

**QATAR INDUSTRIAL MANUFACTURING  
COMPANY Q.S.C.**

**CONDENSED  
CONSOLIDATED INTERIM FINANCIAL  
STATEMENTS**

**30 JUNE 2013**

**Qatar Industrial Manufacturing Company Q.S.C.**  
**Condensed Consolidated Interim Financial Statements**  
**For the six months period ended 30 June 2013**

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## **Independent Auditors' report on review of condensed consolidated interim financial statements**

To  
The Board of Directors  
Qatar Industrial Manufacturing Company (Q.S.C.)  
State of Qatar

### **Introduction**

We have reviewed the accompanying condensed consolidated interim financial statements of Qatar Industrial Manufacturing Company (Q.S.C.) (the "Company") and its subsidiaries (together referred to as the "Group") and individually as (the "Group entities") as at 30 June 2013 comprising of the condensed consolidated interim statement of financial position as at 30 June 2013 and the related condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the six month period then ended and notes to the condensed consolidated interim financial statements. The Board of Directors is responsible for the preparation and fair presentation of these condensed consolidated interim financial statements in accordance with International Financial Reporting Standards (IAS 34) *Interim Financial Reporting*. Our responsibility is to express a conclusion on the condensed consolidated interim financial statements based on our review.

### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, "*Review of Interim Financial Statements Performed by the Independent Auditor of the Entity*". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements as at 30 June 2013 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

28 July 2013  
Doha  
State of Qatar

Yacoub Hobeika  
KPMG  
Qatar Auditors' Registry Number 289

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2013

	Note	30 June 2013 (Reviewed)	31 December 2012 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		424,029,836	410,133,133
Investment properties		45,887,839	45,887,839
Due from related parties	4.a	98,263,716	81,177,034
Other financial assets		201,170,063	158,542,822
Investment in associates	5	441,050,099	516,754,721
<b>Total non-current assets</b>		<b>1,210,401,553</b>	<b>1,212,495,549</b>
<b>Current assets</b>			
Held for trading investments		7,589,681	7,958,000
Inventories		34,371,162	30,372,470
Trade and other receivables	6	94,211,502	94,548,163
Due from related parties	4.a	16,697,531	16,147,169
Cash and cash equivalents	7	146,629,841	162,049,050
Short term deposit	8	10,000,000	10,000,000
<b>Total current assets</b>		<b>309,499,717</b>	<b>321,074,852</b>
<b>TOTAL ASSETS</b>		<b>1,519,901,270</b>	<b>1,533,570,401</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	9	396,000,000	396,000,000
Legal reserve		250,000,000	250,000,000
General reserve		43,970,860	43,970,860
Revaluation reserve		182,499,480	182,499,480
Fair value reserve		86,907,862	68,344,015
Retained earnings		328,949,309	366,977,375
<b>Equity attributable to Equity Holders of the Parent</b>		<b>1,288,327,511</b>	<b>1,307,791,730</b>
Non - controlling interests		32,688,454	28,246,357
<b>TOTAL EQUITY</b>		<b>1,321,015,965</b>	<b>1,336,038,087</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Employees' end of service benefits		12,102,959	11,273,321
Notes payable	10	-	1,481,904
Borrowings – non-current portion		45,450,535	50,993,262
<b>Total non-current liabilities</b>		<b>57,553,494</b>	<b>63,748,487</b>
<b>Current liabilities</b>			
Trade and other payables		72,368,246	71,190,973
Due to related parties	4.b	42,956,895	37,949,146
Notes payable	10	4,412,987	5,819,069
Borrowings – current portion		18,583,441	13,193,563
Bank overdraft		3,010,242	5,631,076
<b>Total current liabilities</b>		<b>141,331,811</b>	<b>133,783,827</b>
<b>TOTAL LIABILITIES</b>		<b>198,885,305</b>	<b>197,532,314</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,519,901,270</b>	<b>1,533,570,401</b>

This condensed consolidated interim financial statements were approved by the Board of Directors and signed on its behalf by the following on 28 July 2013:

.....  
Sheikh Abdulrahman Bin Moh'd Bin Jabor Al-Thani  
Chairman

.....  
Abdulrahman Al Ansari  
Chief Executive Officer

The attached notes 1 to 13 form an integral part of these condensed consolidated interim financial statements.

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months period ended 30 June 2013

	Note	<i>Six months period ended 30 June</i>	
		<i>2013</i> <i>(Reviewed)</i>	<i>2012</i> <i>(Reviewed)</i>
Sales		172,374,392	190,580,182
Costs of sales		(133,413,074)	(151,394,385)
<b>Gross profit</b>		<b>38,961,318</b>	<b>39,185,797</b>
Share of results of associates		52,201,707	96,487,600
Income from investments		10,526,678	8,112,077
Other income		4,758,047	3,484,860
<b>Expenses:</b>			
General and administrative expenses		(20,406,829)	(19,877,964)
Interest expense		(1,635,280)	(1,371,398)
Impairment of other financial assets		-	(3,089,633)
<b>Net profit for the period</b>		<b>84,405,641</b>	<b>122,931,339</b>
<b>Attributable to:</b>			
Equity holders of the parent		80,771,934	118,986,837
Non-controlling interests		3,633,707	3,944,502
		<b>84,405,641</b>	<b>122,931,339</b>
<b>Other comprehensive income</b>			
Net change in fair value of available-for-sale financial assets		18,563,847	(8,622,548)
<b>Other comprehensive income for the period</b>		<b>18,563,847</b>	<b>(8,622,548)</b>
<b>Total comprehensive income for the period</b>		<b>102,969,488</b>	<b>114,308,791</b>
<b>Attributable to:</b>			
Equity holders of the Parent		99,335,781	110,364,289
Non-controlling interests		3,633,707	3,944,502
		<b>102,969,488</b>	<b>114,308,791</b>
<b>Basic and diluted earnings per share</b>	11	<b>2.04</b>	<b>3.00</b>

The attached notes 1 to 13 form an integral part of these condensed consolidated interim financial statements.

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months period ended 30 June 2013

	Share Capital	Legal reserve	General reserve	Revaluation Reserve	Fair value reserve	Retained earnings	Equity attributable to equity holders of the Parent	Non- controlling interests	Total
Balance at 1 January 2013 (Audited)	396,000,000	250,000,000	43,970,860	182,499,480	68,344,015	366,977,375	1,307,791,730	28,246,357	1,336,038,087
<i>Total comprehensive income for the period:</i>									
Net profit for the period	-	-	-	-	-	80,771,934	80,771,934	3,633,707	84,405,641
Other comprehensive income for the period	-	-	-	-	18,563,847	-	18,563,847	-	18,563,847
Total comprehensive income for the year	-	-	-	-	18,563,847	80,771,934	99,335,781	3,633,707	102,969,488
Dividends paid	-	-	-	-	-	(118,800,000)	(118,800,000)	(5,000,000)	(123,800,000)
Share of non-controlling interest in subsidiary's capital increase	-	-	-	-	-	-	-	5,808,390	5,808,390
<b>Balance at 30 June 2013 (Reviewed)</b>	<b>396,000,000</b>	<b>250,000,000</b>	<b>43,970,860</b>	<b>182,499,480</b>	<b>86,907,862</b>	<b>328,949,309</b>	<b>1,288,327,511</b>	<b>32,688,454</b>	<b>1,321,015,965</b>
Balance at 1 January 2012 (Audited)	396,000,000	250,000,000	43,970,860	182,499,480	97,829,648	282,708,537	1,253,008,525	28,774,657	1,281,783,182
<i>Total comprehensive income for the period:</i>									
Net profit for the period	-	-	-	-	-	118,986,837	118,986,837	3,944,502	122,931,339
Other comprehensive income for the period	-	-	-	-	(8,622,548)	-	(8,622,548)	-	(8,622,548)
Total comprehensive income for the year	-	-	-	-	(8,622,548)	118,986,837	110,364,289	3,944,502	114,308,791
Dividends paid	-	-	-	-	-	(118,800,000)	(118,800,000)	(5,000,000)	(123,800,000)
Balance at 30 June 2012 (Reviewed)	396,000,000	250,000,000	43,970,860	182,499,480	89,207,100	282,895,374	1,244,572,814	27,719,159	1,272,291,973

The attached notes 1 to 13 form an integral part of these condensed consolidated interim financial statements.

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months period ended 30 June 2013

	<i>Six months period ended 30 June</i>	
	<b>2013</b> <i>(Reviewed)</i>	<b>2012</b> <i>(Reviewed)</i>
<b>OPERATING ACTIVITIES</b>		
Profit for the period	84,405,641	122,931,339
Adjustments for:		
Depreciation	13,056,099	12,077,095
Provision for doubtful debts	183,757	84,664
Share of results from associates	(52,201,707)	(96,487,600)
Profit from investments	(870,794)	-
Impairment of other financial assets	-	3,089,633
Provision for end of service benefits	1,139,169	1,451,418
Gain on sale of property, plant and equipment	(279,097)	(388,300)
<b>Operating profit before changes in operating assets and liabilities</b>	<b>45,433,068</b>	<b>42,758,249</b>
Change in inventories	(3,998,692)	(1,992,111)
Change in related parties	4,457,387	10,001,252
Change in trade and other receivables	152,904	(12,191,081)
Change in trade and other payables	(6,663,627)	(4,534,247)
End of service benefit paid	(309,531)	(14,335)
<b>Net cash flows generated from operating activities</b>	<b>39,071,509</b>	<b>34,027,727</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(26,952,802)	(45,800,295)
Proceeds from sale of property, plant and equipment	279,097	388,300
Acquisition of other financial assets	(32,216,666)	(653,440)
Proceeds from sale of other financial assets	5,843,158	-
Investment in associate companies	(10,198,815)	(9,367,727)
Interest and dividends received from associate companies	141,795,575	137,526,650
Acquisition of held for trading investments	(141,204)	-
Acquisition of short-term deposit	-	(10,000,000)
Payment of non-controlling interest in subsidiary's capital increase	5,808,390	-
<b>Net cash flows generated from investing activities</b>	<b>84,216,733</b>	<b>92,093,488</b>
<b>FINANCING ACTIVITIES</b>		
Payment to of related parties – loan receivable	(17,086,682)	(3,303,416)
Settlement / (payment) of term loans	(152,849)	16,103,925
Repayment of notes payables	(2,887,986)	(2,887,986)
Dividends paid	(115,959,100)	(115,805,855)
<b>Net cash flows used in financing activities</b>	<b>(136,086,617)</b>	<b>(105,893,332)</b>
Net change in cash and cash equivalents	(12,798,375)	227,883
Cash and cash equivalents at 1 January	156,417,974	152,086,490
<b>Cash and cash equivalents at 30 June</b>	<b>143,619,599</b>	<b>152,314,373</b>

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# QATAR INDUSTRIAL MANUFACTURING COMPANY Q.S.C.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months period ended 30 June 2013

### 1 REPORTING ENTITY

Qatar Industrial Manufacturing Company (Q.S.C), (the “Company”) was incorporated on February 11, 1990 by an Amiri Decree No 54 of 1990 under Commercial Registration number 12991. The Company is engaged in industrial manufacturing and various types of industrial investments inside and outside the State of Qatar.

The condensed consolidated interim financial statements include the financial statements of the Company and those related to its subsidiaries (together referred to as the “Group”).

The condensed consolidated interim financial statements of the Group include the financial statements of the parent and controlled subsidiaries listed below:

	Percentage of holding	
	2013	2012
Qatar Acids Company	100%	100%
Qatar Sand Treatment Plant	100%	100%
National Paper Industries	100%	100%
Qatar Paving Stones	100%	100%
KLJ Organic – Qatar (Q.S.C.)	60%	51%
Qatar Metal Coating Company W.L.L.	50%	50%

### 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

#### a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards (“IFRS”) IAS 34 “Interim Financial Reporting”. The condensed consolidated interim financial statements are prepared in Qatar Riyals, which is the Group’s presentation functional currency.

These condensed consolidated interim financial statements do not include all the information required for a complete set of IFRS financial statements, However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual financial statements as at and for the year ended 31 December 2012.

#### b) Judgments and estimates

In preparing these interim financial statements, Management make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by Management in applying the Group’s accounting policies and key sources of estimation uncertainty were the same as those that applied to financial statements as at and for the year ended 31 December 2012.

### 3 SIGNIFICANT ACCOUNTING POLICIES

#### a) Basis of measurement

These condensed consolidated interim financial statements have been prepared under the historical cost basis except for available-for-sale financial assets and held for trading investments which have been measured at fair value.

#### b) Significant accounting policies

Except as the described below, the accounting policies applied in these condensed consolidated interim financial statements are the same as those that applied to financial statements as at and for the year ended 31 December 2012.

In addition, a number of new standards, amendment to standards and interpretations have been issued that are not yet effective for the period ended 30 June 2013 and have not been applied in preparing these condensed consolidated interim financial statements:



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months period ended 30 June 2013

**3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****b) Significant accounting policies (continued)****New standards, amendments and interpretations effective from 1 January 2013**

- IFRS 10 – Consolidated Financial Statements
- Amendments to IFRS 7 and IAS 32 on offsetting financial assets and financial liabilities
- IAS 28 – Investment in Associates and Joint ventures
- IFRS 13 - Fair value measurement.
- Amendments to IAS 1 - Presentation of Items in Other comprehensive income.
- IAS 19 - Employee benefits (2011).
- Annual improvements to IFRS 2009-2011 Cycle.

The adoption of these standards, amendments and interpretations has no impact on the recognized assets, liabilities and comprehensive income of the Group.

**New standards, amendments and interpretations issued but not yet effective**

- IFRS 7 Financial instruments : Disclosures (amendment) –Transfer of financial assets.
- IFRS 12 – Disclosure of interest in other entities.

The Group has not early adopted any standard, interpretation or amendment that was issued but is not yet effective.

**4 RELATED PARTY DISCLOSURE**

These represent transactions with related parties, i.e. shareholders, directors and senior management of the Group, companies of which they are principal owners and associated companies. Pricing policies and terms of these transactions are approved by the Group's management.

*(a.1) Balances due from a related party – long term:*

	<b>30 June 2013 (Reviewed)</b>	<b>31 December 2012 (Audited)</b>
Gazal Q.S.C.C. – loan receivable	<b>98,263,716</b>	81,177,034

*(a.2) Balances due from related parties – short term:*

	<b>30 June 2013 (Reviewed)</b>	<b>31 December 2012 (Audited)</b>
Gazal Q.S.C.C. “Associate” – loan receivable	11,849,914	11,285,529
Qatar Plastic Products Company W.L.L. “Associate”	4,700,000	4,700,000
Qatar Aluminium Extrusion Company Q.S.C.C. “Associate”	38,654	38,654
Others	108,963	122,986
	<b>16,697,531</b>	16,147,169

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months period ended 30 June 2013

**4 RELATED PARTY DISCLOSURE (CONTINUED)***(b) Balances due to related parties:*

	<b>30 June 2013 (Reviewed)</b>	<b>31 December 2012 (Audited)</b>
Qatar Steel Q.S.C.	36,167,093	32,857,056
KLJ Organic – India “Sister company”	6,635,315	5,092,090
Qatar Clay Bricks Q.S.C.C. “Associate”	154,487	-
	<b><u>42,956,895</u></b>	<b><u>37,949,146</u></b>

Long term portion of due from related parties carries interest rate at prevailing rates in the market. Other than long term balances are in the normal course of business and payable on demand.

*(c) Transactions with related parties*

The Group in the normal course of business and in accordance with the Management Service Agreement and Marketing Agreement carries out transactions with Qatar Steel Company Q.S.C. The details of the transactions with this related party are as follows:

	<b>Six month period ended 30 June 2013 (Reviewed)</b>	<b>2012 (Reviewed)</b>
Sale of coated bars	<b><u>8,800,297</u></b>	<u>8,053,315</u>
Sale of scrap	<b><u>230,613</u></b>	<u>-</u>
Purchase of raw materials	<b><u>65,309,107</u></b>	<u>86,613,851</u>
Management fees	<b><u>174,717</u></b>	<u>215,792</u>
Board of Directors fees	<b><u>225,000</u></b>	<u>195,000</u>

*(d) Compensation to key management personnel:*

	<b>Six month period ended 30 June 2013 (Reviewed)</b>	<b>2012 (Reviewed)</b>
Salaries and short term benefits	2,055,992	1,784,240
Long term benefits	125,724	518,039
	<b><u>2,181,716</u></b>	<b><u>2,302,279</u></b>

**5 INVESTMENT IN ASSOCIATES**

Investment in associates includes investment in Qatar Saudi Gypsum Industries Company W.L.L. amounting to QR 28,671,081 as at 30 June 2013. The Ministry of Environment sent a letter to the Company to stop extraction of quarry as they have intention to use the same area as a natural reserve. The Company's operations will continue based on trading activities and as the date of this report the Company's management decision is to continue with the current activity of the Company.

Investment in associates includes investment in Qatar Clay Bricks Company W.L.L. amounting to QR 26,244,038 as at 30 June 2013. The Ministry of Environment sent a letter to the Company to stop extraction of quarry as they have intention to use the same area as a natural reserve. The Company's operations will continue based on the current inventory and as the date of this report the Company's management decision is to continue with the current activity of the Company.

Investment in associates includes investment in Gulf Formaldehyde Company Q.S.C. amounting to QR 14,108,526 as at 30 June 2013. The group purchased 5% from Gulf Formaldehyde Company on 26 June 2012 as the result the ownership percentage became 20%, therefore it has been classified as investments in associates as the Group is having significant influence on it. As of 31 December 2012, the Group is still doing some procedures for the said transaction, particularly those relating to the actual value of the Gulf Formaldehyde Company.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months period ended 30 June 2013

**6 TRADE AND OTHER RECEIVABLES**

	<i>30 June 2013 (Reviewed)</i>	<i>31 December 2012 (Audited)</i>
Trade receivables	80,057,086	83,094,543
Advances and prepayments	3,193,327	-
Prepaid expenses	4,896,722	3,053,750
Staff receivables	3,137,576	-
Deposits held with others	1,051,946	-
Other receivables	2,967,493	9,308,761
	<u>95,304,150</u>	<u>95,457,054</u>
Less: Provision for doubtful debts	(1,092,648)	(908,891)
	<u><b>94,211,502</b></u>	<u><b>94,548,163</b></u>

**7 CASH AND CASH EQUIVALENTS**

	<i>30 June 2013 (Reviewed)</i>	<i>31 December 2012 (Audited)</i>
Cash	115,227	38,907
Current accounts	26,982,011	29,957,826
Call accounts	114,230,672	113,536,907
Term deposits maturing within 90 days	5,301,931	18,515,410
	<u><b>146,629,841</b></u>	<u><b>162,049,050</b></u>
Less: Bank overdraft	(3,010,242)	(5,631,076)
	<u><b>143,619,599</b></u>	<u><b>156,417,974</b></u>

Term deposits carry an interest rate of 3.75 % (2012: 3.75 %)

**8 SHORT TERM DEPOSIT**

Represents short-term deposit with a local bank in Qatar, maturing on 20 October 2013 and carries an average effective interest rate of 1.65% (2012 – 2%) per annum.

**9 SHARE CAPITAL**

	<i>30 June 2013 (Reviewed)</i>	<i>31 December 2012 (Audited)</i>
Authorized, issued and fully paid up share capital 39,600,000 shares of QR 10 per share	<u><b>396,000,000</b></u>	<u><b>396,000,000</b></u>

At the extraordinary general meeting held on 3 March 2013, the shareholders approved the Board of Directors proposal for cash dividends of 30%. At the extraordinary general assembly meeting held on 4 March 2012, the shareholders approved the Board of Directors proposal for cash dividends of 30%.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months period ended 30 June 2013

**10 NOTES PAYABLE**

This is the discounted amount of long term notes payable that were used to finance the acquisition of the investment property in 2007. The discount rate used was 6.5%.

The outstanding notes payable are classified as follows:

	<b>30 June 2013 (Reviewed)</b>	<b>31 December 2012 (Audited)</b>
Non-current portion	-	1,481,904
Current portion	4,412,987	5,819,069
	<b>4,412,987</b>	<b>7,300,973</b>

**11 BASIC AND DILUTED EARNING PER SHARE**

Earnings per share is calculated by dividing the net profit for the period attributable to the shareholders of the Parent Company by the weighted average number of ordinary shares in issue during the period as follows:

	<b>Six months period ended 30 June</b>	
	<b>2013 (Reviewed)</b>	<b>2012 (Reviewed)</b>
Profit for the period attributable to equity holders of the parent Company	80,771,934	118,986,837
Weighted average number of shares outstanding during the period	39,600,000	39,600,000
<b>Basic and diluted earnings per share</b>	<b>2.04</b>	<b>3.00</b>

**12 CONTINGENT LIABILITIES**

	<b>30 June 2013 (Reviewed)</b>	<b>31 December 2012 (Audited)</b>
Letters of credit	10,037,268	15,054,445
Letters of guarantee	1,091,846	2,694,510
Capital commitments	24,895,306	38,672,168
	<b>36,024,420</b>	<b>56,421,123</b>

**13 SEGMENTAL REPORTING**

The Group operates in the Industrial Manufacturing business segment and the entire Group assets are in the State of Qatar.