



QATAR INDUSTRIAL MANUFACTURING COMPANY Q.S.C.

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2015

QATAR INDUSTRIAL MANUFACTURING COMPANY Q.S.C.

CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2015

| CONTENTS | PAGE (S) |
|--|-----------------|
| Independent auditors' report on consolidated financial statements | 31 |
| Consolidated statement of financial position | 32-33 |
| Consolidated statement of profit or loss and other comprehensive income | 34 |
| Consolidated statement of cash flows | 35-36 |
| Consolidated statement of changes in equity | 37 |
| Notes to the consolidated financial statements | 38-68 |

INDEPENDENT AUDITORS' REPORT

To
The Shareholders
Qatar Industrial Manufacturing Company Q.S.C.
Doha
State of Qatar

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Qatar Industrial Manufacturing Company Q.S.C. (the "Company"), which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

The Board of Directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and, for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 about 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 our 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, we consider internal control relevant to the entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board of Directors, 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 present fairly, in all material respects, the consolidated financial position of the Company as at 31 December 2015, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on legal and other regulatory requirements

We have obtained all the information and explanations we considered necessary for the purposes of our audit. The Company has maintained proper accounting records and its consolidated financial statements are in agreement therewith. We confirm that physical count of the inventories was carried out in accordance with established principles. We are not aware of any violations of the provisions of the Qatar Commercial Companies Law No. 11 of 2015 or the terms of the Company's Articles of Association and amendments thereto having occurred during the year which might have had a material adverse effect on the business of the Company or on its consolidated financial position as at 31 December 2015.

7 February 2016
Doha
State of Qatar

Yacoub Hobeika
KPMG
Qatar Auditors' Registry Number 289

QATAR INDUSTRIAL MANUFACTURING COMPANY Q.S.C.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2015

In Qatari Riyals

| | Note | 31 December 2015 | 31 December 2014 |
|---|------|-----------------------------|-----------------------------|
| ASSETS | | | |
| Property, plant and equipment | 5 | 481,651,194 | 434,899,597 |
| Investment property | 6 | 48,921,869 | 45,887,839 |
| Equity – accounted investees | 7 | 599,501,145 | 559,664,897 |
| Other financial assets | 8 | 163,189,058 | 194,786,555 |
| Due from related parties | 9.a1 | <u>134,568,039</u> | <u>78,577,512</u> |
| Non-current assets | | <u>1,427,831,305</u> | <u>1,313,816,400</u> |
| Inventories | 10 | 114,109,039 | 60,753,497 |
| Trade and other receivables | 11 | 165,985,853 | 79,560,099 |
| Due from related parties | 9.a2 | 10,096,334 | 7,530,750 |
| Cash and bank balances | 12 | <u>130,232,974</u> | <u>271,182,239</u> |
| Current assets | | <u>420,424,200</u> | <u>419,026,585</u> |
| TOTAL ASSETS | | <u>1,848,255,505</u> | <u>1,732,842,985</u> |
| EQUITY | | | |
| Share capital | 13 | 475,200,000 | 475,200,000 |
| Legal reserve | 14 | 250,000,000 | 250,000,000 |
| General reserve | | 43,970,860 | 43,970,860 |
| Revaluation reserve | 15 | 182,499,480 | 182,499,480 |
| Fair value reserve | 16 | 50,835,473 | 92,171,516 |
| Retained earnings | | <u>486,065,148</u> | <u>464,014,785</u> |
| Equity attributable to owners of the Company | | <u>1,488,570,961</u> | <u>1,507,856,641</u> |
| Non – controlling interests | | <u>31,765,677</u> | <u>30,374,600</u> |
| Total equity | | <u>1,520,336,638</u> | <u>1,538,231,241</u> |
| LIABILITIES | | | |
| Borrowings – non-current portion | 17 | 30,929,628 | 32,085,935 |
| Employees' end of service benefits | 18 | 16,964,019 | 14,725,544 |
| Notes payable | 19 | <u>372,495</u> | <u>1,703,811</u> |
| Non-current liabilities | | <u>48,266,142</u> | <u>48,515,290</u> |

QATAR INDUSTRIAL MANUFACTURING COMPANY Q.S.C.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

For the year ended 31 December 2015

| | | In Qatari Riyals | |
|-------------------------------------|-----|-----------------------------|-----------------------------|
| Bank overdraft | 12 | 3,211,761 | 1,790,997 |
| Borrowings – current portion | 17 | 16,022,144 | 16,284,684 |
| Trade and other payables | 20 | 95,633,330 | 69,122,955 |
| Notes payable | 19 | 893,988 | 2,244,044 |
| Due to related parties | 9.b | <u>163,891,502</u> | <u>56,653,774</u> |
| Total current liabilities | | <u>279,652,725</u> | <u>146,096,454</u> |
| Total liabilities | | <u>327,918,867</u> | <u>194,611,744</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>1,848,255,505</u> | <u>1,732,842,985</u> |

These consolidated financial statements were approved by the Board of Directors and were signed on its behalf by the following on 7 February 2016:

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

Abdulrahman Al Ansari
Chief Executive Officer

QATAR INDUSTRIAL MANUFACTURING COMPANY Q.S.C.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

In Qatari Riyals

| | Note | 2015 | 2014 |
|--|------|----------------------------|----------------------|
| Revenue | | 490,217,151 | 296,138,162 |
| Costs of sales | | <u>(412,291,397)</u> | <u>(249,044,289)</u> |
| Gross profit | | 77,925,754 | 47,093,873 |
| Other income | | 8,046,096 | 11,829,751 |
| General and administrative expenses | 22 | <u>(48,954,180)</u> | <u>(47,638,558)</u> |
| Operating Profit | | 37,017,670 | 11,285,066 |
| Net share of results from equity – accounted investees | 7 | 149,353,750 | 110,508,571 |
| Income from investments and financial assets | | 8,321,563 | 51,610,440 |
| Finance costs | | (2,126,258) | (2,569,043) |
| Impairment of available-for-sale financial assets | 16 | <u>(12,344,506)</u> | <u>(869,998)</u> |
| Net profit before board of directors' remuneration | | 180,222,219 | 169,965,036 |
| Board of directors' remuneration | | <u>(6,000,000)</u> | <u>(6,000,000)</u> |
| Net profit for the year | | <u>174,222,219</u> | <u>163,965,036</u> |
| Other comprehensive income | | | |
| Reclassification to statement of profit or loss on sale of available-for-sale financial assets | 16 | (74,961) | (26,743,524) |
| Reclassification to statement of profit or loss on impairment of available-for-sale financial assets | 16 | 12,344,506 | 869,998 |
| Net change in fair value of available-for-sale financial assets | 16 | (37,775,917) | 20,414,853 |
| Share of change in fair value reserve from equity – accounted investees | 7 | <u>(15,829,671)</u> | <u>5,463,612</u> |
| Total other comprehensive income | | <u>(41,336,043)</u> | 4,939 |
| Total comprehensive income for the year | | <u>132,886,176</u> | <u>163,969,975</u> |
| Profit attributable to: | | | |
| Owners of the Company | | 168,831,142 | 160,976,130 |
| Non-controlling interests | | <u>5,391,077</u> | <u>2,988,906</u> |
| | | <u>174,222,219</u> | <u>163,965,036</u> |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | 127,495,099 | 160,981,069 |
| Non-controlling interests | | <u>5,391,077</u> | <u>2,988,906</u> |
| | | <u>132,886,176</u> | <u>163,969,975</u> |
| Basic earnings per share | 23 | <u>3.55</u> | <u>3.39</u> |

QATAR INDUSTRIAL MANUFACTURING COMPANY Q.S.C.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

| | | In Qatari Riyals | |
|---|------|---------------------------|---------------------|
| | Note | 2015 | 2014 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net profit for the year | | 174,222,219 | 163,965,036 |
| Adjustments for: | | | |
| Depreciation | 5 | 26,720,073 | 25,900,509 |
| Gain on sale of property, plant and equipment | | (8,064) | (15,506) |
| Net share of results from equity – accounted investees and other transactions | 7 | (148,327,701) | (108,672,627) |
| Loss / (gain) on sale of investments | | 1,856 | (44,502,591) |
| Impairment of available-for-sale financial assets | 16 | 12,344,506 | 869,998 |
| Provision / (reversal) for slow moving items | | (3,201) | - |
| Provision for doubtful debts | | 645,571 | 503,862 |
| Employees' end of service benefits | | 2,428,607 | 2,062,179 |
| Finance costs | | <u>2,126,258</u> | <u>2,569,043</u> |
| | | 70,150,124 | 42,679,903 |
| Changes in: | | | |
| - inventories | | (53,352,341) | (23,414,331) |
| - due from related parties | | (58,556,111) | (1,034,037) |
| - trade and other receivables | | (87,071,325) | 2,332,870 |
| - due to related parties | | 107,237,728 | 18,304,689 |
| - trade and other payables | | <u>22,289,597</u> | <u>(12,083,545)</u> |
| Cash generated from operating activities | | 697,672 | 26,785,549 |
| Employees' end of service benefits paid | | (190,132) | (348,252) |
| Finance costs paid | | <u>(2,126,258)</u> | <u>(2,569,043)</u> |
| Net cash (used in) / from operating activities | | <u>(1,618,718)</u> | <u>23,868,254</u> |

QATAR INDUSTRIAL MANUFACTURING COMPANY Q.S.C.

CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

For the year ended 31 December 2015

In Qatari Riyals

CASH FLOWS FROM INVESTING ACTIVITIES

| | | | |
|---|---|------------------|-------------------|
| Purchase of investments properties | | (3,034,030) | - |
| Purchase of property, plant and equipment | 5 | (73,484,976) | (29,202,162) |
| Proceeds from sale of property, plant and equipment | | 21,370 | 15,506 |
| Investment in associate companies | 7 | - | (31,032,436) |
| Acquisition of available-for-sale financial assets | | (8,458,420) | (53,232,829) |
| Proceeds from sale of available for sale financial assets | | 2,203,182 | 87,011,818 |
| Proceeds from sale of held for trading sale investments | | - | 14,217,059 |
| Dividends received from associate companies | 7 | 92,661,782 | 78,184,217 |
| Net cash from investing activities | | <u>9,908,908</u> | <u>65,961,173</u> |

CASH FLOWS FROM FINANCING ACTIVITIES

| | | | |
|---|--|---------------|--------------|
| Proceed from borrowings | | 14,309,493 | - |
| Settlement of related party – Loan receivable | | - | 38,259,748 |
| Repayment of borrowings | | (15,728,340) | (11,865,989) |
| Repayment of notes payable | | (2,681,372) | (1,458,873) |
| Liquidation of fixed deposit account | | 10,000,000 | - |
| Dividends paid | | (146,560,000) | (5,000,000) |

Net cash (used in) / from financing activities

| | | | |
|--|----|---------------------------|---------------------------|
| | | <u>(140,660,219)</u> | <u>19,934,886</u> |
| Net (decrease) / increase in cash and cash equivalents | | (132,370,029) | 109,764,313 |
| Cash and cash equivalents at 1 January | | <u>259,391,242</u> | <u>149,626,929</u> |
| Cash and cash equivalents at 31 December | 12 | <u>127,021,213</u> | <u>259,391,242</u> |

QATAR INDUSTRIAL MANUFACTURING COMPANY Q.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

In Qatari Riyals

| | Share Capital | Legal reserve | General reserve | Revaluation reserve | Fair value reserve | Retained earnings | Equity attributable to the Owners of the Company | Non- controlling interests | Total Equity |
|---|--------------------|--------------------|--------------------|------------------------|-----------------------|----------------------|---|----------------------------------|----------------------|
| Balance at 31 December 2013 | 396,000,000 | 250,000,000 | 43,970,860 | 182,499,480 | 92,166,577 | 386,263,058 | 1,350,899,975 | 32,385,694 | 1,383,285,669 |
| <i>Total comprehensive income for the year:</i> | | | | | | | | | |
| Net profit | - | - | - | - | - | 160,976,130 | 160,976,130 | 2,988,906 | 163,965,036 |
| Other comprehensive income | - | - | - | - | 4,939 | - | 4,939 | - | 4,939 |
| Total comprehensive income for the year | - | - | - | - | 4,939 | 160,976,130 | 160,981,069 | 2,988,906 | 163,969,975 |
| Issuance of bonus shares | 79,200,000 | - | - | - | - | (79,200,000) | - | - | - |
| Transfer to social and sports fund | - | - | - | - | - | (4,024,403) | (4,024,403) | - | (4,024,403) |
| Dividends paid | - | - | - | - | - | - | - | (5,000,000) | (5,000,000) |
| Balance at 31 December 2014 | <u>475,200,000</u> | <u>250,000,000</u> | <u>43,970,860</u> | <u>182,499,480</u> | <u>92,171,516</u> | <u>464,014,785</u> | <u>1,507,856,641</u> | <u>30,374,600</u> | <u>1,538,231,241</u> |
| Balance at 31 December 2014 | 475,200,000 | 250,000,000 | 43,970,860 | 182,499,480 | 92,171,516 | 464,014,785 | 1,507,856,641 | 30,374,600 | 1,538,231,241 |
| <i>Total comprehensive income for the year:</i> | | | | | | | | | |
| Net profit | - | - | - | - | - | 168,831,142 | 168,831,142 | 5,391,077 | 174,222,219 |
| Other comprehensive income | - | - | - | - | (41,336,043) | - | (41,336,043) | - | (41,336,043) |
| Total comprehensive income for the year | - | - | - | - | (41,336,043) | 168,831,142 | 127,495,099 | 5,391,077 | 132,886,176 |
| Transfer to social and sports fund | - | - | - | - | - | (4,220,779) | (4,220,779) | - | (4,220,779) |
| Dividends paid | - | - | - | - | - | (142,560,000) | (142,560,000) | (4,000,000) | (146,560,000) |
| Balance at 31 December 2015 | <u>475,200,000</u> | <u>250,000,000</u> | <u>43,970,860</u> | <u>182,499,480</u> | <u>50,835,473</u> | <u>486,065,148</u> | <u>1,488,570,961</u> | <u>31,765,677</u> | <u>1,520,336,638</u> |

QATAR INDUSTRIAL MANUFACTURING COMPANY Q.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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 No. 12991. The consolidated financial statements include the financial statements of the Company and its subsidiaries (together referred to as the “Group”). The Group is engaged in industrial manufacturing and various types of industrial investments inside and outside the State of Qatar.

The consolidated financial statements of the Group include the financial statements of the branches listed below:

| | <u>Commercial register number</u> |
|----------------------------|-----------------------------------|
| National Paper Industries | 12991/2 |
| Qatar Acids | 12991/3 |
| Qatar Sand Treatment Plant | 12991/4 |
| Qatar Paving Stones | 12991/5 |

2 BASIS OF PREPARATION

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”).

b) Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention except for available-for-sale financial assets, held for trading investment and land held for use which have been measured at fair value.

c) Functional and presentation currency

These consolidated financial statements are presented in Qatari Riyals, which is the Company’s functional currency. All financial information presented in Qatari Riyals has been rounded to the nearest Qatari Riyal except where specifically stated.

d) Use of estimates and judgements

The Group makes judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and disclosure of contingent liabilities, at the reporting date. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

Information about significant areas of estimates and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included under note 27.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

2 BASIS OF PREPARATION (continued)

e) New standards, amendments and interpretations effective from 1 January 2015

The following standards, amendments and interpretations which became effective from 1 January 2015, are relevant to the Group:

i) *Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)*

The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties to define benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognize the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees periods of service using the project unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees periods of service.

The adoption of this amendment had no significant impact on the consolidated financial statements

ii) *Annual Improvements to IFRSs 2010–2012 and 2011–2013 Cycles various standards*

The annual improvements to IFRSs to 2010-2012 and 2011 -2013 cycles include a number of amendments to various IFRSs. Most amendments will apply prospectively for annual periods beginning on or after 1 July 2014; earlier application is permitted (along with the special transitional requirement in each case), in which case the related consequential amendments to other IFRSs would also apply.

The following are the key amendments in brief:

- The amendments to IFRS 2 changes the definitions of “vesting condition” and “market condition” ; and add definitions for “performance condition” and “service condition” which were previously included in the definition of vesting condition.
- The amendments to IFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognized in profit or loss. IAS 37 Provisions, Contingent Liabilities and Contingent Assets is amended to exclude provisions related to contingent consideration. IFRS 3 is also not applicable to the accounting for the formation of all types of joint arrangements in IFRS 11 Joint Arrangements (including joint operations) in the financial statements of joint arrangements themselves.
- IFRS 8 has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. The disclosures include:
 - a brief description of the operating segments that have been aggregated; and
 - the economic indicators that have been assessed in determining that the operating segments share similar economic characteristics.

In addition, this amendment clarifies that a reconciliation of the total of the reportable segments assets to the entity's assets is required only if this information is regularly provided to the entity's chief operating decision maker.

- The IASB has clarified that, in issuing IFRS 13 and making consequential amendments to IAS 39 and IFRS 9, it did not prevent entities from measuring short term receivables and payables that have no stated interest rate at their invoiced amounts without discounting, if the effect of not discounting is not material. IFRS 13 has also been amended to clarify that portfolio exception applies to contracts in the scope of IAS 39 and IFRS 9 regardless of whether they meet the definition of a financial asset or financial liability under IAS 32.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2015

2 BASIS OF PREPARATION *(continued)*

e) New standards, amendments and interpretations effective from 1 January 2015 *(continued)*

- The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation / amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation / amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses. The accumulated depreciation / amortization is eliminated against the gross carrying amount of the asset.
- The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required. The reporting entity will also need to disclose other transactions with the management entity under the existing disclosure requirements of IAS 24.
- IAS 40 has been amended to clarify that an entity should:
 - assess whether an acquired property is an investment property under IAS 40; and
 - perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.Entities will still need to use judgement to determine whether the acquisition of an investment property is an acquisition of a business under IFRS 3.

The adoption of this amendment had no significant impact on the consolidated financial statements

f) Standards, amendments and interpretations issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2015 and earlier application is permitted; however, the Group has not early adopted the following new or amended standards in preparing these consolidated financial statements.

i) IFRS 9 *Financial Instruments*

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9.

ii) IFRS 15 – *Revenue from Contracts with Customers*

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

2 BASIS OF PREPARATION (continued)

f) Standards, amendments and interpretations issued but not yet effective (continued)

iii) *Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11).*

The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations. The amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards should be applied.

The amendments to IFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted.

The Group does not expect to have a significant impact on its consolidated financial statements.

iv) *Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38).*

The amendments to IAS 16 prohibit entities from using a revenue based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted if the intangible asset is expressed as a measure of revenue or when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted.

The Group does not expect to have a significant impact on its consolidated financial statements.

v) *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).*

The IASB has made limited scope amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures.

The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations).

Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's investors in the associate or joint venture.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted.

The Group does not expect to have a significant impact on its (consolidated) financial statements.

vi) *Annual Improvements to IFRSs 2012–2014 Cycle – various standards.*

The annual improvements to IFRSs to 2012-2014 cycles include a number of amendments to various IFRSs. Most amendments will apply prospectively for annual periods beginning on or after 1 January 2016; earlier application is permitted (along with the special transitional requirement in each case), in which case the related consequential amendments to other IFRSs would also apply.

The amendments are not expected to have any material impact on the consolidated financial statements of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2015

2 BASIS OF PREPARATION *(continued)*

f) Standards, amendments and interpretations issued but not yet effective *(continued)*

The following are the key amendments in brief:

- IFRS 5 – when an asset (or disposal group) is reclassified from ‘held for sale’ to ‘held for distribution’ or vice versa, this does not constitute a change to a plan of sale or distribution and does not have to be accounted for as such
- IFRS 7 – specific guidance for transferred financial assets to help management determine whether the terms of a servicing arrangement constitute ‘continuing involvement’ and, therefore, whether the asset qualifies for derecognition
- IFRS 7 – that the additional disclosures relating to the offsetting of financial assets and financial liabilities only need to be included in interim reports if required by IAS 34
- IAS 19 – that when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise
- IAS 34 – what is meant by the reference in the standard to ‘information disclosed elsewhere in the interim financial report’ and adds a requirement to cross-reference from the interim financial statements to the location of that information.

vii) *Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28).*

Amendments made to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in associates and joint ventures clarify that:

- The exception from preparing consolidated financial statements is also available to intermediate parent entities which are subsidiaries of investment entities.
- An investment entity should consolidate a subsidiary which is not an investment entity and whose main purpose and activity is to provide services in support of the investment entity’s investment activities.
- Entities which are not investment entities but have an interest in an associate or joint venture which is an investment entity have a policy choice when applying the equity method of accounting. The fair value measurement applied by the investment entity associate or joint venture can either be retained, or a consolidation may be performed at the level of the associate or joint venture, which would then unwind the fair value measurement.

The amendments to IFRS 10 apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. Early adoption is permitted

viii) *Disclosure Initiative (Amendments to IAS 1).*

The amendments to IAS 1 Presentation of Financial Statements are made in the context of the IASB’s Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments provide clarifications on a number of issues, including:

- Materiality – an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.
- Disaggregation and subtotals – line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity’s financial position or performance. There is also new guidance on the use of subtotals.

2 BASIS OF PREPARATION (continued)

f) Standards, amendments and interpretations issued but not yet effective (continued)

viii) *Disclosure Initiative (Amendments to IAS 1). Notes – confirmation that the notes do not need to be presented in a particular order. (continued)*

- OCI arising from investments accounted for under the equity method – the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

According to the transitional provisions, the disclosures in IAS 8 regarding the adoption of new standards/accounting policies are not required for these amendments.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted.

3 SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been applied in the preparation of these consolidated financial statements:

a) Basis of consolidation

i) Subsidiaries

Subsidiaries are those entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by another entity, are considered when assessing whether an entity is controlled. In addition, control may exist without having 50% voting power through ownership or agreements, as a consequence of de facto control. De facto control is control without the legal right to exercise unilateral control, and involves decision-making ability that is not shared with others and the ability to give directions with respect to the operating and financial policies of the entity concerned. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The financial statements of subsidiaries are prepared for the same reporting year as the parent company. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. The consolidated financial statements of the Group include the financial statements of the Parent and controlled subsidiaries listed below:

| | <u>Percentage of holding</u> | |
|---|------------------------------|------|
| | 2015 | 2014 |
| KLJ Organic – Qatar - W.L.L. | 60% | 60% |
| Qatar Metals Coating Company W.L.L. (*) | 50% | 50% |

(*) The financial statements of Qatar Metal Coating Company W.L.L. “Subsidiary” is consolidated in these consolidated financial statements as Qatar Industrial Manufacturing Company Q.S.C. “Parent” has the power to govern the financial and operating policies of the subsidiary through representing the majority of the board.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2015

3 SIGNIFICANT ACCOUNTING POLICIE *(continued)*

a) Basis of consolidation *(continued)*

ii) Equity – accounted investees

The Group's interests in equity - accounted investees comprise interests in associates.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interest in associates and joint ventures are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity - accounted investees, until the date on which significant influence or joint control ceases.

iii) Jointly controlled entities

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. The Group recognises its share in the joint venture using proportionate consolidation method.

iv) Transactions eliminated on consolidation

Intra-group balances, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

v) Non controlling interests

Non controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated income statement and within equity in the consolidated financial position, separately from parent shareholders' equity. Losses applicable to the minority in excess of the minority's interests are allocated against the interest of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover losses.

The interest of the minority shareholders in the acquire is initially measured at the minority's proportion of net fair value of the assets, liabilities and contingent liabilities recognized.

vi) Loss of control

Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in income statement. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

vii) Business combinations and goodwill

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operational policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

3 SIGNIFICANT ACCOUNTING POLICIE *(continued)*

a) Basis of consolidation *(continued)*

vii) Business combinations and goodwill *(continued)*

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognized amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- The net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.
- When the excess is negative, a bargain purchase gain is recognized immediately in the consolidated income statement.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the

Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated.

- Represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with IFRS 8 Operating Segment.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognized in income statement.

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured and settlement is accounted for within equity.

Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in the income statement.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill at year-end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2015

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

a) Basis of consolidation *(continued)*

vii) Business combinations and goodwill *(continued)*

Where goodwill forms part of a cash-generating unit (group of cash generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

If subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and unamortized goodwill is recognized in the consolidated income statement.

b) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement. The results and financial position of all Group entities that have a functional currency different from the presentation currency are translated into the presentation currency.

c) Revenue recognition

Revenue is measured at fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. The following specific recognition criteria must also be met before revenue is recognised.

i) Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

ii) Dividend and interest income

Dividends from investments are recognised when the shareholder's right to receive payment has been established.

Interest is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

iii) Construction contract revenue

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognised in income statement in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Revenue recognition (continued)

iii) Construction contract revenue (continued)

The stage of completion is assessed by reference to surveys of work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in consolidated income statement.

iv) Rental income

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

d) Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses except for land which is measured at fair value. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, including the capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalized and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalized only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognized in the consolidated income statement as the expense is incurred.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the consolidated income statement in the year the asset is derecognized.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If any such indication exists and where the carrying value of an asset exceeds the estimated recoverable amount, the asset is written down to its recoverable amount.

Depreciation is recognised in income statement on a straight line basis over the estimated useful lives of each component of an item of property plant and equipment. Land is not depreciated. Estimated useful lives of property, plant and equipment for the current and comparative years are as follows:

| | |
|-----------------------------|-------------|
| Plant and equipment | 10-15 years |
| Buildings and constructions | 13-25 years |
| Motor vehicles | 4-5 years |
| Installations & fixtures | 4-10 years |
| Furniture & fittings | 4 years |

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2015

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

e) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, if any, are not capitalized and expenditure is reflected in the consolidated income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated income statement in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

f) Investment property

Investment property is property held either to earn rentals or for capital appreciation or both, but not for sale in ordinary course of business, use in production in the production or supply of goods or services or for administrative purpose. Investment property is stated at cost less accumulated depreciation and impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Property that is being constructed for future use as investment property is accounted for as investment property. Property under construction is designated as investment property only if there are unambiguous plans by management to subsequently utilize the property for rental activities upon completion of development.

g) Financial instruments

Financial instruments represent the Group's financial assets and liabilities. Financial assets and financial liabilities are recognized on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial instruments also include commitments not recognized but adequately disclosed in the respective notes to the consolidated financial statements.

Non-derivative financial assets

Non-derivative financial assets include trade receivables, due from related parties, investments at fair value through income statement, available-for-sale investments and cash and bank balances.

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

g) Financial instruments *(continued)*

Non-derivative financial assets *(continued)*

i) Trade receivables and due from related parties

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

ii) Investments at fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value. Financial instruments at fair value through profit or loss are measured at fair value and changes therein are recognized in the consolidated income statement.

iii) Available-for-sale financial assets

Available-for-sale investments are non-derivative financial assets that are designated as available-for-sale and are not classified as an investment at fair value through profit or loss or held to maturity or loans or receivables. Available-for-sale investments are initially recognised at cost being the fair value of the consideration given. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments are recognized in other comprehensive income and presented within equity in fair value reserve. When an investment is derecognized, cumulative gains and loss in other comprehensive income is transferred to the consolidated income statement.

iv) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

For the purpose of consolidated statement of cash flows, cash and cash equivalents consists of bank balances and cash, net of bank overdrafts.

De-recognition of financial assets

A financial asset is derecognised where:

- The right to receive cash flows from the asset have expired or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement and
- Either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Non-derivative financial liabilities

Non derivative financial liabilities comprise borrowings, due to related parties, bank overdrafts, trade and other payables.

Group recognizes these financial liabilities at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2015

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

g) Financial instruments *(continued)*

Non-derivative financial liabilities *(continued)*

i) Accounts payable and accruals

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

ii) Borrowings

All the borrowings are initially recognised at the fair value of the consideration received plus directly attributable transaction costs.

After initial recognition, interest bearing borrowings are subsequently measured at amortised cost using the effective interest method.

De-recognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the income statement.

h) Fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values.

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

i) Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. All impairment losses are recognized in the consolidated income statement. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to the consolidated income statement.

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

i) Impairment *(continued)*

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

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

Non-financial assets

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

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

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in the consolidated income statement.

Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

j) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition on specific identification basis for items easily identifiable and on a weighted average basis for other items.

Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2015

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

k) Borrowing costs

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

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

- i) Incurs expenditures for the asset;
- ii) Incurs borrowing costs; and
- iii) Undertakes activities that are necessary to prepare the asset for its intended use or sale.

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

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

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

l) Employees' end of service benefits

The Group provides end of service benefits to its expatriate employees in accordance with Qatar labour law. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the Group makes contributions to the General Pension Fund Authority calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

m) Provision

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows that reflects current market assessments of the time value of money and the risks specific to the liability.

4 FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework and internal audit activities. The Board is in the process of establishing committees for Risk Management and Internal Audit, which will be responsible for developing and monitoring the Group's risk management policies and internal audit activities. The committees will be reporting regularly to the Board of Directors on their activities.

i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and bank balances.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk. The majority of the Group's revenue is attributable to customers originating from the Gulf Cooperative Council countries. There is no concentration on credit risk attributable to a single customer.

Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

ii) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

a) Currency risk

The Group's exposures to currency risk on transactions with related parties and borrowings that are denominated in a currency other than the respective functional currency are limited to those currencies which are pegged against USD such as AED, OMR, etc. The Group's exposure to other currencies risk is minimal

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level.

QATAR INDUSTRIAL MANUFACTURING COMPANY Q.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2015

4 FINANCIAL RISK MANAGEMENT *(continued)*

iii) Market risk *(continued)*

b) Interest rate risk

The Group adopts a policy of ensuring that finance cost rates on interest rate exposures are reviewed quarterly, and that finance cost rates are not subject to present fluctuations.

c) Equity price risk

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

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity, excluding minority interests. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The details of the financial instruments risk management tools are described in note 26.

5 PROPERTY, PLANT AND EQUIPMENT

| | Land | Plant and equipment | Buildings and constructions | Motor vehicles | Installations and fixtures | Furniture and fittings | Capital work-in-progress | Total |
|---------------------------------|--------------------|---------------------|-----------------------------|-------------------|----------------------------|------------------------|--------------------------|--------------------|
| Cost | | | | | | | | |
| At 1 January 2014 | 185,144,400 | 214,511,459 | 86,757,920 | 49,501,282 | 2,657,127 | 7,925,241 | 73,985,968 | 620,483,397 |
| Additions | - | 5,231,932 | 48,961 | 3,967,412 | 16,347 | 289,257 | 19,648,253 | 29,202,162 |
| Disposals | - | (491,555) | - | - | - | - | - | (491,555) |
| Transfer | - | 1,451,858 | 2,096,910 | - | - | - | (3,548,768) | - |
| At 31 December 2014 | <u>185,144,400</u> | <u>220,703,694</u> | <u>88,903,791</u> | <u>53,468,694</u> | <u>2,673,474</u> | <u>8,214,498</u> | <u>90,085,453</u> | <u>649,194,004</u> |
| At 1 January 2015 | 185,144,400 | 220,703,694 | 88,903,791 | 53,468,694 | 2,673,474 | 8,214,498 | 90,085,453 | 649,194,004 |
| Additions | - | 1,595,085 | 292,342 | 1,997,375 | 231,814 | 598,412 | 68,769,948 | 73,484,976 |
| Disposals | - | - | - | (428,688) | - | (21,991) | - | (450,679) |
| Transfer | - | 34,995,750 | - | - | - | - | (34,995,750) | - |
| At 31 December 2015 | <u>185,144,400</u> | <u>257,294,529</u> | <u>89,196,133</u> | <u>55,037,381</u> | <u>2,905,288</u> | <u>8,790,919</u> | <u>123,859,651</u> | <u>722,228,301</u> |
| Accumulated depreciation | | | | | | | | |
| At 1 January 2014 | - | 101,718,849 | 41,758,637 | 37,291,905 | 1,843,957 | 6,272,105 | - | 188,885,453 |
| Depreciation | - | 16,073,973 | 4,142,629 | 4,905,526 | 370,508 | 407,873 | - | 25,900,509 |
| Disposals | - | (491,555) | - | - | - | - | - | (491,555) |
| At 31 December 2014 | - | <u>117,301,267</u> | <u>45,901,266</u> | <u>42,197,431</u> | <u>2,214,465</u> | <u>6,679,978</u> | - | <u>214,294,407</u> |
| At 1 January 2015 | - | 117,301,267 | 45,901,266 | 42,197,431 | 2,214,465 | 6,679,978 | - | 214,294,407 |
| Depreciation | - | 17,167,046 | 4,161,979 | 4,611,709 | 230,504 | 548,835 | - | 26,720,073 |
| Disposals | - | - | - | (428,688) | - | (8,685) | - | (437,373) |
| At 31 December 2015 | - | <u>134,468,313</u> | <u>50,063,245</u> | <u>46,380,452</u> | <u>2,444,969</u> | <u>7,220,128</u> | - | <u>240,577,107</u> |
| Carrying value | | | | | | | | |
| At 31 December 2014 | <u>185,144,400</u> | <u>103,402,427</u> | <u>43,002,525</u> | <u>11,271,263</u> | <u>459,009</u> | <u>1,534,520</u> | <u>90,085,453</u> | <u>434,899,597</u> |
| At 31 December 2015 | <u>185,144,400</u> | <u>122,826,216</u> | <u>39,132,888</u> | <u>8,656,929</u> | <u>460,319</u> | <u>1,570,791</u> | <u>123,859,651</u> | <u>481,651,194</u> |

In 2008, the Group revalued the land using an independent valuer. The fair value of the land was estimated at QR 185,144,400 which resulted in an increase in the revaluation reserve by QR 133,144,400. In the management opinion, the carrying value of the land as of 31 December 2015 approximates its fair value.

The depreciation charge has been disclosed in the consolidated financial statements as follow:

| | 2015 | 2014 |
|---|-------------------|-------------------|
| Cost of sales | 25,038,984 | 24,111,367 |
| General and administrative expenses (note 22) | 1,681,089 | 1,789,142 |
| | <u>26,720,073</u> | <u>25,900,509</u> |

QATAR INDUSTRIAL MANUFACTURING COMPANY Q.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2015

6 INVESTMENT PROPERTY

Investment property represents land acquired for long term capital appreciation. Investment property is measured at cost, However, the land has been revalued at the end of the year by external independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued . the fair value of the land as at 31 December 2015 amounting to QR 85,670,200 .

| | Land | Capital work - in - progress | Total |
|---------------------|-------------------|---------------------------------|-------------------|
| Cost | | | |
| At 1 January 2015 | 45,887,837 | - | 45,887,837 |
| Additions | - | 3,034,030 | 3,034,030 |
| At 31 December 2015 | <u>45,887,837</u> | <u>3,034,030</u> | <u>48,921,867</u> |

7 EQUITY – ACCOUNTED INVESTEES

| | <i>Nationality Ownership</i> | | 2015 | 2014 |
|--|------------------------------|--------|--------------------|--------------------|
| Aminatit Qatar Pipes Company W.L.L. | Qatar | 40% | 27,339,533 | 23,642,518 |
| Qatar Saudi Gypsum Industries Company W.L.L. | Qatar | 33% | 26,036,405 | 29,813,953 |
| Qatar Clay Bricks Company W.L.L. * | Qatar | 46.35% | 30,790,671 | 29,479,768 |
| Qatar Plastic Products Company W.L.L. | Qatar | 33% | 23,702,418 | 23,804,380 |
| Qatar Jet Fuel Company W.L.L. | Qatar | 40% | 274,049,452 | 254,520,414 |
| Qatar Aluminum Extrusion Company Q.S.C. | Qatar | 40% | 16,898,374 | 15,754,199 |
| Gasal Company Q.S.C. | Qatar | 29.5% | 171,853,832 | 152,218,796 |
| National Food Company Q.S.C. | Qatar | 20% | 11,152,148 | 14,327,061 |
| Gulf Formaldehyde Company S.A.Q. | Qatar | 20% | 16,878,312 | 15,303,808 |
| Others | | | 800,000 | 800,000 |
| | | | <u>599,501,145</u> | <u>559,664,897</u> |

*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 is still negotiating the decision of the future activity of the Company to reach the appropriate decision relating to its going concern.

The movement in equity – accounted investees during the year are as follows:

| | 2015 | 2014 |
|--|-------------|-------------|
| At 1 January | 559,664,897 | 492,680,440 |
| Capital increase | - | 31,032,436 |
| Net share of results from equity – accounted investees | 149,353,750 | 110,508,571 |

7 EQUITY – ACCOUNTED INVESTEES *(continued)*

| | 2015 | 2014 |
|---------------------------------------|---------------------------|--------------------|
| Dividends received | (92,661,782) | (78,184,217) |
| Share of change in fair value reserve | (15,829,671) | 5,463,612 |
| Other transactions | (1,026,049) | (1,835,945) |
| At 31 December | <u>599,501,145</u> | <u>559,664,897</u> |

The following table illustrates summarized financial information of the equity – accounted investees:

| | 2015 | 2014 |
|---------------------|---------------------------|------------------------|
| Total assets | 3,638,533,651 | 3,766,086,555 |
| Total liabilities | <u>(1,901,917,645)</u> | <u>(2,207,922,887)</u> |
| Net assets | <u>1,736,616,006</u> | <u>1,558,163,668</u> |
| Total revenues | <u>6,076,582,447</u> | <u>7,902,494,827</u> |
| Profit for the year | <u>406,594,379</u> | <u>300,183,770</u> |

8 OTHER FINANCIAL ASSETS

| | 2015 | 2014 |
|--------------------------------------|---------------------------|--------------------|
| Available for sale investments | | |
| Quoted securities – Local shares | 143,249,843 | 174,355,127 |
| Quoted securities – Foreign shares | 388,636 | 880,849 |
| Unquoted securities – at cost | <u>14,592,437</u> | <u>14,592,437</u> |
| Total available for sale investments | <u>158,230,916</u> | <u>189,828,413</u> |
| Held to maturity investments* | <u>4,958,142</u> | <u>4,958,142</u> |
| | <u>163,189,058</u> | <u>194,786,555</u> |

*Held to maturity investments – coupon rate 4.14% and mature after 18 years.

Movement in available for sale investments:

| | 2015 | 2014 |
|---|---------------------------|---------------------|
| Addition during the year | 189,828,413 | 190,482,252 |
| Disposal during the year | 8,458,420 | 53,232,829 |
| Changes in fair value | <u>(2,205,039)</u> | <u>(74,301,516)</u> |
| Impairment of available for sale financial assets | (25,506,372) | 20,414,848 |
| Balance at 31 December | <u>(12,344,506)</u> | <u>-</u> |
| | <u>158,230,916</u> | <u>189,828,413</u> |

QATAR INDUSTRIAL MANUFACTURING COMPANY Q.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2015

9 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 – long term:

| | 2015 | 2014 |
|---|---------------------------|--------------------------|
| Gasal Q.S.C. – Loan “Associate” | 127,777,588 | 71,572,412 |
| Sarplast Qatar W.L.L. – Loan “Affiliated” | 2,790,451 | 3,005,100 |
| Qatar Clay Bricks – Q.S.C.C. “Associate” | 4,000,000 | 4,000,000 |
| | <u>134,568,039</u> | <u>78,577,512</u> |

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

| | 2015 | 2014 |
|--|--------------------------|-------------------------|
| Gasal Q.S.C. “Associate” | 2,673,185 | 247,159 |
| Qatar Aluminium Extrusion Company “Associate” | 86,709 | 60,709 |
| Qatar Plastic Products Company “Associate” | 4,700,000 | 4,700,000 |
| Aminatit Qatar Pipes Company “Associate” | 121,124 | 80,170 |
| Sarplast Qatar W.L.L. – loan “Affiliated” | 2,361,150 | 2,361,150 |
| Qatari Saudi Gypsum Company W.L.L. “associate” | 115,966 | 81,562 |
| Others “Associate” | 38,200 | - |
| | <u>10,096,334</u> | <u>7,530,750</u> |

(b) Balances due to related parties:

| | 2015 | 2014 |
|--|---------------------------|--------------------------|
| Qatar Steel Q.S.C.C. | 140,150,485 | 38,744,178 |
| KLJ Organic – India “Sister company” | 21,293,407 | 17,642,696 |
| Qatar Clay Bricks – Q.S.C.C. “Associate” | 2,447,610 | 266,900 |
| | <u>163,891,502</u> | <u>56,653,774</u> |

(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:

9 RELATED PARTY TRANSACTIONS *(continued)*

(c) Transactions with related parties (continued)

| | 2015 | 2014 |
|---------------------------|--------------------|--------------------|
| Sale of coated bars | <u>51,126,733</u> | <u>3,380,759</u> |
| Sales commission | <u>2,202,606</u> | <u>1,030,218</u> |
| Sale of scrap | <u>101,007</u> | <u>235,424</u> |
| Purchase of raw materials | <u>246,417,116</u> | <u>120,746,300</u> |
| Management fees | <u>671,108</u> | <u>284,908</u> |

(d) Compensation to key management personnel:

| | 2015 | 2014 |
|---|-------------------|------------|
| Board of Directors' remuneration and allowances | 6,450,000 | 6,450,000 |
| Salaries and short term benefits | 4,064,453 | 6,648,544 |
| Long term benefits | 5,666,783 | 5,900,324 |
| | 16,181,236 | 18,998,868 |

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.

10 INVENTORIES

| | 2015 | 2014 |
|--|--------------------|-------------------|
| Finished products | 22,441,662 | 23,434,796 |
| Raw materials | 79,008,188 | 20,806,849 |
| Spare parts | 13,355,339 | 13,170,366 |
| Goods in transit | - | <u>4,040,837</u> |
| | <u>114,805,189</u> | <u>61,452,848</u> |
| Less: provision for obsolete and slow moving items | (696,150) | (699,351) |
| | 114,109,039 | 60,753,497 |

11 TRADE AND OTHER RECEIVABLES

| | 2015 | 2014 |
|-------------------|-------------|------------|
| Trade receivables | 150,534,559 | 51,977,593 |
| Deposit margin | - | 2,982,700 |

QATAR INDUSTRIAL MANUFACTURING COMPANY Q.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2015

11 TRADE AND OTHER RECEIVABLES *(continued)*

| | 2015 | 2014 |
|-------------------------------------|---------------------------|--------------------------|
| Prepaid expenses | 1,828,684 | 1,458,342 |
| Due from brokers | 139,813 | 11,094,005 |
| Advances | 5,637,552 | 6,089,221 |
| Other receivables | 10,563,860 | 8,031,282 |
| | <u>168,704,468</u> | <u>81,633,143</u> |
| Less: impairment of receivables (d) | (2,718,615) | (2,073,044) |
| | <u>165,985,853</u> | <u>79,560,099</u> |

The aging for trade receivables is as follows:

| | | |
|---|---------------------------|--------------------------|
| a. Aging of neither past due not impaired | 2015 | 2014 |
| Less than 90 days | <u>11,363,386</u> | <u>24,065,909</u> |
| b. Aging of past due not impaired | | |
| 91 to 180 days | 8,488,437 | 5,448,090 |
| 181 to 365 days | 127,444,370 | 19,073,503 |
| More than 365 days | 3,238,366 | 3,390,091 |
| | <u>139,171,173</u> | <u>27,911,684</u> |
| c. Aging of past due and impaired | 2015 | 2014 |
| More than 365 days | <u>2,718,615</u> | <u>2,073,044</u> |
| d. Movement in the impairment of receivables: | | |
| | 2015 | 2014 |
| At 1 January | 2,073,044 | 1,569,182 |
| Additional during the year | 645,571 | 503,862 |
| At 31 December | <u>2,718,615</u> | <u>2,073,044</u> |

12 CASH AND CASH EQUIVALENTS

| | 2015 | 2014 |
|--------------------------------------|--------------------|--------------------|
| Cash | 185,683 | 27,432 |
| Bank accounts | 42,284,216 | 66,385,052 |
| Term deposits | 87,763,075 | 204,769,755 |
| Cash and bank balances | 130,232,974 | 271,182,239 |
| Less: | | |
| Bank overdraft | (3,211,761) | (1,790,997) |
| Term deposits (more than 3 months) | - | (10,000,000) |
| Cash and cash equivalents | 127,021,213 | 259,391,242 |

13 SHARE CAPITAL

| | 2015 | 2014 |
|--|--------------------|--------------------|
| Authorized, issued and fully paid up share capital 47,520,000 shares (2014: 47,520,000 shares) of QR 10 per share | 475,200,000 | 475,200,000 |

At the ordinary general meeting held on 10 March 2015, the shareholders approved cash dividends of 30% of share's par value (2014 - cash dividends of 30%).

14 LEGAL RESERVE

Legal reserve is computed in accordance with the provisions of the Qatar Commercial Companies' Law and the Company's Articles of Association at 10% of the net profit for the year. Transfers to the reserve are made until it equals at least 50% of the paid up capital. The reserve is not available for distribution except in circumstances specified in the Qatar Commercial Companies' law. The Board of Directors decided in 2011 to transfer QR 70 million from net profit to the legal reserve, which took the legal reserve balance to greater than 50% of the paid up capital.

15 REVALUATION RESERVE

The revaluation reserve is created against revaluation of land. Land is revalued on regular interval by the directors of the Group and resultant upward or downward valuation is reflected in revaluation reserve.

16 FAIR VALUE RESERVE

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the assets are derecognized or impaired.

QATAR INDUSTRIAL MANUFACTURING COMPANY Q.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2015

16 FAIR VALUE RESERVE (continued)

Movement in the fair value reserve:

| | 2015 | 2014 |
|--|-------------------|--------------|
| At 1 January | 92,171,516 | 92,166,577 |
| Reclassification to statement of profit or loss on sale of financial assets | (74,961) | (26,743,524) |
| Net change in fair value | (37,775,917) | 20,414,853 |
| Reclassification to statement of profit or loss on impairment of available for sale financial assets | 12,344,506 | 869,998 |
| | 66,665,144 | 86,707,904 |
| Share of change in fair value reserve from equity – accounted investees (note 7) | (15,829,671) | 5,463,612 |
| At 31 December | 50,835,473 | 92,171,516 |

17 BORROWINGS

| | 2015 | 2014 |
|----------|-------------------|------------|
| Loan (A) | 9,618,629 | 12,626,731 |
| Loan (B) | 15,848,182 | 22,921,174 |
| Loan (C) | 7,175,468 | 12,822,714 |
| Loan (D) | 14,309,493 | - |
| | 46,951,772 | 48,370,619 |

(A) The Group entered into an agreement with a local bank to avail term loan facility for QR 23.5 million to be used in the Branch expansion of an existing plant to increase its production capacity. The loan bears interest at the QCB rate plus a margin of 0.1% i.e 4.6% and is repayable in 20 equal quarterly instalments. The loan is secured against mortgage and assignment of insurance of plant and machinery relating of the expansion project in favour of lending bank.

(B) The Group entered into an agreement with a bank to avail a term loan facility for QR 46.5 million to be used in the acquisition of plant and machinery. The loan carries interest at 7% p.a. The loan is being paid on an installment basis along with accrued interest starting from February 2011. The loan is secured against mortgage and assignment of insurance of plant and machinery.

(C) The Group entered into an agreement with a bank to avail a term loan facility for QR 25 Million to be used in constructing a new factory. The loan bears interest at QCB rate plus margin 0.1 % and is repayable in 20 equal quarterly installment. The first installment will be paid after 15 months from receiving the first amount of Facility. The loan is secured against promissory note and irrevocable guarantee.

(D) The Group entered into an agreement with a bank to avail a term loan facility for USD 80 million to be used in the acquisition of plant and machinery. The loan carries interest LIBOR plus 2. 5%. The loan is to be repaid within 8 years from the date of first draw-down under the facility. The outstanding principal amount (along with the capitalized interest) under the facility is to be repaid by way of 12 semiannual installments commencing six months after the end of availability period that is 24 months from the date of first draw-down under the facility. The loan is secured against corporate guarantee of QIMC and KLJ, India to secure the entire facility amount in the prorata manner of their respective shareholding of 60% and 40% in the borrower

17 BORROWINGS (continued)

The outstanding borrowings as at 31 December 2015 are classified as follows:

| | 2015 | 2014 |
|---------------------|-------------------|-------------------|
| Current portion | 16,022,144 | 16,284,684 |
| Non-current portion | 30,929,628 | 32,085,935 |
| | <u>46,951,772</u> | <u>48,370,619</u> |

18 EMPLOYEES' END OF SERVICE BENEFIT

| | 2015 | 2014 |
|--------------------------|-------------------|-------------------|
| Balance at 1 January | 14,725,544 | 13,011,617 |
| Provided during the year | 2,428,607 | 2,062,179 |
| Paid during the year | (190,132) | (348,252) |
| Balance at 31 December | <u>16,964,019</u> | <u>14,725,544</u> |

19 NOTES PAYABLE

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

The outstanding notes payable as at 31 December 2015 are classified as follows:

| | 2015 | 2014 |
|---------------------|------------------|------------------|
| Current portion | 893,988 | 2,244,044 |
| Non-current portion | 372,495 | 1,703,811 |
| | <u>1,266,483</u> | <u>3,947,855</u> |

20 TRADE AND OTHER PAYABLES

| | 2015 | 2014 |
|---|-------------------|-------------------|
| Trade payables | 34,604,333 | 15,586,724 |
| Unclaimed dividends payable | 24,125,775 | 30,482,929 |
| Other payables and provision | 5,196,042 | 6,896,461 |
| Retentions payable | 4,317,843 | 2,477,613 |
| Transfer to social and sport fund (note 21) | 4,220,779 | 4,024,403 |
| Accrued expenses | 23,168,558 | 9,654,825 |
| | <u>95,633,330</u> | <u>69,122,955</u> |

QATAR INDUSTRIAL MANUFACTURING COMPANY Q.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2015

21 SOCIAL AND SPORTS FUND CONTRIBUTION

In accordance with Law No. 13 of 2008, the Group 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 Group. As per the instruction issued during the year 2010 by the Ministry of Economy and Finance, this social contribution has been treated as distribution from retained earnings of the Company. The provision for the year ended 31 December 2014 has been paid to the Public Revenues and Tax Department at the Ministry of Economy and Finance.

22 GENERAL AND ADMINISTRATIVE EXPENSES

| | 2015 | 2014 |
|-------------------------------------|--------------------------|--------------------------|
| Employees cost and related benefits | 26,055,715 | 26,271,897 |
| Rent | 5,064,157 | 1,923,700 |
| Professional and consulting fees | 941,962 | 1,143,215 |
| Insurance expenses | 146,062 | 167,557 |
| Stationery | 171,085 | 166,300 |
| Maintenance | 355,011 | 543,418 |
| Bank commissions | 118,804 | 314,107 |
| Travel | 843,068 | 911,626 |
| Depreciation | 1,681,089 | 1,789,142 |
| Selling costs | 3,660,922 | 1,730,382 |
| Research expense | - | 1,899,037 |
| Provision for bad debt expense | 645,571 | - |
| Others | 9,270,734 | 10,778,177 |
| | <u>48,954,180</u> | <u>47,638,558</u> |

23 BASIC EARNINGS PER SHARE

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

| | 2015 | 2014 |
|---|---------------------------|--------------------|
| Profit for the year attributable to the Owners of the Company | <u>168,831,142</u> | <u>160,976,130</u> |
| Weighted average number of shares outstanding during the year | <u>47,520,000</u> | <u>47,520,000</u> |
| Basic earnings per share | <u>3.55</u> | <u>3.39</u> |

24 CONTINGENT LIABILITIES

| | 2015 | 2014 |
|----------------------|--------------------|-------------------|
| Letters of credit | 21,096,720 | 16,668,199 |
| Letters of guarantee | 5,513,332 | 1,731,185 |
| Capital commitments | 100,610,942 | 49,729,621 |
| Lease commitments | 3,149,174 | 3,066,000 |
| | <u>130,370,168</u> | <u>71,195,005</u> |

25 SEGMENTAL REPORTING

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

26 FINANCIAL RISK MANAGEMENT

i) Credit risk

The Group's credit risk is primarily attributable to its trade receivables, other receivables, due from related parties and retention receivable and bank balances. The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables. Credit evaluations are performed on all customers requiring credit and are approved by the Group's management.

The credit risk on bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. Bank balances are held with reputed banks in and outside Qatar. Given this, management do not expect these banks to fail on their obligations.

The Group maintains a provision for doubtful accounts receivable; the estimation of such provision is reviewed periodically and established on a case by case basis. Refer to note 11 for trade receivables ageing.

ii) Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2015

26 FINANCIAL RISK MANAGEMENT (continued)**ii) Liquidity risk** (continued)

| | Carrying Amounts | Gross un-discounted contractual cash out flows | Less than 1 year | 1 – 5 Years |
|--------------------------|---------------------|---|----------------------|---------------------|
| 2015 | | | | |
| Notes payables | 1,266,483 | (1,266,483) | (893,988) | (372,495) |
| Borrowings | 46,951,772 | (46,951,772) | (16,022,144) | (30,929,628) |
| Due to related parties | 163,891,502 | (163,891,502) | (163,891,502) | - |
| Trade and other payables | 95,633,330 | (95,633,330) | (95,633,330) | - |
| Bank overdraft | 3,211,761 | (3,211,761) | (3,211,761) | - |
| | <u>310,954,848</u> | <u>(310,954,848)</u> | <u>(279,652,725)</u> | <u>(31,302,123)</u> |
| 2014 | | | | |
| Notes payables | 3,947,855 | (3,947,855) | (2,244,044) | (1,703,811) |
| Borrowings | 48,370,619 | (48,370,619) | (16,284,684) | (32,085,935) |
| Due to related parties | 56,653,774 | (56,653,774) | (56,653,774) | - |
| Trade and other payables | 69,122,955 | (69,122,955) | (69,122,955) | - |
| Bank overdraft | 1,790,997 | (1,790,997) | (1,790,997) | - |
| | <u>179,886,200</u> | <u>(179,886,200)</u> | <u>(146,096,454)</u> | <u>(33,789,746)</u> |

iii) Market risk**a) Equity price risk**

The Group is subject to equity price risk in relation to the available-for-sale investments. The Group evaluates the current market value and other factors including normal volatility in share price for quoted equities and other relevant factors such as investment manager's periodical reports relating to unquoted equities in order to manage its market risk.

A 10% increase or decrease in market values of the Group's quoted portfolio of available-for-sale investment is expected to result in an increase or decrease of QR 14.3 million (2014: QR 17.5 million) in the assets and equity of the Group.

b) Interest rate risk

The Group is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. Management does not hedge its interest rate risk and believes that the interest rate risk on its loans is minimal in the current business environment.

26 FINANCIAL RISK MANAGEMENT *(continued)*

iii) Market risk *(continued)*

b) Interest rate risk *(continued)*

At the reporting date, the interest rate profile of the Group's interest bearing financial instruments were:

| | Carrying amounts | |
|----------------------------------|-------------------|-------------------|
| | 2015 | 2014 |
| Variable rate instruments | | |
| Financial liabilities | <u>46,951,772</u> | <u>48,370,619</u> |

Sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2015.

| | Profit or loss | | Equity | |
|---------------------------|--------------------|--------------------|--------------------|--------------------|
| | 100 bp Increase | 100 bp decrease | 100 bp increase | 100 bp decrease |
| 31 December 2015 | | | | |
| Variable rate instruments | <u>(469,518)</u> | <u>469,518</u> | <u>(469,518)</u> | <u>469,518</u> |
| 31 December 2014 | | | | |
| Variable rate instruments | <u>(483,706)</u> | <u>483,706</u> | <u>(483,706)</u> | <u>483,706</u> |

c) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group's functional currency and significant foreign currency transactions are denominated in currencies pegged with the United States Dollar ("USD"). Therefore, the management is of the opinion that the Group's exposure to currency risk is minimal.

Capital risk management

The Group manages its capital to ensure that it will be able to continue on a going concern basis while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from last years.

27 ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2015

27 ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

i) Impairment of receivables

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

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

At the statement of financial position, there was no allowance for impairment of due from related parties or other receivables as the Group does not have collection concern with regards to its receivables from its related parties.

ii) Provision for slow moving stock

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

iii) Impairment of available-for-sale equity investments

The Group treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities, if any.

iv) Fair value of unquoted equity investments

If the market for a financial asset is not active or not available, the Group establishes fair value by using valuation techniques which include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models refined to reflect the issuer's specific circumstances. This valuation requires the Group to make estimates about expected future cash flows and discount rates that are subject to uncertainty.

v) Classification of investment securities

On acquisition of an investment security, the Group decides whether it should be classified as "investments at fair value through profit or loss" or "available-for-sale". The Group follows the guidance of IAS 39 on classifying its investments. The Group classifies investments as "held for trading" if they are acquired primarily for the purpose of short term profit making and cash generation. All other investments are classified as "available-for-sale". The Group accounts for investments in equity securities as investment in associate only when significant influence over the investee's operations can be proved to exercise, else and regardless of the ownership share, the investment is classified as available for sale.

28 COMPARATIVE FIGURES

The corresponding figures presented for the prior year have been reclassified where necessary to preserve consistency with the current period figures. However, such reclassifications did not have any effect on the net profit or equity of the comparative year.