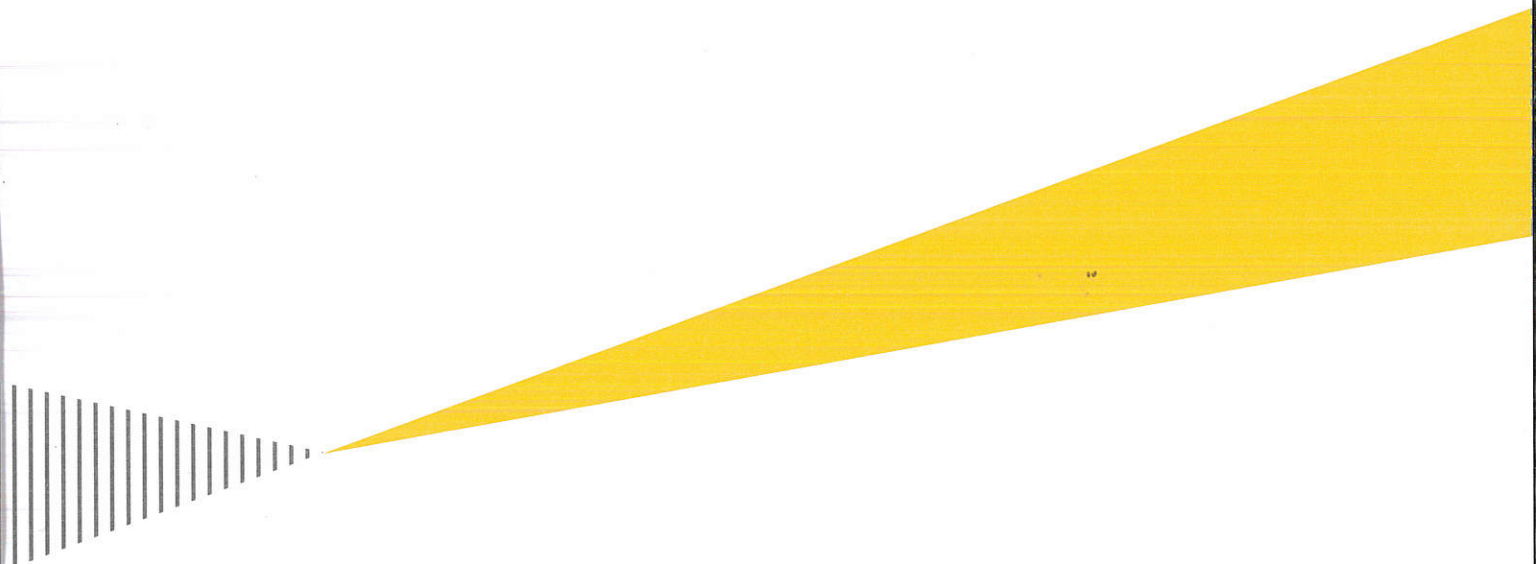


**Qatari German Company for Medical
Devices Q.S.C.**

INTERIM CONDENSED FINANCIAL STATEMENTS

30 JUNE 2014



**Building a better
working world**

REPORT ON INTERIM CONDENSED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF QATARI GERMAN COMPANY FOR MEDICAL DEVICES Q.S.C.

Introduction

We have reviewed the accompanying interim condensed financial statements of Qatari German Company for Medical Devices Q.S.C. (the "Company") as at 30 June 2014, comprising of the interim statement of financial position as at 30 June 2014 and the related interim statement of comprehensive income for the three-month and six-month period then ended, the related interim statement of changes in equity and interim statement of cash flows for the six-month period then ended, and the related explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34.

Emphasis of Matters

Without qualifying our conclusion, we draw attention to the following:

1. The Company has prepared interim condensed financial statements for the period ended 31 March 2013 for submission for regulatory purpose only. Therefore, the comparative information for the three month period ended 30 June 2013 included in the accompanying interim statement of comprehensive income and related notes are presented for information purpose only and have neither been reviewed nor audited.
2. As disclosed in Note 3 (i) to the interim condensed financial statements, the Company has recognized a plot of land obtained under operating lease in 2001 as property, plant and equipment. In 2007, the Company reclassified a parcel of its land as investment property from its property, plant and equipment based on its purpose. The management is of the view that the risk and rewards of the leased land will be transferred to the Company at the end of the lease period based on subsequent discussions with the Ministry of Municipality and Urban Planning and have also sent a request letter to the Ministry to confirm the same. The management expects that the final decision on the transfer of the ownership of the land will be finalized in the current year.
3. As disclosed in Note 12 to the interim condensed financial statements, the management has restated the carrying amount of inventories as at 31 December 2013 and the cost of sales for the year then ended, due to an error discovered during the current period. Whilst we have performed review procedures, we have not audited the restatement made by the management.

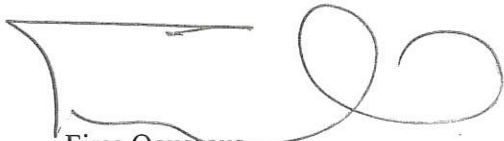


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**REPORT ON INTERIM CONDENSED FINANCIAL STATEMENTS TO THE BOARD OF
DIRECTORS OF QATARI GERMAN COMPANY FOR MEDICAL DEVICES Q.S.C.
(CONTINUED)**

Other Matter

The financial statements of the Company as at and for the year ended 31 December 2013 were audited by another auditor, whose report dated 20 March 2014 expressed an unqualified audit opinion on those financial statements. However, an emphasis of matter paragraph on the recognition of plot of land was included in the auditor's report.


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

Date: 24 July 2014
Doha



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

INTERIM STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	Notes	30 June 2013 QR (Reviewed)	31 December 2013 QR (Audited) (Restated*)
Assets			
Non-current assets			
Property and equipment	3	162,353,482	159,977,133
Investment properties		25,646,363	25,646,363
Intangible assets		28,266,574	28,326,179
		<u>216,266,419</u>	<u>213,949,675</u>
Current assets			
Inventories	4	23,760,234	19,099,182
Accounts receivable and prepayments		10,892,244	7,416,446
Bank balances and cash	5	1,097,378	1,817,819
		<u>35,749,856</u>	<u>28,333,447</u>
Total assets		<u>252,016,275</u>	<u>242,283,122</u>
Equity and liabilities			
Equity			
Share capital		115,500,000	115,500,000
Legal reserve		30,343,120	30,343,120
Revaluation reserve		42,261,396	42,261,396
Accumulated losses		(18,569,748)	(12,104,588)
Total equity		<u>169,534,768</u>	<u>175,999,928</u>
Liabilities			
Non-current liabilities			
Employees' end-of-service benefits		573,980	534,889
Loans and borrowings	6	36,716,265	36,737,542
		<u>37,290,245</u>	<u>37,272,431</u>
Current liabilities			
Loans and borrowings	6	30,386,091	15,883,741
Accounts payable and accruals		4,328,552	3,245,658
Bank overdraft	5	10,476,619	9,881,364
		<u>45,191,262</u>	<u>29,010,763</u>
Total liabilities		<u>82,481,507</u>	<u>66,283,194</u>
Total equity and liabilities		<u>252,016,275</u>	<u>242,283,122</u>

Abdulaziz Nasser M. N. Al-Khalifa
Chairman of the Board of Directors

Fareeda Ali Abul Fath
Vice Chairman

*Restated – Restatements have not been audited.



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

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

INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the Six Months Ended 30 June 2014

	<i>Note</i>	<i>Three months ended</i>		<i>Six months ended</i>	
		<i>30 June</i> <i>2014</i> <i>QR</i> <i>(Reviewed)</i>	<i>30 June</i> <i>2013</i> <i>QR</i> <i>(Restated)</i> <i>(Unreviewed)</i>	<i>30 June</i> <i>2014</i> <i>QR</i> <i>(Reviewed)</i>	<i>30 June</i> <i>2013</i> <i>QR</i> <i>(Restated)</i> <i>(Reviewed)</i>
Revenue		3,378,657	3,293,948	8,678,469	5,108,207
Direct costs		<u>(3,570,128)</u>	<u>(2,930,355)</u>	<u>(8,326,695)</u>	<u>(4,878,900)</u>
Gross (loss) profit		(191,471)	363,593	351,774	229,307
Other income		142,825	25,537	193,338	103,105
Change in fair value of investment properties		-	3,054,829	-	3,054,829
Selling and distribution expenses		(745,755)	(561,397)	(1,160,713)	(886,240)
General and administrative expenses		<u>(2,190,121)</u>	<u>(3,345,204)</u>	<u>(4,527,498)</u>	<u>(4,820,543)</u>
Operating (loss) for the period		(2,984,522)	(462,642)	(5,143,099)	(2,319,542)
Finance cost		<u>(671,285)</u>	<u>(71,961)</u>	<u>(1,322,061)</u>	<u>(868,268)</u>
Loss for the period		(3,655,807)	(534,603)	(6,465,160)	(3,187,810)
Other comprehensive income for the period		-	-	-	-
Total comprehensive loss for the period		<u>(3,655,807)</u>	<u>(534,603)</u>	<u>(6,465,160)</u>	<u>(3,187,810)</u>
Basic and diluted earnings per share	8	<u>(0.31)</u>	<u>(0.04)</u>	<u>(0.55)</u>	<u>(0.27)</u>

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

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

INTERIM STATEMENT OF CHANGES IN EQUITY
For the Six Months Ended 30 June 2014

	Note	Share capital QR	Legal reserve QR	Revaluation reserve QR	Accumulated losses QR	Total QR
At 1 January 2014, as perviously reported (<i>Audited</i>)	11	115,500,000	30,343,120	42,261,396	(10,628,428)	177,476,088
Correction of error		-	-	-	(1,476,160)	(1,476,160)
At 1 January 2014 (<i>Restated</i>)		115,500,000	30,343,120	42,261,396	(12,104,588)	175,999,928
Loss for the period		-	-	-	(6,465,160)	(6,465,160)
Other comprehensive income		-	-	-	-	-
Total comprehensive loss for the period		-	-	-	(6,465,160)	(6,465,160)
At 30 June 2014 (<i>Reviewed</i>)		115,500,000	30,343,120	42,261,396	(18,569,748)	169,534,768
At 1 January 2013		115,500,000	30,343,120	42,411,766	(2,881,772)	185,373,114
Loss for the period (<i>Restated</i>)		-	-	-	(3,187,810)	(3,187,810)
Other comprehensive income		-	-	-	-	-
Total comprehensive loss for the period (<i>Restated</i>)		-	-	-	(3,187,810)	(3,187,810)
At 30 June 2013 (<i>Reviewed</i>)		115,500,000	30,343,120	42,411,766	(6,069,582)	182,185,304

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

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

INTERIM STATEMENT OF CASH FLOWS

For the Six Months Ended 30 June 2014

		<i>Six months ended</i>	
		<i>2014</i>	<i>2013</i>
	<i>Notes</i>	<i>QR</i>	<i>QR</i>
		<i>(Reviewed)</i>	<i>(Reviewed)</i>
OPERATING ACTIVITIES			
Loss for the period		(6,465,160)	(3,187,810)
Adjustments for:			
Depreciation and amortization		1,652,755	641,878
Change in fair value of investment properties		-	(3,054,829)
Write-off of capital work-in-progress		-	40,968
Write-off of inventory		-	347,064
Provision for employees' end of service benefits		139,037	123,019
Finance cost		<u>1,322,061</u>	<u>868,268</u>
Operating loss before working capital changes		(3,351,307)	(4,221,442)
Working capital changes:			
Inventories		(4,661,052)	(2,543,848)
Accounts receivable and prepayments		(3,475,798)	(901,827)
Accounts payable and accruals		<u>1,082,894</u>	<u>1,099,215</u>
Cash used in operating activities		(10,405,263)	(6,567,902)
Employees' end of service benefit paid		<u>(99,946)</u>	<u>(25,149)</u>
Net cash used in operating activities		<u>(10,505,209)</u>	<u>(6,593,051)</u>
INVESTING ACTIVITY			
Purchase of property and equipment	3	<u>(3,969,499)</u>	<u>(705,051)</u>
Cash used in investing activity		<u>(3,969,499)</u>	<u>(705,051)</u>
FINANCING ACTIVITIES			
Proceeds from loans and borrowings	6	17,052,046	7,301,990
Repayments of loans and borrowings	6	(2,897,673)	(1,206,111)
Finance cost paid		<u>(995,361)</u>	<u>(493,051)</u>
Net cash generated from financing activities		<u>13,159,012</u>	<u>5,602,828</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(1,315,696)	(1,695,274)
Cash and cash equivalents at 1 January	5	<u>(8,063,545)</u>	<u>127,064</u>
CASH AND CASH EQUIVALENTS AT 30 JUNE	5	<u>(9,379,241)</u>	<u>(1,568,210)</u>

The attached notes 1 to 13 form part of these interim condensed 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.

These interim condensed financial statements of the Company for the six months ended 30 June 2014 were authorized for issue by the Board of Directors on 24 July 2014.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed financial statements for the six months ended 30 June 2014 have been prepared in accordance with IAS 34 "Interim Financial Reporting" and have been presented in Qatar Riyals, which is the Company's functional and presentation currency.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at and for the year ended 31 December 2013. In addition, the results for the six months ended 30 June 2014 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014.

In preparing these interim condensed financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the annual financial statements as at and for the year ended 31 December 2013.

The Company's financial risk management objectives and policies are consistent with those disclosed in the annual financial statements as at and for the year ended 31 December 2013.

2.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements as at and for the year ended 31 December 2013, except for the new standards and interpretations effective as of 1 January 2014. However, they do not impact the annual financial statements or the interim condensed financial statements of the Company.

The nature and the impact of each new standard or amendment is described below:

Investment Entities - Amendments to IFRS 10, IFRS 12 and IAS 27

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Company.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact on the Company.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact on the Company, as the Company has no derivatives during the current or prior periods.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies and disclosures (continued)

Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36

These amendments remove the unintended consequences of IFRS 13 Fair Value Measurement on the disclosures required under IAS 36 Impairment of Assets. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognised or reversed during the period.

IFRIC 21 Levies

IFRIC 21 is applicable to all levies other than outflows that are within the scope of other standards (e.g., IAS 12) and fines or other penalties for breaches of legislation. The interpretation clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability is recognized before the specified minimum threshold is reached. This interpretation has no impact on the Company.

The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS For the Six Months Ended 30 June 2014

3 PROPERTY AND EQUIPMENT

	<i>Leasehold land QR</i>	<i>Buildings QR</i>	<i>Machinery and equipment QR</i>	<i>Motor vehicles QR</i>	<i>Furniture, fixtures and equipment QR</i>	<i>Computers QR</i>	<i>Capital work-in- progress QR</i>	<i>Total QR</i>
Cost:								
At 1 January 2014	22,829,677	56,552,447	89,115,130	194,500	1,732,358	548,586	38,661	171,011,359
Additions	-	-	4,119	50,000	134,046	6,240	3,775,094	3,969,499
At 30 June 2014	22,829,677	56,552,447	89,119,249	244,500	1,866,404	554,826	3,813,755	174,980,858
Accumulated depreciation:								
At 1 January 2014	-	4,960,257	4,632,820	136,933	893,691	410,525	-	11,034,226
Charge for the period	-	942,539	479,917	10,350	114,533	45,811	-	1,593,150
At 30 June 2014	-	5,902,796	5,112,737	147,283	1,008,224	456,336	-	12,627,376
Carrying amounts:								
At 30 June 2014 (<i>Reviewed</i>)	22,829,677	50,649,651	84,006,512	97,217	858,180	98,490	3,813,755	162,353,482

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the Six Months Ended 30 June 2014

3 PROPERTY AND EQUIPMENT (continued)

	Leasehold land QR	Buildings QR	Machinery and equipment QR	Motor vehicles QR	Furniture, fixtures and equipment QR	Computers QR	Capital work-in- progress QR	Total QR
Cost:								
At 1 January 2013	20,060,310	54,133,447	89,115,130	342,500	1,592,112	512,023	-	165,755,522
Additions	-	7,000	-	-	152,093	70,278	965,216	1,194,587
Transfer from investment property	2,769,367	2,412,000	-	-	-	-	-	5,181,367
Write-off	-	-	-	-	(11,847)	(33,715)	(330,511)	(376,073)
Transfer to intangible assets	-	-	-	-	-	-	(596,044)	(596,044)
Disposals	-	-	-	(148,000)	-	-	-	(148,000)
At 31 December 2013	22,829,677	56,552,447	89,115,130	194,500	1,732,358	548,586	38,661	171,011,359
Accumulated depreciation:								
At 1 January 2013	-	3,115,657	3,938,541	269,231	753,838	338,038	-	8,415,305
Charge for the year	-	1,844,600	694,279	15,702	151,700	106,202	-	2,812,483
Write-off	-	-	-	-	(11,847)	(33,715)	-	(45,562)
Disposals	-	-	-	(148,000)	-	-	-	(148,000)
At 31 December 2013	-	4,960,257	4,632,820	136,933	893,691	410,525	-	11,034,226
Carrying amounts:								
At 31 December 2013 (<i>Audited</i>)	22,829,677	51,592,190	84,482,310	57,567	838,667	138,061	38,661	159,977,133

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the Six Months Ended 30 June 2014

3 PROPERTY AND EQUIPMENT (continued)

Depreciation for the period/year has been allocated in the statement of comprehensive income is as follows:

	<i>30 June 2014 QR (Reviewed)</i>	<i>31 December 2013 QR (Audited)</i>
Direct cost	1,281,152	2,256,553
General and administrative expenses	<u>311,998</u>	<u>555,930</u>
	<u>1,593,150</u>	<u>2,812,483</u>

Notes:

- i. The Company has signed a lease contract on 1 July 2001 with the Ministry of Municipal Affairs and Agriculture with an annual lease rental of QR 11,527 for a period of 30 years. As per the lease contract, the renewal of the lease contract at the end of lease period is subject to mutual agreement by the both parties and also the present value of minimum lease payments is not substantially all of the fair value at the inception of the lease. Further, the lease is for a period of 30 years which is not the majority of the life of land and there is no ownership transfer at the end of 30 years to the Company. The Company is not entitled to exercise a purchase option at the end of the lease period. These factors indicate that the lease is an operating lease.

However, the management is of the view that the risk and rewards of the leased land will be transferred to the Company at the end of the lease period based on subsequent discussions with the Ministry of Municipality and Urban Planning and have also sent a request letter to the Ministry to confirm the same. The management expects that the final decision on the transfer of the ownership of the land will be finalized in 2014.

- ii. The encumbrances on the property and equipment are disclosed in Note 5.

4 INVENTORIES

	<i>30 June 2014 QR (Reviewed)</i>	<i>31 December 2013 QR (Audited) (Restated)</i>
Raw materials	13,121,370	11,093,654
Work-in-progress	2,047,985	1,942,749
Finished goods	5,970,061	3,448,547
Spare parts	2,363,849	1,813,582
Consumables	<u>287,104</u>	<u>302,591</u>
	23,790,369	18,601,123
Less: Provision for slow-moving inventories	<u>(43,938)</u>	<u>(43,938)</u>
	23,746,431	18,557,185
Goods in transit	<u>13,803</u>	<u>541,997</u>
	<u>23,760,234</u>	<u>19,099,182</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the Six Months Ended 30 June 2014

5 CASH AND CASH EQUIVALENTS

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

	<i>30 June 2014 QR (Reviewed)</i>	<i>30 June 2013 QR (Reviewed)</i>	<i>31 December 2013 QR (Audited)</i>
Bank balances and cash	1,097,378	2,167,502	1,817,819
Bank overdraft	(10,476,619)	(3,735,712)	(9,881,364)
	<u>(9,379,241)</u>	<u>(1,568,210)</u>	<u>(8,063,545)</u>

6 LOANS AND BORROWINGS

	<i>30 June 2014 QR (Reviewed)</i>	<i>31 December 2013 QR (Audited)</i>
Term loan	34,276,047	32,581,488
Commercial loan	8,436,197	6,852,286
Documentary credit facility	24,390,112	13,187,509
	<u>67,102,356</u>	<u>52,621,283</u>

Presented in the statement of financial position as follows:

Current liabilities	30,386,091	15,883,741
Non-current liabilities	36,716,265	36,737,542
	<u>67,102,356</u>	<u>52,621,283</u>

Movement in the loans and borrowings are as follows:

	<i>30 June 2014 QR (Reviewed)</i>	<i>31 December 2013 QR (Audited)</i>
At 1 January	52,621,283	42,297,842
Loan obtained during the period/ year	17,052,046	20,251,898
Loan paid during the period/ year	(2,897,673)	(10,411,481)
Interest accrued (net of payment)	326,700	483,024
At 30 June/31 December	<u>67,102,356</u>	<u>52,621,283</u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the Six Months Ended 30 June 2014

6 LOANS AND BORROWINGS (CONTINUED)

Details of loans and borrowings are as follows:

Loan category	Facility outstanding amount		Year of maturity	Interest rate	Purpose of the facility
	30 June 2014 QR	31 December 2013 QR			
Term loan	34,276,047	32,581,488	April 2022	3.50%	Re-scheduling of the existing facility obtained from Qatar Development Bank, a related party
Commercial loan	3,500,000	2,000,000	December 2017	4.50%	Construction of warehouse obtained from Qatar National Bank, a related party
Commercial loan	4,936,197	4,852,286	July 2015	3.50%	Financing of working capital obtained from Qatar Development Bank, a related party
Documentary credit facility	7,108,581	2,157,054	September 2014	5%	Financing of working capital obtained from Qatar National Bank, a related party
Documentary credit facility	17,281,531	11,030,455	September 2014	3%	Financing of working capital obtained from Qatar Development Bank, a related party
Total	67,102,356	52,621,283			

The Company's loans and borrowings are secured against specific plant, property and equipment of the Company.

7 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 only to the manufacturing of disposable 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 2013: None).

8 BASIC AND DILUTED EARNINGS 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.

	Three months ended		Six months ended	
	30 June 2014 QR (Reviewed)	30 June 2013 QR (Restated) (Unreviewed)	30 June 2014 QR (Reviewed)	30 June 2013 QR (Restated) (Reviewed)
Loss for the period	<u>(3,655,807)</u>	<u>(534,603)</u>	<u>(6,465,160)</u>	<u>(3,187,810)</u>
Weighted average number of shares outstanding during the period	<u>11,550,000</u>	<u>11,550,000</u>	<u>11,550,000</u>	<u>11,550,000</u>
Basic and diluted earnings per share (QR)	<u>(0.31)</u>	<u>(0.04)</u>	<u>(0.55)</u>	<u>(0.27)</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.

9 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 included in the statement of comprehensive income for the period are as follows:

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>QR</i>	<i>QR</i>	<i>QR</i>	<i>QR</i>
	<i>(Reviewed)</i>	<i>(Unreviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>
Finance costs	<u>671,285</u>	<u>71,961</u>	<u>1,322,061</u>	<u>868,268</u>
General and amortisation expenses:				
Bank charges and commission	<u>100,996</u>	<u>467,742</u>	<u>129,571</u>	<u>237,247</u>

Compensation of key management personnel

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

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>QR</i>	<i>QR</i>	<i>QR</i>	<i>QR</i>
	<i>(Reviewed)</i>	<i>(Unreviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>
Salaries and other short-term benefits	<u>110,544</u>	<u>490,137</u>	<u>309,897</u>	<u>1,039,423</u>
End of service benefits	<u>3,507</u>	<u>20,819</u>	<u>9,802</u>	<u>39,715</u>
	<u>114,051</u>	<u>510,956</u>	<u>319,699</u>	<u>1,079,138</u>

Related party balances

The payables to related parties pertain to the loans and borrowings of the Company as disclosed in Note 6. These amounts are secured by the assets owned by the Company, with interests based on prevailing market rates and settlement normally occurs in cash.

10 COMMITMENTS AND CONTINGENT LIABILITIES

Capital expenditure commitments

	<i>30 June</i>	<i>31 December</i>
	<i>2014</i>	<i>2013</i>
	<i>QR</i>	<i>QR</i>
	<i>(Reviewed)</i>	<i>(Audited)</i>
Estimated capital expenditures contracted for at the end of the reporting period, but not provided for	<u>12,551,547</u>	<u>14,761,327</u>

As at 30 June 2014, the Company has unutilized portion of the loan available for asset finance amounting to QR 8,910,418 (2013: Nil).

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the Six Months Ended 30 June 2014

10 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

Operating lease commitments

	30 June 2014 QR (Reviewed)	31 December 2013 QR (Audited)
Future minimum lease payments:		
Not later than one year	11,527	11,527
Later than one year and not later than five years	46,108	46,108
Later than five years	138,324	144,088
	<u>195,959</u>	<u>201,723</u>

Contingent liabilities

	30 June 2014 QR (Reviewed)	31 December 2013 QR (Audited)
Letters of credit	773,123	3,203,101
Guarantees (tenders, performance bonds and miscellaneous)	2,559,072	1,778,585
	<u>3,332,195</u>	<u>4,981,686</u>

11 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 interim condensed financial statements have been prepared under the historical cost convention, modified to include the measurement at fair value of investment properties.

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.

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)

	Level 1 QR (Reviewed)	Level 2 QR (Reviewed)	Level 3 QR (Reviewed)	Total QR (Reviewed)
At 30 June 2014				
Investment properties	<u>-</u>	<u>-</u>	<u>25,646,363</u>	<u>25,646,363</u>
At 31 December 2013	Level 1 QR (Audited)	Level 2 QR (Audited)	Level 3 QR (Audited)	Total QR (Audited)
Investment properties	<u>-</u>	<u>-</u>	<u>25,646,363</u>	<u>25,646,363</u>

During the period ended 30 June 2014, 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.

12 CORRECTION OF ERROR

During the current period, the Company corrected an error in recording the direct cost of manufacturing relating to the year ended 31 December 2013. As a result of this error, the carrying amount of the inventories as at 31 December 2013 was overstated and the cost of sales for the year then ended were understated by QR 1,476,160.

The Company has made the necessary adjustments to restate the previously reported amounts, resulting in increases in loss for the year ended 31 December 2013, and inventories and accumulated losses as at 31 December 2013 by QR 1,476,160. Reconciliations of these accounts as at 31 December 2013 are shown below:

	<i>Inventory</i> <i>QR</i>	<i>Accumulated</i> <i>losses</i> <i>QR</i>
At 31 December 2013, before restatement	20,575,342	(10,628,428)
Correction of error	<u>(1,476,160)</u>	<u>(1,476,160)</u>
At 31 December 2013, after restatement	<u>19,099,182</u>	<u>(12,104,588)</u>

13 RECLASSIFICATION OF COMPARATIVE AMOUNTS

Certain comparative figures have been reclassified to conform to the presentation in the current period's interim condensed financial statements. However, such reclassifications did not have any effect on the previously reported loss for the period or equity, other than those as a result of the matter disclosed in Note 12.

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