GULF HOLDING COMPANY (Q.S.C)

DOHA - QATAR

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED DECEMBER 31, 2009

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INDEPENDENT AUDITOR'S REPORT

To The Shareholders
Gulf Holding Company (Q.S.C)
Doha – Qatar

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of **Gulf Holding Company (Q.S.C) (the "Company")**, which comprise the consolidated statement of financial position as at December 31, 2009 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 **Gulf Holding Company (Q.S.C.)** as of December 31, 2009, 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. 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

Samer Hussein Jaghoub
License No. (88)

Doha - Qatar
February 1, 2010

GULF HOLDING COMPANY (Q.S.C)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2009

ASSETS			
Current assets			
Cash and bank balances	**5**	**150,452,058**	507,656,400
Accounts receivable	**6**	**23,252,387**	211,495
Due from related parties	**7(a)**	**466,350**	--
Advances to suppliers		**29,829,987**	118,723,924
Gross amount due from customers for contract works		**2,326,496**	--
Inventories	**8**	**13,667,503**	--
Prepayments and other debit balances	**9**	**13,357,881**	10,681,168
Total current assets		**233,352,662**	637,272,987
Non-current assets			
Property, plant and equipment	**10**	**1,567,810,407**	760,107,067
Investment properties	**11**	**447,936,422**	216,191,950
Investment in associates	**12**	**20,485,377**	--
Available-for-sale investments	**13**	**83,807,811**	61,205,000
Goodwill	**1**	**314,457,585**	--
Total non-current assets		**2,434,497,602**	1,037,504,017
Total assets		**2,667,850,264**	1,674,777,004
LIABILITIES			
Current liabilities			
Due to bank		--	385,250
Accounts payable		**55,807,905**	32,285,047
Retention payable		**23,340,865**	--
Borrowings	**14**	**43,846,407**	82,356,964
Due to related parties	**7(b)**	**650,160**	153,452,160
Notes payable	**15**	**23,647,345**	22,886,228
Gross amount due to customers for contract works		**1,298,069**	--
Accruals and other liabilities		**6,166,831**	3,150,243
Total current liabilities		**154,757,582**	294,515,892
Non-current liabilities			
Borrowings	**14**	**591,014,784**	448,649,249
Notes payable	**15**	**45,049,161**	39,853,562
Employees end of service benefits		**1,348,607**	521,612
Retention payable		**23,340,865**	17,034,472
Total non-current liabilities		**660,753,417**	506,058,895
Total liabilities		**815,510,999**	800,574,787
SHAREHOLDERS' EQUITY			
Share capital	**16**	**1,243,267,780**	800,000,000
Legal reserve	**17**	**468,407,668**	25,676,980
Fair value reserve		**797,937**	(28,354,436)
Retained earnings		**139,865,880**	76,879,673
Total shareholders' equity		**1,852,339,265**	874,202,217
Total shareholders' equity and liabilities		**2,667,850,264**	1,674,777,004

These consolidated financial statements were approved by the Board of Directors on February 1, 2010 and signed on its behalf by:

Abdullah bin Nasser Al-Mesnad

Chairman and Managing Director

	Notes	2009	2008
		QR.	QR.
Income			
Sale of cement		**26,622,418**	10,959,788
Contract income		**37,807,025**	--
Income from short-term deposits and savings	18	**21,490,164**	23,832,052
Realized gain from sale of investments available-for-sale		**-**	207,066
Gain on fair valuation of investment properties	11	**39,763,878**	--
Service income		**18,611,750**	--
Income from investment in associates	12	**17,199,475**	--
Dividend income		**4,707,634**	--
Rental income		**21,226,000**	--
Other income		**1,123,989**	1,504,299
Gain on sale of land and investment properties		**39,863,864**	31,080,278
Total income		**228,416,197**	67,583,483
Expenses			
Cost of cement sales		**(22,360,067)**	(9,964,424)
Contract cost		**(23,699,315)**	--
Net finance cost		**(30,183,327)**	(1,725,061)
Impairment loss of available-for-sale investments	13	**(37,912,724)**	(6,150,600)
Depreciation of property, plant and equipment		**(8,750,690)**	(2,232,469)
General and administrative expenses	19	**(32,375,782)**	(12,282,413)
Board of directors' remuneration		**(1,400,000)**	(1,100,000)
Total expenses		**(156,681,905)**	(33,454,967)
Profit for the year before social contribution		**71,734,292**	34,128,516
Provision for social contribution	20	**(1,749,617)**	--
Profit for the year		**69,984,675**	34,128,516
Basic earnings per share	21	**0.56**	0.43

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

	Notes	2009	2008
		QR.	QR.
Net profit for the year		**69,984,675**	34,128,516
Other comprehensive income			
Decrease in fair value of available for sale investment	**13**	**(8,760,351)**	(33,445,326)
Impairment on available for sale investment charged off	**13**	**37,912,724**	6,150,600
Total comprehensive income for the year		**99,137,048**	6,833,790

GULF HOLDING COMPANY (Q.S.C)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended December 31, 2009

	Issued capital QR.	Legal reserve QR.	Fair value reserve QR.	Retained earnings QR.	Total QR.
Balance - January 1, 2008	**800,000,000**	**22,264,128**	**(1,059,710)**	**46,164,009**	**867,368,427**
Total comprehensive income for the year	--	--	(27,294,726)	34,128,516	6,833,790
Transfer to legal reserve	--	3,412,852	--	(3,412,852)	--
Balance - December 31, 2008	**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	69,984,675	99,137,048
Transfer to legal reserve	--	6,998,468	--	(6,998,468)	-
Balance - December 31, 2009	**1,243,267,780**	**468,407,668**	**797,937**	**139,865,880**	**1,852,339,265**

	Notes	2009	2008
		QR.	QR.
OPERATING ACTIVITIES			
Profit for the year		**69,984,675**	34,128,516
Adjustments for:			
Depreciation of property, plant and equipment		**8,750,690**	2,232,469
Gain on disposal of property, plant and equipment		**(54,463)**	--
Realized gain from sale of available-for-sale investments		--	(207,066)
Gain on sale of land and investment properties		**(39,863,864)**	(31,080,278)
Gain on fair valuation of investment properties		**(39,763,878)**	--
Impairment loss on available-for-sale investments		**37,912,724**	6,150,600
Income from investment in associates		**(17,199,475)**	--
Employees' end of service benefits		**699,497**	323,306
		20,465,906	11,547,547
Changes in working capital:			
Accounts receivable		**(10,195,548)**	(73,474)
Due from related parties		**153,346,682**	--
Advances to suppliers		**88,893,937**	87,566,218
Gross amount due from customers for contract works		**(1,490,823)**	--
Inventories		**(12,590,016)**	--
Prepayments and other debit balances		**(2,676,713)**	5,821,402
Accounts payable		**20,404,792**	30,898,018
Retention payable		**29,647,258**	17,034,472
Due to related party		**(160,311,412)**	153,452,160
Notes payable		**(11,863,177)**	41,234,664
Gross amount due to customers for contract works		**1,081,468**	--
Accruals and other liabilities		**(19,288,447)**	--
Cash generated from operations		**95,423,907**	347,481,007
Employees' end of service benefits paid		**(460,663)**	(7,070)
Net cash generated from operating activities		**94,963,244**	347,473,937
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		**(775,421,435)**	(752,297,161)
Acquisition of investment properties		**(5,421,222)**	(216,191,950)
Acquisition of investments available-for-sale		**(10,098,664)**	(208,630,127)
Dividend received		**6,450,000**	--
Proceeds on sale of property, plant and equipment		**19,781,435**	--
Proceeds on sale of investment property		**802,008,061**	64,912,338
Proceeds on sale of investments available-for-sale		**--**	162,000,080
Net cash from / (used in) investing activities		**37,298,175**	(950,206,820)
FINANCING ACTIVITIES			
Borrowings		**(496,329,019)**	531,006,213
Net cash (used in) / from financing activities		**(496,329,019)**	531,006,213
Net decrease in cash and cash equivalents		**(364,067,600)**	(71,726,670)
Cash and cash equivalents at the beginning of year		**507,271,150**	578,997,820
Acquisition of cash and cash equivalents	**1**	**7,248,508**	--
Cash and cash equivalents at the end of the year	**22**	**150,452,058**	507,271,150

1. INCORPORATION AND ACTIVITIES

Gulf Holding Company (the "Company") 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 Doha Securities Market 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, and invests in shares and real estate.

One of the subsidiaries (Gulf Cement Company) had not started operations as of the date of authorization of financial statements. The subsidiary's activities were confined to setting up the plant, testing of limited production of cement mill, and utilization of the monies received from the shareholders in investment activities in addition to financing all the stages of the plant's construction.

Certain sales of cement were made during the year by one of the subsidiaries (Gulf Trading and Industrial Agencies 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.

During the year, the shareholders approved in their Extra-ordinary General Assembly Meeting on April 26, 2009, the 100% acquisition of Qatari Investor Group Company W.L.L. The total purchase consideration amounted to QR. 879 million, which was settled by way of issue of the Company's shares at a premium of QR. 435.73 million. The transaction resulted in goodwill of QR. 314 million. The effective date of the acquisition was January 01, 2009. The major category of assets and liability acquired are as follows:-

	Amount
	QR.
ASSETS	
Cash and cash equivalents	7,248,508
Receivable and other assets	168,571,536
Property, plant and equipment	60,759,567
Investment properties	948,703,569
Available-for-sale investments	21,264,498
Investment in associates	9,735,902
	1,216,283,580
LIABILITES	
Borrowings	(600,183,997)
Trade and other liabilities	(51,557,168)
	(651,741,165)
NET ASSETS	**564,542,415**
CONSIDERATION SETTLED	**879,000,000**
GOODWILL	**314,457,585**

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 1 has introduced the following: ➢Terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. ➢Comprehensive revision including requiring a statement of comprehensive income
• IAS 23 (Revised) - *Borrowing Costs*	The principal change to the Standard was to eliminate the option to expense all borrowing costs when incurred. This change has had no impact on these financial statements because it has always been the Company's accounting policy to capitalise borrowing costs incurred on qualifying assets.
• IFRS 7 (Revised) - *Financial Instruments*	The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk.
Various	In addition to the amendments described earlier in this section, the following standards were also amended. The Improvements have led to changes in the detail of the Company's accounting policies – some of which are changes in terminology only, and some of which are substantive but have had no material effect on amounts reported.
• IAS 16 (Revised)	*Property, Plant and Equipment*
• IAS 19 (Revised)	*Employee Benefits*
• IAS 20 (Revised)	*Government Grants and Disclosure of Government Assistance*
• IAS 27 (Revised	*Consolidated and Separate Financial Statements*
• IAS 28 (Revised)	*Investments in Associates*
• IAS 29 (Revised)	*Financial reporting in Hyperinflationary economies*
• IAS 31 (Revised)	*Interest In Companies*
• IAS 32 (Revised)	*Financial Instruments: Presentation*
• IAS 36 (Revised)	*Impairment of Assets*
• IAS 38 (Revised)	*Intangible Assets*
• IAS 39 (Revised)	*Financial Instruments- Recognition & Measurement*
• IAS 40 (Revised	*Investment Property*
• IFRS 1 (Revised)	*First time adoption*
• IFRS 2 (Revised)	*Share-based Payments*

(i) New Standard

• IFRS 8	*Operating Segments*

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

2.1 Standards and Interpretations effective in the current period (continued)

(ii) New Interpretations

• IFRIC 13	*Customer loyalty Programmes*
• IFRIC 15	*Agreement for Construction of Real Estate*
• IFRIC 16	*Hedges of Net Investment in Foreign Operations*

The adoption of these standards and Interpretations had no significant effect on the consolidated financial statements of the Company for the year ended December 31, 2009, 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 July 1, 2009

• IAS 27 (Revised)	*Consolidated and Separate Financial Statements*
• IAS 28 (Revised)	*Investments in Associates*
• IAS 31 (Revised)	*Interest In Companys*
• IAS 38 (Revised)	*Intangible Assets*
• IAS 39 (Revised)	*Financial Instruments: Recognition & Measurement*
• IFRS 2 (Revised)	*Share-based Payments*
• IFRS 3 (Revised)	*Business Combinations*
• IFRS 5 (Revised)	*Non Current assets Held for Sale & Discontinued Operations*

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

• IAS 1	*Presentation of Financial statements*
• IAS 7 (Revised)	*Statement of Cash Flows*
• IAS 17 (Revised)	*Leases*
• IAS 36 (Revised)	*Impairment of Assets*
• IAS 39 (Revised)	*Financial Instruments: Recognition & Measurement*
• IFRS 1 (Revised)	*First time adoption*
• IFRS 2 (Revised)	*Share-based Payments*
• IFRS 5 (Revised)	*Non Current assets Held for Sale & Discontinued Operations*
• IFRS 8 (Revised)	*Operating Segments*

Effective for annual periods beginning on or after January 1, 2011 (early adoption allowed)

• IAS 24 (Revised)	*Related Party Disclosures*

The revised Standard simplifies the disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a government (referred to as government related entities) and clarifies the definition of a related party.

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

2.2 Standards and Interpretations in issue not yet effective (continued)

(ii) New Standard:

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

- IFRS 9- Financial Instruments *Classification and Measurement*

All recognised financial assets that are currently in the scope of IAS 39 will be measured at either amortised cost or fair value. A debt instrument that (1) is held within a business model whose objective is to collect the contractual cash flows and (2) has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding generally must be measured at amortised cost. All other debt instruments must be measured at fair value through profit or loss (FVTPL). A fair value option is available (provided that certain specified conditions are met) as an alternative to amortised cost measurement. For debt instruments not designated at FVTPL under the fair value option, reclassification is required between FVTPL and amortised cost, or vice versa, if the entity's business model objective for its financial assets changes so that its previous model no longer applies.

All equity investments within the scope of IFRS 9 are to be measured on the statement of financial position at fair value with the default recognition of gains and losses in profit or loss. Only if the equity investment is not held for trading can an irrevocable election be made at initial recognition to measure it at fair value through other comprehensive income (FVTOCI) with only dividend income recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

(iii) New Interpretations:

Effective for annual periods beginning on or after July 1, 2009

- IFRIC 17 *Distributions of Non-Cash Assets to Owners*

Effective for transfers from customers received on or after July 1, 2009

- IFRIC 18 *Transfers of Assets from Customers*

Effective for annual periods beginning on or after July 1, 2009

- 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 the Consolidated financial statements of the Company 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.

The Company has the following subsidiaries (collectively known as the "Group") at December 31, 2009:

Name of subsidiary or group	Place of incorporation	Proportion of ownership interest	Principal activity
Gulf for Trading and Industrial Agencies Company	Qatar	100%	Cement and building materials trading
Gulf for Investment and Development Company	Qatar	100%	Investing in investment properties
Gulf Industries Company	Qatar	100%	Investing in subsidiaries and trade agencies
Gulf Cement Company	Qatar	100%	Cement and building materials trading and industries
Gulf Investment Company	Qatar	100%	Investments and other trading
Qatari Investors Group	Qatar	100%	Investment in real estate, aviation, catering and industrial

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. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Company’s accounting policy. 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 any 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.

On Jan 1, 2009 management changed the policy for measurement of Investment properties from the cost model to the fair value model. The Company had acquired land in Oct, 2008 amounting to QR. 216 million which management believes was reflective of fair value as at December 31, 2009.

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 receivables

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 payables

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 annually whether assets have suffered impairment in accordance with accounting policies stated in note 3. 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.

Impairment of accounts 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.

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

	2009	2008
	QR.	QR.
Cash on hand	**30,270**	--
Bank balances:		
Current accounts	**32,259,378**	1,120,424
Saving accounts	**3,507,136**	2,493,056
Cash held by Islamic Financial Company	**42,920**	42,920
Term deposits	**114,612,354**	504,000,000
	150,452,058	507,656,400

Short term deposits and saving accounts in various banks earn effective rates of return ranging from 4% to 5% per annum (2008: 4% to 5% per annum). These short term deposits accounts have maturity periods of up to 90 days.

6. ACCOUNTS RECEIVABLE

	2009	2008
	QR.	QR.
Accounts receivable	**23,252,387**	211,495

The general term of credit is 90 days. No interest is charged on the overdue accounts receivables. 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

	2009	2008
	QR.	QR.
Up to 90 days	**17,826,681**	211,495

(ii) Ageing of past due but not impaired

	2009	2008
	QR.	QR.
91-180 days	**403,510**	--
181-365 days	**279,834**	--
More than 365 days	**4,742,362**	--
	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 balance sheet date, amounts due from / to related parties and transactions during the year are as follows:

(a) Due from related parties

	2009	2008
	QR.	QR.
QIG - The Investor branch	**500**	--
Sunseeker Qatar	**4,170**	--
Typsa Qatar	**65,700**	--
HOK Canada	**395,980**	--
	466,350	--

(b) Due to related parties

	2009	2008
	QR.	QR.
Qatar Investors Group	**--**	153,452,160
Corus	**64,360**	--
Islamic Financial Securities	**169,914**	--
Al Misnad Holding Company	**85,079**	--
Qatari Wings	**96,850**	--
National Aviation Services Company	**164,697**	--
National Marine Services Company	**69,260**	--
	650,160	153,452,160

(c) Related Party transactions

	2009	2008
	QR.	QR.
Sales	**4,176,360**	--
Purchases and expenses	**137,503,816**	223,784,400

(d) Compensation of key management personnel

	2009	2008
	QR.	QR.
Short-term benefits	**7,200,000**	4,253,500

8. INVENTORIES

	2009	2008
	QR.	QR.
Finished goods	**1,505,328**	--
Raw material	**11,943,125**	--
Spare parts	**219,050**	--
	13,667,503	-

9. PREPAYMENTS AND OTHER DEBIT BALANCES

	2009	2008
	QR.	QR.
Due from staff	**285,343**	--
Refundable deposits	**1,211,003**	--
Prepayments	**3,199,968**	3,572,450
Accrued income	**7,172,183**	6,999,226
Others	**1,489,384**	109,492
	13,357,881	10,681,168

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, 2008	**16,150**	**1,614,424**	**991,297**	**266,254**	**784,500**	**--**	**6,931,027**	**10,603,652**
Additions during the year	927,125	375,435	131,983	169,565	38,779,000	--	711,914,053	752,297,161
As of December 31, 2008	**943,275**	**1,989,859**	**1,123,280**	**435,819**	**39,563,500**		**718,845,080**	**762,900,813**
Acquisition (Note – 1)	36,467,685	103,333	21,467,576	-	221,707	2,499,266	--	60,759,567
Additions	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**
Depreciation:								
As of January 01, 2008	**2,537**	**77,555**	**255,260**	**86,701**	**139,224**	**--**	**--**	**561,277**
Charge for the year	17,119	216,015	212,786	125,091	1,661,458	--	--	2,232,469
As of December 31, 2008	**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**
Net book value:								
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**
As of December 31, 2008	923,619	1,696,289	655,234	224,027	37,762,818	--	718,845,080	760,107,067
Rates of depreciation	**5-7.14%**	**20%**	**20%**	**33%**	**20%**	--	--	

* Out of above capital work in progress as of December 31, 2009, **QR. 1,465 million** (2008: QR. 719 million) has been incurred for development of the Company's Cement plant. It includes borrowing cost of QR. 47.38 million.

11. INVESTMENT PROPERTIES

	2009	2008
	QR.	QR.
Opening Balance	**216,191,950**	33,832,060
Acquisition **(Note -1)**	**948,703,569**	-
Additions	**5,421,222**	216,191,950
Disposals	**(762,144,197)**	(33,832,060)
Closing balance	**408,172,544**	216,191,950
Increase in fair value of investment properties	**39,763,878**	-
	447,936,422	216,191,950

Investment properties with a carrying value of QR. 349.52 million were appraised by an accredited independent appraiser at a fair value of QR. 391.86 million as of December 31, 2009. 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 to arrive fair value as on Dec 31, 2009.

During the current year, the Company sold West bay Tower-investment property for net proceeds of QR. 802,008,061 resulting in net gain of QR. 39,863,864.

Company earned rental income amounting to QR. 21.23 million for the year ended December 31, 2009.

12. INVESTMENT IN ASSOCIATES

The Company has the following investment in associates

	Country of incorporation	**Ownership**		**Profit share**	
		2009	2008	**2009**	2008
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%
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%

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 summarized financial information of the Company's investment in the associates:

	2009
	QR.
Net assets	**54,539,760**
Profit for the year	**48,338,233**
Company's share of profits of associates	**17,199,475**

Movement in investment in associates

	2009	2008
	QR.	QR.
Acquisition during the year **(Note 1)**	**9,735,902**	--
Share of profit during the year	**17,199,475**	--
Dividend received during the year	**(6,450,000)**	--
Balance at end of the year	**20,485,377**	--

13. AVAILABLE-FOR-SALE INVESTMENTS

	2009	2008
	QR.	QR.
QUOTED INVESTMENTS		
Opening Balance	**79,059,436**	48,872,925
Acquisition of investment (**Note 1)**	**13,891,578**	--
Addition during the year	**10,098,664**	198,130,127
Cost of investments sold	**-**	(161,793,016)
Total cost of investments at balance sheet date	**103,049,678**	85,210,036
Less: Impairment loss in available-for-sale investment	**(37,912,724)**	(6,150,600)
Add / (less): Fair value reserve	**797,937**	(28,354,436)
	65,934,891	50,705,000
UNQUOTED INVESTMENTS		
Opening Balance	**10,500,000**	-
Addition during the year	**-**	10,500,000
Acquisition of investment **(Note 1)**	**7,372,920**	-
	17,872,920	10,500,000
	83,807,811	61,205,000

Cost of investments sold	**--**	(161,793,016)
Proceeds from sale of investments	**--**	162,000,082
Realized profit from sale of investments available-for-sale	**--**	207,066

Movement in Fair Value Reserve

	2009	2008
	QR.	QR.
Balance at January 1,	**(28,354,436)**	(1,059,710)
Decrease in fair value	**(8,760,351)**	(33,445,326)
Impairment loss charged off	**37,912,724**	6,150,600
Balance at December 31,	**797,937**	(28,354,436)

14. BORROWINGS

	2009	2008
	QR.	QR.
LC Murabaha Loan (i)	**43,756,697**	444,849,505
Tawarruq Finance (i)	**473,568,550**	50,000,000
Murabaha Vehicle Loan (ii)	**89,710**	27,887,000
Murabaha Loan (iii)	**117,446,234**	8,269,708
	634,861,191	531,006,213

	2009	2008
	QR.	QR.
Classified as:		
Current portion	**43,846,407**	82,356,964
Non-Current portion	**591,014,784**	448,649,249
	634,861,191	531,006,213

(i) The Company entered into a memorandum of understanding during 2008 where by 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 carrying interest rate of 8.125% repayable after three months grace period starting from March 29, 2010.

Management has negotiated with the banks to increase the facility limit of Tawarruq loan from QR 473.56 million to 700 million with repayment starting from 2011. These loans have therefore been classified as long term.

(ii) During the year, the Company substantially repaid the loan financed through local bank for purchase of vehicles carrying effective interest rate of 10.8% per annum.

(iii) In 2009, the Company entered into a loan agreement with a local bank, with interest rate of 8.75% per annum. The loan is repayable after three years starting from June 01, 2012.

15. NOTES PAYABLE

	2009	2008
	QR.	QR.
Short term	**23,647,345**	22,886,228
Long term	**45,049,161**	39,853,562
	68,696,506	62,739,790

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

	Minimum payments 2009	**Present value of minimum payments 2009**	Minimum Payments 2008	Present Value of Minimum Payments 2008
	QR.	**QR.**	QR.	QR.
Not later than one year	**25,173,027**	**23,647,345**	23,444,080	22,886,228
Later than one year and not later than five years	**55,384,421**	**45,049,161**	46,888,160	39,853,562
	80,557,448	**68,696,506**	70,332,240	62,739,790

Management has used a discount rate of approximately 8.25% per annum (2008: 7% per annum) to calculate the present value of these future payments.

16. SHARE CAPITAL

	2009	2008
	QR.	QR.
Authorised issued and fully paid up share capital 124,326,778 (2008: 80,000,000) shares of QR.10 each	**1,243,267,780**	800,000,000

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.

During the year, the shareholders approved in their Extra-ordinary General Assembly Meeting on April 26, 2009, the 100% acquisition of Qatari Investor Group Company W.L.L. The total purchase consideration amounted to QR. 879 million, which was settled by way of issue of the Company's shares at a premium of QR. 435.73 million. The premium has been taken to legal reserve.

18. INCOME FROM BANK DEPOSITS AND SAVING

	2009	2008
	QR.	QR.
Term deposit	**21,095,215**	23,222,436
Saving accounts	**394,949**	609,616
	21,490,164	23,832,052

19. GENERAL AND ADMINISTRATIVE EXPENSES

	2009	2008
	QR.	QR.
Salaries, allowances and other benefits	**20,145,483**	5,980,592
Rent	**939,191**	1,520,841
DSM registration	**883,557**	699,340
Printing and stationary	**208,344**	254,703
Repairs and maintenance	**2,594,765**	145,870
Advertisement	**290,391**	294,216
Travel and entertainment	**715,098**	393,162
Accommodation	**325,265**	31,034
Insurance	**891,831**	472,054
Legal and professional services	**2,501,849**	737,945
Postage and telecommunication	**522,968**	890,250
Gifts and donations	**525,000**	110,000
Utilities	**190,833**	63,309
Miscellaneous	**1,641,207**	689,097
	32,375,782	12,282,413

20. PROVISION FOR SOCIAL CONTRIBUTION

During the year, and 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.

21. BASIC EARNINGS PER SHARE

	2009	2008
	QR.	QR.
Profit for the year	**69,984,675**	34,128,516
Weighted average number of shares	**124,326,778**	80,000,000
Basic earnings per share	**0.56**	0.43

22. CASH AND CASH EQUIVALENTS

	2009	2008
	QR.	QR.
Cash and bank balances	**150,452,058**	507,656,400
Due to bank	**--**	(385,250)
	150,452,058	507,271,150

23. COMMITMENTS AND CONTINGENT LIABILITIES

	2009	2008
	QR.	QR.
Letters of guarantees	**7,825,886**	12,365,051
Letters of credit	**22,657,332**	297,374,776

24. 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, 2009 are stated below.

	Industrial	Contracting and engineering	Cement	Investment	Real state investment	Marine and aviation	Trading	Other segments	Eliminations	Total
	QR.	QR.	QR.	QR.	QR.	QR.	QR.	QR.		QR.
For the year ended December 31, 2009										
Total income – external	9,417,158	49,644,207	42,748,188	17,109,521	105,381,688	4,333,102	3,272,187	686,506	(4,176,360)	228,416,197
Total income – internal	--	--	--	2,340,000	1,836,360	--	--	--	--	4,176,360
Total expenses – external	(1,509,000)	(30,376,484)	(39,617,290)	(11,493,621)	(66,141,479)	(1,800,000)	(1,366,785)	(10,303,223)	4,176,360	(158,431,522)
Total expenses – internal	(300,000)	(1,888,000)	--	(420,000)	--	--	(422,000)	(1,146,360)	--	(4,176,360)
Net profit/(loss) for the year	**7,608,158**	**17,379,723**	**3,130,898**	**7,535,900**	**41,076,569**	**2,533,102**	**1,483,402**	**(10,763,077)**	**--**	**69,984,675**
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**

24. SEGMENT ANALYSIS (CONTINUED)

	Industrial	Contracting and engineering	Cement	Investment	Real state investment	Marine and aviation	Trading	Other segments	Eliminations	Total
	QR.	QR.	QR.	QR.	QR.	QR.	QR.	QR.		QR.
For the year ended December 31, 2008										
Total income – external	--	--	36,296,139	207,066	31,080,278	--	--	--	--	67,583,483
Total income – internal	--	--	--	--	--	--	--	--	--	-
Total expenses – external	--	--	(27,304,367)	(6,150,600)	--	--	--	--	--	(33,454,967)
Total expenses – internal	--	--	--	--	--	--	--	--	--	-
Net profit/(loss) for the year	**--**	**--**	**8,991,772**	**(5,943,534)**	**31,080,278**	**--**	**--**	**--**	**--**	**34,128,516**
As of December 31, 2008										
ASSETS										
Current assets	500,000	--	636,275,177	200,000	297,810	--	--	--	--	637,272,987
Non-current assets	--	--	760,107,067	61,205,000	216,191,950	--	--	--	--	1,037,504,017
Total assets	**500,000**	**--**	**1,396,382,244**	**61,405,000**	**216,489,760**	**--**	**--**	**--**	**--**	**1,674,777,004**
LIABILITIES										
Current liabilities	--	--	125,457,212	--	167,858,680	--	--	1,200,000		294,515,892
Non-current liabilities	--	--	466,205,333	--	39,853,562	--	--	--	--	506,058,895
Total liabilities	**--**	**--**	**591,662,545**	**--**	**207,712,242**	**--**	**--**	**1,200,000**	**--**	**800,574,787**

25. 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.

26. 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:

	Note	2009	2008
		QR.	QR.
Debt (i)		**634,861,191**	531,006,213
Cash and bank balance	**5**	**(150,452,058)**	(507,271,150)
Net debt		**484,409,133**	23,735,063
Equity (ii)		**1,852,339,265**	874,202,217
Net debt to equity ratio		**26.2%**	2.7%

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

26. 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 and saving accounts that is 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.

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% increase or decrease in market value of the Company's portfolio of quoted available-for-sale investments is expected to result in an increase or decrease of QR. 6,593,489 (2008: QR. 5,070,500) in the assets and equity of the Company.

27. COMPARATIVE FIGURES

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

28. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These Consolidated financial statements were approved and authorized by the management for issue on February 1, 2010.