

**Qatari German Company for  
Medical Devices Q.S.C.**

**FINANCIAL STATEMENTS FOR YEAR ENDING  
ON 31 DECEMBER 2017**

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF QATARI GERMAN COMPANY FOR MEDICAL DEVICES Q.S.C.**

### **Report on the audit of the financial statements**

#### **Opinion**

We have audited the financial statements of Qatari German Company for Medical Devices Q.S.C. (the "Company") which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS"s).

#### **Basis for qualified opinion**

Included in the intangible assets is an amount of QR 10,329,937 representing patent relating to the safety syringes. Management is in process of assessing the future economic value that will be generated from the patent. In the absence of the assessment by the management, we were unable to obtain sufficient appropriate audit evidence with respect to the recoverable amount of the patent as at 31 December 2017. Consequently, we were unable to determine whether any adjustments to the balance were necessary.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the State of Qatar, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

#### **Material uncertainty related to going concern**

Without further qualifying our opinion, we draw attention to Note 2.1 to the financial statements, which states that the Company has accumulated losses of QR 103,975,052, which exceeds 50% of the share capital as at 31 December 2017. Also, as at 31 December 2017, the Company's current liabilities exceeded its current assets by QR 21,206,930. These conditions indicate the existence of a material uncertainty, which may cast doubt on the Company's ability to continue as a going concern.

Article 295 of the Qatar Commercial Companies' Law No. 11 of 2015 requires that if the shareholding company's losses reaches half of its capital, the Board of Directors should call for an extraordinary general assembly meeting to discuss the continuation of the company or its dissolution before the term specified in its Articles of Association. If the board of directors fails to call for the extraordinary general assembly or if it was impractical to adopt a decision on such matter, any interested party may request the competent court to dissolve the company. In this regard, the Board of Directors confirmed its plan to call for an extra ordinary general assembly for the shareholders to pass a resolution to continue the operations of the Company, and to enable the Company to continue as a going concern and meet its financial commitments when they fall due. Also, the management is in the process of taking measures of improving its operations and hence, these financial statements have been prepared on a going concern basis. Our opinion is not modified further in respect of this matter.

#### **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, except for the matter described in the material uncertainty related to going concern. We have determined that there are no other key matters to communicate in our report.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
QATARI GERMAN COMPANY FOR MEDICAL DEVICES Q.S.C. (CONTINUED)**

**Report on the audit of the financial statements (continued)**

**Other information**

The Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our qualified opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein we are required to communicate the matter(s) with those charged with governance.

**Responsibilities of management and those charged with governance for the financial statements**

The Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and for such internal control as the management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

**Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our qualified opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our qualified opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
QATARI GERMAN COMPANY FOR MEDICAL DEVICES Q.S.C. (CONTINUED)**

**Report on the audit of the financial statements (continued)**

**Auditors' responsibilities for the audit of the financial statements (continued)**

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were most of significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosures about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on other legal and regulatory requirements**

Furthermore, in our opinion, proper books of account have been kept by the Company and an inventory count has been concluded in accordance with the established principles. We draw attention to the material uncertainty related to going concern where the Company has accumulated losses of QR 103,975,052 which exceeds 50% of the share capital as at 31 December 2017. As of the audit report date, the Company has not held an extraordinary general assembly, as required by Article 295 of the Qatar Commercial Companies' Law No. 11 of 2015, to discuss the continuation of the Company or its dissolution before the term specified in its Article of Association. However, the Board of Directors confirmed its plan to call for an extraordinary general assembly for the shareholders to pass a resolution to continue the operations of the Company. Further, 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 laws or the Company's Articles of Association except for the matter discussed above having occurred during the year, which might have had a material adverse effect on the Company's financial position or performance.

Ihab Marzouk  
of Ernst & Young  
Auditor's Registration No. 338

Date: 27 March 2018  
Doha

**Qatari German Company for Medical Devices Q.S.C.**

**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 December 2017

|   | <i>Notes</i> | <b>2017</b><br><b>QR</b> | <b>2016</b><br><b>QR</b> |
|---|--------------|--------------------------|--------------------------|
| Revenues  | 3            | <b>11,801,314</b>        | 12,672,956               |
| Direct costs  | 4            | <b>(9,255,889)</b>       | <b>(9,635,627)</b>       |
| <b>Gross profit</b>                                   |              | <b>2,545,425</b>         | 3,037,329                |
| Other income  | 5            | <b>2,686,908</b>         | 2,904,664                |
| Selling and distribution expenses                     | 6            | <b>(1,007,198)</b>       | (2,188,259)              |
| General and administrative expenses                   | 7            | <b>(15,421,972)</b>      | (10,832,798)             |
| Impairment of property, plant and equipment           | 9            | <b>(6,603,312)</b>       | -                        |
| <b>Operating loss</b>                                 |              | <b>(17,800,149)</b>      | (7,079,064)              |
| Finance cost  | 8            | <b>(3,891,780)</b>       | (3,294,911)              |
| <b>Loss for the year</b>                              |              | <b>(21,691,929)</b>      | (10,373,975)             |
| Other comprehensive income for the year               |              | -                        | -                        |
| <b>Loss and total comprehensive loss for the year</b> |              | <b>(21,691,929)</b>      | <b>(10,373,975)</b>      |
| <b>Basic and diluted loss per share</b>               | 21           | <b>(1.88)</b>            | <b>(0.90)</b>            |

The attached notes 1 to 26 form part of these financial statements.

Qatari German Company for Medical Devices Q.S.C.

STATEMENT OF FINANCIAL POSITION

At 31 December 2017

|                                     | <i>Notes</i> | <b>2017</b><br><b>QR</b>         | <b>2016</b><br><b>QR</b>  |
|-------------------------------------|--------------|----------------------------------|---------------------------|
| <b>ASSETS</b>                       |              |                                  |                           |
| <b>Non-current assets</b>           |              |                                  |                           |
| Property, plant and equipment       | 9            | <b>127,145,976</b>               | 136,726,730               |
| Investment property                 | 10           | <b>12,590,000</b>                | 12,590,000                |
| Intangible assets                   | 11           | <b>10,379,607</b>                | 10,498,816                |
|                                     |              | <b><u>150,115,583</u></b>        | <u>159,815,546</u>        |
| <b>Current assets</b>               |              |                                  |                           |
| Inventories                         | 12           | <b>12,522,125</b>                | 17,934,023                |
| Trade and other receivables         | 13           | <b>7,774,292</b>                 | 10,123,945                |
| Bank balances and cash              | 14           | <b>541,085</b>                   | 952,127                   |
|                                     |              | <b><u>20,837,502</u></b>         | <u>29,010,095</u>         |
| <b>TOTAL ASSETS</b>                 |              | <b><u><u>170,953,085</u></u></b> | <u><u>188,825,641</u></u> |
| <b>EQUITY AND LIABILITIES</b>       |              |                                  |                           |
| <b>Equity</b>                       |              |                                  |                           |
| Share capital                       | 15           | <b>115,500,000</b>               | 115,500,000               |
| Legal reserve                       | 16           | <b>30,343,120</b>                | 30,343,120                |
| Revaluation reserve                 | 17           | <b>11,999,694</b>                | 11,999,694                |
| Accumulated losses                  |              | <b><u>(103,975,052)</u></b>      | <u>(82,283,123)</u>       |
| <b>Total equity</b>                 |              | <b><u>53,867,762</u></b>         | <u>75,559,691</u>         |
| <b>Liabilities</b>                  |              |                                  |                           |
| <b>Non-current liabilities</b>      |              |                                  |                           |
| Employees' end-of-service benefits  | 18           | <b>885,016</b>                   | 924,432                   |
| Loans and borrowings                | 19           | <b>74,155,875</b>                | 81,030,590                |
|                                     |              | <b><u>75,040,891</u></b>         | <u>81,955,022</u>         |
| <b>Current liabilities</b>          |              |                                  |                           |
| Loans and borrowings                | 19           | <b>23,132,443</b>                | 12,168,390                |
| Accounts payable and accruals       | 20           | <b>4,068,139</b>                 | 4,749,251                 |
| Bank overdrafts                     | 14           | <b>14,843,850</b>                | 14,393,287                |
|                                     |              | <b><u>42,044,432</u></b>         | <u>31,310,928</u>         |
| <b>Total liabilities</b>            |              | <b><u>117,085,323</u></b>        | <u>113,265,950</u>        |
| <b>TOTAL EQUITY AND LIABILITIES</b> |              | <b><u><u>170,953,085</u></u></b> | <u><u>188,825,641</u></u> |

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Hamad Khamis A. Al-Kubaisi  
*Chairman of the Board of Directors*

.....  
Khalid Ali Al Mawlawi  
*Vice Chairman*

The attached notes 1 to 26 form part of these financial statements.

Qatari German Company for Medical Devices Q.S.C.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

|  | <i>Share<br/>capital<br/>QR</i> | <i>Legal<br/>reserve<br/>QR</i> | <i>Revaluation<br/>reserve<br/>QR</i> | <i>Accumulated<br/>losses<br/>QR</i> | <i>Total<br/>QR</i> |
|--|---------------------------------|---------------------------------|---------------------------------------|--------------------------------------|---------------------|
| At 1 January 2016 ( <i>As restated</i> ) | 115,500,000                     | 30,343,120                      | 11,999,694                            | (71,909,148)                         | 85,933,666          |
| Loss for the year                        | -                               | -                               | -                                     | (10,373,975)                         | (10,373,975)        |
| Other comprehensive income               | -                               | -                               | -                                     | -                                    | -                   |
| Total comprehensive loss for the year    | -                               | -                               | -                                     | (10,373,975)                         | (10,373,975)        |
| At 31 December 2016                      | 115,500,000                     | 30,343,120                      | 11,999,694                            | (82,283,123)                         | 75,559,691          |
| Loss for the year                        | -                               | -                               | -                                     | (21,691,929)                         | (21,691,929)        |
| Other comprehensive income               | -                               | -                               | -                                     | -                                    | -                   |
| Total comprehensive loss for the year    | -                               | -                               | -                                     | (21,691,929)                         | (21,691,929)        |
| <b>At 31 December 2017</b>               | <b>115,500,000</b>              | <b>30,343,120</b>               | <b>11,999,694</b>                     | <b>(103,975,052)</b>                 | <b>53,867,762</b>   |

The attached notes 1 to 26 form part of these financial statements.

# Qatari German Company for Medical Devices Q.S.C.

## STATEMENT OF CASHFLOWS

For the year ended 31 December 2017

|   | <i>Notes</i> | <b>2017</b><br><b>QR</b> | <b>2016</b><br><b>QR</b> |
|---|--------------|--------------------------|--------------------------|
| <b>OPERATING ACTIVITIES</b>                                   |              |                          |                          |
| Loss for the year   |              | <b>(21,691,929)</b>      | (10,373,975)             |
| <i>Adjustments for:</i>                                       |              |                          |                          |
| Impairment of property, plant and equipment                   | 9            | <b>6,603,312</b>         | -                        |
| Finance cost  | 8            | <b>3,891,780</b>         | 3,294,911                |
| Depreciation of property, plant and equipment                 | 9            | <b>2,640,085</b>         | 2,872,502                |
| Loss on disposal of property, plant and equipment             | 7            | <b>225,855</b>           | -                        |
| Provision for employees' end of service benefits              | 18           | <b>200,159</b>           | 227,190                  |
| Amortization of computer software                             | 11           | <b>119,209</b>           | 119,209                  |
| Write-off of inventories                                      | 7            | <b>629,287</b>           | 1,028,779                |
| Foreign exchange (gain) / loss                                | 5 and 7      | <b>(220,765)</b>         | 120,962                  |
| Provision on impairment on trade receivables and advances     | 7            | <b>4,804,717</b>         | 1,075,968                |
| Provision for slow-moving inventories                         | 7            | <b>1,847,302</b>         | 59,217                   |
| Operating loss before working capital changes                 |              | <b>(950,988)</b>         | (1,575,237)              |
| <i>Working capital changes:</i>                               |              |                          |                          |
| Inventories   |              | <b>2,935,309</b>         | (91,221)                 |
| Trade and other receivables                                   |              | <b>(2,234,299)</b>       | 2,427,663                |
| Accounts payable and accruals                                 |              | <b>(681,112)</b>         | (325,993)                |
| Cash (used in) / from operating activities                    |              | <b>(931,090)</b>         | 435,212                  |
| Employees' end of service benefit paid                        | 18           | <b>(239,575)</b>         | (64,457)                 |
| <b>Net cash flows (used in) / from operating activities</b>   |              | <b>(1,170,665)</b>       | 370,755                  |
| <b>INVESTING ACTIVITIES</b>                                   |              |                          |                          |
| Purchase of property, plant and equipment                     | 9            | <b>(38,498)</b>          | (1,331,312)              |
| Proceeds from the disposal of property, plant and equipment   |              | <b>150,000</b>           | -                        |
| <b>Net cash flows from (used in) / investing activities</b>   |              | <b>111,502</b>           | (1,331,312)              |
| <b>FINANCING ACTIVITIES</b>                                   |              |                          |                          |
| Proceeds from loans and borrowings                            | 19           | <b>4,826,574</b>         | 9,356,883                |
| Repayments of loans and borrowings                            | 19           | <b>(3,131,498)</b>       | (5,077,026)              |
| Finance cost paid   |              | <b>(1,497,518)</b>       | (3,141,378)              |
| <b>Net cash flows from financing activities</b>               |              | <b>197,558</b>           | 1,138,479                |
| <b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b> |              | <b>(861,605)</b>         | 177,922                  |
| Cash and cash equivalents at 1 January                        |              | <b>(13,441,160)</b>      | (13,619,082)             |
| <b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>               | 14           | <b>(14,302,765)</b>      | (13,441,160)             |

The attached notes 1 to 26 form part of these financial statements.

## 1 CORPORATE INFORMATION

Qatari German Company for Medical Devices Q.S.C. (the “Company”) is a Qatari Shareholding Company incorporated in the State of Qatar by virtue of Emiri Decree No. 39 issued on 15 October 2000, under the Commercial Registration No. 23349 dated 10 February 2001 and is currently listed on Qatar Exchange. The Company’s registered office is located at P.O. Box 22556, Doha, State of Qatar and the principal place of business is in Abu Hammour, Doha, Qatar.

The principal activity of the Company is to manufacture single use disposable syringes and trading in medical equipment, tools and supplies.

These financial statements of the Company as at and for the year ended 31 December 2017 were authorized for issue by the Board of Directors on 27 March 2018.

## 2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Going concern

The Company has accumulated losses of QR 103,975,052, which exceeds 50% of the share capital as at 31 December 2017. Also, as at 31 December 2017, the Company’s current liabilities exceeded its current assets by QR 21,206,930. These conditions indicate the existence of a material uncertainty, which may cast doubt on the Company’s ability to continue as a going concern. Article 295 of the Qatar Commercial Companies’ Law No. 11 of 2015 requires that if the shareholding company’s losses amounted to half of the capital, the Board of Directors should call for an extraordinary general assembly meeting to discuss the continuation of the company or its dissolution before the term specified in its Articles of Association. If the board of directors fails to call for the extraordinary general assembly or if it was impractical to adopt a decision on such matter, any interested party may request the competent court to dissolve the company. In this regard, the Board of Directors confirmed its plan to call for an extra ordinary general assembly for the shareholders to pass a resolution to continue the operations of the Company, and to enable the Company to continue as a going concern and meet its financial commitments when they fall due. Also, the management is in the process of taking measures of improving its operations and hence, these financial statements have been prepared on a going concern basis.

### 2.2 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (IASB), and applicable provisions of the Qatar Commercial Companies’ Law No. 11 of 2015.

The financial statements are prepared under the historical cost convention, except for investment property which are measured at fair value.

The methods used to measure fair values are discussed further in Note 25. The financial statements are presented in Qatari Riyal (“QR”), which is the Company’s functional and presentational currency.

### 2.3 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Company’s annual financial statements for the year ended 31 December 2016, except for the adoption of new standards and interpretations effective as of 1 January 2017.

#### **New and amended standards and interpretations**

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS recently issued by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) interpretations effective as of 1 January 2017. The nature and the impact of each new standard and amendment are described below:

#### *Topics*

IAS 7 Disclosure Initiative – Amendments to IAS 7

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12

Annual Improvements to IFRSs 2014-2016 Cycle – Amendments to IFRS 12

The above standards and interpretations did not have any impact on the Company’s financial position and performance for the current year.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2017

**2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.4 Standards, amendments and interpretation issued but not yet effective**

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company did not early adopt any standards, interpretations or amendments that have been issued but are not yet effective.

| <i>Topics</i>   | <i>Effective date</i> |
|---|-----------------------|
| IFRS 15 Revenue from Contracts with Customers   | 1 January 2018        |
| IFRS 9 Financial Instruments  | 1 January 2018        |
| IFRS 2 Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2  | 1 January 2018        |
| Transfers of Investment Property — Amendments to IAS 40   | 1 January 2018        |
| IFRS 16 Leases  | 1 January 2019        |
| IFRS 17 Insurance Contracts   | 1 January 2021        |
| <i>Annual Improvements 2014-2016 Cycle</i>  |                       |
| IFRS 1 First-time Adoption of International Financial Reporting Standards – Deletion of short-term exemptions for first-time adopters                                   | 1 January 2018        |
| IAS 28 Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice | 1 January 2018        |
| Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – Amendments to IFRS 4  | 1 January 2018        |
| IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration   | 1 January 2018        |
| IFRIC Interpretation 23 Uncertainty over Income Tax Treatment   | 1 January 2019        |

The Company has carried out assessment of the impact of application of major standards, IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers on its financial statements and disclosed the followings:

**IFRS 9 Financial Instruments**

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

The Company plans to adopt the new standard on the required effective date and will not restate comparative information. During 2017, the Company has performed an impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Company in 2018 when the Company will adopt IFRS 9.

Overall, the Company expects no significant impact on its statement of financial position and equity for the effect of applying the impairment requirements of IFRS 9. The Company does not expect an increase in the impairment loss allowance and any classification changes as discussed below.

*(a) Classification and measurement*

The Company does not expect a significant impact on its statement of financial position or statement of changes in equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value.

Trade and other receivables and bank balances are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Company analyzed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortized cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

**2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**2.4 Standards, amendments and interpretation issued but not yet effective (continued)**

**IFRS 9 Financial Instruments (continued)**

*(b) Impairment*

IFRS 9 requires the Company to record expected credit losses on all of its financial assets either on a 12-month or lifetime basis. The Company will apply the simplified approach and record lifetime expected losses on all trade receivables.

With respect to the credit risk arising from balances with banks and other receivables, the Company's exposure to credit risk arises from the default of the counter party, with a maximum exposure equal to the carrying amount of these assets in the statement of financial position. Exposures are considered of good credit standing and management believe that it is minimal risk of default, thus, expected credit loss is insignificant but being monitored for significant changes in credit risk.

**IFRS 15 Revenue from Contracts with Customers**

IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted, however, the Company plans to adopt the new standard on the required effective date using the modified retrospective method. During 2017, the Company performed an assessment of implication from adoption of IFRS 15. In preparing to adopt IFRS 15, the Company is considering the following:

*(a) Sale of goods*

The Company is in the business of manufacturing, trading and selling of syringes. In this case, the sale of items is generally expected to be the only performance obligation, adoption of IFRS 15 is not expected to have any material impact on the Company's revenue and profit or loss. The Company expects the revenue recognition to occur at a point in time when control of the product is transferred to the customer, generally on delivery of the goods.

*Sales returns, trade discounts and rebates:*

The Company has assessed whether any contracts with customers provide a right of return, trade discounts or volume rebates thus require adjustments in accordance with IFRS 15, variable considerations associated with contracts.

*(b) Presentation and disclosure requirements*

The presentation and disclosure requirements in IFRS 15 are more detailed than under current IFRS. The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosures required in the Company's financial statements. Many of the disclosure requirements in IFRS 15 are new and the Company has assessed that the impact of some of these disclosures requirements will be significant. In particular, the Company expects that the notes to the financial statements will be expanded because of the disclosure of significant judgements made: when determining the transaction price of those contracts that include variable consideration, how the transaction price has been allocated to the performance obligations, and the assumptions made to estimate the stand-alone selling prices of each performance obligation.

The Company expects and determined that, there will not be any significant effect on the revenue from sale of goods due to the effect of implementation of IFRS 15. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Company in 2018 when the Company will adopt IFRS 15.

**2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**2.5 Summary of significant accounting policies**

**Property, plant and equipment**

Property, plant and equipment, except for building on leasehold land are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets include the cost of materials and direct labour, any other costs directly attributable to bringing the assets to working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any revaluation surplus is recognized in other comprehensive income and presented in the revaluation reserve in equity, except to the extent that it reverses revaluation decrease of the same asset previously recognized in the profit or loss, in which case the increase is recognized in the statement of income. A revaluation deficit is recognized in the statement of income, except that deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the asset revaluation reserve.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income in the statement of comprehensive income. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings. Valuations are performed frequently enough to ensure that the fair value of the revalued assets do not differ materially from its carrying value.

When the use of a property, plant and equipment changes from owner-occupied to investment property, the property is re-measured to fair value and reclassified accordingly. Any gain arising on this re-measurement is recognized in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognized in other comprehensive income and presented in the revaluation reserve. Any loss is recognized in profit or loss.

The cost of replacing a component of an item of property, plant and equipment is recognized in the carrying amount of the item if it is possible that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized. The costs of day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depreciation is calculated over the depreciable amount, which is the cost of an asset or other amount substituted for cost, less its residual value. Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment except for machinery and equipment which is depreciated on the basis of utilization since these methods most closely reflects the expected pattern of consumption of the future economic benefits embodied in the assets. Depreciation is calculated on a straight line basis over the estimated useful life of the assets as follows:

|                                   |                             |
|-----------------------------------|-----------------------------|
| Buildings on leasehold land       | 30 years                    |
| Machinery and equipment           | On the basis of utilization |
| Motor vehicles                    | 5 years                     |
| Furniture, fixtures and equipment | 5 years                     |
| Computer and software             | 3 years                     |

Depreciation method, residual value and useful lives of the property, plant and equipment are reviewed at each reporting date and adjusted if appropriate.

Capital work-in-progress is stated at cost and is not depreciated. When the asset is ready for its intended use, it is transferred from capital-work-in-progress to the appropriate category under property, plant and equipment and depreciated in accordance with the Company's policies.

**2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**2.5 Summary of significant accounting policies (continued)**

**Investment property**

Investment property is a property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognized in the profit or loss. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings. When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

**Intangible assets**

An intangible asset is an identifiable non-monetary asset without physical substance held for will lead to future economic benefits, are included in the statement of financial position under the category intangible assets and carried at cost less accumulated amortization and any accumulated impairment losses. Expenditure incurred on software is capitalized only when it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. All other expenditure is expensed as incurred.

Intangible assets are amortized on a straight line basis in the profit or loss from the date when the asset is available for use, over the best estimate of its useful economic life based on a pattern in which the asset's economic benefits are consumed by the Company.

The estimated useful life of the intangible asset in the current and comparative periods is as follows:

|                      |                        |
|----------------------|------------------------|
| Patents and know-how | Indefinite useful life |
| Computer software    | 5 years                |

The intangible asset with an indefinite useful life should not be amortized and the useful life of such an asset should be reviewed each reporting period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite should be accounted for as a change in an accounting estimate. An intangible asset is derecognized on disposal or when no future economic benefits are expected from its use and subsequent disposal.

**Inventories**

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on a weighted average cost basis, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Provision is made for obsolete and slow-moving items based on management's judgement.

**Impairment of non-financial assets**

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Company's of assets.

**2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**2.5 Summary of significant accounting policies (continued)**

**Impairment of non-financial assets (continued)**

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators. Impairment losses of continuing operations are recognized in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset, except for assets previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognized in other comprehensive income up to the amount of any previous revaluation.

Assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

**Financial assets**

*Initial recognition and measurement*

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition. All financial assets are recognized initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset. The Company's financial assets comprise of bank balances, trade and other receivables.

*Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as described in the subsequent paragraph:

*Cash and cash equivalents*

For the purpose of statement of cash flows, cash and cash equivalents consists of cash on hand, bank balances and bank overdrafts.

*Trade and other receivables*

Trade and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus directly attributable transaction costs. Subsequent to initial recognition trade and other receivables are measured at amortized cost using the effective interest method, less any impairment losses.

*Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company's statement of financial position) when:

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

**2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**2.5 Summary of significant accounting policies (continued)**

**Financial assets (continued)**

*Derecognition (continued)*

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company 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 Company could be required to repay.

*Impairment of financial assets*

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

**Financial liabilities**

*Initial recognition and measurement*

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs. The Company's financial liabilities include loans and borrowings, bank overdrafts, trade payables.

*Trade and other payables*

Trade and other payables are recognized for amounts to be paid in the future for goods and services received, whether or not billed by the supplier.

*Loans and borrowings*

Loans and borrowings are recognized initially at fair value of the consideration received, less directly attributable transaction costs. Subsequent to initial recognition, loans and borrowings are measured at amortized cost using the effective interest method. Instalments due within one year at amortized cost are shown as a current liability. Gains or losses are recognized in the statement of profit or loss when the liabilities are derecognized as well as through the amortization process. Interest costs are recognized as an expense when incurred except those qualify for capitalization.

**Share capital**

*Ordinary shares*

Ordinary shares are classified as equity. Bonus shares and rights issued, if any will be shown as an addition to the share capital. Issue of bonus shares are deducted from the accumulated retained earnings of the Company. Any share premium on rights issue are accounted in compliance with local statutory requirements.

**Provisions**

Provisions are recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

**2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**2.5 Summary of significant accounting policies (continued)**

*Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

**Provision for employees' end of service benefits**

The Company provides for employees' end of service benefits determined in accordance with the provision of the Qatar Labour Law No. 14 of 2004 based on employees' salaries and period of employment and are paid to the employees on termination of employment with the Company. The Company has no expectation of settling its employees' end of service benefits obligation in near term and hence classified this as a non-current liability. The provision is not discounted as the difference between the provision stated in the statement of financial position and net present value is not expected to be significant.

**Revenue recognition**

*Revenue from sale of goods*

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

*Rental income*

Rental income from investment property is recognized as income on a straight line basis over the term of the lease.

**Lease**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

*Company as lessee*

Rentals payable under operating leases are charged to the statement of profit or loss on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

**Earnings per share**

The Company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees, if any. The Company incurred losses, as a result, losses was used for the calculation of per share.

*Foreign currency transactions*

Transactions in foreign currencies are translated in to Qatari Riyals at exchange rate prevailing at the dates of the transactions. Monetary assets and monetary liabilities denominated in foreign currencies at the reporting date are retranslated to Qatari Riyals at the exchange rates prevailing at the reporting date. Foreign currency differences arising on retranslation are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

**2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**2.5 Summary of significant accounting policies (continued)**

**Events after reporting date**

The financial statements are adjusted to reflect events that occurred between the reporting date and the date when the financial statements are authorized for issue, provided they give evidence of conditions that existed at the reporting date.

**2.6 Significant accounting judgments, estimates and assumptions**

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosures of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

*Impairment of property, plant and equipment and intangible assets*

At each reporting date, the Company reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered from impairment. Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. The recoverable amount is the higher of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using an appropriate rate.

During the year, the amount of impairment of property, plant and equipment and intangible assets amounts to QR 6,603,312 and Nil (2016: Nil and Nil, respectively).

*Useful lives of property, plant and equipment*

The Company'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 or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where management believes the useful lives differ from the previous estimates.

*Revaluation of investment property*

The Company carries its investment property at fair value, with changes in fair value being recognized in the statement of profit or loss. The Company engaged an independent valuation specialist to assess fair value as at 31 December 2017 and 2016 for investment property. It measures investment property were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

*Impairment of inventories*

Inventories are held at the lower of cost and net realizable value. When inventories become old or obsolete, an estimate is made of their net realizable 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 an allowance applied according to the inventory type and the degree of ageing or obsolescence, based on historical costs.

At the reporting date, gross inventories available for sale and in production were QR 13,919,030 (2016: QR 17,761,681), and the provision for slow-moving inventories were QR 1,854,177 (2016: QR 59,217). Any difference between the amounts actually realized in future periods and the amounts expected will be recognized in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2017

**2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.6 Significant accounting judgments, estimates and assumptions (continued)**

*Impairment of trade receivables and advances*

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

At the reporting date, gross trade receivables and advances to suppliers were QR 13,598,029 (2016: 11,046,556), and the allowance for impairment on trade receivables and advances was QR 5,958,619 (2016: QR 1,153,902). Any difference between the amounts actually collected in future periods and the amounts expected will be recognized in the statement of comprehensive income.

**3 REVENUES**

|                          | <i>2017</i><br><i>QR</i> | <i>2016</i><br><i>QR</i> |
|--------------------------|--------------------------|--------------------------|
| Sale of syringes         | <b>8,019,713</b>         | 10,484,884               |
| Sale of trading products | <b>2,477,282</b>         | 1,267,855                |
| Sale of packed needles   | <b>548,026</b>           | 467,883                  |
| Sale of IV cannula       | <b>756,293</b>           | 452,334                  |
|                          | <b><u>11,801,314</u></b> | <b><u>12,672,956</u></b> |

**4 DIRECT COSTS**

|                          | <i>2017</i><br><i>QR</i> | <i>2016</i><br><i>QR</i> |
|--------------------------|--------------------------|--------------------------|
| Cost of syringes         | <b>6,913,294</b>         | 8,129,754                |
| Cost of trading products | <b>1,538,918</b>         | 909,850                  |
| Cost of packed needles   | <b>519,923</b>           | 460,919                  |
| Cost of IV cannula       | <b>283,754</b>           | 135,104                  |
|                          | <b><u>9,255,889</u></b>  | <b><u>9,635,627</u></b>  |

**5 OTHER INCOME**

|                         | <i>2017</i><br><i>QR</i> | <i>2016</i><br><i>QR</i> |
|-------------------------|--------------------------|--------------------------|
| Rental income (Note 10) | <b>2,437,895</b>         | 2,437,895                |
| Foreign exchange gains  | <b>220,765</b>           | -                        |
| Others                  | <b>28,248</b>            | 466,769                  |
|                         | <b><u>2,686,908</u></b>  | <b><u>2,904,664</u></b>  |

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2017

**6 SELLING AND DISTRIBUTION EXPENSES**

|  | <i>2017</i>             | <i>2016</i>             |
|--|-------------------------|-------------------------|
|  | <i>QR</i>               | <i>QR</i>               |
| Freight charges for sales              | <b>563,046</b>          | 1,211,108               |
| Advertisements and business promotions | <b>444,152</b>          | 977,151                 |
|  | <b><u>1,007,198</u></b> | <b><u>2,188,259</u></b> |

**7 GENERAL AND ADMINISTRATIVE EXPENSES**

|   | <i>2017</i>              | <i>2016</i>              |
|---|--------------------------|--------------------------|
|   | <i>QR</i>                | <i>QR</i>                |
| Salaries and wages  | <b>4,353,467</b>         | 5,067,668                |
| Provision on impairment on trade receivables and advances (Note 13) | <b>4,804,717</b>         | 1,075,968                |
| Depreciation (Note 9)   | <b>2,160,773</b>         | 1,689,123                |
| Provision for slow moving inventories (Note 12)                     | <b>1,847,302</b>         | 59,217                   |
| Write-off of inventories  | <b>629,287</b>           | 1,028,779                |
| Repairs and maintenance   | <b>395,014</b>           | 406,539                  |
| Legal and professional fees   | <b>320,694</b>           | 519,078                  |
| Utilities   | <b>249,548</b>           | 232,044                  |
| Loss on disposal of property, plant and equipment                   | <b>225,855</b>           | -                        |
| Amortisation (Note 11)  | <b>119,209</b>           | 119,209                  |
| IT and communication  | <b>61,747</b>            | 82,015                   |
| Travel  | <b>53,929</b>            | 169,463                  |
| Office expenses   | <b>48,112</b>            | 74,476                   |
| Insurance   | <b>43,663</b>            | 46,019                   |
| Rent  | <b>11,527</b>            | 11,527                   |
| Foreign exchange losses   | -                        | 120,962                  |
| Miscellaneous   | <b>97,128</b>            | 130,711                  |
|   | <b><u>15,421,972</u></b> | <b><u>10,832,798</u></b> |

**8 FINANCE COST**

|                             | <i>2017</i>             | <i>2016</i>             |
|-----------------------------|-------------------------|-------------------------|
|                             | <i>QR</i>               | <i>QR</i>               |
| Bank charges and commission | <b>151,530</b>          | 163,769                 |
| Interest expense            | <b>3,740,250</b>        | 3,131,142               |
|                             | <b><u>3,891,780</u></b> | <b><u>3,294,911</u></b> |

Qatari German Company for Medical Devices Q.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2017

**9 PROPERTY, PLANT AND EQUIPMENT**

|                              | <i>Buildings on<br/>leasehold<br/>land<br/>QR</i> | <i>Machinery<br/>and<br/>equipment<br/>QR</i> | <i>Motor<br/>vehicles<br/>QR</i> | <i>Furniture,<br/>fixtures and<br/>equipment<br/>QR</i> | <i>Computer<br/>and<br/>software<br/>QR</i> | <i>Capital work-<br/>in-progress<br/>QR</i> | <i>Total<br/>QR</i>       |
|------------------------------|---|---|----------------------------------|---|---|---|---------------------------|
| Cost:                        |   |   |                                  |   |   |   |                           |
| At 1 January 2017            | 57,182,447  | 93,476,239                                    | 205,500                          | 2,786,068   | 765,634                                     | 1,938,142                                   | 156,354,030               |
| Additions                    | -   | -   | -                                | 4,615   | 21,752                                      | 12,131                                      | 38,498                    |
| Transfers                    | -   | 1,008,407                                     | -                                | -   | -   | (1,008,407)                                 | -                         |
| Disposals                    | -   | -   | -                                | (36,815)  | (9,997)                                     | (375,855)                                   | (422,667)                 |
| At 31 December 2017          | <u>57,182,447</u>                                 | <u>94,484,646</u>                             | <u>205,500</u>                   | <u>2,753,868</u>  | <u>777,389</u>                              | <u>566,011</u>                              | <u>155,969,861</u>        |
| Accumulated depreciation:    |   |   |                                  |   |   |   |                           |
| At 1 January 2017            | 10,668,003  | 6,491,858                                     | 172,533                          | 1,662,416   | 632,490                                     | -   | 19,627,300                |
| Charge for the year          | 1,906,082   | 246,065                                       | 20,467                           | 379,997   | 87,474                                      | -   | 2,640,085                 |
| Disposals                    | -   | -   | -                                | (36,815)  | (9,997)                                     | -   | (46,812)                  |
| Impairment (i)               | -   | 6,603,312                                     | -                                | -   | -   | -   | 6,603,312                 |
| At 31 December 2017          | <u>12,574,085</u>                                 | <u>13,341,235</u>                             | <u>193,000</u>                   | <u>2,005,598</u>  | <u>709,967</u>                              | <u>-</u>                                    | <u>28,823,885</u>         |
| <b>Net carrying amounts:</b> |   |   |                                  |   |   |   |                           |
| <b>At 31 December 2017</b>   | <b><u>44,608,362</u></b>                          | <b><u>81,143,411</u></b>                      | <b><u>12,500</u></b>             | <b><u>748,270</u></b>                                   | <b><u>67,422</u></b>                        | <b><u>566,011</u></b>                       | <b><u>127,145,976</u></b> |

- (i) During the year, the Company has engaged an external, independent valuer, having appropriate recognised professional qualifications and knowledge of the regional market and understanding to undertake the valuation. The fair values were determined based on prevailing market conditions, current state and condition of the assets, and sources of market data. The estimated fair value of Machinery and equipment is lower than its carrying value by QR 6,603,312 (2016: Nil). Accordingly, the amount has been recognised as an impairment in the statement of income.

Qatari German Company for Medical Devices Q.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2017

**9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

|                           | <i>Buildings on<br/>leasehold<br/>land<br/>QR</i> | <i>Machinery<br/>and<br/>equipment<br/>QR</i> | <i>Motor<br/>vehicles<br/>QR</i> | <i>Furniture,<br/>fixtures and<br/>equipment<br/>QR</i> | <i>Computer<br/>and<br/>software<br/>QR</i> | <i>Capital<br/>work-in-<br/>progress<br/>QR</i> | <i>Total<br/>QR</i> |
|---------------------------|---|---|----------------------------------|---|---|---|---------------------|
| Cost:                     |   |   |                                  |   |   |   |                     |
| At 1 January 2016         | 57,182,447  | 93,234,185                                    | 205,500                          | 2,047,996   | 673,329                                     | 1,679,261                                       | 155,022,718         |
| Additions                 | -   | 242,054                                       | -                                | 443,072   | 92,305                                      | 553,881   | 1,331,312           |
| Transfers                 | -   | -   | -                                | 295,000   | -   | (295,000)                                       | -                   |
| At 31 December 2016       | <u>57,182,447</u>                                 | <u>93,476,239</u>                             | <u>205,500</u>                   | <u>2,786,068</u>  | <u>765,634</u>                              | <u>1,938,142</u>                                | <u>156,354,030</u>  |
| Accumulated depreciation: |   |   |                                  |   |   |   |                     |
| At 1 January 2016         | 8,761,921   | 6,009,560                                     | 146,833                          | 1,296,058   | 540,426                                     | -   | 16,754,798          |
| Charge for the year       | 1,906,082   | 482,298                                       | 25,700                           | 366,358   | 92,064                                      | -   | 2,872,502           |
| At 31 December 2016       | <u>10,668,003</u>                                 | <u>6,491,858</u>                              | <u>172,533</u>                   | <u>1,662,416</u>  | <u>632,490</u>                              | <u>-</u>  | <u>19,627,300</u>   |
| Net carrying amounts:     |   |   |                                  |   |   |   |                     |
| At 31 December 2016       | <u>46,514,444</u>                                 | <u>86,984,381</u>                             | <u>32,967</u>                    | <u>1,123,652</u>  | <u>133,144</u>                              | <u>1,938,142</u>                                | <u>136,726,730</u>  |

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2017

**9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

Depreciation for the year has been allocated as follows:

|  | <i>2017</i><br><i>QR</i> | <i>2016</i><br><i>QR</i> |
|--|--------------------------|--------------------------|
| Direct costs                                 | <b>479,312</b>           | 1,183,379                |
| General and administrative expenses (Note 7) | <b>2,160,773</b>         | 1,689,123                |
|  | <b><u>2,640,085</u></b>  | <b><u>2,872,502</u></b>  |

**10 INVESTMENT PROPERTY**

|                     | <i>2017</i><br><i>QR</i> | <i>2016</i><br><i>QR</i> |
|---------------------|--------------------------|--------------------------|
| Investment property | <b><u>12,590,000</u></b> | <u>12,590,000</u>        |

The Company's investment property consist of a portion of the Company's building rented to an external party. On September 2015, the Company signed an operating lease agreement with an external party commenced on December 2015 with a monthly rental of QR 203,158. The rental income arising from the investment property carried at fair value amounts to QR 2,437,895 for the year ended 31 December 2017 (2016: QR 2,437,895).

The fair value of investment property was determined by an external, independent property valuer, having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The independent valuer provides the fair value of the Company's investment property annually. The fair value was determined based on market comparable approach that reflects recent transaction prices for similar properties. In estimating the fair value of property, the highest and best use of the property is their current use. There has been no change to the valuation technique during the year.

**11 INTANGIBLE ASSETS**

|                              | <i>Patents and<br/>know-how</i><br><i>QR</i> | <i>Computer<br/>software</i><br><i>QR</i> | <i>Total</i><br><i>QR</i> |
|------------------------------|--|---|---------------------------|
| Cost:                        |  |   |                           |
| At 31 December 2017          | <u>10,329,937</u>                            | <u>596,044</u>                            | <u>10,925,981</u>         |
| Accumulated amortisation:    |  |   |                           |
| At 1 January 2017            | -  | 427,165                                   | 427,165                   |
| Charge for the year (Note 7) | <u>-</u>                                     | <u>119,209</u>                            | <u>119,209</u>            |
| At 31 December 2017          | <u>-</u>                                     | <u>546,374</u>                            | <u>546,374</u>            |
| <b>Net carrying amounts</b>  |  |   |                           |
| <b>At 31 December 2017</b>   | <b><u>10,329,937</u></b>                     | <b><u>49,670</u></b>                      | <b><u>10,379,607</u></b>  |

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2017

**11 INTANGIBLE ASSETS (CONTINUED)**

|                              | <i>Patents and<br/>know-how<br/>QR</i> | <i>Computer<br/>software<br/>QR</i> | <i>Total<br/>QR</i>      |
|------------------------------|--|-------------------------------------|--------------------------|
| Cost:                        |  |                                     |                          |
| At 31 December 2016          | <u>10,329,937</u>                      | <u>596,044</u>                      | <u>10,925,981</u>        |
| Accumulated amortisation:    |  |                                     |                          |
| At 1 January 2016            | -                                      | 307,956                             | 307,956                  |
| Charge for the year (Note 7) | <u>-</u>                               | <u>119,209</u>                      | <u>119,209</u>           |
| At 31 December 2016          | <u>-</u>                               | <u>427,165</u>                      | <u>427,165</u>           |
| Net carrying amounts         |  |                                     |                          |
| At 31 December 2016          | <u><u>10,329,937</u></u>               | <u><u>168,879</u></u>               | <u><u>10,498,816</u></u> |

Management is in process of assessing the future economic value of the patents and know-how relating to safety syringes.

**12 INVENTORIES**

|   | <i>2017<br/>QR</i>        | <i>2016<br/>QR</i> |
|---|---------------------------|--------------------|
| Raw materials                               | <b>7,029,491</b>          | 9,700,883          |
| Finished goods                              | <b>3,147,917</b>          | 3,673,187          |
| Spare parts                                 | <b>2,378,808</b>          | 2,407,641          |
| Work-in-progress                            | <b>1,111,054</b>          | 1,707,676          |
| Consumables                                 | <b>251,760</b>            | 272,294            |
|   | <u><b>13,919,030</b></u>  | 17,761,681         |
| Less: Provision for slow-moving inventories | <u><b>(1,854,177)</b></u> | <u>(59,217)</u>    |
|   | <b>12,064,853</b>         | 17,702,464         |
| Goods in transit                            | <b>457,272</b>            | 231,559            |
|   | <u><b>12,522,125</b></u>  | <u>17,934,023</u>  |

The movement in allowance for slow-moving inventories are as follows:

|                                     | <i>2017<br/>QR</i>      | <i>2016<br/>QR</i> |
|-------------------------------------|-------------------------|--------------------|
| At January                          | <b>59,217</b>           | 154,986            |
| Reversal during the year            | <b>(52,342)</b>         | (154,986)          |
| Provisions during the year (Note 7) | <b>1,847,302</b>        | 59,217             |
|                                     | <u><b>1,854,177</b></u> | <u>59,217</u>      |

# Qatari German Company for Medical Devices Q.S.C.

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2017

### 13 TRADE AND OTHER RECEIVABLES

|  | <i>2017</i><br><i>QR</i> | <i>2016</i><br><i>QR</i> |
|--|--------------------------|--------------------------|
| Trade receivables  | <b>12,634,320</b>        | 10,059,528               |
| Advances   | <b>963,709</b>           | 987,028                  |
|  | <b>13,598,029</b>        | 11,046,556               |
| Less: Allowance for impairment on trade receivables and advances | <b>(5,958,619)</b>       | (1,153,902)              |
|  | <b>7,639,410</b>         | 9,892,654                |
| Prepayments  | <b>56,022</b>            | 110,340                  |
| Other receivables  | <b>78,860</b>            | 120,951                  |
|  | <b>7,774,292</b>         | 10,123,945               |

Trade receivables and advances are non-interest bearing. As at 31 December 2017, trade receivables and advances with a carrying value of QR 5,958,619 (2016: QR 1,153,902) were impaired and fully provided for. Movements in the allowance for impairment on trade receivables and advances were as follows:

|                                   | <i>2017</i><br><i>QR</i> | <i>2016</i><br><i>QR</i> |
|-----------------------------------|--------------------------|--------------------------|
| At 1 January                      | <b>1,153,902</b>         | 84,860                   |
| Provided during the year (Note 7) | <b>4,804,717</b>         | 1,075,968                |
| Reversals                         | -                        | (6,926)                  |
| At 31 December                    | <b>5,958,619</b>         | 1,153,902                |

As at the reporting date, the ageing of unimpaired trade receivables and advances to suppliers are as follows:

|             |                  | <i>Neither<br/>past due<br/>nor<br/>impaired</i> | <i>Past due but not impaired</i> |                          |                           |                           |                           |           |  |
|-------------|------------------|--|----------------------------------|--------------------------|---------------------------|---------------------------|---------------------------|-----------|--|
|             |                  |  | <i>&lt; 90<br/>days</i>          | <i>91 – 180<br/>days</i> | <i>181 – 360<br/>days</i> | <i>361 – 540<br/>days</i> | <i>541 –<br/>720 days</i> |           |  |
|             | <i>Total</i>     | <i>QR</i>  | <i>QR</i>                        | <i>QR</i>                | <i>QR</i>                 | <i>QR</i>                 | <i>QR</i>                 | <i>QR</i> |  |
| <i>2017</i> | <b>7,639,410</b> | <b>4,386,511</b>                                 | <b>557,448</b>                   | <b>908,469</b>           | <b>1,786,982</b>          | -                         | -                         | -         |  |
| <i>2016</i> | 9,892,654        | 3,507,066  | 242,808                          | 474,209                  | 1,877,606                 | 3,129,526                 | -                         | 661,439   |  |

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables and the vast majority are, therefore, unsecured.

### 14 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statement of cash flows comprise the following statement of financial position:

|                 | <i>2017</i><br><i>QR</i> | <i>2016</i><br><i>QR</i> |
|-----------------|--------------------------|--------------------------|
| Bank balances   | <b>528,473</b>           | 941,143                  |
| Cash on hand    | <b>12,612</b>            | 10,984                   |
|                 | <b>541,085</b>           | 952,127                  |
| Bank overdrafts | <b>(14,843,850)</b>      | (14,393,287)             |
|                 | <b>(14,302,765)</b>      | (13,441,160)             |

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2017

**15 SHARE CAPITAL**

|  | <i>2017</i><br><i>QR</i>  | <i>2016</i><br><i>QR</i> |
|--|---------------------------|--------------------------|
| <i>Authorised, issued and fully paid-up capital:</i> |                           |                          |
| 11,550,000 shares of QR 10 each contributed          | <u><b>115,500,000</b></u> | <u>115,500,000</u>       |

**16 LEGAL RESERVE**

As required by Qatar Commercial Companies' Law No, 11 of 2015, 10% of the profit for the year is to be transferred to a legal reserve. The Company may resolve to discontinue such annual transfers when the reserve totals 50% of the issued share capital. The reserve is not normally available for distribution, except in the circumstances stipulated for by the above law.

During the year, the Company incurred a loss and no transfer was made (2016: Nil).

**17 REVALUATION RESERVE**

The revaluation reserve relates to the revaluation of buildings in the previous years as owner-occupied recognized in property, plant and equipment (Note 9).

**18 EMPLOYEES' END OF SERVICE BENEFITS**

Movements in the provision recognized in the statement of financial position are as follows:

|                              | <i>2017</i><br><i>QR</i> | <i>2016</i><br><i>QR</i> |
|------------------------------|--------------------------|--------------------------|
| At 1 January                 | 924,432                  | 761,699                  |
| Provided during the year     | 200,159                  | 227,190                  |
| End of service benefits paid | <u>(239,575)</u>         | <u>(64,457)</u>          |
| At 31 December               | <u><b>885,016</b></u>    | <u>924,432</u>           |

**19 LOANS AND BORROWINGS**

|  | <i>2017</i><br><i>QR</i> | <i>2016</i><br><i>QR</i> |
|--|--------------------------|--------------------------|
| Term loan  | 80,241,214               | 78,686,960               |
| Documentary credit facility                                  | <u>17,047,104</u>        | <u>14,512,020</u>        |
|  | <u><b>97,288,318</b></u> | <u>93,198,980</u>        |
| Presented in the statement of financial position as follows: |                          |                          |
| Current liabilities  | 23,132,443               | 12,168,390               |
| Non-current liabilities                                      | <u>74,155,875</u>        | <u>81,030,590</u>        |
|  | <u><b>97,288,318</b></u> | <u>93,198,980</u>        |

# Qatari German Company for Medical Devices Q.S.C.

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2017

### 19 LOANS AND BORROWINGS (CONTINUED)

Details of loans and borrowings are as follows:

| <i>Loan category</i>        | <i>Facility outstanding amount</i> |                          | <i>Year of maturity</i> | <i>Interest rate</i> | <i>Purpose of the facility</i>  |
|-----------------------------|------------------------------------|--------------------------|-------------------------|----------------------|---|
|                             | <i>2017<br/>QR</i>                 | <i>2016<br/>QR</i>       |                         |                      |   |
| Term Loan                   | <b>66,057,595</b>                  | 64,119,876               | April 2023              | 3.00%                | Rescheduled existing facility by Qatar Development Bank, a related party  |
| Documentary credit facility | <b>9,215,374</b>                   | 5,477,807                | January 2016            | 3.00%                | Rescheduling an existing financing of working capital obtained from Qatar Development Bank, a related party     |
| Term Loan                   | <b>8,187,779</b>                   | 7,947,890                | April 2021              | 3.00%                | Rescheduled existing facility by Qatar Development Bank, a related party  |
| Documentary credit facility | <b>7,058,247</b>                   | 6,774,343                | February 2020           | 5.50%                | Increase and rescheduled existing working capital facility by Qatar National Bank                               |
| Term Loan                   | <b>3,868,253</b>                   | 3,990,367                | January 2023            | 3.00%                | Financing of machinery purchases obtained from Qatar Development Bank, a related party                          |
| Term Loan                   | <b>2,127,587</b>                   | 2,628,828                | May 2020                | 5.50%                | Rescheduled existing facility for constructed warehouse by Qatar National Bank                                  |
| Documentary credit facility | <b>454,331</b>                     | 1,701,975                | November 2016           | 3.00%                | Rescheduling existing financing of raw material purchases obtained from Qatar Development Bank, a related party |
| Documentary credit facility | <b>319,152</b>                     | 557,894                  | December 2016           | 3.00%                | Rescheduling financing of constructed warehouse obtained from Qatar Development Bank, a related party           |
|                             | <b><u>97,288,318</u></b>           | <b><u>93,198,980</u></b> |                         |                      |   |

Movements in the loans and borrowings are as follows:

|                                   | <i>2017<br/>QR</i>       | <i>2016<br/>QR</i> |
|-----------------------------------|--------------------------|--------------------|
| At 1 January                      | <b>93,198,980</b>        | 88,765,590         |
| Loan obtained during the year     | <b>4,826,574</b>         | 9,356,883          |
| Loan paid during the year         | <b>(3,131,498)</b>       | (5,077,026)        |
| Interest accrued (net of payment) | <b><u>2,394,262</u></b>  | <u>153,533</u>     |
| At 31 December                    | <b><u>97,288,318</u></b> | <u>93,198,980</u>  |

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2017

**20 ACCOUNTS PAYABLE AND ACCRUALS**

|                   | <i>2017</i><br><i>QR</i> | <i>2016</i><br><i>QR</i> |
|-------------------|--------------------------|--------------------------|
| Trade payables    | <b>2,261,549</b>         | 2,592,792                |
| Accrued expenses  | <b>1,292,896</b>         | 1,427,420                |
| Dividend payable  | <b>215,891</b>           | 215,891                  |
| Retention payable | <b>99,858</b>            | 99,858                   |
| Other payables    | <b>197,945</b>           | 413,290                  |
|                   | <b><u>4,068,139</u></b>  | <u>4,749,251</u>         |

**21 LOSS PER SHARE**

Basic earnings per share is calculated by dividing the loss for the period by the weighted average number of ordinary shares outstanding during the period.

|   | <i>2017</i><br><i>QR</i>   | <i>2016</i><br><i>QR</i> |
|---|----------------------------|--------------------------|
| Loss for the period   | <b><u>(21,691,929)</u></b> | <u>(10,373,975)</u>      |
| Weighted average number of shares outstanding during the year | <b><u>11,550,000</u></b>   | <u>11,550,000</u>        |
| Basic and diluted loss per share (QR)                         | <b><u>(1.88)</u></b>       | <u>(0.90)</u>            |

There were no potentially dilutive shares outstanding at any time during the period and therefore, the diluted earnings per share is equal to the basic earnings per share.

**22 SEGMENT INFORMATION**

For management purposes, the Company is organized into one business unit based on its nature of activities, as the Company's operations pertain mainly to the manufacturing of syringes. Decisions about resource allocation and monitoring of performance are based on the single business unit identified by the management.

The Company does not have any foreign operations as of the reporting period end (31 December 2016: None).

**23 RELATED PARTY DISCLOSURES**

Related parties consist of major shareholders, related companies and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

**Related party transactions**

Related party transactions included in the statement of comprehensive income for the period are as follows:

|                             | <i>2017</i><br><i>QR</i> | <i>2016</i><br><i>QR</i> |
|-----------------------------|--------------------------|--------------------------|
| Finance costs               | <b><u>2,457,751</u></b>  | <u>1,881,104</u>         |
| Bank charges and commission | <b><u>151,530</u></b>    | <u>163,769</u>           |

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2017

**23 RELATED PARTY DISCLOSURES (CONTINUED)**

**Compensation of key management personnel**

The compensation of key management personnel during the year were as follows:

|  | <i>2017</i><br><i>QR</i> | <i>2016</i><br><i>QR</i> |
|--|--------------------------|--------------------------|
| Salaries and other short-term benefits | <b>506,505</b>           | 566,779                  |
| End of service benefits                | <b>15,327</b>            | 12,740                   |
|  | <b><u>521,832</u></b>    | <b><u>579,519</u></b>    |

**Related party balances**

The payables to related parties pertain to the loans and borrowings of the Company as disclosed in Note 19. These amounts are secured by the assets owned by the Company, with interests based on prevailing market rates and settlement normally occurs in cash.

**24 CONTINGENT LIABILITIES**

**Operating lease commitments**

|   | <i>2017</i><br><i>QR</i> | <i>2016</i><br><i>QR</i> |
|---|--------------------------|--------------------------|
| Future minimum lease payments:                    |                          |                          |
| Not later than one year                           | <b>11,527</b>            | 11,527                   |
| Later than one year and not later than five years | <b>46,108</b>            | 46,108                   |
| Later than five years                             | <b>97,980</b>            | 109,507                  |
|   | <b><u>155,615</u></b>    | <b><u>167,142</u></b>    |

**Contingent liabilities**

|                   | <i>2017</i><br><i>QR</i> | <i>2016</i><br><i>QR</i> |
|-------------------|--------------------------|--------------------------|
| Letters of credit | <b>403,950</b>           | -                        |
| Guarantees        | <b>2,632,565</b>         | 2,695,907                |
|                   | <b><u>3,036,515</u></b>  | <b><u>2,695,907</u></b>  |

**25 CLASSIFICATION AND FAIR VALUES**

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable and willing parties on an arm's length basis. The accompanying financial statements have been prepared under the historical cost convention, modified to include the measurement at fair value of investment property.

Financial instruments comprise financial assets and financial liabilities. Financial assets consists of bank balances, trade and other receivables. Financial liabilities consists of loans and borrowings, trade payables and bank overdrafts. The carrying values of certain financial assets and liabilities as recorded could be different from the fair value. However, in the opinion of the management, the fair values of the these financial assets and liabilities are not considered to significantly differ from their carrying values, as most of these items are short-term in nature.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2017

**25 CLASSIFICATION AND FAIR VALUES (CONTINUED)**

**Fair value hierarchy**

The table below analyses assets carried at fair value, by valuation method. The different levels have been defined as follows:

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

| <i>2017</i>                | <i>Level 2<br/>QR</i>    | <i>Total<br/>QR</i>      |
|----------------------------|--------------------------|--------------------------|
| <b>Investment property</b> | <b><u>12,590,000</u></b> | <b><u>12,590,000</u></b> |
| <br>                       |                          |                          |
| <i>2016</i>                | <i>Level 2<br/>QR</i>    | <i>Total<br/>QR</i>      |
| Investment property        | <u>12,590,000</u>        | <u>12,590,000</u>        |

For the year ended 31 December 2017, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

**26 FINANCIAL RISK MANAGEMENT**

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

- Credit risk
- Liquidity risk
- Market risk

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

The Directors have the overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyses the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

**Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers. The Company is exposed to credit risk on bank balances and trade receivables.

*Trade and other receivables*

The creditworthiness of each customer is evaluated prior to sanctioning credit facilities. Appropriate procedures for follow-up and recovery are in place to monitor credit risk.

*Bank balances*

The Company limits its exposure to credit risk on bank balances by maintaining balances with banks having high credit ratings.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2017

**26 FINANCIAL RISK MANAGEMENT (CONTINUED)**

**Exposure to credit risk**

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

|                                | <i>Carrying amounts</i> |                   |
|--------------------------------|-------------------------|-------------------|
|                                | <i>2017</i>             | <i>2016</i>       |
|                                | <i>QR</i>               | <i>QR</i>         |
| Trade receivables and advances | 7,639,410               | 8,983,560         |
| Other receivables              | 78,860                  | 120,951           |
| Bank balances                  | 528,473                 | 941,143           |
|                                | <b>8,246,743</b>        | <b>10,045,654</b> |

**Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices will affect the Company's income or the value of its holdings of financial instruments. Market risk comprises three types of risk: interest rate risk, currency risk and equity price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market interest rates. The Company's exposure to the risk of changes in market interest rates primarily to the Company's bank overdraft and loans and borrowings. The Company adopts a policy of ensuring that interest rate is on a fixed rate basis, thus minimizing interest rate risk. A total of 92% of its loans and borrowings pertains to its related party. At the reporting date, the interest rate profile of the Company's interest bearing financial instruments was disclosed in Note 19.

*Foreign currency risk*

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate due to a change in foreign exchange rates. The Company does not hedge its currency exposure. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when a financial instrument is denominated in a different currency from the Company's functional currency).

The Company's functional currency is Qatar Riyal and majority of transactions are denominated in this currency. As the Qatar Riyal is pegged to the United States Dollar and United Emirates Dirhams, balances in Qatar Riyals are not considered to represent a significant currency risk.

The following table demonstrates the sensitivity to reasonable possible changes in the exchange rate, with all other variables held constant, of the Company's profit (due to changes in the fair value of monetary assets and liabilities).

|             | <i>Increase/decrease in currency<br/>exchange rate against<br/>QR</i> | <i>Effect on profit<br/>QR</i> |
|-------------|---|--------------------------------|
| <i>2017</i> |   |                                |
| EUR         | 5%  | (5,237)                        |
| <i>2016</i> |   |                                |
| EUR         | 5%  | 96,071                         |

**Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient resources to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Company's reputation.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2017

**26 FINANCIAL RISK MANAGEMENT (CONTINUED)**

**Liquidity risk (continued)**

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

| <i>31 December 2017</i> | <i>Less than 3 months<br/>QR</i> | <i>3 to 12 months<br/>QR</i> | <i>1 to 5 years<br/>QR</i> | <i>&gt;5 years<br/>QR</i> | <i>Total<br/>QR</i> |
|-------------------------|----------------------------------|------------------------------|----------------------------|---------------------------|---------------------|
| Loans and borrowings    | 10,547,591                       | 14,207,724                   | 73,249,945                 | 6,809,451                 | 104,814,711         |
| Trade payables          | 1,761,844                        | 499,705                      | -                          | -                         | 2,261,549           |
| Bank overdraft          | 14,843,850                       | -                            | -                          | -                         | 14,843,850          |
|                         | <u>27,153,285</u>                | <u>14,707,429</u>            | <u>73,249,945</u>          | <u>6,809,451</u>          | <u>121,920,110</u>  |
| <i>31 December 2016</i> | <i>Less than 3 months<br/>QR</i> | <i>3 to 12 months<br/>QR</i> | <i>1 to 5 years<br/>QR</i> | <i>&gt;5 years<br/>QR</i> | <i>Total<br/>QR</i> |
| Loans and borrowings    | 3,995,844                        | 7,841,388                    | 74,002,606                 | 17,660,851                | 103,500,689         |
| Trade payables          | 1,329,016                        | 1,263,776                    | -                          | -                         | 2,592,792           |
| Bank overdraft          | 14,393,287                       | -                            | -                          | -                         | 14,393,287          |
|                         | <u>19,718,147</u>                | <u>9,105,164</u>             | <u>74,002,606</u>          | <u>17,660,851</u>         | <u>120,486,768</u>  |

**Capital Management**

The Company's objectives when managing capital are, to safeguard the Company's ability to continue as a going concern in order to provide returns to shareholders and benefits for the stakeholders and to maintain an optimal capital structure and maximise shareholders' value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies or processes as of and during the years ended 31 December 2017 and 31 December 2016. Capital comprises share capital, reserves and accumulated losses, and is measured at QR 53,867,762 as at 31 December 2017 (2016: QR 75,559,691). Management reviews the capital structure on a regular basis. As part of this review, management considers the cost of capital and associated risks.