Aamal Company Q.S.C.

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2011

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AAMAL COMPANY Q.S.C.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Aamal Company Q.S.C. (the "Company") and its subsidiaries (together referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2011 and the consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is 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 the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2011 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Legal and Other Regulatory Requirements

Furthermore, in our opinion, proper books of account have been kept by the Company, an inventory count has been conducted in accordance with established principles and the consolidated financial statements comply with the Qatar Commercial Companies' Law No. 5 of 2002 and the Company's Articles of Association. We further confirm that the financial information included in the Annual Report of the Board of Directors is in agreement with the books and records of the Company. We have obtained all the information and explanations we required for the purpose of our audit, and are not aware of any violations of the above mentioned law or the Articles of Association having occurred during the year, which might have had a material effect on the business of the Company or on its financial position.

Firas Qoussous
of Ernst & Young
Auditor's Registration No. 236

Date: 31 March 2012
Doha

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	Notes	*2011* *QR*	*2010* *QR*
ASSETS			
Current assets			
Cash and bank balances	5	**175,503,595**	127,338,917
Accounts receivable and prepayments	6	**689,624,369**	391,199,748
Amounts due from related parties	7	**211,572,003**	77,008,942
Inventories	8	**439,562,235**	206,554,304
		1,516,262,202	802,101,911
Non-current assets			
Goodwill	4	**109,132,500**	109,132,500
Investment in associates	9	**7,011,140**	6,458,968
Investment properties	10	**5,551,835,348**	5,262,402,289
Property, plant and equipment	12	**428,336,183**	405,916,960
		6,096,315,171	5,783,910,717
TOTAL ASSETS		**7,612,577,373**	6,586,012,628
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accruals	13	**702,079,602**	241,216,617
Amounts due to related parties	14	**81,947,467**	59,866,034
Interest bearing loans and borrowings	15	**399,077,202**	313,210,987
Bank overdrafts	5	**7,857,113**	14,320,661
		1,190,961,384	628,614,299
Non-current liabilities			
Interest bearing loans and borrowings	15	**429,325,448**	475,248,226
Employees' end of service benefits	16	**18,664,561**	15,118,252
		447,990,009	490,366,478
Total liabilities		**1,638,951,393**	1,118,980,777
EQUITY			
Share capital	17	**4,950,000,000**	4,500,000,000
Legal reserve	18	**267,955,805**	221,369,877
General reserve	18	**-**	26,365,990
Retained earnings		**614,024,670**	608,202,768
Equity attributable to equity holders of the parent		**5,831,980,475**	5,355,938,635
Non-controlling interests		**141,645,505**	111,093,216
Total equity		**5,973,625,980**	5,467,031,851
TOTAL LIABILITIES AND EQUITY		**7,612,577,373**	6,586,012,628

Sheikh Faisal Bin Qassim Al-Thani	Tarek Mahmoud El Sayed	Mohammad Ramahi
Chairman	*Managing Director*	*Chief Financial Officer*

The attached notes 1 to 33 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year Ended 31 December 2011

	Notes	***2011*** ***QR***	*2010* *QR*
Revenues	19	**1,910,137,286**	1,217,091,238
Direct costs	20	**(1,468,405,216)**	(833,946,641)
GROSS PROFIT		**441,732,070**	383,144,597
Other income	21	**7,355,968**	44,167,223
Marketing and promotion expenses		**(20,188,031)**	(13,552,609)
General and administrative expenses	22	**(115,052,715)**	(106,148,305)
Depreciation		**(8,971,071)**	(6,485,677)
Finance costs	23	**(59,715,171)**	(69,108,431)
Share of profit of associates	9	**875,458**	812,946
PROFIT BEFORE FAIR VALUE GAINS ON INVESTMENT PROPERTIES		**246,036,508**	232,829,744
Net fair value gains on investment properties	10	**287,639,069**	329,021,887
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**533,675,577**	561,851,631
Attributable to:			
Equity holders of the parent		**492,153,575**	526,556,392
Non-controlling interests		**41,522,002**	35,295,239
		533,675,577	561,851,631
Basic and diluted earnings per share (QR) (attributable to equity holders of the parent)	24	**0.99**	1.06

The attached notes 1 to 33 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended 31 December 2011

	Notes	*2011* QR	*2010* QR
OPERATING ACTIVITIES			
Profit for the year		**533,675,577**	561,851,631
Adjustment for:			
Net fair value gains on investment properties	10	**(287,639,069)**	(329,021,887)
Depreciation	12	**39,463,336**	25,648,412
Provision for employees' end of service benefits	16	**4,675,886**	4,348,966
Investment in associate written-off		**-**	91,349
Profit on disposal of plant and equipment	21	**(76,290)**	(89,961)
Interest income	21	**(1,987,181)**	(30,519,912)
Finance costs	23	**59,715,171**	69,108,431
Share of profit of associates	9	**(875,458)**	(812,946)
Operating profit before working capital changes:		**346,951,972**	300,604,083
Inventories		**(233,007,931)**	(59,512,585)
Accounts receivable and prepayments		**(302,247,121)**	(109,462,197)
Accounts payable and accruals		**447,521,096**	(88,088,590)
Net movement in amounts due from and due to related parties		**(112,481,628)**	3,211,250
Cash from operations		**146,736,388**	46,751,961
Finance costs paid	23	**(59,583,410)**	(68,959,701)
End of service benefits paid	16	**(1,129,577)**	(1,484,226)
Net cash from (used in) operating activities		**86,023,401**	(23,691,966)
INVESTING ACTIVITIES			
Interest income received	21	**1,987,181**	30,519,912
Proceeds from disposal of plant and equipment		**767,308**	295,400
Movement in bank deposits blocked as collateral	5	**460,820**	285,000
Dividends received from an associate		**323,286**	300,000
Additions to investment properties	10	**(7,489,831)**	(24,439,097)
Additions to properties under development	11	**-**	(48,200,565)
Acquisition of a subsidiary, net of cash acquired	4	**-**	(85,076,863)
Additions to property, plant and equipment net of capital expenditure advances released		**(56,877,736)**	(97,906,575)
Net cash used in investing activities		**(60,828,972)**	(224,222,788)
FINANCING ACTIVITIES			
Net movement in interest bearing loans and borrowings		**39,811,676**	(150,066,490)
Contributions from non-controlling interests		**15,980,000**	20,510,000
Dividends paid to non-controlling interests		**(25,897,059)**	-
Net cash from (used in) financing activities		**29,894,617**	(129,556,490)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**55,089,046**	(377,471,244)
Cash and cash equivalents at 1 January		**112,557,436**	490,028,680
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	5	**167,646,482**	112,557,436

The attached notes 1 to 33 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year Ended 31 December 2011

	Attributable to equity holders of the parent						
	Share capital QR	*Legal reserve QR*	*General reserve QR*	*Retained earnings QR*	*Total QR*	*Non-controlling interests QR*	*Total equity QR*
Balance at 1 January 2010	3,795,000,000	170,090,934	26,365,990	837,925,319	4,829,382,243	66,178,870	4,895,561,113
Bonus shares issued (Note 28)	705,000,000	-	-	(705,000,000)	-	-	-
Total comprehensive income for the year	-	-	-	526,556,392	526,556,392	35,295,239	561,851,631
Adjustment arising from losses transferred to non-controlling interests	-	-	-	-	-	(36,256)	(36,256)
Contribution from non-controlling interests	-	-	-	-	-	20,510,000	20,510,000
Non-controlling interest arising on business combination (Note 4)	-	-	-	-	-	382,500	382,500
Acquisition of non-controlling interests (Note 4)	-	-	-	-	-	(11,237,137)	(11,237,137)
Transfer to legal reserve (Note 18)	-	51,278,943	-	(51,278,943)	-	-	-
Balance at 31 December 2010	4,500,000,000	221,369,877	26,365,990	608,202,768	5,355,938,635	111,093,216	5,467,031,851
Bonus shares issued (Note 28)	450,000,000	-	-	(450,000,000)	-	-	-
Total comprehensive income for the year	-	-	-	492,153,575	492,153,575	41,522,002	533,675,577
Adjustment due to change in effective shareholding	-	-	-	1,052,654	1,052,654	(1,052,654)	-
Adjustment against allowance for receivables	-	-	(3,822,500)	-	(3,822,500)	-	(3,822,500)
Contribution from non-controlling interests	-	-	-	-	-	15,980,000	15,980,000
Dividends paid to non-controlling interests	-	-	-	-	-	(25,897,059)	(25,897,059)
Transferred to retained earnings (Note 18)	-	-	(22,543,490)	22,543,490	-	-	-
Contribution to social and sports activities fund (Note 13)	-	-	-	(13,341,889)	(13,341,889)	-	(13,341,889)
Transfer to legal reserve (Note 18)	-	46,585,928	-	(46,585,928)	-	-	-
Balance at 31 December 2011	**4,950,000,000**	**267,955,805**	**-**	**614,024,670**	**5,831,980,475**	**141,645,505**	**5,973,625,980**

The attached notes 1 to 33 form part of these consolidated financial statements.

1 CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

Aamal was formed on 13 January 2001 as a private shareholding company with limited liability (W.L.L.) under the Commercial Registration Number 23245 in the State of Qatar. On 12 July 2007, the private shareholders resolved to transform Aamal into a Qatari Shareholding Company (Q.S.C.) (the "Company"). Accordingly, the Company was listed on Qatar Exchange on 5 December 2007. The Company's registered office is at P.O. Box 22744, Doha, State of Qatar.

The Company is organised into a head office (Aamal) and branches and operates in the State of Qatar. The following table sets out the principal activities of the branches:

Branch	**Principal activities**
City Center Qatar Branch	Leasing the facilities of retail outlet complex in City Center Doha.
Aamal Real Estate Branch	Residential and commercial real estate investment and property rental.
Aamal Readymix Branch	Production and sale of readymix concrete.
Ebn Sina Medical Branch	Wholesale and retail distribution of pharmaceuticals and general consumable products.
Aamal Medical Branch	Wholesale distribution of medical equipment.
Aamal Trading and Distribution Branch	Sale of tyres, lubricants and equipment relating to hospitality and cleaning industries.
Aamal Services Branch	Providing facilities management and cleaning services.
Aamal Travels Branch	Operating a travel agency.
Aamal for Industrial Projects Branch	Industrial investments.
Bottega Verde Qatar	Sale of beauty care products.
Good Life Pharmacy Branch	Sale of pharmaceuticals, baby care products, medicine and general consumable products.
City Center Pharmacy Branch	Sale of pharmaceuticals and general consumable products.
Foot Care Center Branch	Sale of footwear, clinical activities and general commercial trading products.

The consolidated financial statements were authorised for issue by the management representatives of Aamal Company Q.S.C. on behalf of the Board of Directors on 31 March 2012.

2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of Aamal Company Q.S.C. (the "Company") and its subsidiaries (together referred to as the "Group").

Subsidiaries

Subsidiaries are those enterprises 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 financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Upon loss of control, the Group accounts for the investment retained at its proportionate share of net asset value at the date of control was lost. The financial statements of subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies.

2 BASIS OF CONSOLIDATION (continued)

Subsidiaries (continued)
The principal subsidiaries of the Group incorporated in the consolidated financial statements are as follows:

Company name	*Country of incorporation*	*Principal activity*	*Effective holding Percentage*	
			2011	*2010*
Aamal Cement Industries W.L.L.	Qatar	Development and management of factories and the production of curb stone, interlock slabs and cement bricks.	99%	99%
IMO Qatar Company W.L.L.	Qatar	Construction and repair of power plant, establishment and management of industrial enterprises and acting as a representative for the international companies.	60%	60%
Senyar Industries Qatar Holding W.L.L.	Qatar	Management of subsidiaries and associates, owning of patents, businesses and subletting them and provision of investment portfolio management to its subsidiaries and associates. The Group has the power to govern the financial and operating policies of Senyar Industries Qatar Holding W.L.L. by virtue of a shareholders' agreement. Thus, the company has been considered as a subsidiary of the Group.	50%	50%
Doha Cables Qatar W.L.L.	Qatar	Maintenance and manufacture of electric cables, equipment and tools. Doha Cables Qatar W.L.L. is 91.875% (effectively) owned by Senyar Industries Qatar Holding W.L.L., a subsidiary of the Group. The Group has the power, indirectly through Senyar Industries Qatar Holding W.L.L., to govern financial and operating policies of Doha Cables Qatar W.L.L. and accordingly the company was considered as a subsidiary of the Group.	45.9%	45.9%
El Sewedy Cables Qatar W.L.L.	Qatar	Trading in electro-mechanical equipment and providing related services. El Sewedy Cables Qatar W.L.L. is 49% owned (with 55% share of profits/losses) by Senyar Industries Qatar Holding W.L.L., a subsidiary of the Group. The Group has the power to govern the financial and operating policies of El Sewedy Cables Qatar W.L.L., by virtue of a shareholders' agreement. Thus, the company has been considered as a subsidiary of the Group. .	27.5%	27.5%
Aamal Qatar Holding Co.W.L.L.	Bahrain	Holding company for a group of commercial, industrial and services companies.	99%	99%
Foot Care Center W.L.L.	Bahrain	Import, export and sale of medical and scientific equipment and tools, leather products (including shoes and handbags) and related supplies and spare parts.	99%	99%

2 BASIS OF CONSOLIDATION (continued)

Subsidiaries (continued)

Company name	*Country of incorporation*	*Principal activity*	*Effective holding Percentage*	
			2011	*2010*
Bottega Verde W.L.L.	Bahrain	Import and export and sale of cosmetics and perfumes and beauty products.	99%	99%
Aamal Qatar Medical Co. W.L.L.	Bahrain	Import, export and sale of medical and scientific equipment and tools, leather products (including shoes and handbags), cosmetics, perfumes, beauty products, food stuffs, toys, raw cotton and related supplies and spare parts.	99%	99%
Ecco Gulf Co. W.L.L.	Qatar	Offers professional and business process outsourcing and call center services.	51%	51%
Advanced Pipes and Casts Company W.L.L.	Qatar	Manufacturing of wide cement and glass reinforced pipes systems for infrastructure and pipeline projects. The company was established during the year with a capital of QR 30,000,000. The Group has the power to govern the financial and operating policies of Advanced Pipes and Casts Company W.L.L., by virtue of a shareholders' agreement. Thus, the company has been considered as a subsidiary of the Group.	50%	-
Johnsons Control Qatar W.L.L.	Qatar	Provision of facilities management services, energy services and building maintenance and cleaning services to corporate clients. The company was established during the year with a capital of QR 2,000,000.	51%	-

Transactions eliminated on consolidation
Inter-company balances and transactions, and any unrealized gains arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

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 statement of comprehensive income and within equity in the consolidated statement of financial position, separately from parent shareholders' equity. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable requirements of the Qatar Commercial Companies' Law No. 5 of 2002.

The consolidated financial statements have been presented in Qatari Riyals (QR), which is the Company's functional and presentation currency.

The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of investment properties.

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year except for the following standards effective for the annual period beginning on or after 1 January 2011:

IAS 24, 'Related Party Disclosures (Revised)'
The definition of a related party has been clarified to simplify the identification of related party relationships, particularly in relation to significant influence and joint control. A partial exemption from the disclosures has been included for government-related entities. For these entities, the general disclosure requirements of IAS 24 will not apply. Instead, alternative disclosures have been included, requiring: (a) The name of the government and the nature of its relationship with the reporting entity (b) The nature and amount of individually significant transactions (c) A qualitative or quantitative indication of the extent of other transactions that are collectively significant. However, this amendment did not give rise to any changes to the Group's consolidated financial statements.

IAS 32, 'Financial Instruments: Presentation - Classification of rights issues (Amendment)'
The definition of a financial liability has been amended to classify rights issues (and certain options or warrants) as equity instruments if: (a) The rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments and (b) In order to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment provide reliefs to entities that issue rights (fixed in a currency other than their functional currency), from treating the rights as derivatives with fair value changes recorded in profit or loss. Rights issued in foreign currencies that were previously accounted for as derivatives will now be classified as equity instruments. However, this amendment did not give rise to any changes to the Group's consolidated financial statements.

Improvements to IFRS (issued May 2010)
'Improvements to IFRS' comprise amendments that result in accounting changes for presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. Most of the amendments are effective for annual periods beginning on or after 1 January 2011, with earlier application permitted. No material changes to accounting policies were made as a result of these amendments.

The following amendments, interpretations became effective in 2011, but did not have any impact on the accounting policies, financial position or performance of the Group:

Standard/Interpretation	*Content*
IFRIC 13	Customer Loyalty Programmes (determining the fair value of award credits)
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

3.3 IASB STANDARDS AND INTERPRETATIONS ISSUED BUT NOT ADOPTED

The following IASB standards have been issued but are not yet mandatory, and have not been early adopted by the Group:

Standard/ Interpretation	*Content*	*Effective date*
IAS 19	Employee Benefits (Revsied)	1 January 2013
IAS 27	Separate Financial Statements (Revised)	1 January 2013
IAS 28	Investments in Associates and Joint Ventures (Revised)	1 January 2013
IFRS 9	Financial Instruments: Classification & Measurement (Part 1)	1 January 2015
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 IASB STANDARDS AND INTERPRETATIONS ISSUED BUT NOT ADOPTED (continued)

The Group is considering the implications of the above standards, the impact on the Group and the timing of adoption by the Group.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity. Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After 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 that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill forms part of a cash-generating unit 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.

Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Cash and cash equivalents
For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and bank balances and short term bank deposits with an original maturity of three months or less, except any bank deposits used as collateral for loans or guarantees, net of outstanding bank overdrafts.

Accounts receivable
Accounts receivable are stated at original invoice amount less an allowance 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.

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, as follows:

Goods for resale	-	Cost of direct materials and labour plus attributable overheads based on a normal level of activity.
Raw material and spare parts	-	Purchase cost on a weighted average basis.

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

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

Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity.

The reporting dates of the associates and the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss of the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in associates is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the recoverable amount of the associate and the carrying value and recognises the amount in the consolidated statement of comprehensive income.

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

Investment properties
Land and buildings are considered as investment properties only when they are being held to earn rentals or for capital appreciation or for both.

Investment properties are measured initially at cost, including transaction costs and borrowing costs that are directly attributable to construction of the asset. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of comprehensive income in the year in which they arise.

Investment properties are derecognised when either they have been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of comprehensive income in the year of retirement or disposal.

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)
Property under construction is dealt with under IAS 40 and recorded at cost less accumulated impairment losses until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). At that time, it is reclassified as investment property and a fair value adjustment is recognised in the consolidated statement of comprehensive income.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the difference between the carrying value and the fair value at the date of transfer is recognised as a revaluation reserve in the equity and is released to the consolidated statement of comprehensive income upon disposal of such property.

Property, plant and equipment
Property, plant and equipment is stated at cost including borrowing costs that are eligible for capitalisation and excluding the costs of day-to-day servicing, less accumulated depreciation and any impairment in value.

Depreciation is provided on a straight-line basis on all property, plant and equipment. The rates of depreciation are based upon the following estimated useful lives:

Buildings	20 years
Leasehold improvements	2-8 years
Truck mixers and motor vehicles	4-15 years
Plant and machinery	8-25 years
Furniture, fixtures and office equipment	3-5 years
Computers and related software	3-5 years
Capital work in progress	Not depreciated

The carrying amounts are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

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

An item of property, plant and equipment is derecognised 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 statement of comprehensive income in the year the asset is derecognised.

The asset's residual values, useful lives and method of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the year they incur. Borrowing costs consist the interest and other costs that the Group incurs in connection with the borrowing of funds.

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.

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest bearing loans and borrowings
Interest bearing loans and borrowings are recognised initially at fair value of the amounts borrowed, less directly attributable transaction costs. Subsequent to initial recognition, interest bearing loans and borrowings are measured at amortised cost using the effective interest method, with any differences between the cost and final settlement values being recognized in the consolidated statement of comprehensive income over the period of borrowings. Instalments due within one year at amortised cost are shown as a current liability.

Gains or losses are recognised in the consolidated statement of comprehensive income when the liabilities are derecognised. Interest relating to interest bearing loans and borrowings is expensed in the year in which it incurs except those qualify for capitalisation.

Tenant deposits
Tenant deposit liabilities are initially recognised at fair value and subsequently measured at amortised cost where material. Any difference between the initial fair value and the nominal amount is included as a component of rental income and recognised on a straight-line basis over the lease term.

Derecognition of financial assets and liabilities

a) Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The rights to receive cash flows from the asset have expired;
- 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 (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

b) 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 amounts is recognised in the consolidated statement of comprehensive income.

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment and uncollectibility of financial assets
An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the consolidated statement of comprehensive income. Impairment is determined as follows:

(a) For assets carried at fair value, impairment is the difference between cost and fair value;
(b) For assets carried at cost, impairment is the difference between cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.
(c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Provisions
Provisions are recognised when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Employees' end of service benefits
The Group provides end of service benefits to all employees in accordance with employment contracts and Qatar Labour Law. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Revenue
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received excluding discounts, rebates and duty. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods
Sales are recognised when significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

Rental income
Rental income from investment properties is accounted for on a time proportion basis over the period of tenancy. Incentives for leases to enter into lease agreements are spread evenly over the lease term, even if the payments are not made on such basis. Income arising from expenses recharged to tenants is recognised in the year in which the expenses can be contractually received. Service charges and other such receipts are included gross of related costs in revenues as the Group acts as principal in this regard. Premiums received to terminate leases are recognised in the consolidated statement of comprehensive income when they arise.

Service income
Service income is recognised when the service is rendered and the outcome of the transactions can be estimated reliably.

Commission
Commission is accounted for on an accrual basis, when the right to receive the income is established.

Income on travel agencies
Income on travel agencies is accounted for in the year in which the airline tickets are sold.

Interest income
Interest income is recognised as the interest accrues using the effective interest rate method.

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are taken to the consolidated statement of comprehensive income.

Use of estimates
The preparation of the Group's consolidated financial statements in conformity with International Financial Reporting Standards (IFRS) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

The estimates and underlying assumptions are reviewed regularly. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Fair values
The fair value of investment properties is based on valuations carried out by external, independent evaluators.

The fair value of interest bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

4 BUSINESS COMBINATION

Acquisition in 2010
Acquisition of El Sewedy Cables Qatar W.L.L.
With effect from 1 January 2010, the Group acquired 24.5% (effective) of the voting shares of El Sewedy Cables Qatar W.L.L., a limited liability company incorporated in Qatar and registered under Commercial Registration No. 32729, through Senyar Industries Qatar Holding W.L.L., which acquired 49% interest in El Sewedy Cables Qatar W.L.L. and gained control by virtue of a shareholders' agreement. As per the shareholders' agreement, Senyar Industries Qatar Holding W.L.L. is entitled for 55% share of profits/losses of El Sewedy Cables Qatar W.L.L.

El Sewedy Cables Qatar W.L.L. is engaged in the activities of trading in electro – mechanical equipment and providing related services.

The fair value of the identifiable assets and liabilities of El Sewedy Cables Qatar W.L.L., based on a purchase price allocation exercise conducted by the management, as at the date of acquisition was:

	Fair value recognised on acquisition QR
Assets	
Property and equipment	**1,807,643**
Investment in an associate	**11,238,718**
Inventories	**33,372,122**
Accounts receivable and prepayments	**117,264,450**
Bank balances and cash	**24,679,279**
	188,362,212
Liabilities	
Employees' end of service benefits	**220,430**
Notes payable	**124,819,957**
Accounts payable and accruals	**61,909,982**
Bank overdraft	**256,142**
Income tax payable	**405,701**
	187,612,212
Total identifiable net assets	**750,000**
Non-controlling interest arising on business combination	**(382,500)**
Goodwill arising on acquisition	**109,132,500**
Purchase consideration transferred	**109,500,000**
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiary	**24,423,137**
Cash paid	**(109,500,000)**
	(85,076,863)

From the date of acquisition, El Sewedy Cables Qatar W.L.L. contributed QR 35,119,706 to the net profit and QR 447,250,723 to the revenues of the Group for the year ended 31 December 2010.

Non-controlling interest in Doha Cables Qatar W.L.L.
As a result of the acquisition of El Sewedy Cables Qatar W.L.L., the Group's effective interest in Doha Cables Qatar W.L.L. increased to 45.9%, resulting in an adjustment to non-controlling interests at the date of acquisition amounting to QR 11,237,137.

5 CASH AND CASH EQUIVALENTS

For the purpose of consolidated statement of cash flows, cash and cash equivalents comprise the following balances:

	2011	*2010*
	QR	*QR*
Cash and bank balances	**138,658,335**	85,195,576
Short term bank deposits	**36,845,260**	42,143,341
	175,503,595	127,338,917
Bank overdrafts	**(7,857,113)**	(14,320,661)
	167,646,482	113,018,256
Less*:* Deposits blocked for lien over letter of guarantees	**-**	(460,820)
Cash and cash equivalents	**167,646,482**	112,557,436

The short term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short term deposit rates.

6 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2011	*2010*
	QR	*QR*
Trade accounts receivable	**617,203,357**	363,482,672
Advances to suppliers and prepayments	**44,062,714**	14,979,613
Retention receivables	**16,624,225**	5,612,488
Other receivables	**11,734,073**	7,124,975
	689,624,369	391,199,748

As at 31 December 2011, trade accounts receivable amounting to QR 11,877,085 (2010: QR 9,417,343) were impaired. Movements in the allowance for impairment of trade accounts receivable were as follows:

	2011	*2010*
	QR	*QR*
At 1 January	**9,417,343**	9,040,506
Charge for the year (Note 22)	**4,876,765**	946,502
Adjusted against general reserve	**3,822,500**	-
Amounts written off	**(5,634,944)**	(28,265)
Unused amounts reversed	**(604,579)**	(541,400)
At 31 December	**11,877,085**	9,417,343

6 ACCOUNTS RECEIVABLE AND PREPAYMENTS (continued)

As at 31 December, the ageing of unimpaired trade accounts receivable was as follows:

			Past due but not impaired				
	Total *QR*	*Neither past due nor impaired* *QR*	*< 30 days* *QR*	*30-60 Days* *QR*	*61-90 Days* *QR*	*91-120 days* *QR*	*> 120 days* *QR*
2011	**617,203,357**	**298,874,961**	**73,487,822**	**100,995,001**	**41,663,754**	**38,402,300**	**63,779,519**
2010	363,482,672	138,935,361	70,708,343	56,480,710	27,379,979	24,798,127	45,180,152

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables.

7 AMOUNTS DUE FROM RELATED PARTIES

	2011 ***QR***	*2010* *QR*
Al Faisal Holding Company W.L.L.	**102,537,899**	67,919,477
United Metals Company	**88,295,207**	-
El Sewedy Holding Company	**7,765,544**	-
Good Life Chemist - The Pearl	**1,801,020**	394,200
El Sewedy Electric Egypt W.L.L.	**1,582,284**	-
Maintenance Management Group Qatar W.L.L.	**1,550,527**	466,662
Al Faisal International Trade and Investment Company W.L.L.	**1,314,554**	-
Bader Pharmacy	**1,259,409**	1,229,521
El Sewedy Cables – Kuwait	**1,103,215**	-
Al Jawhara Pharmacy	**951,097**	611,615
Gettco International	**706,260**	809,163
Al Jazi Real Estate Investment Company W.L.L.- Al Jazi Real Estate Branch	-	99,544
Al-Arabia Land Transporting Company W.L.L.	**393,550**	426,600
Al Farman for Investment & International Trading Company W.L.L.	**124,130**	14,200
Frijns Structural Steel Middle East W.L.L.	**116,211**	1,649
Qatar Bahrain Cinema Company W.L.L.	**86,268**	133,756
Gulf English School	**81,856**	21,957
Dyarco International Trading Company W.L.L.	**49,480**	46,750
Stenden University	**25,990**	15,560
Winter Wonderland	**22,500**	22,500
Family Entertainment Center Company W.L.L.	**10,000**	10,000
Good Life Chemist - Al Saad	**336,434**	902,526
Al-Rayyan Tourism & Investment Company W.L.L.	-	225,062
Other related parties	**1,458,568**	3,658,200
	211,572,003	77,008,942

7 AMOUNTS DUE FROM RELATED PARTIES (continued)

Notes:

(i) Transactions with related parties are carried out through open account and Directors do not consider any receivables to be past due or impaired.

(ii) Related party transactions are disclosed in Note 27.

8 INVENTORIES

	2011 *QR*	*2010* *QR*
Goods for resale	**282,584,068**	114,882,643
Raw materials and spare parts	**37,119,699**	52,995,236
Work in progress	**46,899,680**	33,317,089
Goods in transit	**75,754,780**	7,724,669
	442,358,227	208,919,637
Less: Provision for obsolete and slow moving inventories	**(2,795,992)**	(2,365,333)
	439,562,235	206,554,304

Movements in the provision for obsolete and slow moving inventories were as follows:

	2011 *QR*	*2010* *QR*
At 1 January	**2,365,333**	2,520,687
Charge for the year (Note 22)	**939,857**	243,627
Reversals	**(484,201)**	(365,604)
Amounts written off	**(24,997)**	(33,377)
At 31 December	**2,795,992**	2,365,333

9 INVESTMENT IN ASSOCIATES

The Group has the following investments in associate companies.

	Country of incorporation	*Ownership interest*	
		2011	*2010*
Ci – San Trading W.L.L.	Qatar	**50%**	50%
Frijns Structural Steel Middle East W.L.L.	Qatar	**20%**	20%
Al Farazdaq W.L.L.	Qatar	**35%**	35%

Ci – San Trading W.L.L.

The Group holds 50% of the ownership interest of Ci – San Trading W.L.L., which was registered and incorporated on 21 October 2008. It is primarily engaged in the business of purchase, sale and lease of real estate properties, management of real estate properties, owning the patent and trademark and trading in equipment and vehicles.

9 INVESTMENT IN ASSOCIATES (continued)

Frijns Structural Steel Middle East W.L.L.
The Group holds 20% of the ownership interest of Frijns Structural Steel Middle East W.L.L., which was registered and incorporated on 6 November 2008. It is engaged in industrial services for the oil and gas companies.

Al Farazdaq W.L.L.
The Group holds 35% of the ownership interest of Al Farazdaq W.L.L., which was registered and incorporated on 12 August 2009. It is engaged in providing printing and advertising services to industrial customers.

The following table illustrates summarized financial information of the Group's investment in associates:

	2011	*2010*
	QR	*QR*
Share of associates' statement of financial position:		
Current assets	**12,396,792**	8,919,988
Non-current assets	**4,179,012**	2,850,940
Current liabilities	**(2,404,518)**	(2,108,709)
Non-current liabilities	**(7,160,146)**	(3,203,251)
Equity	**7,011,140**	6,458,968
Share of associate's revenue and profits:		
Revenue	**11,809,341**	6,292,743
Profits	**875,458**	812,946
Carrying amount of the investments	**7,011,140**	6,458,968

10 INVESTMENT PROPERTIES

	2011	*2010*
	QR	*QR*
At 1 January	**5,262,402,289**	4,745,582,667
Additions	**7,489,831**	24,439,097
Transferred from properties under development (Note 11)	**-**	163,358,638
Transferred to property, plant and equipment (Note 12)	**(8,725,056)**	-
Transferred from property, plant and equipment (Note 12)	**3,029,215**	-
Net gain from fair value adjustment	**287,639,069**	329,021,887
At 31 December	**5,551,835,348**	5,262,402,289

Notes:

(i) Investment properties are stated at fair value, which has been determined based on valuations performed by an accredited independent valuer as at 31 December 2011 and 31 December 2010 for the current year and previous year respectively. The valuations were performed by an accredited independent valuer with a recognised and relevant professional qualification and with recent experience in the location and category of the investment property being valued. As set out in Note 32, in arriving at the estimates of market values, the valuer has used his market knowledge and professional judgement and not only relied on historical transactional comparables.

(ii) Investment properties are located in the State of Qatar.

(iii) Included in the investment properties, are certain properties with the fair value of QR 1,312,715,500 at 31 December 2011 (2010: QR 1,218,716,000) originally held in the name of the Chairman, and pledged and registered with the bank for an Islamic financing facility obtained, as more explained in Note 15. The title deeds of the properties will be transferred to the Group upon settlement of the said loan. These consolidated financial statements have been prepared on the basis that the beneficial interest of these properties resides with the Group.

(iv) The encumbrances and liens on the investment properties are disclosed in Note 15.

11 PROPERTIES UNDER DEVELOPMENT

	Land	*Capital work in progress*	***Total 2011***	*Total 2010*
	QR	*QR*	***QR***	*QR*
At 1 January	-	-	-	115,158,073
Additions during the year	-	-	-	48,200,565
Transferred to investment properties (Note 10)	-	-	-	(163,358,638)
At 31 December	-	-	-	-

12 PROPERTY, PLANT AND EQUIPMENT

	Buildings QR	*Leasehold improvements QR*	*Truck mixers and motor vehicles QR*	*Plant and machinery QR*	*Furniture, fixtures and office equipment QR*	*Computers and related software QR*	*Capital work in progress QR*	*Total QR*
Cost:								
At 1 January 2011	123,265,615	37,597,839	71,983,170	227,465,836	17,355,493	14,165,598	12,956,769	504,790,320
Additions	14,168,785	896,903	15,038,804	14,965,460	7,778,503	1,166,579	2,862,702	56,877,736
Disposals	-	-	(657,399)	(54,000)	(586,237)	(750)	-	(1,298,386)
Transferred from investment properties (Note 10)	-	-	-	8,725,056	-	-	-	8,725,056
Transferred to investment properties (Note 10)	-	-	-	-	-	-	(3,029,215)	(3,029,215)
Transfers	-	107,054	-	-	90,221	488,092	(685,367)	-
At 31 December 2011	137,434,400	38,601,796	86,364,575	251,102,352	24,637,980	15,819,519	12,104,889	566,065,511
Depreciation:								
At 1 January 2011	2,873,790	10,980,897	39,184,647	25,325,930	10,323,182	10,184,914	-	98,873,360
Charge for the year	6,270,876	3,529,942	4,717,798	19,883,634	3,009,985	2,051,101	-	39,463,336
Relating to disposals	-	-	(332,667)	(7,715)	(266,237)	(749)	-	(607,368)
At 31 December 2011	9,144,666	14,510,839	43,569,778	45,201,849	13,066,930	12,235,266	-	137,729,328
Net carrying amounts:								
At 31 December 2011	**128,289,734**	**24,090,957**	**42,794,797**	**205,900,503**	**11,571,050**	**3,584,253**	**12,104,889**	**428,336,183**

Notes:

(i) Depreciation charge for the year amounting to QR 30,492,265 (2010: QR 19,162,735) is included in the direct costs.

(ii) During the year 2011, there were no borrowing costs capitalised in to capital work in progress (2010: QR 6,538,451).

(iii) The buildings are constructed on a plot of land taken on a long term operating lease.

12 PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings *QR*	*Leasehold improvements* *QR*	*Truck mixers and motor vehicles* *QR*	*Plant and machinery* *QR*	*Furniture, fixtures and office equipment* *QR*	*Computers and related software* *QR*	*Capital work in progress* *QR*	*Total* *QR*
Cost:								
At 1 January 2010	-	14,119,100	57,243,232	37,098,190	11,045,269	12,066,415	271,414,144	402,986,350
Additions	-	10,149,251	13,388,247	64,297,525	5,798,961	2,588,420	7,134,649	103,357,053
Disposals	-	(276,144)	(1,175,974)	(2,285,569)	(67,482)	(501,485)	-	(4,306,654)
Acquisition of a subsidiary (Note 4)	-	319,919	1,213,850	650,807	568,995	-	-	2,753,571
Transfers	123,265,615	13,285,713	1,313,815	127,704,883	9,750	12,248	(265,592,024)	-
At 31 December 2010	123,265,615	37,597,839	71,983,170	227,465,836	17,355,493	14,165,598	12,956,769	504,790,320
Depreciation:								
At 1 January 2010	-	8,676,494	32,952,674	17,544,819	8,440,418	8,765,830	-	76,380,235
Charge for the year	2,873,790	2,490,579	6,698,450	9,924,161	1,740,890	1,920,542	-	25,648,412
Relating to disposals	-	(276,140)	(978,437)	(2,285,541)	(59,639)	(501,458)	-	(4,101,215)
Acquisition of a subsidiary (Note 4)	-	89,964	375,230	279,221	201,513	-	-	945,928
Reclassifications	-	-	136,730	(136,730)	-	-	-	-
At 31 December 2010	2,873,790	10,980,897	39,184,647	25,325,930	10,323,182	10,184,914	-	98,873,360
Net carrying amounts:								
At 31 December 2010	120,391,825	26,616,942	32,798,523	202,139,906	7,032,311	3,980,684	12,956,769	405,916,960

13 ACCOUNTS PAYABLE AND ACCRUALS

	2011	*2010*
	QR	*QR*
Trade accounts payable	**550,157,726**	147,528,287
Advances from customers and tenants	**82,813,475**	50,263,040
Accruals	**36,147,499**	36,772,404
Social and sports activities leavy	**13,341,889**	-
Other payables	**19,619,013**	6,652,886
	702,079,602	241,216,617

14 AMOUNTS DUE TO RELATED PARTIES

	2011	*2010*
	QR	*QR*
El Sewedy Cables Egypt	**45,489,053**	45,364,391
United Industries Company W.L.L.	**9,837,057**	-
Gulf Rocks Company W.L.L.	**8,708,682**	7,704,808
SEDCO	**8,191,986**	-
El Sewedy Cables - Syria	**2,898,215**	-
Egyptian Call Center Operator	**1,668,386**	2,491,675
Gettco Company W.L.L. – Gettco Refrigeration and Airconditioning	**683,317**	98,377
Al Jazi Real Estate Company W.L.L. – Al Jazi Real Estate Branch	**386,475**	-
Diwan Al Emara W.L.L.	**159,116**	154,488
Al Shaab Group of Companies	**68,828**	8,838
United Wire Company W.L.L.	**7,364**	377,805
City Pharmacy	**2,712**	2,712
The Qatari Modern Maintenance Company W.L.L.	**-**	7,060
Al Shaab International	**-**	6,295
Habtoor Gettco Engineering Company W.L.L. – Gettco Contracting Branch	**-**	1,365,148
Other related parties	**3,846,276**	2,284,437
	81,947,467	59,866,034

Note:
Related party transactions are disclosed in Note 27.

15 INTEREST BEARING LOANS AND BORROWINGS

	Notes	*Maturity*	***2011 QR***	*2010 QR*
Loan 1	(i)	June 2012	**265,216,549**	-
Loan 2	(ii)	March 2016	**241,152,411**	269,290,062
Loan 3	(iii)	January 2015	**151,632,000**	189,540,000
Loan 4	(iv)	November 2016	**73,964,856**	84,693,085
Loan 5	(v)	December 2016	**49,153,500**	-
Loan 6	(vi)	May 2012	**22,900,050**	15,196,459
Loan 7	(vii)	May 2016	**7,114,000**	-
Loan 8	(viii)	September 2015	**4,753,527**	-
Loan 9	(ix)	November 2014	**4,160,000**	5,660,000
Loan 10	(x)	February 2015	**3,923,501**	-
Loan 11	(xi)	June 2012	**1,826,117**	-
Loan 12	(xii)	December 2012	**1,533,074**	4,695,369
Loan 13	(xiii)	May 2013	**928,125**	1,588,125
Loan 14	(xiv)	April 2012	**477,601**	-
Loan 15	(xv)	June 2011	**-**	168,927,209
Loan 16	(xv)	June 2011	**-**	47,633,885
Loan 17	(xv)	April 2011	**-**	947,441
Loan 18	(xv)	March 2011	**-**	752,000
			828,735,311	788,923,635
Less: Deferred financing cost			**(332,661)**	(464,422)
			828,402,650	788,459,213

Presented in the consolidated statement of financial position as follows:

	2011 QR	*2010 QR*
Current portion	**399,077,202**	313,210,987
Non-current portion	**429,325,448**	475,248,226
	828,402,650	788,459,213

The deferred financing costs consist of arrangement fees. The movements in the deferred financing costs were as follows:

	2011 QR	*2010 QR*
At 1 January	**464,422**	613,152
Amortised during the year (Note 23)	**(131,761)**	(148,730)
At 31 December	**332,661**	464,422

15 INTEREST BEARING LOANS AND BORROWINGS (continued)

Notes:

(i) Loan 1 is a USD 93,000,000 import loan facility obtained to refinance the letters of credit. The loan carries interest at commercial rate and the interest is paid at monthly intervals. The facility is repayable within 180 days including the usage period under letter of credits.

(ii) Loan 2 is an Islamic Financing Arrangement by surrendering a property originally registered in the name of the Chairman whose beneficiary owner is the Group (Note 10). The said property's title deed will be released by the bank upon full settlement of the loan. The fair value of the property is QR 1,312,715,500 at 31 December 2011 (2010: QR 1,218,716,000). The Group has provided an undertaking to pay the interest and principal repayments on a timely basis as and when they fall due. As a result, the loan liability and associated financing costs have been reflected in the consolidated financial statements of the Group. The loan was drawn down on 27 September 2006, and is repayable in 20 semi-annual installments of QR 30,840,132 with effect from 27 March 2007.

(iii) Loan 3 was a QR 213,000,000 facility that was available for draw down and issuance of letters of credit from 7 April 2009 until 30 September 2010. However, on 20 June 2010, the facility was replaced with the USD 52,000,000 term loan facility, which is equivalent to QR 190,000,000 and was available for draw down not later than 30 November 2010. The purpose of the loan is to finance capital expenditure and direct payment to suppliers, contractors and sub-contractors. The loan carries interest at commercial rate and the interest is to be paid quarterly. The facility is repayable in 15 quarterly installments starting 1 July 2011 and ending January 2015.

(iv) Loan 4 was obtained for the construction of an investment property. The loan is secured by a primary mortgage over the same property and the corporate guarantee of Aamal Company Q.S.C. The loan carries interest at commercial rate and is payable in quarterly instalments, starting from the end of the second year after the completion of construction.

(v) Loan 5 represents a loan facility that will be obtained in two separate tranches by the Group amounting to QR 309,825,000 (USD 85,000,000) for the purpose of refurbishment of City Center Mall. The loan is repayable in 16 equal quarterly installments for each tranche, commencing from March 2013. The loan carries interest at commercial rate.

(vi) Loan 6 is a trust receipt banking facility for the purchase of inventories, which will mature in May 2012.

(vii) Loan 7 was drawn down on 13 July 2011 to finance the purchase of heavy vehicles. The loan is repayable in 59 equal monthly installments of QR 131,000 with a last installment of QR 171,000 with effect from 31 July 2011. The loan carries interests at commercial rate.

(viii) Loan 8 was drawn down on 1 January 2011 to finance the purchase of heavy machines. The loan is repayable in 50 equal monthly installments of QR 300,000 with effect from 31 July 2011. The loan carries interest at commercial rate.

(ix) Loan 9 represents the loan obtained during the year 2010, amounting to QR 5,660,000, to finance the purchase of delivery trucks. The loan is repayable in 48 equal monthly installments starting from November 2010. The loan is guaranteed by irrecoverable corporate guarantees from the shareholders and mortgage of delivery trucks purchased. The loan carries interest at commercial rate.

(x) Loan 10 represents a loan obtained during the year 2011, amounting to QR 4,956,000, to finance the purchase of delivery trucks. The loan is repayable in 48 equal monthly installments starting from March 2011. The loan is guaranteed by an irrevocable corporate guarantee from the shareholders and secured by mortgage of delivery trucks purchased. The loan carries interest at commercial rate.

(xi) Loan 11 represents a short term facility obtained during the year 2011, amounting to QR 1,826,117, to finance the purchase of machinery and equipment. The loan carries interest at commercial rate.

15 INTEREST BEARING LOANS AND BORROWINGS (continued)

Notes:

(xii) Loan 12 represents the amount payable to a supplier for the purchase of machinery for a plant for QR 20,732,029. As per the agreement, the loan is settled by semi-annual instalments over the period of five years commencing from 31 December 2007. The loan is secured by promissory notes issued by one of the shareholders. The loan carries interest at commercial rate.

(xiii) Loan 13 was drawn down on 31 August 2010 to finance the purchase of heavy equipment and machines. The loan is repayable in 31 equal monthly instalments of QR 55,000 with a last installment of QR 48,125, with effect from 31 October 2010. The loan carries interest at commercial rate.

(xiv) Loan 14 is a short term facility that has been obtained for settlement of letters of credit relating to import of materials and medical equipment. These loans carry interests at commercial rate and payable within six months from the first draw down date.

(xv) Loans 15 to 18 were fully settled during the year ended 31 December 2011.

16 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the provision reflected in the consolidated statement of financial position were as follows:

	2011 ***QR***	*2010* *QR*
At 1 January	**15,118,252**	12,033,082
Provision made during the year	**4,675,886**	4,348,966
Acquisition of a subsidiary (Note 4)	**-**	220,430
End of service benefits paid during the year	**(1,129,577)**	(1,484,226)
At 31 December	**18,664,561**	15,118,252

17 SHARE CAPITAL

	2011 ***QR***	*2010* *QR*
Authorised		
Shares of QR 10 each	**4,950,000,000**	4,500,000,000

	2011		*2010*	
	Number of shares	***QR***	*Number of shares*	*QR*
Issued and fully paid				
At 1 January	**450,000,000**	**4,500,000,000**	379,500,000	3,795,000,000
Issue of bonus shares	**45,000,000**	**450,000,000**	70,500,000	705,000,000
At 31 December	**495,000,000**	**4,950,000,000**	450,000,000	4,500,000,000

18 RESERVES

Legal reserve
As required by Commercial Companies' Law No. 5 of 2002, 10% of the profit for the year as a minimum should be transferred to legal reserve. The reserve is not normally available for distribution except in the circumstances stipulated in the above mentioned law.

General reserve
General reserve represents additional capital introduced in the form of the present value of forgiven interest during the grace period of one year of the loan drawn down from the ultimate parent, Al Faisal Holding Company W.L.L. on 10 July 2008. This amount is the difference between the amount of the loan and its fair value determined at applicable market interest rate. As the loan has been fully settled, the balance was transferred to retained earnings during the year ended 31 December 2011.

19 REVENUES

	2011	*2010*
	QR	*QR*
Sale of goods	**1,619,379,319**	942,373,414
Rental income	**212,648,102**	199,329,719
Service income	**41,216,566**	44,858,249
Commission, incentives and agency fees	**36,893,299**	30,529,856
	1,910,137,286	1,217,091,238

20 DIRECT COSTS

	2011	*2010*
	QR	*QR*
Cost of inventories recognised as an expense	**1,329,705,895**	730,331,931
Salaries and wages	**44,433,734**	31,041,007
Operating expenses on real estate properties	**25,521,372**	20,884,011
Depreciation (Note 12)	**30,492,265**	19,162,737
Operator's management fees	**11,667,326**	10,071,795
Other operating expenses	**26,584,624**	22,455,160
	1,468,405,216	833,946,641

21 OTHER INCOME

	2011	*2010*
	QR	*QR*
Interest income	**1,987,181**	30,519,912
Profit on disposal of plant and equipment	**76,290**	89,961
Miscellaneous income	**5,292,497**	13,557,350
	7,355,968	44,167,223

22 GENERAL AND ADMINISTRATIVE EXPENSES

	2011	*2010*
	QR	*QR*
Management and employees' costs	**60,088,911**	60,885,449
Rent	**23,795,728**	20,027,723
Allowance for impairment of trade accounts receivable (Note 6)	**4,876,765**	946,502
Insurance and professional fees	**1,683,934**	3,202,237
Communication costs	**1,263,206**	2,719,034
Training and business development	**1,125,414**	1,300,510
Provision for slow moving and obsolete inventories (Note 8)	**939,857**	243,627
Repairs and maintenance	**926,039**	1,462,895
Postage, printing and stationery	**753,256**	651,440
Miscellaneous expenses	**19,599,605**	14,708,888
	115,052,715	106,148,305

23 FINANCE COSTS

	2011	*2010*
	QR	*QR*
Interest expense and bank charges	**59,583,410**	68,959,701
Amortisation of deferred financing costs (Note 15)	**131,761**	148,730
	59,715,171	69,108,431

24 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. During the year, the Group issued and capitalized bonus shares and accordingly, the previously reported earnings per share have been restated.

	2011	*2010*
Profit for the year attributable to equity holders of the parent (QR)	**492,153,575**	526,556,392
Weighted average number of shares outstanding during the year (i)	**495,000,000**	495,000,000
Basic and diluted earnings per share (QR)	**0.99**	1.06

Notes:

(i) The weighted average number of shares for the purpose of calculating earning per share has been calculated as follows:

	2011	*2010*
Qualifying shares at the beginning of the year	**450,000,000**	450,000,000
Effect of bonus shares issued and capitalised in 2011	**45,000,000**	45,000,000
Weighted average number of shares at the end of the year	**495,000,000**	495,000,000

(ii) There were no potentially dilutive shares outstanding at any time during the year and hence the diluted earnings per share is equal to the basic earnings per share.

25 COMMITMENTS

	2011	*2010*
	QR	*QR*
Estimated capital expenditure approved and contracted for at the year end but not provided for:		
Investment properties	**73,256,019**	2,596,511
Property, plant and equipment	**2,430,762**	3,106,541
	75,686,781	5,703,052
Operating lease commitments, under non-cancellable lease agreements:		
Payable within one year	**12,833,397**	2,540,960
Payable after one year but not more than five years	**-**	11,353,631
	12,833,397	13,894,591

26 CONTINGENT LIABILITIES

The Group had the following contingent liabilities from which it is anticipated that no material liabilities will arise.

	2011	*2010*
	QR	*QR*
Letters of guarantee	**414,501,774**	197,233,156
Letters of credit	**9,854,896**	20,055,447

Notes:

(i) Letters of guarantee include performance, tender and bid bonds and payment guarantees given to suppliers and contractors by the Group in the ordinary course of business, which will mature within twelve months from the reporting date.

(ii) Letters of credit are provided by lodging documents to the bank for purchase of trading goods from foreign suppliers, which will mature within three to six months from the date of the transaction.

27 RELATED PARTY DISCLOSURES

Related party transactions
Related parties represent major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

Transactions with related parties included in the consolidated financial statements were as follows:

	2011	*2010*
	QR	*QR*
Ultimate parent's subsidiaries and associates		
Sale of goods and services	**40,560,339**	34,379,700
Rental income	**2,125,876**	489,675
Purchase of goods and services	**512,668,021**	183,826,759
Rental expense	**9,284,058**	14,137,249
Interest expense	**-**	26,416,456
Interest income	**-**	17,275,376
Term loan repaid	**-**	438,207,400

Related party balances
Amounts due from and due to related parties are disclosed in Notes 7 and 14 respectively. These balances do not carry interest and are repayable on mutually agreed dates, generally within one year.

The Group did not record any impairment of receivables relating to amounts due from related parties in either year. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Parent
The Group's ultimate parent is Al Faisal Holding Company W.L.L.

Beneficiary user
The Group is the beneficiary user of certain investment properties and also the proceeds of a loan, which are in the name of the Chairman, as more explained in Notes 10 and 15 respectively. The loan carries interest at commercial rate.

Guarantees received
The Chairman and the ultimate parent, Al Faisal Holding Company W.L.L., provided guarantees for certain term loans of the Group as more explained in Note 15. The loans carry interest at commercial rates.

Compensation of key management personnel
The remuneration of key management during the year was as follows:

	2011	*2010*
	QR	*QR*
Short-term benefits	**7,207,678**	9,921,307
Employees' end of service benefits	**179,947**	155,470
	7,387,625	10,076,777

28 BONUS SHARES

During the year, the Group issued one share for every ten shares held as of 31 December 2010, amounting to QR 450,000,000, using retained earnings as of 31 December 2010 (2010: 18,577 shares for every 100,000 shares held as of 31 December 2009, amounting to QR 705,000,000, using retained earnings as of 31 December 2009).

29 SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their nature of activities and has four reportable segments and the Head Office as follows:

Property:
The segment consists of City Center Qatar Branch and Aamal Real Estate Branch which are involved in leasing the facilities of retail outlet complex, real estate investments and property rental businesses.

Trading and distribution:
The segment involves wholesale and/or retail distribution of pharmaceutical and consumable items, medical equipment, tyres and lubricants, perfumes and cosmetic items. The segment includes the following entities:

- Ebn Sina Medical Branch
- Aamal Medical Branch
- Aamal Trading and Distribution Branch
- Bottega Verde Qatar Branch
- Foot Care Center Branch
- Good Life Pharmacy Branch
- City Center Pharmacy Branch
- Aamal Qatar Holding Co. W.L.L. (Bahrain)
- Foot Care Center W.L.L. (Bahrain)
- Bottega Verde W.L.L. (Bahrain)
- Aamal Qatar Medical Co. W.L.L. (Bahrain)

Industrial manufacturing:
The segment involves manufacturing, wholesale and/or retail distribution of electric cables and tools, ready-mix concrete and cement blocks and provision of services in relation to industrial investment, repair and construction of power plants and management of industrial enterprises. The segment includes the following entities:

- Aamal Cement Industries W.L.L.
- Aamal Readymix Branch
- IMO Qatar Company W.L.L.
- Doha Cables Qatar W.L.L.
- Senyar Industries Qatar Holding W.L.L.
- El Sewedy Cables Qatar W.L.L.
- Advanced Pipes and Casts Company W.L.L.

Managed services:
The segment involves provision of housekeeping and cleaning services, facilities management services, energy services, building maintenance and acting as travel agents. The segment includes the following entities:

- Aamal Service Branch
- Aamal Travels Branch
- Ecco Gulf Co. W.L.L.
- Johnsons Control Qatar W.L.L.

29 SEGMENT INFORMATION (Continued)

Head Office:
It provides corporate services to the branches and subsidiaries of the Group.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss of these segments. Transfer pricing between operating segments are on arm's length basis in a manner similar to transactions with third parties.

29 SEGMENT INFORMATION (continued)

Operating segments:
The operating segment, after elimination of inter-branch and inter-company transactions, is presented as follows:

For the year ended 31 December 2011	*Property* *QR*	*Trading and distribution* *QR*	*Industrial manufacturing* *QR*	*Managed services* *QR*	*Head Office* *QR*	*Eliminations* *QR*	*Total* *QR*
Revenues							
- External parties	**212,648,102**	**516,727,044**	**1,138,457,575**	**42,304,565**	**-**	**-**	**1,910,137,286**
- Inter segments	**1,078,711**	**6,899,729**	**319,025**	**15,145,725**	**-**	**(23,443,190)** [(i)]	**-**
	213,726,813	**523,626,773**	**1,138,776,600**	**57,450,290**	**-**	**(23,443,190)**	**1,910,137,286**
Operating results	**161,009,233**	**63,272,764**	**62,136,593**	**7,680,057**	**(48,062,139)**	**-**	**246,036,508**
Fair value gains	**287,639,069**	**-**	**-**	**-**	**-**	**-**	**287,639,069**
Profit (Loss) for the year	**448,648,302**	**63,272,764**	**62,136,593**	**7,680,057**	**(48,062,139)**	**-**	**533,675,577**
Depreciation	**1,459,974**	**5,058,413**	**30,674,949**	**1,500,888**	**769,112**	**-**	**39,463,336**

29 SEGMENT INFORMATION (continued)

Operating segments (continued):

For the year ended 31 December 2010	*Property QR*	*Trading and distribution QR*	*Industrial manufacturing QR*	*Managed services QR*	*Head Office QR*	*Eliminations QR*	*Total QR*
Revenues							
- External parties	199,329,719	424,000,638	551,506,510	42,254,371	-	-	1,217,091,238
- Inter segments	929,798	4,695,667	2,030,229	3,408,793	-	(11,064,487) (i)	-
	200,259,517	428,696,305	553,536,739	45,663,164	-	(11,064,487)	1,217,091,238
Operating results	156,070,859	47,469,979	49,367,514	10,075,673	(30,154,281)	-	232,829,744
Fair value gains	329,021,887	-	-	-	-	-	329,021,887
Profit (Loss) for the year	485,092,746	47,469,979	49,367,514	10,075,673	(30,154,281)	-	561,851,631
Depreciation	862,030	4,042,836	19,349,903	1,282,464	111,179	-	25,648,412

Note:

(i) Inter-segment revenues are eliminated on consolidation.

29 SEGMENT INFORMATION (continued)

Assets and liabilities:

At 31 December 2011	*Property* *QR*	*Trading and distribution* *QR*	*Industrial manufacturing* *QR*	*Managed services* *QR*	*Head Office* *QR*	*Eliminations* *QR*	*Total* *QR*
Current assets	**128,457,295**	**317,062,008**	**929,169,668**	**44,448,034**	**279,025,702**	**(181,900,505)** (i)	**1,516,262,202**
Non current assets	**5,562,069,782**	**13,630,777**	**502,308,874**	**5,902,937**	**12,402,801**	**-**	**6,096,315,171**
Total assets	**5,690,527,077**	**330,692,785**	**1,431,478,542**	**50,350,971**	**291,428,503**	**(181,900,505)**	**7,612,577,373**
Current liabilities	**187,927,156**	**134,776,017**	**954,757,384**	**23,300,756**	**72,100,576**	**(181,900,505)** (i)	**1,190,961,384**
Non current liabilities	**108,081,117**	**8,102,827**	**131,642,791**	**2,309,719**	**197,853,555**	**-**	**447,990,009**
Total liabilities	**296,008,273**	**142,878,844**	**1,086,400,175**	**25,610,475**	**269,954,131**	**(181,900,505)**	**1,638,951,393**
Capital expenditure (ii)	**7,769,643**	**2,910,984**	**44,844,138**	**2,878,070**	**5,964,732**	**-**	**64,367,567**

29 SEGMENT INFORMATION (continued)

Assets and liabilities (continued):

At 31 December 2010	*Property* *QR*	*Trading and distribution* *QR*	*Industrial manufacturing* *QR*	*Managed services* *QR*	*Head Office* *QR*	*Eliminations* *QR*	*Total* *QR*
Current assets	139,506,343	240,641,441	420,923,942	34,794,622	102,621,743	(136,386,180) (i)	802,101,911
Non current assets	5,268,121,044	16,143,035	488,465,873	4,525,749	6,655,016	-	5,783,910,717
Total assets	5,407,627,387	256,784,476	909,389,815	39,320,371	109,276,759	(136,386,180)	6,586,012,628
Current liabilities	88,071,835	106,329,190	457,979,325	13,605,520	99,027,342	(136,398,913) (i)	628,614,299
Non current liabilities	309,659,576	6,777,604	171,253,842	1,993,270	682,186	-	490,366,478
Total liabilities	397,731,411	113,106,794	629,233,167	15,598,790	99,709,528	(136,398,913)	1,118,980,777
Capital expenditure (ii)	28,999,835	12,414,565	83,690,818	2,542,064	48,349,433	-	175,996,715

Notes:

(i) Inter-segment balances are eliminated on consolidation.

(ii) Capital expenditures consist of additions to property, plant and equipment, properties under development and investment properties.

30 FINANCIAL RISK MANAGEMENT

Objectives and policies
The Group's principal financial liabilities comprise interest bearing loans and borrowings, bank overdrafts, amounts due to related parties and trade accounts payable. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as trade accounts receivable, amounts due from related parties, bank balances, retention receivable and other receivables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are market risk, credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

Market risk
Market risk is the risk that changes in market prices, such as interest rates and foreign currency exchange rates will affect the Group's profit, equity or value of its holding of financial instruments. The objective of market risk management is to manage and control the market risk exposure within acceptable parameters, while optimising return.

Interest rate risk
The Group's financial assets and liabilities that are subject to interest rate risk comprise bank deposits, interest bearing loans and borrowings and bank overdrafts. At the reporting date, the interest rate profile of the Group's interest bearing financial instruments was as follows:

	2011	*2010*
	QR	*QR*
Fixed interest rate instruments:		
Financial assets	**20,797,699**	-
Financial liabilities	**(357,043,647)**	(598,919,213)
	(336,245,948)	(598,919,213)
Floating interest rate instruments:		
Financial assets	**16,047,561**	42,143,341
Financial liabilities	**(479,216,116)**	(203,860,661)
	(463,168,555)	(161,717,320)

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's financial assets and liabilities with floating interest rates.

The following table demonstrates the sensitivity of the consolidated statement of comprehensive income to reasonably possible changes in interest rates by 25 basis points, with all other variables held constant. The sensitivity of the consolidated statement of comprehensive income is the effect of the assumed changes in interest rates for one year, based on the floating rate financial assets and financial liabilities held at 31 December. The effect of decreases in interest rates is expected to be equal and opposite to the effect of the increases shown.

	Changes in basis points	*Effect on profit QR*
2011		
Floating interest rate instruments	**+25 b.p.**	**(1,157,921)**
2010		
Floating interest rate instruments	+25 b.p.	(404,293)

30 FINANCIAL RISK MANAGEMENT (continued)

Foreign currency risk
Foreign currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates.

Trade accounts payable and accrued expenses include amounts due in foreign currencies, mainly US Dollars, UAE Dirhams, Great Britain Pounds (GBP) and Euros, of which the Group has a currency risk primarily on the balances payable in Euros and GBP amounting to QR 25,825,329 (2010: QR 12,209,267).

The Group does not hedge its currency exposure. As both Qatari Riyal and UAE Dirhams are pegged to the US Dollar, balances in US Dollars and UAE Dirhams are not considered to represent significant currency risk to the Group.

The table below indicates the Group's foreign currency exposure at 31 December, as a result of its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the QR currency rate against the Euro and GBP, with all other variables held constant, on the consolidated statement of comprehensive income (due to the fair value of currency sensitive monetary assets and liabilities). The effect of decreases in foreign currency exchange rates is expected to be equal and opposite to the effect of the increases shown.

	Increase in foreign currency rate to the QR	*Effect on profit QR*
2011	+5%	**(1,291,266)**
2010	+5%	(610,463)

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's exposure to credit risk is indicated by the carrying amount of its financial assets, which consist principally of trade accounts receivable, retention receivable, amounts due from related parties, other receivables and bank balances.

The Group sells its products and provides services to various parties. It is the Group's policy that all customers who wish to obtain on credit terms are subject to credit verification procedures to ensure credit worthiness. Each new customer is analysed individually for creditworthiness before the delivery of products or services. Customers that fail to meet the creditworthiness may transact with the Group only on prepayment basis. Property rentals are mostly received in advance or contracted with post dated cheques. In addition, receivable balances are monitored on an ongoing basis and the purchase limits are established for each credit customer, which are reviewed regularly based on the level of past transactions and settlement. The Group's maximum exposure with regard to trade accounts receivable, net of allowance reflected at the reporting date, was as follows:

Business segment:	***2011 QR***	*2010 QR*
Property	**15,861,265**	8,514,871
Trading and distribution	**197,566,957**	139,188,261
Industrial manufacturing	**378,039,163**	199,681,025
Managed services	**25,735,972**	16,098,515
	617,203,357	363,482,672

30 FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)
With respect to credit risk arising from the other financial assets of the Group, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments as follows:

	2011	*2010*
	QR	*QR*
Bank balances	**175,417,880**	127,285,420
Amounts due from related parties	**211,572,003**	77,008,942
Retention and other receivables	**28,358,298**	12,737,463
	415,348,181	217,031,825

The group reduces the exposure of credit risk arising from other financial assets by maintaining bank accounts in reputed banks and providing services only to creditworthy related parties.

The management considers the bank balances and amounts due from related parties as high grade financial assets and trade accounts receivable and other receivables as standard grade financial assets. When a financial asset is identified to be impaired, the management downgrades such assets to impaired category and provides adequate allowances.

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 risk 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 and is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans and borrowings.

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of financial assets (e.g. accounts receivable) and projected cash flows from operations. The Group's terms of sales or services require amounts to be paid within 30-90 days from the invoiced date.

30 FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)
The table below summarises the maturity profile of the Group's financial liabilities at 31 December based on contractual undiscounted payments.

	On demand QR	*Less than 3 months QR*	*3 to 12 months QR*	*1 to 5 years QR*	*> 5 years QR*	*Total QR*
At 31 December 2011						
Interest bearing loans and borrowings	**-**	**64,645,934**	**396,505,680**	**476,988,018**	**-**	**938,139,632**
Bank overdrafts	**7,857,113**	**-**	**-**	**-**	**-**	**7,857,113**
Trade accounts payable	**-**	**94,579,970**	**455,577,756**	**-**	**-**	**550,157,726**
Other payables	**-**	**24,898,283**	**8,062,619**	**-**	**-**	**32,960,902**
Amounts due to related parties	**-**	**23,075,222**	**58,872,245**	**-**	**-**	**81,947,467**
	7,857,113	**207,199,409**	**919,018,300**	**476,988,018**	**-**	**1,611,062,840**

	On demand QR	*Less than 3 months QR*	*3 to 12 months QR*	*1 to 5 years QR*	*> 5 years QR*	*Total QR*
At 31 December 2010						
Interest bearing loans and borrowings	-	763,280	356,613,894	465,512,419	75,380,722	898,270,315
Bank overdrafts	14,320,661	-	-	-	-	14,320,661
Trade accounts payable	-	118,913,557	28,614,730	-	-	147,528,287
Other payables	-	6,652,886	-	-	-	6,652,886
Amounts due to related parties	-	32,608,093	27,257,941	-	-	59,866,034
	14,320,661	158,937,816	412,486,565	465,512,419	75,380,722	1,126,638,183

30 FINANCIAL RISK MANAGEMENT (continued)

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 capital, which the Group defines as total shareholders' equity, excluding minority interests and the level of dividends to ordinary shareholders.

The Board also seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group's target is to achieve a return on shareholders' equity (excluding non-controlling interests) greater than the weighted average interest expense on interest bearing loans and borrowings.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic and business conditions and shareholders' expectation. No changes were made in the objectives, policies or processes during the years ended 31 December 2011 and 31 December 2010.

The Group monitors the capital using a gearing ratio, which is debt divided by capital plus debt. The Group's policy is to keep the gearing ratio below 40%. The Group includes within debt, interest bearing loans and borrowings, less cash and cash equivalents. Capital includes equity attributable to the equity holders of the parent.

	2011	*2010*
	QR	*QR*
Interest bearing loans and borrowings	**828,402,650**	788,459,213
Less: Cash and cash equivalents	**(167,646,482)**	(113,018,256)
Net debt	**660,756,168**	675,440,957
Total capital	**5,831,980,475**	5,355,938,635
Capital and net debt	**6,492,736,643**	6,031,379,592
Gearing ratio	**10.2%**	11.2%

31 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of bank balances, short term bank deposits, amounts due from related parties, retention and other receivables and trade accounts receivable. Financial liabilities consist of bank overdrafts, interest bearing loans and borrowings, amounts due to related parties and trade accounts payable.

The fair values of these financial instruments except interest bearing loans and borrowings approximates their carrying values due to the short term maturities of these instruments.

The fair value of interest bearing loans and borrowings are estimated based on discounted cash flows using interest rate currently available for the debt or similar terms and remaining maturities.

32 SIGNIFICANT ASSUMPTIONS, ACCOUNTING JUDGEMENTS AND ESTIMATES

Impairment of accounts receivable
An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and an allowance applied according to the length of time past due, based on historical recovery rates.

Impairment of inventories
Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision is applied according to the inventory type and the degree of ageing or obsolescence, based on anticipated selling prices.

Fair value of investment properties
Investment properties are stated at fair value. The Group used external, independent evaluators to determine the fair value of the investment properties. The independent evaluator uses the market situations, estimated yield and expected future cash flows and the recent real estate transactions with similar characteristics and location of properties for the valuation of investment properties.

If an independent valuation is carried out at the intermediate period, the management determines the year end valuation by applying appropriate discounting rate on the intermediate valuation based on the market situations, estimated yield and expected future cash flows. Thus the management believes it’s a more transparent and accurate valuation.

Useful lives of property, plant and equipment
The Group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset, physical wear and tear, technical or commercial obsolescence.

During the year, the Group has extended the useful lives of certain plant and machinery items and heavy vehicles in light of latest available, reliable information. As a result, the depreciation charge for the year pertaining to the plant and machinery items and heavy vehicles has been reduced by QR 3,074,061 and QR 2,837,966 to QR 2,151,076 and QR 2,212,000 respectively. The effect of the change in useful lives has been applied prospectively.

Going concern
The Group’s management has made an assessment of the Group’s ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group’s ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on a going concern basis.

33 INCOME TAX

Certain subsidiaries of the Group, which have Non-GCC ownership, are subject to income tax under Qatar Income Tax Law No. 21 of 2009. The income tax is charged on the share of profits attributable to Non-GCC shareholders. For the purpose of these consolidated financial statements, the income tax liability of the foreign shareholders has been excluded, given that the Non-GCC shareholders have agreed, under the shareholder agreements signed with the Group, to bear the full liability and make necessary payments.