum over 1, 3 or 6 month LIBOR and is repayable in four (4) equal quarterly installments starting from August 31, 2012 to May 31, 2013. During the year 2012, the company has settled two installments.

There are no mortgages over assets of the Company for this loan.

20. Accounts and Other Payables

This item consists of the following:

	2012 (QR)	2011 (QR)
Accounts payable	26,985,116	15,515,274
Advances from customers	5,462,440	7,284,235
Directors' remuneration payable	8,500,000	8,500,000
Accruals and provisions	33,081,914	27,582,091
Provision for social and sports fund contribution	10,632,718	11,401,299
Other payables	69,688,684	59,719,645
Total – Exhibit A	**154,350,872**	**130,002,544**

21. Other Income

This item consists of the following:

	2012 (QR)	2011 (QR)
Rental income from investment properties	8,720,200	8,669,000
Transportation income	3,855,316	5,663,222
Interest income	4,572,735	2,268,619
Dividend income	8,400,576	8,692,510
Gain on sale of available-for-sale financial assets	0	17,690,623
Gain on disposal of property, plant and equipment	0	58,953
Other miscellaneous income	2,172,513	1,896,785
Total – Exhibit B	**27,721,340**	**44,939,712**

22. General and Administrative Expenses

a) This item consists of the following:

	2012 (QR)	2011 (QR)
Salaries and benefits	32,947,719	29,881,842
Depreciation of property, plant and equipment and investment properties	4,647,451	4,463,235
Directors' remuneration – Note 25(b)	8,500,000	8,500,000
Others	5,638,746	5,398,690
Total – Exhibit B	**51,733,916**	**48,243,767**

22. General and Administrative Expenses (continued)

b) The salaries and benefits for the year is included in income statement as follows:

	2012 (QR)	2011 (QR)
Cost of revenue	50,657,132	50,438,522
Selling and distribution expenses	2,559,680	1,439,466
General and administrative expenses	32,947,719	29,881,842
Total	**86,164,531**	**81,759,830**

23. 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:

	2012	2011
Profit attributable to ordinary share holders of the Company (QR.) – Exhibit B	**425,308,724**	**456,051,949**
Weighted average number of ordinary shares outstanding – Note 12	**49,100,596**	**49,100,596**
Basic earnings per share (QR) – Exhibit B	**8.66**	**9.29**

b) Diluted Earnings Per Share

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

24. 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. As per the instruction issued by the Ministry of Economy and Finance during the year 2010, this social and sports contribution is considered as an appropriation of retained earnings of the Company and presented in statement of changes in equity rather than recording it through the income statement.

Accordingly, the Company made an appropriation from retained earnings amounting to QR. 10,632,718 (Exhibit-D) for the year ended December 31, 2012 (2011: QR. 11,401,299) for contribution to the Social and Sports Development Fund of Qatar.

25. RELATED PARTY TRANSACTIONS

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

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

a) Transactions with Government and its agencies

The Government of Qatar holds 43% of the Company's share capital. In the normal course of business, the Company supplies its 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.

During the year ended December 31, 2012, the Company has recorded a sum of QR.20,810,610 (2011: QR.13,628,158) as refund of sand transportation cost from the Government of Qatar which has been deducted from the operating cost of the washed sand. Out of the amount recorded during the year ended December 31, 2012, the Company has received a sum of QR.15,224,779 during the year and the remaining amount of QR.5,585,831 is included under receivables from Government of Qatar as at December 31, 2012.

The rental income includes a sum of QR.5.0 million for the year ended December 31, 2012 (2011: QR 5.0 million) from the Government of Qatar.

25. RELATED PARTY TRANSACTIONS (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 22).

During the year ended December 31, 2012, the Company has paid a sum of QR.0.78 million (2011: QR.0.78 million) to members of the Committees of the Board of Directors and salaries and benefits paid to key members of management amounted to QR.4.36 million (2011: QR.3.2 million).

26. SEGMENT REPORTING

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

27. COMMITMENTS AND CONTINGENCIES

The following summarizes the significant contractual commitments and contingencies:

	2012 (QR)	2011 (QR)
Capital Commitments	33,832,965	8,010,677
Letters of credit	16,362,752	9,366,498
Commitment for balance of associate share capital	0	6,000,000

During the year, Qatar Quarries & Building Materials Co. (P.Q.S.C.), an associate of the Company, has reduced its authorized share capital from QR.120 million to QR. 94.5 million and made a distribution by way of recognizing the balance unpaid share capital as paid up capital. Accordingly, the Company's share of QR.0.9 million was recognized as paid up capital and the commitment on the associate's share capital is nil as at December 31, 2012.

28. EVENTS AFTER THE REPORTING PERIOD

There were no circumstances have arisen for the material events, favorable and unfavorable, that occur between the statement of financial position date and date on which these financial statements authorize for issue except for the following.

In respect of year ended December 31, 2012, the Board of Directors proposed a cash dividend distribution of 60% of the paid up capital totaling QR.294,603,576. This proposed dividend subject to approval by shareholders at the Annual General Assembly.

29. FINANCIAL RISK MANAGEMENT

The Company monitors and manages the financial risks relating to its business and operations. The Company has exposure to the following risks from its use of financial instruments.

- Liquidity risk
- Credit risk
- Capital risk
- Market risk
- Operational risk
- Other risks

The Company seeks to minimize the effects of these risks by diversifying the sources of its capital. It maintains timely reports about its risk management function and monitors risks and policies implemented to mitigate risk exposures.

a) 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.

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

December 31, 2012	Carrying amount	Contractual cash outflows	Less than 1 year	More than 1 year
	(QR)	(QR)	(QR)	(QR)
Term loan	81,933,750	(81,933,750)	81,933,750	0
Accounts and other payables	154,350,872	(154,350,872)	154,350,872	0
Total	**236,284,622**	**(236,284,622)**	**236,284,622**	**0**

December 31, 2011	Carrying amount	Contractual cash outflows	Less than 1 year	More than 1 year
	(QR)	(QR)	(QR)	(QR)
Term loan	163,867,500	(163,867,500)	81,933,750	81,933,750
Accounts and other payables	130,002,544	(130,002,544)	130,002,544	0
Total	**293,870,044**	**(293,870,044)**	**211,936,294**	**81,933,750**

It is not expected that the cash flows included in the maturity analysis would occur significantly earlier, or at significantly different amounts.

29. FINANCIAL RISK MANAGEMENT (continued)

b) Credit Risk

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

Accounts receivables

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

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

Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. The Company maintains a provision of doubtful debts; the estimation of such provision is reviewed periodically and established on case by case basis. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery. Provision for doubtful debts is disclosed in note 10.

Other receivables mainly consist of prepaid expenses and advances, which will be recovered against future expenses of the Company.

Ageing analysis of accounts receivable is as follows:

December 31, 2012	Not Past Due	Past due 0-30 days	Past due 31-120 days	More than 120 days	Total
	(QR)	(QR)	(QR)	(QR)	(QR)
Gross accounts receivable	70,419,356	45,693,015	22,197,504	3,259,215	141,569,090
Provision for doubtful debts	0	0	0	(1,986,282)	(1,986,282)
Net	**70,419,356**	**45,693,015**	**22,197,504**	**1,272,933**	**139,582,808**

December 31, 2011	Not Past Due	Past due 0-30 days	Past due 31-120 days	More than 120 days	Total
	(QR)	(QR)	(QR)	(QR)	(QR)
Gross accounts receivable	67,158,527	40,605,527	28,815,642	2,688,753	139,268,449
Provision for doubtful debts	0	0	0	(1,295,889)	(1,295,889)
Net	**67,158,527**	**40,605,527**	**28,815,642**	**1,392,864**	**137,972,560**

Available-for-sale financial assets

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

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 inside 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.

29. FINANCIAL RISK MANAGEMENT (continued)

c) Capital Risk

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. As part of this review, the management considers the cost of capital and the risks associate with each class of capital.

The gearing ratio at the year end was as follows:

	2012 (QR)	2011 (QR)
Debt	**81,933,750**	**163,867,500**
Net debt	**81,933,750**	**163,867,500**
Total Equity	**2,434,356,255**	**2,314,982,040**
Net debt to equity	**0.03:1.00**	**0.07:1.00**

There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

d) Market Risk

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

The market risk primarily consists of the followings:
- Interest rate risk
- Foreign currency risk
- Equity price risk

i) Interest Rate Risk

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

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

The sensitivity of the Company's profit to change in interest rate on interest bearing assets, which carries floating interest rates, based on balance as at December 31, 2012.

Profile

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

	Carrying amounts	
Variable rate instruments	**2012 (QR)**	**2011 (QR)**
Financial Assets		
Cash at banks	329,829,263	254,549,885
Financial Liabilities		
Term loan	(81,933,750)	(163,867,500)
Net	**247,895,513**	**90,682,385**

29. FINANCIAL RISK MANAGEMENT (continued)

d) Market Risk (continued)

i) Interest Rate Risk (continued)

The following table summarizes the interest rate risk profile of the Company's financial assets and liabilities:

December 31, 2012	**1 to 3 months (QR)**	**3 to 12 months (QR)**	**1 to 5 years (QR)**	**Total (QR)**
Financial Assets				
Cash at banks	329,829,263	0	0	329,829,263
Financial Liabilities				
Term loan	(40,966,875)	(40,966,875)	0	(81,933,750)
Interest Rate Sensitivity Gap	**288,862,388**	**(40,966,875)**	**0**	**247,895,513**

December 31, 2011	**1 to 3 months (QR)**	**3 to 12 months (QR)**	**1 to 5 years (QR)**	**Total (QR)**
Financial Assets				
Cash at banks	254,549,885	0	0	254,549,885
Financial Liabilities				
Term loan	0	(81,933,750)	(81,933,750)	(163,867,500)
Interest Rate Sensitivity Gap	**254,549,885**	**(81,933,750)**	**(81,933,750)**	**90,682,385**

Interest rate sensitivity

The following table demonstrates the sensitivity of the income statement to reasonably possible changes in interest and profit rates by 100 basis points, with all other variables held constant. The sensitivity of the profit is the effect of the assumed changes in interest rate on the Company's profit for one year, based on the floating rate financial assets and financial liabilities held at reporting dates.

	Profit or Loss		Equity	
December 31, 2012	**+ 100 b.p.**	**– 100 b.p.**	**+ 100 b.p.**	**– 100 b.p.**
Variable rate financial assets	**3,298,293**	**(3,298,293)**	**3,298,293**	**(3,298,293)**
Variable rate financial liabilities	**(819,338)**	**819,338**	**(819,338)**	**819,338**

	Profit or Loss		Equity	
December 31, 2011	**+ 100 b.p.**	**– 100 b.p.**	**+ 100 b.p.**	**– 100 b.p.**
Variable rate financial assets	**2,545,499**	**(2,545,499)**	**2,545,499**	**(2,545,499)**
Variable rate financial liabilities	**(1,638,675)**	**1,638,675**	**(1,638,675)**	**1,638,675**

29. FINANCIAL RISK MANAGEMENT (continued)

d) Market Risk (continued)

ii) Foreign Currency Risk

The Company incurs foreign currency risk on its purchases that are denominated in a currency other than Qatari Riyals 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 a currency other than Qatari Riyal is minimal as they are either denominated in USD (to which Qatari Riyal is pegged) or Euro (which is not significant to the financial statements).

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

December 31, 2012	USD (in QR)	Euro (in QR)	Total (in QR)
Financial assets			
Accounts receivable	0	1,236,913	1,236,913
Call and fixed deposits	39,785	508,953	548,738
Total financial assets	**39,785**	**1,745,866**	**1,785,651**
Financial liabilities			
Term loan	81,933,750	0	81,933,750
Accounts and other payables	3,115,128	1,025,427	4,140,555
Total financial liabilities	**85,048,878**	**1,025,427**	**86,074,305**

December 31, 2011	USD (in QR)	Euro (in QR)	Total (in QR)
Financial assets			
Accounts receivable	4,110,820	1,527,228	5,638,048
Call and fixed deposits	435,055	79,066	514,121
Total financial assets	**4,545,875**	**1,606,294**	**6,152,169**
Financial liabilities			
Term loan	163,867,500	-0-	163,867,500
Accounts and other payables	2,647,167	812,957	3,460,124
Total financial liabilities	**166,514,667**	**812,957**	**167,327,624**

29. FINANCIAL RISK MANAGEMENT (continued)

d) Market Risk (continued)

iii) Equity Price Risk

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

The following table demonstrates the sensitivity of the effect of cumulative changes in fair value to reasonably possible changes in quoted equity share prices, with all other variables held constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increase shown.

Description	Changes in Equity Prices	Effect on Equity 2012 (QR)	Effect on Equity 2011 (QR)
Available-for-sale financial assets	**±10%**	**±15,322,180**	**±14,919,156**

e) Operational Risk

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

Operational risks arise from all of the Company's operations. The Company's objective is to manage operational risks so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorization of transactions.
- Requirements for the reconciliation and monitoring of transactions.
- Compliance with regulatory and other legal requirements.
- Documentation of controls and procedures.
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified.
- Requirements for the reporting of operational losses and proposed remedial action.
- Development of contingency plans.
- Training and professional development.
- Ethical and business standards.
- Risk mitigation, including insurance where this is effective.

f) Other Risks

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

Regulatory risk is controlled through a framework of compliance policies and procedures. The operations of the Company are subject to regulatory requirements of the state of Qatar.

- Legal risk is managed through the effective use of internal and external legal advisers.
- Reputation risk is controlled through the Company regular examination of issues that are considered to have repercussions for the Company, with guidelines and policies being issued as appropriate.

30. FAIR VALUE

Fair value represents the amount at which an asset could be exchanged or a liability settled in a transaction between knowledgeable, willing parties in an arms length transaction.

Note 3 to the financial statements show the methods used in valuing the financial instruments. The fair values of the financial assets and liabilities, together with the carrying amounts shown in the statement of financial position are as follows:

December 31, 2012	Carrying amount (QR)	Fair Value (QR)
Assets Carried at Fair Value		
Available-for-sale financial assets	153,221,805	153,221,805
Assets Carried at Amortized Cost		
Accounts receivable	139,582,808	139,582,808
Cash and bank balances	329,829,263	329,829,263
Liabilities Carried at Amortized Cost		
Term loan	81,933,750	81,933,750
Accounts and other payables	154,350,872	154,350,872

December 31, 2011	Carrying amount (QR)	Fair Value (QR)
Assets Carried at Fair Value		
Available-for-sale financial assets	149,191,557	149,191,557
Assets Carried at Amortized Cost		
Accounts receivable	137,972,560	137,972,560
Cash and bank balances	254,568,145	254,568,145
Liabilities Carried at Amortized Cost		
Term loan	163,867,500	163,867,500
Accounts and other payables	130,002,544	130,002,544

31. COMPARATIVE FIGURES

Certain of the comparative figures and supporting note disclosures have been reclassified to conform with the presentation of the current year's financial statements. Those reclassifications do not effect previously reported profit or equity.