AL-KHALIJ HOLDING COMPANY (Q.S.C)

DOHA - QATAR

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED DECEMBER 31, 2010

INDEPENDENT AUDITOR'S REPORT

To The Shareholders
Al-Khalij Holding Company (Q.S.C)
Doha – Qatar

Report on the consolidated financial statements

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

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated 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 whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company management's preparation and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements give a true and fair view of the consolidated financial position of **Al-Khalij Holding Company (Q.S.C.)** as of December 31, 2010, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with **International Financial Reporting Standards.**

Other Legal and Regulatory Requirements

We have obtained all the information and explanations which we considered necessary for the purpose of our audit and the physical inventory has been duly carried out. We further confirm that the financial information included in the Annual Report of the Board of Directors is in agreement with the books and records of the Company and that we are not aware of any contravention by the Company of the Article of Association, or the Qatar Commercial Companies Law No. 5 of 2002 during the financial period that would materially affect its activities or its financial position.

For Deloitte & Touche

Doha - Qatar
March 1, 2011

Muhammad Bahemia
License No. (103)

	Notes	2010	2009
		QR.	QR.
ASSETS			
Current assets			
Cash and bank balances	5	**708,627,548**	150,452,058
Accounts receivable	6	**43,309,937**	23,252,387
Due from related parties	7(a)	**434,733**	466,350
Advances to suppliers		**43,589,852**	29,829,987
Gross amount due from customers for contract works		**501,916**	2,326,496
Inventories	8	**30,464,327**	13,667,503
Prepayments and other debit balances	9	**23,278,280**	13,357,881
Total current assets		**850,206,593**	233,352,662
Non-current assets			
Property, plant and equipment	10	**1,760,676,397**	1,567,810,407
Investment properties	11	**470,864,476**	447,936,422
Investment in associates	12	**34,014,290**	20,485,377
Available-for-sale investments	13	**59,042,235**	83,807,811
Goodwill		**314,457,585**	314,457,585
Total non-current assets		**2,639,054,983**	2,434,497,602
Total assets		**3,489,261,576**	2,667,850,264

	Notes	2010	2009
		QR.	QR.
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable		**45,900,075**	55,807,905
Retention payable		**31,130,604**	23,340,865
Borrowings	**14**	**497,080,320**	43,846,407
Due to related parties	**7(b)**	**322,107**	650,160
Notes payable	**15**	**20,139,581**	23,647,345
Gross amount due to customers for contract works		**1,587,426**	1,298,069
Accruals and other credit balances		**17,778,625**	6,166,831
Total current liabilities		**613,938,738**	154,757,582
Non-current liabilities			
Borrowings	**14**	**885,443,081**	591,014,784
Notes payable	**15**	**28,300,066**	45,049,161
Retention payable		**31,130,605**	23,340,865
Employees' end of service benefits		**2,057,203**	1,348,607
Total non-current liabilities		**946,930,955**	660,753,417
Total liabilities		**1,560,869,693**	815,510,999
SHAREHOLDERS’ EQUITY			
Share capital	**16(a)**	**1,243,267,780**	1,243,267,780
Legal reserve	**17**	**475,526,316**	468,407,668
Fair value reserve	**13**	**7,443,737**	797,937
Retained earnings		**139,990,661**	139,865,880
Proposed dividends	**16(b)**	**62,163,389**	--
Total shareholders’ equity		**1,928,391,883**	1,852,339,265
Total liabilities and shareholders’ equity		**3,489,261,576**	2,667,850,264

These consolidated financial statements were approved by the Board of Directors on March 1, 2011 and signed on its behalf by:

Abdullah bin Nasser Al-Mesnad
Chairman and Managing Director

	Notes	2010	2009
		QR.	QR. (Restated)
Operating income			
Sale of cement		**158,866,576**	26,622,418
Contract and service income		**48,042,369**	56,418,775
		206,908,945	83,041,193
Operating cost			
Cost of cement sales		**124,552,627**	22,360,067
Contract and service cost		**15,441,858**	23,699,315
		139,994,485	46,059,382
Operating profit		**66,914,460**	36,981,811
Income from short-term deposits and savings		**1,489,567**	21,490,164
Income from investment in associates	**12**	**24,635,286**	17,199,475
Investment income		**2,003,889**	4,707,634
Rental income		**3,289,688**	21,226,000
Other income		**3,858,086**	1,123,989
Gain on sale of investment properties		**--**	39,863,864
Increase in fair value of investment properties		**22,928,054**	39,763,878
Finance cost		**(6,234,386)**	(30,183,327)
Impairment loss of available-for-sale investments	**13**	**--**	(37,912,724)
General and administrative expenses	**18**	**(37,581,969)**	(32,375,782)
Depreciation of property, plant and equipment	**10**	**(8,366,195)**	(8,750,690)
Board of directors' remunerations		**(1,750,000)**	(1,400,000)
Net profit for the year		**71,186,480**	71,734,292
Basic earnings per share	**20**	**0.57**	0.58

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

	Note	2010 QR.	2009 QR. (Restated)
Net profit for the year		**71,186,480**	71,734,292
Other comprehensive income			
Change in fair value of available-for-sale investments	**13**	**6,645,800**	(8,760,351)
Impairment on available for sale investment charged off		**--**	37,912,724
Total comprehensive income for the year		**77,832,280**	100,886,665

AL-KHALIJ HOLDING COMPANY (Q.S.C)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended December 31, 2010

	Capital	Legal reserve	Fair value reserve	Retained earnings	Proposed dividends	Total
	QR.	QR.	QR.	QR.		QR.
Balance as at January 1, 2009	**800,000,000**	**25,676,980**	**(28,354,436)**	**76,879,673**	**--**	**874,202,217**
Issue of shares on acquisition	443,267,780	--	--	--	--	443,267,780
Share premium on issue of shares	--	435,732,220	--	--	--	435,732,220
Total comprehensive income for the year	--	--	29,152,373	71,734,292	--	100,886,665
Transfer to legal reserve	--	6,998,468	--	(6,998,468)	--	--
Provision for social contribution - note 19	--	--	--	(1,749,617)	--	(1,749,617)
Balance as at December 31, 2009	**1,243,267,780**	**468,407,668**	**797,937**	**139,865,880**	**--**	**1,852,339,265**
Total comprehensive income for the year	--	--	6,645,800	71,186,480	--	77,832,280
Transfer to legal reserve	--	7,118,648	--	(7,118,648)	--	--
Provision for social contribution - note 19	--	--	--	(1,779,662)	--	(1,779,662)
Proposed dividends -note 16 (b)	--	--	--	(62,163,389)	62,163,389	--
Balance as at December 31, 2010	**1,243,267,780**	**475,526,316**	**7,443,737**	**139,990,661**	**62,163,389**	**1,928,391,883**

	Note	2010	2009
		QR.	QR.
OPERATING ACTIVITIES			
Net profit for the year		**71,186,480**	71,734,292
Adjustments for:			
Depreciation		**10,691,119**	8,750,690
Gain on disposal of property, plant and equipment		**(50,166)**	(54,463)
Loss on sale of available-for-sale investments		**3,865,315**	--
Gain on sale of investment properties		**--**	(39,863,864)
Increase in fair value of investment properties		**(22,928,054)**	(39,763,878)
Impairment loss on available-for-sale investments		**--**	37,912,724
Share of profit from associates		**(24,635,286)**	(17,199,475)
Employees' end of service benefits		**901,929**	699,497
		39,031,337	22,215,523
Working capital changes:			
Accounts receivable		**(20,057,550)**	(10,195,548)
Due from related parties		**31,617**	153,346,682
Advances to suppliers		**(13,759,865)**	88,893,937
Gross amount due from customers for contract works		**1,824,580**	(1,490,823)
Inventories		**(16,796,824)**	(12,590,016)
Prepayments and other debit balances		**(9,920,399)**	(2,676,713)
Accounts payable		**(9,907,830)**	20,404,792
Retention payable		**15,579,479**	29,647,258
Due to related parties		**(328,053)**	(160,311,412)
Notes payable		**(20,256,859)**	(11,863,177)
Gross amount due to customers for contract works		**289,357**	1,081,468
Accruals and other credit balances		**9,832,132**	(21,038,064)
Cash (used in) from operations		**(24,438,878)**	95,423,907
Employees' end of service benefits paid		**(193,333)**	(460,663)
Net cash (used in) from operating activities		**(24,632,211)**	94,963,244
INVESTING ACTIVITIES			
Purchase/acquisition of property, plant and equipment		**(203,591,192)**	(775,421,435)
Acquisition of investment properties		**--**	(5,421,222)
Acquisition of investments available-for-sale		**--**	(10,098,664)
Proceeds on sale of property, plant and equipment		**84,249**	19,781,435
Proceeds on sale of investment property		**--**	802,008,061
Proceeds on sale of investments available-for-sale		**27,546,061**	--
Additions in investments in associates		**(1,630,000)**	--
Dividend received from associates		**12,736,373**	6,450,000
Net cash (used in) from investing activities		**(164,854,509)**	37,298,175
FINANCING ACTIVITIES			
Borrowings		**747,662,210**	(496,329,019)
Net increase (decrease) in cash and cash equivalents		**558,175,490**	(364,067,600)
Cash and cash equivalents at the beginning of the year		**150,452,058**	507,271,150
Acquisition of cash and cash equivalents		**--**	7,248,508
Cash and cash equivalents at the end of the year	**5**	**708,627,548**	150,452,058

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

1. INCORPORATION AND ACTIVITIES

Al-Khalij Holding Company (the "Company") (Gulf Holding Company previously) is a Qatari Shareholding Company (Q.S.C.) incorporated in the State of Qatar on May 4, 2006 under Commercial Registration No.32831. The Company is governed by the provisions of the Qatar Commercial Companies law No. (5) of (2002) and the Qatar Exchange Regulations. The Company has been formed to primarily engage in the production and sale of cement. The Company also engages in setting up factories, importing and exporting cement, investment in shares, trading and contracting and real estate.

One of the subsidiaries (Gulf Cement Company) had not started operations as of the date of authorization of these consolidated financial statements. The subsidiary's activities were confined to setting up the plant, testing of limited production of cement and clinker, and utilization of the monies received from the shareholders in investment activities in addition to financing all the stages of the plant's construction. The subsidiary quarries the limestone, one of the main raw materials used in the cement production, from a leased land located at Umm Bab. This land including factory land is leased for a period of 25 years ending 2032 as per an agreement entered with local authority.

Certain sales of cement were made during the year by one of the subsidiaries (Gulf Cement Trading Company) of the Company.

The accompanying consolidated financial statements comprise the financial statements of the Company and of its wholly owned subsidiaries (collectively, the "Group") as explained in note 3.

2. ADOPTION OF NEW AND REVISED STANDARDS

2.1 Standards and Interpretations effective in the current period

At the date of authorization of these consolidated financial statements, the following standards and interpretations were effective:

(i) Revised Standards

• IAS 1 (Revised)	*Presentation of Financial statements*
• IAS 7 (Revised)	*Statement of Cash Flows*
• IAS 17 (Revised)	*Leases*
• IAS 27 (Revised)	*Consolidated and Separate Financial Statements*
• IAS 28 (Revised)	*Investments in Associates*
• IAS 31 (Revised)	*Interests In Joint Ventures*
• IAS 36 (Revised)	*Impairment of Assets*
• IAS 38 (Revised)	*Intangible Assets*
• IAS 39 (Revised)	*Financial Instruments: Recognition & Measurement*
• IFRS 1 (Revised)	*First time adoption*
• IFRS 2 (Revised)	*Share-based Payments*
• IFRS 3 (Revised)	*Business Combinations*
• IFRS 5 (Revised)	*Non Current assets Held for Sale & Discontinued Operations*
• IFRS 8 (Revised)	*Operating Segments*

(ii) Revised Interpretations:

• IFRIC 9 (Revised)	*Reassessment of Embedded Derivatives*
• IFRIC 16 (Revised)	*Hedges of Net Investment in Foreign Operations*

(iii) Withdrawn Interpretations:

• IFRIC 8	*Scope of IFRS 2*
• IFRIC 11	*Group and Treasury Share Transactions*

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

(iv) New Interpretations:

- IFRIC 17 — *Distributions of Non-cash Assets to Owners*
- IFRIC 18 — *Transfers of Assets from Customers*

The adoption of these standards and Interpretations had no significant effect on these consolidated financial statements of the Company for the year ended December 31, 2010, other than certain presentation and disclosure changes.

2.2 Standards and Interpretations in issue not yet effective

At the date of authorization of these consolidated financial statements, the following Standards and Interpretations were in issue but not yet effective:

(i) Revised Standards

Effective for annual periods beginning on or after February1, 2010

- IAS 32 (Revised) — *Financial instruments: Presentation*

Effective for annual periods beginning on or after July1, 2010

- IAS 27 (Revised) — *Consolidated and separate financial statements*
- IFRS 1 (Revised) — *First time adoption of International Financial Reporting Standards*
- IFRS 3 (Revised) — *Business combinations*

Effective for annual periods beginning on or after January 1, 2011

- IAS 24 (Revised) — *Related Party Disclosures*
- IAS 34 (Revised) — *Interim Financial Reporting*
- IFRS 1 (Revised) — *First time adoption of International Financial Reporting Standards*
- IFRS 7 (Revised) — *Financial Instruments disclosures* ***IAS 1 (Revised)*** *– Presentation of Financial Statements*

(ii) Revised Interpretations:

Effective for annual periods beginning on or after January 1, 2011

- IFRIC 14 — *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

(iii) New Standard:

Effective for annual periods beginning on or after January 1, 2013 (Early adoption allowed)

- IFRS 9- Financial Instruments *Classification and Measurement*

(iv) New Interpretation:

Effective for annual periods beginning on or after July 1, 2010

- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*

Management anticipates that the adoption of these Standards and Interpretations in future periods will have no material financial impact on these consolidated financial statements of the Group in the period of initial application, other than certain presentation and disclosure changes.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standard.

Basis of preparation and consolidation

The consolidated financial statements have been prepared under the historical cost convention except for the measurement at fair value of available-for-sale investments and investment properties. The Company's functional and reporting currency in Qatari Riyals (QR.).

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of preparation and consolidation (continued)

The Company owns 100% of Qatari Investors Group, which, in turn, owns the following entities (collectively known as the "Group") at December 31, 2010:

Name of subsidiary	Place of incorporation	Ownership interest	Principal activity
Gulf Cement Company	Qatar	100%	Manufacturing of cement
Gulf Cement Trading Company	Qatar	100%	Trading of cement
QIG Properties	Qatar	100%	Real estate
QIG Project Development	Qatar	100%	Industry equipment works
International Technical and Trading Company	Qatar	100%	General equipment trading
Qatar Security System	Qatar	100%	IT and security systems
QIG General Services	Qatar	100%	Constructional material trading – contracting
Global Enterprise Company	Qatar	100%	Sports materials trading
QIG Aviation Services Company	Qatar	100%	Aviation services
QIG Catering Services Company	Qatar	100%	Catering services
QIG Global Company	Qatar	100%	International companies representation
QIG Industries Company	Qatar	100%	Industrials enterprises (Mechanical - Engineering)
QIG Marine Services Company	Qatar	100%	Trading in yachts
QIG Technology Company	Qatar	100%	Information technology services
QIG Trading Company	Qatar	100%	International companies representation
Qatar group for Investments	Qatar	100%	Investments and other trading
Qatar Investments Group	Qatar	100%	Investments and other trading
QIG Light Industries Company	Qatar	100%	Agencies business
Cape Qatar	Qatar	100%	Insurance agencies
QIG Logistics	Qatar	100%	Logistics

Where necessary, adjustments are made to the financial statement of subsidiaries to bring their accounting policies in line with those used by the company. All intra-company transactions, balances, income and expenses are eliminated on consolidation.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The principal accounting policies are set out below:

Revenue recognition

Sale of goods
Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when
(i) the significant risks and rewards of ownership have been transferred to the buyer;
(ii) the recovery of the consideration is probable;
(iii) the associated costs and possible return of goods can be estimated reliably;
(iv) there is no continuing management involvement with the goods; and
(v) the amount of revenue can be measured reliably.

Dividend Income
Dividend income from investments is recognised when the shareholder's right to receive payment is established.

Income on Fixed Deposits and Savings Accounts
Income is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable.

Revenue from long term projects
Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the contract activity at the statement of financial position date, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Rendering of services
Service revenue is recognized as services are performed.

Investment in associates

The Company's investment in its associates is accounted for under the equity method of accounting. An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in associate is carried in the statement of financial position at cost plus post acquisition changes in the Company's share of net assets of the associate, less impairment in value, if any. The statement of income reflects the Company's share of the results of its associates.

Unrealised profits and losses resulting from transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associate.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Available-for-sale investments

Available-for-sale investments are those that are designated as available-for-sale and intended to be held for an indefinite period of time.

Available-for-sale investments are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition.

Available-for-sale financial assets are subsequently carried at fair value. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired. At this time, the cumulative gain or loss previously recognised in equity is recognised in profit or loss.

The fair value of quoted investments in active markets are based on current bid prices. If there is no active market for a financial asset, the fair value is established using valuation techniques. These include the use of recent arms length transactions, discounted cash flow analysis, and other valuation techniques commonly used by market participants. Investment in equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are valued at cost.

The Company assesses at each balance sheet date whether there is objective evidence that available-for-sale investments are impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. When there is objective evidence that are available-for-sale investment is impaired the cumulative loss that has been recognised directly in equity is removed from equity and recognised in profit or loss.

Borrowing costs

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

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes are stated in the balance sheet at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is charged as to write off the cost or valuation of assets, other than work in progress, over their estimated useful lives, using the straight-line method.

Properties in the course of construction for production or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Costs includes professional fees and, for qualifying assets, borrowing costs that are directly attributable to the construction of the properties. Upon the completion of these projects these costs will be transferred to the relevant asset category. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible Assets

Intangible assets acquired in a business combination – Goodwill

Intangible assets acquired in a business combination are identified and recognised as goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less impairment losses, if any.

Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains and losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

Inventories

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

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Foreign currencies

Transactions in currencies other than the Company’s functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each statement of financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the statement of financial position date. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in statement of income.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets

Accounts receivable

Accounts receivable are stated at their nominal values as reduced by appropriate allowances for estimated irrecoverable amounts. Estimates of doubtful debts are based on a detailed review by management of the individual balances at the year end.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances and deposits with original maturities of three months or less, net of bank overdrafts.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each statement of financial position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off and changes in the carrying amount of the allowance account are recognised in the statement of income.

Financial liabilities

Accounts payable

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

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or expired.

4. CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Impairment of property, plant and equipment and goodwill

The Company's management tests whether assets have suffered impairment in accordance with accounting policies. The recoverable amount of an asset is determined based on value-in-use method. This method uses estimated cash flow projections discounted using market rates.

The cost of property, plant and equipment is depreciated over the estimated useful lives, which are based on expected usage of the asset, expected physical wear and tear, the repair and maintenance program and technological obsolescence arising from changes and the residual value. The management has not considered any residual value.

Impairment of accounts receivable

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.

Impairment of inventories

Inventories are stated at the lower of cost and net realisable value. Adjustments to reduce the cost of inventory to its realisable value are made for estimated excess, obsolescence or impaired balances. Factors influencing these adjustments include changes in demand, product pricing, physical deterioration and quality issues. Based on the above factors, the Company has arrived at certain percentages for allowance for slow moving and obsolete inventories. Revisions to these adjustments would be required if these factors differ from the estimates.

Cost to completion

In calculating revenue on long term contracts, management estimated the cost to complete for the project, in order to ensure an appropriate profit percentage is accrued in each of the year. In the process of calculating the cost to complete, management conducted regular and systematic reviews of actual results and future projection with comparison against budgets. This process requires monitoring controls including financial operational, identifying major, developing and implementing initiatives to manage those risks.

Management is therefore confident that the cost to complete is fairly estimated.

5. CASH AND BANK BALANCES

	2010	2009
	QR.	QR.
Cash on hand	46,402	30,270
Bank balances:		
Current accounts	13,216,440	32,259,378
Saving accounts	22,673,931	3,507,136
Cash held by Islamic Financial Company	--	42,920
Term deposits	672,690,775	114,612,354
	708,627,548	150,452,058

Short term deposits and saving accounts in various banks earn effective rates of return ranging from 3% to 3.5% per annum (2009: 4% to 5% per annum). These short term deposits accounts have maturity periods of less than 90 days.

6. ACCOUNTS RECEIVABLE

	2010	2009
	QR.	QR.
Accounts receivable	43,309,937	23,252,387

The general term of credit is 90 days. No interest is charged on the overdue accounts receivable. The Company provides for doubtful debts on case to case basis depending on management's historical experience.

(i) Ageing of neither past due nor impaired

	2010	2009
	QR.	QR.
Up to 90 days	29,111,434	17,826,681

(ii) Ageing of past due but not impaired

	2010	2009
	QR.	QR.
91-180 days	848,628	403,510
181-365 days	11,720,083	279,834
More than 365 days	1,629,792	4,742,362
	14,198,503	5,425,706

7. RELATED PARTY TRANSACTIONS

Related parties represent associate companies, major shareholders and key management personnel of the Company and companies controlled, jointly controlled or significantly influenced by and those parties.

At the reporting date, amounts due from / to related parties and transactions during the year are as follows:

(a) Due from related parties

	2010	2009
	QR.	QR.
QIG - The Investor branch	**500**	500
Sunseeker Qatar	**4,168**	4,170
Typsa Qatar	**65,700**	65,700
HOK Canada	**6,921**	395,980
Al Misnad Holding Company	**338,278**	--
Europcar Qatar W.L.L.	**16,350**	--
Eversandai Engineering Qatar W.L.L.	**1,660**	--
Atlus telecom W.L.L.	**578**	--
Mada Projects W.L.L.	**578**	--
	434,733	466,350

(b) Due to related parties

	2010	2009
	QR.	QR.
Corus	**--**	64,360
Islamic Financial Securities	**--**	169,914
Al Misnad Holding Company	**--**	85,079
Qatari Wings Company	**88,150**	96,850
National Aviation Services Company	**164,697**	164,697
National Marine Services Company	**69,260**	69,260
	322,107	650,160

(c) Related Party transactions

	2010	2009
	QR.	QR.
Sales	**23,136,527**	4,176,360
Purchases and expenses	**--**	137,503,816

(d) Compensation of key management personnel

	2010	2009
	QR.	QR.
Short-term benefits	**9,300,000**	8,016,000

8. INVENTORIES

	2010	2009
	QR.	QR.
Finished goods	**2,086,039**	1,505,328
Raw material	**27,865,212**	11,943,125
Spare parts	**513,076**	219,050
	30,464,327	13,667,503

9. PREPAYMENTS AND OTHER DEBIT BALANCES

	2010	2009
	QR.	QR.
Due from staff	**422,439**	285,343
Refundable deposits	**2,451,323**	1,211,003
Prepayments	**3,342,313**	3,199,968
Accrued income	**7,961,586**	7,172,183
Notes receivables	**6,426,619**	940,667
Retentions receivable	**1,996,469**	--
Others	**677,531**	548,717
	23,278,280	13,357,881

Notes receivables represent the post dated cheques received from the customers against the debts relating to sale of cement. These cheques are due for presentation within less than 3 months from the year end.

10. PROPERTY, PLANT AND EQUIPMENT

	Plant and building	Equipment	Furniture and fixture	Computers and software	Motor and heavy vehicles	Land	Capital work in progress*	Total
	QR.	QR.	QR.	QR.	QR.		QR.	QR.
Cost:								
As of January 01, 2009	**943,275**	**1,989,859**	**1,123,280**	**435,819**	**39,563,500**	**--**	**718,845,080**	**762,900,813**
Acquisition during the year	36,467,685	103,333	21,467,576	--	221,707	2,499,266	--	60,759,567
Additions during the year	1,146,792	2,285,404	469,460	548,382	13,241,122	--	757,730,275	775,421,435
Disposals	--	(7,700)	(21,457,368)	--	(193,493)	--	--	(21,658,561)
As of December 31, 2009	**38,557,752**	**4,370,896**	**1,602,948**	**984,201**	**52,832,836**	**2,499,266**	**1,476,575,355**	**1,577,423,254**
Additions during the year	**315,962**	**403,928**	**96,010**	**196,678**	**1,368,300**	**--**	**201,210,314**	203,591,192
Disposals	**--**	**--**	**--**	**--**	**(469,020)**	--	--	(469,020)
As of December 31, 2010	**38,873,714**	**4,774,824**	**1,698,958**	**1,180,879**	**53,732,116**	**2,499,266**	**1,677,785,669**	**1,780,545,426**
Depreciation:								
As of January 01, 2009	**19,656**	**293,570**	**468,046**	**211,792**	**1,800,682**	**--**	**--**	**2,793,746**
Charge for the year	2,348,554	616,206	2,032,331	170,842	3,582,757	--	--	8,750,690
Disposals	--	(506)	(1,737,594)	--	(193,489)	--	--	(1,931,589)
As of December 31, 2009	**2,368,210**	**909,270**	**762,783**	**382,634**	**5,189,950**	**--**	**--**	**9,612,847**
Charge for the year	**4,218,815**	**403,785**	**338,106**	**505,409**	**5,225,004**	**--**	**--**	**10,691,119**
Disposals	**--**	**--**	**--**	**--**	**(434,937)**	**--**	**--**	**(434,937)**
As of December 31, 2010	**6,587,025**	**1,313,055**	**1,100,889**	**888,043**	**9,980,017**	**--**	**--**	**19,869,029**
Net book values:								
As of December 31, 2010	**32,286,689**	**3,461,769**	**598,069**	**292,836**	**43,752,099**	**2,499,266**	**1,677,785,669**	**1,760,676,397**
As of December 31, 2009	36,189,542	3,461,626	840,165	601,567	47,642,886	2,499,266	1,476,575,355	1,567,810,407
Rates of depreciation	**5-7%**	**20%**	**20%**	**33%**	**20%**	--	--	

* Out of above capital work in progress as of December 31, 2010, QR. 1,667 million (2009: QR. 1,465 million) has been incurred for development of the Company's Cement plant. It includes borrowing cost of QR.78.87 million (2009: QR. 47.38 million).

- Depreciation charge for the year amounting to QR. 2,324,924 is included in cost of sales.

11. INVESTMENT PROPERTIES

	2010	2009
	QR.	QR.
Opening balance	**447,936,422**	216,191,950
Acquisition	**--**	948,703,569
Additions	**--**	5,421,222
Disposals	**--**	(762,144,197)
Closing balance	**447,936,422**	408,172,544
Increase in fair value	**22,928,054**	39,763,878
	470,864,476	447,936,422

Investment properties with a carrying value of QR. 391.86 million (2009: QR. 349.52 million) were appraised by an accredited independent Real Estate appraiser at a fair value of QR. 417.36 million as of December 31, 2010 (2009: QR. 391.86 million). The appraiser is an industry specialist in valuing these types of investment properties. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation. Further management has estimated a reduction in the fair value of certain other investment properties on account of usage amounting to QR. 2.57 million (2009: QR. 2.57 million) to arrive fair value as on December 31, 2010.

12. INVESTMENT IN ASSOCIATES

The Company has the following investment in associates

	Country of incorporation	**Ownership %**		**Profit share %**	
		2010	2009	**2010**	2009
Smart Logistics W.L.L.	Qatar	**51%**	51%	**50%**	50%
Sharaf Logistics W.L.L.	Qatar	**51%**	51%	**50%**	50%
Europe Car Company W.L.L.	Qatar	**51%**	51%	**50%**	50%
Eversendai Engineering Qatar W.L.L.	Qatar	**51%**	51%	**30%**	30%
United Gulf Cement Company W.L.L.	Qatar	**51%**	51%	**40%**	40%
National Shipping Marine Services Company W.L.L.	Qatar	**51%**	51%	**50%**	50%
Diamond Shipping Marine Services Company W.L.L.	Qatar	**51%**	51%	**50%**	50%
Sharaf Shipping Marine Services Company W.L.L.	Qatar	**51%**	51%	**50%**	50%
Mediterean Shipping Company W.L.L.	Qatar	**51%**	--	**50%**	--
National Marine Services Company W.L.L.	Qatar	**51%**	51%	**51%**	51%
National Aviation Services Company W.L.L	Qatar	**51%**	51%	**51%**	51%
Qatar Wings Company W.L.L	Qatar	**51%**	51%	**51%**	51%
Firewall Integrated Systems W.L.L.	Qatar	**51%**	--	**50%**	--

12. INVESTMENT IN ASSOCIATES (CONTINUED)

The Company does not exercise control over the above entities and therefore the above entities have not been consolidated as part of the Group.

The following table illustrates summarised financial information of the Company's investment in the associates:

	2010	2009
	QR.	QR.
Net assets	**120,346,045**	54,539,760
Profit for the year	**48,895,635**	48,338,233
Company's share of profits of associates	**24,635,286**	17,199,475

Movement in investment in associates

	2010	2009
	QR.	QR.
Balance at beginning of the year	**20,485,377**	--
Acquisition during the year	**1,630,000**	9,735,902
Share of profit during the year	**24,635,286**	17,199,475
Dividend received during the year	**(12,736,373)**	(6,450,000)
Balance at end of the year	**34,014,290**	20,485,377

13. AVAILABLE-FOR-SALE INVESTMENTS

	2010	2009
	QR.	QR.
(a) Quoted investments		
Opening Balance	**65,136,954**	79,059,436
Acquisition of investment	**--**	13,891,578
Additions	**--**	10,098,664
Cost of investments sold	**(15,798,360)**	--
Total cost of investments	**49,338,594**	103,049,678
Less: Impairment loss on available-for-sale investments	**--**	(37,912,724)
Add: Fair value reserve	**7,443,737**	797,937
	56,782,331	65,934,891
(b) Unquoted investments		
Opening Balance	**17,872,920**	10,500,000
Cost of investments sold	**(15,613,016)**	--
Acquisition of investment	**--**	7,372,920
	2,259,904	17,872,920
Total available-for-sales investments (a+b)	**59,042,235**	83,807,811
Proceeds from sale of investments	**27,546,061**	--
Cost of investments sold	**(31,411,376)**	--
Loss from sale of available-for-sale investments	**(3,865,315)**	--

13. AVAILABLE-FOR-SALE INVESTMENTS (CONTINUED)

Movement in fair value reserve

	2010	2009
	QR.	QR.
Opening balance	**797,937**	(28,354,436)
Increase/(decrease) in fair value	**6,645,800**	(8,760,351)
Impairment loss charged off	**--**	37,912,724
Closing balance	**7,443,737**	797,937

14. BORROWINGS

	2010	2009
	QR.	QR.
LC Murabaha Loan (i)	**13,807,269**	43,756,697
Tawarruq Finance (ii)	**483,253,116**	473,568,550
Murabaha Loan (iii)	**131,692,496**	117,446,234
Ijara Facility (iv)	**753,750,585**	--
Murabaha Vehicle Loan	**19,935**	89,710
	1,382,523,401	634,861,191

	2010	2009
	QR.	QR.
Classified as:		
Current portion	**497,080,320**	43,846,407
Non-current portion	**885,443,081**	591,014,784
	1,382,523,401	634,861,191

(i) The Company entered into an agreement with a local bank whereby the bank will finance the import of raw material with a limit of QR. 65 million carrying profit rate of 8% per annum. The loan is repayable in seven monthly instalments with a grace period of five months from the date of devolvement of letter of credit.

(ii) The Company entered into a memorandum of understanding during 2008 whereby the LC Murabaha loan will be converted into Tawarruq loan as and when portion of LC Murabaha loan becomes due, with limit of 473.56 million and carrying profit rate of 8.125% repayable after three months grace period starting from March 29, 2010.

(iii) In 2009, the Company entered into a loan agreement with a local bank, with profit rate of 8.75% per annum. The loan is repayable in 72 monthly instalments starting from June 01, 2012.

(iv) The Company entered into agreement with a local bank, whereby the bank will finance the Company in the form of Ijara Facility, to finance the construction of production line, with profit rate of 7.25% per annum. The loan is repayable within 24 quarterly instalments starting from September 23, 2012.

The credit facilities are secured by an equitable mortgage on the cement factory under construction (note 10) and guaranteed remittance of sales realisation in to the bank account. The insurance policy for factory premises is endorsed in favour of the bank.

15. NOTES PAYABLE

	2010	2009
	QR.	QR.
Short term	**20,139,581**	23,647,345
Long term	**28,300,066**	45,049,161
	48,439,647	68,696,506

The present value of notes payable has been calculated as below:

	Minimum payments 2010	**Present value of minimum payments 2010**	Minimum payments 2009	Present value of minimum payments 2009
	QR.	**QR.**	QR.	QR.
Not later than one year	**21,801,220**	**20,139,581**	25,173,027	23,647,345
Later than one year and not later than five years	**33,583,201**	**28,300,066**	55,384,421	45,049,161
	55,384,421	**48,439,647**	80,557,448	68,696,506

Management has used a discount rate of approximately 8.25% per annum (2009: 8.25% per annum) to calculate the present value of these future payments.

16. a) SHARE CAPITAL

	2010	2009
	QR.	QR.
Authorised issued and fully paid up share capital 124,326,778 shares (2009: 124,326,778 shares) of QR.10 each	**1,243,267,780**	1,243,267,780

b) PROPOSED DIVIDENDS

The Board of Directors in its meeting held on March 1, 2011 has proposed a cash dividend of 5% (QR 0.5 per share for the year ended December 31, 2010 amounting to QR. 62,163,389). The above is subject to the approval of the shareholders in the forthcoming general assembly.

17. LEGAL RESERVE

In accordance with the Qatar Commercial Companies' Law No. 5 of 2002, 10% of net income for the year is to be transferred to legal reserve. This annual transfer may cease when the reserve equals 50% of the paid up capital and must be maintained at a minimum of 50% of paid up capital. This reserve is not available for distribution. Any excess over 50% may be distributed in circumstances specified in the Qatar Commercial Companies Law of 2002.

18. GENERAL AND ADMINISTRATIVE EXPENSES

	2010	2009
	QR.	QR.
Salaries, allowances and other benefits	**22,507,681**	20,145,483
Rent	**905,292**	939,191
DSM registration	**924,842**	883,557
Printing and stationary	**218,979**	208,344
Repairs and maintenance	**1,031,740**	2,594,765
Advertisement	**497,823**	290,391
Travel and entertainment	**367,580**	715,098
Accommodation	**527,422**	325,265
Insurance	**1,129,654**	891,831
Legal and professional services	**481,168**	2,501,849
Legal claims	**5,646,428**	--
Postage and telecommunication	**327,172**	522,968
Gifts and donations	**--**	525,000
Utilities	**129,913**	190,833
Miscellaneous	**2,886,275**	1,641,207
	37,581,969	32,375,782

19. PROVISION FOR SOCIAL 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 for an amount equivalent of 2.5% of the net profit of the Company. As per the instruction issued during the year by the Ministry of Economy and Finance, this social contribution has been treated as distribution from retained earnings of the Company. As a result prior year's statements of income and comprehensive income is restated and the effect of the provision has been taken as a distribution from retained earnings and recognised in the statement of changes in shareholders' equity.

20. BASIC EARNINGS PER SHARE

	2010	2009
	QR.	QR. (Restated)
Profit for the year	**71,186,480**	71,734,292
Weighted average number of shares	**124,326,778**	124,326,778
Basic earnings per share	**0.57**	0.58

21. CONTINGENT LIABILITIES

	2010	2009
	QR.	QR.
Letters of guarantees	**3,950,000**	7,825,886
Letters of credit	**39,271,238**	22,657,332

22. SEGMENT ANALYSIS

The Company and its subsidiaries are organized into seven main business segments. The Company and its subsidiaries operate only in Doha - Qatar. Details of each segment as of and for the year ended December 31, 2010 are stated below.

	Industrial	Contracting and engineering	Cement	Investment	Real Estate investment	Marine and aviation	Trading	Other segments	Total
	QR.	QR.	QR.	QR.	QR.	QR.	QR.	QR.	QR.
For the year ended December 31, 2010									
Revenue	--	48,042,369	158,866,576	--	--	--	--	--	206,908,945
Cost	--	(15,441,858)	(124,552,627)	--	--	--	--	--	(139,994,485)
Other income	15,080,795	(3,384,356)	1,143,447	3,678,025	34,984,337	7,071,195	590,920	1,616,473	60,780,836
Other expenses	(3,300)	(2,119,543)	(16,316,087)	(6,741,376)	(9,543,305)	--	(367,194)	(21,418,011)	(56,508,816)
Net profit/(loss) for the year	**15,077,495**	**27,096,612**	**19,141,309**	**(3,063,351)**	**25,441,032**	**7,071,195**	**223,726**	**(19,801,538)**	**71,186,480**
As of December 31, 2010									
ASSETS									
Current assets	--	38,752,064	798,806,900	5,030,557	3,560,063	--	486,028	3,570,981	850,206,593
Non-current assets	18,127,677	251,385	1,724,864,986	326,382,935	556,806,558	12,338,008	80,028	203,406	2,639,054,983
Total assets	**18,127,677**	**39,003,449**	**2,523,671,886**	**331,413,492**	**560,366,621**	**12,338,008**	**566,056**	**3,774,387**	**3,489,261,576**
LIABILITIES									
Current liabilities	--	10,778,725	595,028,962	319,164	2,183,176	561,970	19,359	5,047,382	613,938,738
Non-current liabilities	--	231,509	766,107,780	62,426	180,136,938	--	35,251	357,051	946,930,955
Total liabilities	**--**	**11,010,234**	**1,361,136,742**	**381,590**	**182,320,114**	**561,970**	**54,610**	**5,404,433**	**1,560,869,693**

22. SEGMENT ANALYSIS (CONTINUED)

	Industrial	Contracting and engineering	Cement	Investment	Real Estate investment	Marine and aviation	Trading	Other segments	Total
	QR.	QR.	QR.	QR.	QR.	QR.	QR.	QR.	QR.
For the year ended December 31, 2009									
Revenue	--	56,418,775	26,622,418	--	--	--	--	--	83,041,193
Cost	--	(23,699,315)	(22,360,067)	--	--	--	--	--	(46,059,382)
Other income	9,417,158	(6,774,568)	16,125,770	14,769,521	103,545,328	4,333,102	3,272,187	686,506	145,375,004
Other expenses	(1,209,000)	(4,789,169)	(17,257,223)	(11,073,621)	(66,141,479)	(1,800,000)	(944,785)	(7,407,246)	(110,622,523)
Net profit/(loss) for the year	**8,208,158**	**21,155,723**	**3,130,898**	**3,695,900**	**37,403,849**	**2,533,102**	**2,327,402**	**(6,720,740)**	**71,734,292**
As of December 31, 2009									
ASSETS									
Current assets	500,000	27,297,460	86,464,505	112,686,346	5,332,373	--	595,469	476,509	233,352,662
Non-current assets	9,417,158	812,874	1,530,108,568	338,097,389	547,955,308	7,665,004	39,330	401,971	2,434,497,602
Total assets	**9,917,158**	**28,110,334**	**1,616,573,073**	**450,783,735**	**553,287,681**	**7,665,004**	**634,799**	**878,480**	**2,667,850,264**
LIABILITIES									
Current liabilities	--	9,344,241	114,706,253	323,619	26,874,072	--	47,090	3,462,307	154,757,582
Non-current liabilities	--	279,926	501,003,271	214,147	159,159,944	--	60,808	35,321	660,753,417
Total liabilities	**--**	**9,624,167**	**615,709,524**	**537,766**	**186,034,016**	**--**	**107,898**	**3,497,628**	**815,510,999**

23. FINANCIAL INSTRUMENTS

Financial instruments

Financial instruments comprise financial assets and financial liabilities:

The financial assets of the company include mainly balances with banks, accounts receivable, and available-for-sale investments. The financial liabilities of the Company include mainly borrowings, accounts payable and notes payable.

Fair value of financial instruments

Available-for-sale investments are carried at fair value as explained in note 3. The fair value of other financial instruments approximates their carrying value.

24. FINANCIAL RISK MANAGEMENT

The activities of the Company expose it to routine financial risks, including the effects of defaults by customers, changes in interest rates and liquidity. The Company management seeks to minimize potential adverse effects on the financial performance of the Company by taking appropriate steps to address specific risk management areas, such as interest rate risk, credit risk and liquidity management.

Capital risk

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structures of the Company consist of borrowings, net of cash and cash equivalents and equity comprising share capital, reserve and retained earnings

The Company's risk management team reviews the capital structure on a quarterly basis. As part of this review, the management considers the cost of capital and the associated risks.

The gearing ratio at the year end was as follows:

	Notes	**2010**	2009
		QR.	QR.
Debt (i)	**14**	**1,382,523,401**	634,861,191
Cash and bank balances	**5**	**(708,627,548)**	(150,452,058)
Net debt		**673,895,853**	484,409,133
Equity (ii)		**1,928,391,883**	1,852,339,265
Net debt to equity ratio		**34.9%**	26.2%

(i) Debt is defined as loans, as detailed in Note 14.
(ii) Equity includes all capital and reserves of the Company

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties. The Company's exposure and the creditworthiness of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management annually.

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its liabilities and commitments when they fall due. In accordance with prudent liquidity risk management, the management of the Company aims to maintain an adequate amount of funding in the form of cash and bank balances.

Interest rate risk

The Company invests in time deposits, saving accounts and borrows loans from the banks that are subject to interest rate risk. Interest rate risk to the Company is the risk of changes in market interest rates reducing the overall return on its interest bearing securities. However, management is of the opinion that the Company's exposure to interest rate risk is minimal as the investments and loans are transacted at fixed rate of interest.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company does not hedge its exposure to currency risk. However, management is of the opinion that the Company's exposure to currency risk is minimal.

Market risk

Market risk is the risk that the value of financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market. The Company limits market risk relating to its available-for-sale investments by monitoring of developments in financial markets.

A 10% change in market value of the Company's portfolio of quoted available-for-sale investments is expected to result in change of QR. 5,678,233 (2009: QR. 6,593,489) in the assets and equity/profits of the Company.

25. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.