

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

**CONDENSED
CONSOLIDATED INTERIM FINANCIAL
STATEMENTS**

30 JUNE 2011

Condensed Consolidated Interim Financial Statements
As at and for the six month period ended 30 June 2011

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CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

	Note	30 June 2011 (Unaudited)	31 December 2010 (Audited)	30 June 2010 (Unaudited)
ASSETS				
Non-current assets				
Property, plant and equipment		370,086,117	367,661,902	376,227,706
Investment properties		45,887,839	45,887,839	45,887,839
Due from related parties	3.a	83,183,136	75,566,903	-
Available-for-sale financial assets		213,534,786	196,533,279	192,037,267
Investment in associates	4	394,136,445	387,732,919	330,423,660
Total non-current assets		1,106,828,323	1,073,382,842	944,576,472
Current assets				
Assets of a disposal group classified as held for sale	5	-	52,113,743	52,113,743
Held for trading investments		14,712,026	-	1,067,072
Inventories		33,570,588	25,225,643	29,892,032
Trade and other receivables		37,937,158	50,840,660	36,172,409
Due from related parties	3.a	9,322,656	8,962,672	44,142,399
Cash and cash equivalents	6	92,160,713	135,812,434	121,323,222
Total current assets		187,703,141	272,955,152	284,710,877
TOTAL ASSETS		1,294,531,464	1,346,337,994	1,229,287,349
LIABILITIES AND EQUITY				
LIABILITIES				
Non-current liabilities				
Employees' end of service benefits		7,127,232	6,725,023	7,352,526
Notes payable	7	10,146,495	12,074,719	13,650,880
Borrowings – non current portion		35,492,127	40,535,648	45,103,194
Total non-current liabilities		52,765,854	59,335,390	66,106,600
Current liabilities				
Liabilities associated with a disposal group classified as held for sale	5	-	786,330	786,330
Trade and other payables		51,024,093	61,725,154	63,317,766
Due to related parties	3.b	-	77,517	2,395,366
Borrowings – current portion		8,593,973	7,975,974	2,800,000
Bank overdraft		918,073	2,220,767	3,941,990
Total current liabilities		60,536,139	72,785,742	73,241,452
TOTAL LIABILITIES		113,301,993	132,121,132	139,348,052
EQUITY				
Share capital	8	396,000,000	360,000,000	360,000,000
Legal reserve		180,000,000	180,000,000	158,943,193
General reserve		43,970,860	43,970,860	53,713,608
Revaluation reserve		182,499,480	182,499,480	182,499,480
Fair value reserve		102,224,416	100,774,885	66,955,774
Retained earnings		248,945,168	277,591,056	200,511,222
Equity attributable to Equity Holders of the Parent		1,153,639,924	1,144,836,281	1,022,623,277
Non – controlling interests		27,589,547	69,380,581	67,316,020
Total equity		1,181,229,471	1,214,216,862	1,089,939,297
TOTAL LIABILITIES AND EQUITY		1,294,531,464	1,346,337,994	1,229,287,349

This condensed consolidated interim financial statements were approved by the Board of Directors and signed on its behalf by the following on 27 July 2011:

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

.....
Abdulrahman Al Ansari
Chief Executive Officer

The attached notes 1 to 12 form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six month period ended 30 June 2011

	Note	Six month period ended 30 June	
		2011 (Unaudited)	2010 (Unaudited) (Restated)
Sales		174,388,445	155,711,399
Costs of sales		(134,498,904)	(116,325,647)
Gross profit		39,889,541	39,385,752
Share of results of associates		75,412,188	74,422,155
Income from investments		8,266,565	9,280,419
Other income		3,623,215	4,743,221
Expenses:			
General and administrative expenses		(15,052,504)	(11,778,294)
Interest expense		(1,958,424)	(1,950,007)
Impairment of available-for-sale investments		(1,053,393)	-
Net Profit for the period from continuing operations		109,127,188	114,103,246
Discontinued operations :			
(Loss) / profit from discontinued operations	5	(7,194,848)	134,115
NET PROFIT FOR THE PERIOD		101,932,340	114,237,361
Attributable to:			
Equity holders of the Parent		97,354,112	109,723,045
Non-controlling interests		4,578,228	4,514,316
		101,932,340	114,237,361
Other comprehensive income			
Net change in fair value of available-for-sale financial assets		1,449,531	13,029,088
Other comprehensive income for the period		1,449,531	13,029,088
Total comprehensive income for the period		103,381,871	127,266,449
Attributable to:			
Equity holders of the Parent		98,803,643	122,752,133
Non-controlling interests		4,578,228	4,514,316
		103,381,871	127,266,449
Basic and diluted earnings per share	9	2.46	2.77

The attached notes 1 to 12 form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six month period ended 30 June 2011

	<i>Six month period ended 30 June</i>	
	2011	2010
<i>Note</i>	(Unaudited)	(Unaudited) <i>(Restated)</i>
OPERATING ACTIVITIES		
Profit for the period	101,932,340	114,237,361
Adjustments for:		
Depreciation	11,199,389	16,605,379
Provision for doubtful debts	136,310	-
Share of results from associates	(75,412,188)	(74,422,155)
Impairment of available-for-sale investments	1,053,393	-
Loss from discontinued operation	7,194,848	(134,115)
Provision for end of service benefits	402,209	679,495
Gain on sale of property, plant and equipment	(35,500)	-
Operating profit before changes in operating assets and liabilities	46,470,801	56,965,965
Change in inventories	(8,344,945)	(8,123,192)
Change in related parties	(359,984)	1,532,642
Change in receivables and other debit balances	5,887,572	1,000,926
Change in accounts payable and other credit balances	(11,611,004)	(13,210,211)
Net cash flows from operating activities	32,042,440	38,166,130
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(13,623,604)	(7,232,129)
Proceeds from sale of property, plant and equipment	35,500	-
Acquisition of available-for-sale investments	(17,010,400)	-
Proceeds from sale of available for sale investments	286,165	-
Investment in associate companies	(11,872,533)	(11,121,462)
Interest and dividends received from associate companies	81,000,059	58,006,042
Proceeds from disposal group classified as held for sale	5,552,868	(1,067,072)
Acquisition of held for trading investments	(14,712,026)	-
Net cash flows from investing activities	29,656,029	38,585,379
FINANCING ACTIVITIES		
(Payment) settlement of related parties – loan receivable	(7,693,750)	2,077,142
Change in bank overdraft	(1,302,694)	(1,365,616)
Repayment of term loans	(4,425,522)	(3,672,030)
Repayment of notes payables	(1,928,224)	(6,014,600)
Dividends paid	(90,000,000)	(60,000,000)
Net cash flows (used in) financing activities	(105,350,190)	(68,975,104)
Net change in cash and cash equivalents	(43,651,721)	7,776,405
Cash and cash equivalents at 1 January	135,812,434	113,546,817
Cash and cash equivalents at 30 June	92,160,713	121,323,222

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The attached notes 1 to 12 form an integral part of these condensed consolidated interim financial statements.

QATAR INDUSTRIAL MANUFACTURING COMPANY Q.S.C

In Qatari Riyals

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six month period ended 30 June 2011

	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 2011	360,000,000	180,000,000	43,970,860	182,499,480	100,774,885	277,591,056	1,144,836,281	69,380,581	1,214,216,862
<i>Total comprehensive income for the period:</i>									
Net profit for the period	-	-	-	-	-	97,354,112	97,354,112	4,578,228	101,932,340
Other comprehensive income for the period	-	-	-	-	1,449,531	-	1,449,531	-	1,449,531
Total comprehensive income for the year	-	-	-	-	1,449,531	97,354,112	98,803,643	4,578,228	103,381,871
Disposal of controlling interest in a subsidiary	-	-	-	-	-	-	-	(46,369,262)	(46,369,262)
Issue of bonus shares	36,000,000	-	-	-	-	(36,000,000)	-	-	-
Dividends paid	-	-	-	-	-	(90,000,000)	(90,000,000)	-	(90,000,000)
Balance at 30 June 2011 (Unaudited)	396,000,000	180,000,000	43,970,860	182,499,480	102,224,416	248,945,168	1,153,639,924	27,589,547	1,181,229,471
Balance at 1 January 2010	300,000,000	150,000,000	53,713,608	182,499,480	53,926,686	240,022,490	980,162,264	71,641,806	1,051,804,070
Prior year adjustment (note 12)	-	-	-	-	-	(20,291,120)	(20,291,120)	-	(20,291,120)
Balance at 1 January 2010 (restated)	300,000,000	150,000,000	53,713,608	182,499,480	53,926,686	219,731,370	959,871,144	71,641,806	1,031,512,950
<i>Total comprehensive income for the period:</i>									
Net profit for the period	-	-	-	-	-	109,723,045	109,723,045	4,514,316	114,237,361
Other comprehensive income for the period	-	-	-	-	13,029,088	-	13,029,088	-	13,029,088
Total comprehensive income for the period	-	-	-	-	13,029,088	109,723,045	122,752,133	4,514,316	127,266,449
Transfer to Legal Reserve	-	8,943,193	-	-	-	(8,943,193)	-	-	-
Disposal of controlling interest in a subsidiary	-	-	-	-	-	-	-	(8,840,102)	(8,840,102)
Issued Bonus shares	60,000,000	-	-	-	-	(60,000,000)	-	-	-
Dividends paid	-	-	-	-	-	(60,000,000)	(60,000,000)	-	(60,000,000)
Balance at 30 June 2010 (Unaudited)	360,000,000	158,943,193	53,713,608	182,499,480	66,955,774	200,511,222	1,022,623,277	67,316,020	1,089,939,297

The attached notes 1 to 12 form an integral part of these condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six month period ended 30 June 2011

1 STATUS AND ACTIVITIES

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

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 Company’s presentation functional currency.

These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements as at and for the year ended 31 December 2010. In addition, results for the six month period ended 30 June 2011 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2011.

b) Basis of measurement

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

c) Significant accounting policies

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are the same as those followed in the preparation of the Company’s annual consolidated financial statements for the year ended 31 December 2010.

During the period, the Group has adopted revised IAS 24, Related Party Transactions. The amended standard clarified the definition of related party and laid down additional requirements for disclosure of outstanding commitments of Related Parties. The adoption of the amendment did not have any impact on the financial position of the Group.

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 2011 and have not been applied in preparing these condensed consolidated interim financial statements:

IFRS 9, Financial Instruments’ is the first standard issued as part of a wider project to replace IAS 39.

IFRS 9 retains but simplifies the mixed measurement model and establishes two primary categories for the financial assets: amortised cost and fair value. The basis of classifications depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after 1 January 2013, however the standard can be adopted early prospectively, and prior periods need not be restated if an entity adopts the standard for reporting periods beginning before 1 January 2012. The Group is currently assessing the impact of this standard for future periods.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six month period ended 30 June 2011

3 RELATED PARTY TRANSACTIONS

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 related parties – short term:

	<i>30 June 2011 (Unaudited)</i>	<i>31 December 2010 (Unaudited)</i>
Gazal Q.S.C. – loan receivable	6,901,098	3,610,489
KLJ Organic – India	10,000	10,000
Qatar Aluminum Extrusion Company	12,118	12,118
Qatar Steel Q.S.C.	1,983,197	5,303,809
Others	416,243	26,256
	<u>9,322,656</u>	<u>8,962,672</u>

(a.2) Balances due from a related party – long term:

	<i>30 June 2011 (Unaudited)</i>	<i>31 December 2010 (Unaudited)</i>
Gazal Q.S.C. – loan receivable	<u>83,183,136</u>	<u>75,566,903</u>

(b) Balances due to related parties:

	<i>30 June 2011 (Unaudited)</i>	<i>31 December 2010 (Unaudited)</i>
National Food Company (Q.S.C.)	-	57,788
Others	-	19,729
	<u>-</u>	<u>77,517</u>

(c) Compensation to key management personnel:

	<i>30 June 2011 (Unaudited)</i>	<i>31 June 2010 (Unaudited)</i>
Salaries and short term benefits	1,322,000	1,244,000
Long term benefits	54,750	54,000
	<u>1,376,750</u>	<u>1,298,000</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six month period ended 30 June 2011

4 INVESTMENT IN ASSOCIATES

	<i>Ownership</i>	30 June 2011 (Unaudited)	<i>31 December 2010 (Audited)</i>	<i>30 June 2010 (Unaudited)</i>
Aminatit Qatar Pipes Company W.L.L.	40%	14,856,539	19,183,836	18,113,865
Qatar Saudi Gypsum Industries Company W.L.L.	33%	23,702,022	23,878,141	21,258,896
Qatar Clay Bricks Company W.L.L.	46.35%	26,997,357	28,180,660	29,219,171
Qatar Plastic Products Company W.L.L.	33%	21,362,948	15,937,298	14,191,972
Qatar Jet Fuel Company W.L.L.	40%	216,725,184	218,101,278	186,701,169
Qatar Aluminum Extrusion Company	40%	19,566,638	20,129,939	20,654,036
Gasal Company Q.S.C.	29.5%	59,965,723	51,515,329	40,284,551
National Food Company (Q.S.C.)	20%	10,960,034	10,806,438	-
		<u>394,136,445</u>	<u>387,732,919</u>	<u>330,423,660</u>

5 DISCONTINUED OPERATIONS

On 15 February 2009 the Board of Directors of Qatar Nitrogen Company, a former subsidiary, approved the liquidation of the subsidiary. On 14 March 2011 the Company received the final liquidation report from the liquidator and on 18 April 2011 the Company received an amount of QR 5,550,872 as a final settlement from the liquidation. The Group has recognized a loss from the liquidation amounting to QR 7,194,848.

6 CASH AND CASH EQUIVALENTS

	30 June 2011 (Unaudited)	<i>31 December 2010 (Audited)</i>
Cash	27,257	161,326
Current accounts	15,046,454	10,644,564
Call accounts	31,985,955	71,012,664
Term deposits	45,101,047	53,993,880
	<u>92,160,713</u>	<u>135,812,434</u>

7 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% and the notes payable due within one year have been reflected in trade and other payables amounting to QR 5,566,143.

8 SHARE CAPITAL

At the extraordinary general meeting held on 20 March 2011, the shareholders approved the Board of Directors proposal for the issue of 1 bonus share for each 10 shares held and a cash dividends of 25%.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six month period ended 30 June 2011

9 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 Company by the weighted average number of ordinary shares in issue during the period as follows:

	Six month period ended 30 June	
	2011	2010 <i>(Restated)</i>
Profit for the period attributable to equity holders of the Company	<u>97,354,112</u>	<u>109,723,045</u>
Weighted average number of shares outstanding during the period	<u>39,600,000</u>	<u>39,600,000</u>
Basic and diluted earnings per share	<u>2.46</u>	<u>2.77</u>

Basic and diluted earnings per share for the period ended 30 June 2010 before restatement for the bonus shares issue amounted to QR 2.48.

Basic and diluted earnings per share from continuing operations:

	Six month period ended 30 June	
	2011	2010 <i>(Restated)</i>
Net profit for the period from continuing operations	109,127,188	114,103,246
Non-controlling interests	<u>(4,578,228)</u>	<u>(4,514,316)</u>
Profit from continuing operations for the period attributable to equity holders of the Company	<u>104,548,960</u>	<u>109,588,930</u>
Weighted average number of shares outstanding during the period	<u>39,600,000</u>	<u>39,600,000</u>
Basic and diluted earnings per share from continuing operation	<u>2.64</u>	<u>2.77</u>

Basic and diluted earnings per share for the period ended 30 June 2010 before restatement for the bonus shares issue amounted to QR 2.48.

10 CONTINGENT LIABILITIES

	<i>30 June 2011 (Unaudited)</i>	<i>31 December 2010 (Audited)</i>	<i>30 June 2010 (Unaudited)</i>
Letters of credit	249,365	164,250	1,466,239
Letters of guarantee	<u>3,362,610</u>	<u>470,100</u>	<u>3,446,248</u>

11 SEGMENTAL REPORTING

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

12 PERIOD ADJUSTMENT

During 2010 one of the company's associates, Qatar Jet Fuel Company W.L.L (the "Associate"), received additional billings from one of its suppliers amounting to QR 50.7 million for price differences in the cost of fuel pertaining to 2008 and 2009 which had been incorrectly recorded as an expense in 2010. The Group's share of that amount (QR 20.3 million) has been reflected as a prior period adjustment to the Group's share of results from associates. This restatement had the impact of increasing net profit for the prior period by QR 20.3 million and decreasing the 2008 and 2009 net profit by a corresponding amount, resulting in a cumulative nil impact on retained earnings as at 30 June 2010.