

**QATARI GERMAN COMPANY FOR  
MEDICAL DEVICES Q.S.C.  
FINANCIAL STATEMENTS AND REPORTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**QATARI GERMAN COMPANY FOR MEDICAL DEVICES Q.S.C.**  
**FINANCIAL STATEMENTS AND REPORTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

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SK/RP/AU/1302007

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

**Report on the Financial Statements**

We have audited the accompanying 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 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



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

### **Opinion**

We were not provided evidences to substantiate that the Company had conducted annual tests of impairment for intangible assets (QAR 27,799,673), investment property (QAR 22,876,734) and uninstalled machinery (QAR 10,005,505) to determine whether these assets are stated at fair value. As such, the compliance to the relevant provisions of the International Accounting standards IAS 38 (Intangible Assets), IAS 40 (Investment Property) and IAS 36 (Impairment of Assets) could not be verified.

In our opinion, except for the effect of such adjustments, if any, as might have been determined, had we received the above documents, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### **Report on other legal and regulatory requirements**

Furthermore, in our opinion, as required by Law No. 5 of 2002 stating Qatari Commercial Companies Law, we have obtained all the information and explanations necessary for our audit, proper books of account have been maintained by the Company, and the contents of the Board of Director's report which relate to the financial statements are in agreement with the Company's books of account. To the best of our knowledge and belief, no violations of above mentioned laws or of the articles of association of the Company have occurred during the year which would have had a material effect on the business of the Company or on its financial position.

**Place: Doha, Qatar**  
**Date: 11 February 2013**

**Sohila Mohammed Hasan**  
**Reg. No: 214**

**QATARI GERMAN COMPANY FOR MEDICAL DEVICES Q.S.C.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2012**

	<b>Note</b>	<b>As at 31-12-2012 QAR</b>	<b>As at 31-12-2011 QAR</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant & equipment	<b>4</b>	165,926,948	143,270,603
Investment property	<b>5</b>	22,876,734	22,876,734
Intangible assets	<b>6</b>	27,799,673	27,799,673
Advance against purchase of property, plant & equipment	<b>7</b>	429,498	14,320,416
Total non-current assets		<u>217,032,853</u>	<u>208,267,426</u>
<b>Current assets</b>			
Inventory	<b>8</b>	15,613,897	10,475,798
Trade and other receivables	<b>9</b>	7,044,873	1,889,193
Cash and cash equivalents	<b>10</b>	406,813	3,835,732
Total current assets		<u>23,065,583</u>	<u>16,200,723</u>
<b>Total assets</b>		<b><u>240,098,436</u></b>	<b><u>224,468,149</u></b>
<b>Shareholder's equity &amp; liabilities</b>			
<b>Shareholder's equity</b>			
Share capital	<b>11</b>	115,500,000	115,500,000
Legal reserve	<b>12</b>	30,343,120	30,343,120
Revaluation reserve		51,427,996	51,791,442
Accumulated loss		(3,326,429)	3,317,238
<b>Total shareholders' equity</b>		<u>193,944,687</u>	<u>200,951,800</u>
<b>Non-current liabilities</b>			
Provision for employees' end of service benefits	<b>13</b>	582,934	617,339
Borrowings	<b>14</b>	32,330,032	19,357,822
Total non-current liabilities		<u>32,912,966</u>	<u>19,975,161</u>
<b>Current liabilities</b>			
Borrowings	<b>14</b>	10,283,649	2,145,495
Trade and other payables	<b>15</b>	2,957,135	1,395,693
Total current liabilities		<u>13,240,784</u>	<u>3,541,188</u>
<b>Total liabilities</b>		<u>46,153,750</u>	<u>23,516,349</u>
<b>Total shareholders' equity and liabilities</b>		<b><u>240,098,436</u></b>	<b><u>224,468,149</u></b>

The accompanying notes on pages 7 to 30 form an integral part of these financial statements.

The report of the independent auditor is set forth on pages 1 and 2

Authorised for issue by the Board of Directors on 10 February 2013.

**Abdulaziz Nasser M. N. Al-Khalifa**  
**Chairman of the Board of Directors**  
**Place: Doha, Qatar**

**Fareeda Ali Abul Fath**  
**Vice Chairman**

**QATARI GERMAN COMPANY FOR MEDICAL DEVICES Q.S.C.**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

	<b>Notes</b>	<b><u>Year ended</u></b> <b><u>31-12-2012</u></b> <b><u>QAR</u></b>	<b><u>Year ended</u></b> <b><u>31-12-2011</u></b> <b><u>QAR</u></b>
Revenue	<b>16</b>	13,749,337	7,538,590
Direct cost	<b>17</b>	(11,987,848)	(6,822,517)
<b>Gross profit</b>		<b>1,761,489</b>	<b>716,073</b>
Other income	<b>18</b>	191,643	297,586
Employee costs	<b>19</b>	(3,306,399)	(2,634,352)
Other operating expenses	<b>20</b>	(3,661,584)	(4,266,684)
Gain on revaluation of investment property		-	9,866,850
Intangible assets written off		-	(1,967,459)
Depreciation		(398,368)	(666,822)
<b>Profit/(loss) from operating activities</b>		<b>(5,413,219)</b>	<b>1,345,192</b>
Finance cost	<b>21</b>	(1,593,894)	(955,003)
<b>Profit/(loss) for the year</b>		<b>(7,007,113)</b>	<b>390,189</b>
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive income for the year</b>		<b>(7,007,113)</b>	<b>390,189</b>
<b>Basic earnings per share</b>	<b>22</b>	<b>(0.607)</b>	<b>0.034</b>

The accompanying notes on pages 7 to 30 form an integral part of these financial statements.

The report of the independent auditor is set forth on pages 1 and 2

**QATARI GERMAN COMPANY FOR MEDICAL DEVICES Q.S.C.**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

	<u>Share capital</u>	<u>Legal reserve</u>	<u>Revaluation reserve</u>	<u>Accumulated loss</u>	<u>Total</u>
	<u>QAR</u>	<u>QAR</u>	<u>QAR</u>	<u>QAR</u>	<u>QAR</u>
<b>Balance as on 31 December 2010</b>	115,500,000	30,304,101	52,175,667	2,581,843	200,561,611
Profit for the year	-	-	-	390,189	390,189
Transfer to legal reserve	-	39,019	-	(39,019)	-
Transfer from revaluation reserve	-	-	(384,225)	384,225	-
<b>Balance as on 31 December 2011</b>	<u>115,500,000</u>	<u>30,343,120</u>	<u>51,791,442</u>	<u>3,317,238</u>	<u>200,951,800</u>
Loss for the year	-	-	-	(7,007,113)	(7,007,113)
Transfer from revaluation reserve	-	-	(363,446)	363,446	-
<b>Balance as on 31 December 2012</b>	<u><u>115,500,000</u></u>	<u><u>30,343,120</u></u>	<u><u>51,427,996</u></u>	<u><u>(3,326,429)</u></u>	<u><u>193,944,687</u></u>

The accompanying notes on pages 7 to 30 form an integral part of these financial statements.

The report of the independent auditor is set forth on pages 1 and 2

**QATARI GERMAN COMPANY FOR MEDICAL DEVICES Q.S.C.**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED 31 DECEMBER 2012**

	<u><b>Year ended</b></u> <u><b>31-12-2012</b></u> <u><b>QAR</b></u>	<u><b>Year ended</b></u> <u><b>31-12-2011</b></u> <u><b>QAR</b></u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Total comprehensive income for the year	(7,007,113)	390,189
Adjustments for :		
Depreciation	1,613,989	1,659,381
Advance against purchase of property, plant and equipments written off	-	899,814
Intangible assets written off	-	1,967,459
Fair value adjustments for investment properties	-	(9,866,850)
Provision for employees' end of service benefits	296,946	129,908
Finance cost	1,593,894	955,003
<b>Operating profit before working capital changes</b>	<b>(3,502,285)</b>	<b>(3,865,096)</b>
Increase in inventory	(5,138,099)	(775,952)
(Increase)/decrease in trade and other receivables	(5,155,680)	726,428
Increase in trade and other payables	1,561,442	238,232
<b>Cash used in operating activities</b>	<b>(12,234,622)</b>	<b>(3,676,388)</b>
Employees end of service benefits paid	(331,351)	(29,252)
<b>Net cash used in operating activities (A)</b>	<b>(12,565,973)</b>	<b>(3,705,640)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(274,228)	(313,901)
Additions to intangible assets	-	(410,557)
Advance against purchase of property, plant and equipment	(10,105,189)	(3,402,547)
<b>Net cash used in investing activities (B)</b>	<b>(10,379,417)</b>	<b>(4,127,005)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net movement in borrowings	22,967,271	1,362,159
Finance cost	(1,593,894)	(955,003)
<b>Net cash generated from financing activities (C)</b>	<b>21,373,377</b>	<b>407,156</b>
<b>Net decrease in cash and cash equivalents (A+B+C)</b>	<b>(1,572,013)</b>	<b>(7,425,489)</b>
Cash and cash equivalents at the beginning of the year	1,699,077	9,124,566
<b>Cash and cash equivalents at the end of the year (Note 10)</b>	<b>127,064</b>	<b>1,699,077</b>

The accompanying notes on pages 7 to 30 form an integral part of these financial statements.

The report of the independent auditor is set forth on pages 1 and 2

**QATARI GERMAN COMPANY FOR MEDICAL DEVICES Q.S.C.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

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**1. GENERAL INFORMATION**

Qatari German Company for Medical Devices Q.S.C (the Company) is a Qatari Shareholding Company incorporated in Doha, Qatar by virtue of Emiri Decree no. 39 issued on 15 October 2000, under the Commercial Registration no. 23349 and is currently listed on Qatar Exchange. The registered address of the Company is P.O Box 22556, Doha, Qatar and principal place of business is Doha.

The principal activity of the Company is to manufacture single use disposable syringes.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES**

**2.1 Basis of preparation**

The financial statements have been prepared under the historical cost basis. The financial statements are presented in Qatari Riyals (QAR), unless otherwise stated, and all values are rounded to the nearest QAR. The principal accounting policies adopted are set out below.

**2.2 Statement of compliance**

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards, the applicable provisions of the Articles of Association of the Company and the relevant provisions of Law No. 5 of 2002 stating Qatari Commercial Companies' Law.

**2.3 Adoption of new and revised International Financial Reporting Standards**

The following new and revised Standards including amendments thereto and Interpretations which became effective for the current reporting period have been adopted. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the financial reporting for future transactions or arrangements.

*IFRS 7: Financial Instruments-Disclosures (Disclosure for transfer of financial instruments)*

The IASB issued an amendment to IFRS 7 on 7 October 2010. The amendment provides enhanced disclosures for transferred financial assets that are derecognised in their entirety and transferred assets that are not derecognised in their entirety. The effective date is for annual periods beginning on or after 01 July 2011.

*IAS 12: Deferred Tax – Recovery of Underlying Assets*

IAS 12 - Income Taxes, has been amended to provide a presumption that recovery of the carrying amount of an asset measured using the fair value model in IAS 40 - Investment Property, will normally, be through sale.

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The following standards, amendments thereto and Interpretations have been issued prior to 31 December 2012 but have not been applied in these financial statements as their adoption are effective in future reporting periods. It is anticipated that their adoption in the relevant reporting periods will have impact only on disclosures within the financial statements.

*IFRS 1: Government Loans – Effective 1 January 2013*

IFRS 1 - First-time Adoption of International Financial Reporting Standards, has been amended to address how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRSs. The amendments mirror the requirements for existing IFRS preparers in relation to the application of amendments made to IAS 20 Accounting for Government Grants and Disclosure of Government Assistance in relation to accounting for government loans.

*IFRS 7: Financial Instruments-Disclosures (Disclosures about offsetting of financial assets and financial liabilities) – Effective January 1, 2013*

The amendments to IFRS 7 - Financial Instruments, introduce additional disclosures designed to allow users of financial statements to improve their understanding of transfer transactions of financial assets, including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

*IFRS 9: Financial Instruments - Effective 1 January 2015*

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but amendments to IFRS 9 mandatory effective date of IFRS 9 and transition disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets.

*IFRS 10: Consolidated Financial Statements and IAS 27: Separate Financial Statements - Effective 1 January 2013*

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that address the accounting for consolidated financial statements. It also addresses the issue raised in SIC-12, Consolidation- Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including Special Purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27.

*IFRS 11: Joint Arrangements - Effective 1 January 2013*

IFRS 11 replaces IAS 31 – Interests in Joint Ventures and SIC -13 Jointly-controlled entities – Non-monetary contributions by venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.

**QATARI GERMAN COMPANY FOR MEDICAL DEVICES Q.S.C.**  
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*IFRS 12: Disclosure of Interests in Other Entities – Effective 1 January 2013*

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities.

*IFRS 13: Fair Value Measurement – Effective 1 January 2013*

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted.

*IAS 1: Presentation of Items of Other Comprehensive Income – Effective 1 July 2012*

The amendments to IAS 1 change the grouping of the items presented in other comprehensive income (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time would be presented separately from items that will never be reclassified (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets).

*IAS 19: Employee Benefits – Effective 1 January 2013*

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes to such as removing corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording.

*IAS 28: Investments in Associates and Joint Ventures – Effective 1 January 2013*

As a consequence of the new IFRS 11 - Joint Arrangements, and IFRS 12 – Disclosure of Interest in Other Entities, IAS 28 – Investments in Associates has been renamed IAS 28 - Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates.

## **2.4 Foreign currencies**

*(a) Functional and presentation currency*

The financial statements are prepared and the items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The financial statements are presented in QAR, which is the Company's functional and presentation currency.

**QATARI GERMAN COMPANY FOR MEDICAL DEVICES Q.S.C.**  
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*(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of outstanding amounts of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at end of each reporting period are recognised in the statement of comprehensive income. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transaction.

**2.5 Property, plant and equipment**

Property, plant and equipment is stated at cost less accumulated depreciation and identified impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the items including installation costs. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the statement of comprehensive income during the reporting period in which they are incurred.

Capital work-in-progress is stated at cost, less any recognised impairment loss. Depreciation of these assets commences when the assets are ready for their intended use.

The depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows;

	<b>Years</b>
Buildings	50.00
Machinery and equipments	On the basis of utilization
Motor vehicles	5.00
Furniture, fixtures and equipments	5.00
Computers and software	3.00

The assets' residual values and useful lives are reviewed at each reporting date, with the effect of any changes in estimates adjusted on a prospective basis. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The gains or losses arising on the disposal or retirement of an item of property, plant and equipment is determined by comparing the disposal proceeds with the carrying amount of the asset and is recognised in the statement of comprehensive income.

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**2.6 Investment property**

Land and, building or part of a building or both, acquired for the purpose of capital appreciation or earning lease rental income are classified as investment property and stated at fair value based on assessment by an independent valuer. Changes in fair value are recognised in the statement of comprehensive income.

**2.7 Intangible assets**

Intangible assets include cost incurred on patents and know-how. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and are recognised as an expense in the period in which the expenditure is incurred.

Intangible assets are amortised over the useful economic life and assured for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each reporting period end.

Assets that have an indefinite useful life are not amortised. These are tested for impairment annually at each reporting date and when circumstances indicate that the carrying value of the assets may be impaired.

The patents and know-how have an indefinite useful life and are tested for impairment annually.

**2.8 Leases**

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

*Company as a lessee*

Lease in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised as an expense in the statement of comprehensive income on a straight line basis over the period of the lease.

**2.9 Inventory**

Inventories are valued at lower of cost and net realisable value. Cost is determined on a weighted average cost basis and comprises direct materials and, wherever applicable, direct labour costs and those overheads that have been incurred in bringing them to their present location and condition. Net realisable value represents the estimate of selling price in the ordinary course of business, less all estimated costs to completion and costs necessary to make the sale.

Costs incurred in bringing each item to its present location and condition are accounted for as follows:

Raw materials	- purchase cost
Finished goods	- cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

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**2.10 Income tax**

Income tax is computed on the net profit adjusted for the tax purposes in accordance with the provisions of Law no. 21 of 2009 concerning Qatari Income tax.

**2.11 Impairment of tangible and intangible assets**

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. 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. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

A reversal of an impairment loss is recognised immediately in the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**2.12 Financial instruments**

Financial assets and financial liabilities are recognized when, and only when, the Company becomes a party to the contractual provisions of the instrument.

Financial assets are de-recognized when, and only when, the contractual rights to receive cash flows expire or when substantially all the risks and rewards of ownership have been transferred. Financial liabilities are de-recognized when, and only when, they are extinguished, cancelled or expired.

Current financial assets that have fixed or determinable payments and for which there is no active market, which comprise trade and other receivables are classified as receivables and stated at cost or, if the impact is material, at amortized cost using the effective interest method, less any write down for impairment losses plus reversals of impairment losses. Impairment losses and reversals thereof are recognized in the statement of comprehensive income.

Current financial liabilities which comprise of borrowings and trade & other payables are measured at cost or, if the impact is material, at amortized cost using the effective interest method.

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**2.13 Impairment of Financial assets**

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that a financial asset or a group of financial assets is impaired, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been impacted. Impairment losses are written off to the statement of comprehensive income or if previously a provision was made, it is written off against the provision.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of previously recognised impairment loss is recognised in the statement of comprehensive income.

**2.14 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and bank deposits free of encumbrance with a maturity date of three months or less from the date of deposits.

**2.15 Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is recognised in the statement of comprehensive income, net of any reimbursement.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. Provisions are not recognised for future operating losses.

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

Provision for employees' end of service benefits is made in accordance with the Qatari Labour Law, and is based on current remuneration and periods of service at the end of the reporting period.

**2.17 Annual leave and leave passage**

An accrual is made for the estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by eligible employees up to the end of the reporting period.

**2.18 Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost using the effective interest rate method. Difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

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Borrowing costs are recognised in statement of comprehensive income in the period in which they are incurred. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down.

Borrowings are classified as current liabilities unless the Company has an unconditional right prior to the reporting date to defer settlement of the liability for at least 12 months after the reporting date.

### **2.19 Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable for services rendered in the ordinary course of the Company's activities. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised based on the following specific recognition criteria:

#### *Sale of goods*

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods

#### *Rental income*

Revenue from rental income is recognized as and when it is accrued.

### **3. CRITICAL 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 revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The key assumptions concerning the future and other key sources of estimating uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below;

#### *a) Depreciation of property, plant and equipment*

Management assigns useful lives and residual values to property, plant and equipment based on the intended use and the economic lives of those assets. Subsequent changes in circumstances could result in the actual useful lives or residual values differing from initial estimates. Where management determines that the useful life or residual value of an asset requires amendment, the net book amount in excess of the residual value is depreciated over the revised remaining useful life.

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*b) Impairment of intangible assets*

Impairment of intangible assets is determined using a combination of factors to ensure that there is no impairment in the value of the intangible asset at each statement of financial position date.

*c) Fair value of investment properties*

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Company's investment property. The fair value is based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

*d) Impairment of assets*

Assessments of net recoverable amounts of property, plant and equipment and all financial assets other than trade and other receivables are based on assumptions regarding future cash flows expected to be received from the related assets.

*e) Impairment of trade receivables*

The management regularly undertakes a review of the recovery status of amounts due from either third parties or related parties. Such review is made based on variety of factors, including the overall quality and aging of the receivables, continuing credit evaluation of the customers' financial conditions and collateral requirements from customers in certain circumstances, Based on the review, assumptions are made regarding the extent of impairment allowance required.

*f) Inventory provision*

The Company reviews the carrying amounts of the inventories at each reporting date and assesses the likely realization proceeds taken into account, the age of inventory, estimated future demand for various items in the inventory, and physical damage etc. Based on the assessment, adequate provisions are made.

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**4. PROPERTY, PLANT & EQUIPMENT**

	<u>Leasehold land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Motor vehicles</u>	<u>Furniture, fixtures and equipments</u>	<u>Computer and software</u>	<u>Capital work- in-progress</u>	<u>Total</u>
	<u>QAR</u>	<u>QAR</u>	<u>QAR</u>	<u>QAR</u>	<u>QAR</u>	<u>QAR</u>	<u>QAR</u>	<u>QAR</u>
<b>Cost</b>								
As at 31 December 2010	27,296,000	49,296,743	64,014,532	264,000	941,896	264,351	191,725	142,269,247
Additions during the year	-	-	171,523	-	46,089	96,289	-	313,901
Transfers	-	4,836,704	8,607,633	-	181,825	47,693	(191,725)	13,482,130
Transfer to investment properties	(7,235,690)	-	-	-	-	-	-	(7,235,690)
Disposals during the year	-	-	-	-	(9,709)	-	-	(9,709)
As at 31 December 2011	20,060,310	54,133,447	72,793,688	264,000	1,160,101	408,333	-	148,819,879
Additions during the year				78,500	76,116	119,612		274,228
Transfers from advances against purchase of property, plant & equipment			23,996,106					-
Written off during the year					(208,239)	(15,922)		(224,161)
As at 31 December 2012	20,060,310	54,133,447	96,789,794	342,500	1,027,978	512,023	-	172,866,052
<b>Accumulated depreciation</b>								
As at 31 December 2010	-	1,651,329	1,112,978	249,200	695,645	190,452	-	3,899,604
Charge for the year	-	751,809	685,247	14,798	138,349	69,178	-	1,659,381
Adjustment for disposal of assets	-	-	-	-	(9,709)	-	-	(9,709)
As at 31 December 2011	-	2,403,138	1,798,225	263,998	824,285	259,630	-	5,549,276
Charge for the year		712,519	664,115	5,233	137,792	94,329		1,613,989
Adjustment for disposal of assets					(208,239)	(15,922)		(224,161)
As at 31 December 2012	-	3,115,657	2,462,340	269,231	753,838	338,037	-	6,939,104
<b>Net book amount</b>								
As at 31 December 2012	20,060,310	51,017,790	94,327,454	73,269	274,140	173,986	-	165,926,948
As at 31 December 2011	20,060,310	51,730,309	70,995,463	2	335,816	148,703	-	143,270,603

**4. PROPERTY, PLANT & EQUIPMENT (CONTINUED)**

**4.1** During the year 2007, the Company had revalued its assets by an independent valuer. The increase due to revaluation was added to cost of the assets and subsequently, the revaluation reserve thereof is classified as a separate component of the shareholder's equity.

**4.2** Leasehold land represents the value of the property and right to use the leased land, on which the buildings are erected.

**4.3** Machinery and equipments costing QAR 10,005,505 have not been depreciated till date, since these assets have not been put to use.

**4.4** Depreciation for the period has been allocated in the statement of comprehensive income as follows:

	<u><b>Year ended</b></u> <u><b>31-12-2012</b></u> <u><b>QAR</b></u>	<u><b>Year ended</b></u> <u><b>31-12-2011</b></u> <u><b>QAR</b></u>
Direct cost	1,215,621	992,559
Indirect cost	398,368	666,822
Total	<u>1,613,989</u>	<u>1,659,381</u>

**5. INVESTMENT PROPERTIES**

	<u><b>Land and</b></u> <u><b>building</b></u>
Carrying value as at 31 December 2010	5,774,194
Fair value changes	9,866,850
Transferred from property, plant and equipment	7,235,690
Carrying value as at 31 December 2011	<u>22,876,734</u>
Carrying value as at 31 December 2012	<u>22,876,734</u>

The Company has carried out a valuation of leasehold land (property right to use) in which the buildings are erected, as at 31 December 2011. The valuation was done by Al Haque Rental and Real-estate Office, a certified valuer, specialized in valuation of real estate and similar activities. The valuation has been carried out with reference to market evidence of transaction prices for similar properties and/ or discounted cash flows coupled with market and other evidences.

**6. INTANGIBLE ASSETS**

	<u><b>As at</b></u> <u><b>31-12-2012</b></u> <u><b>QAR</b></u>	<u><b>As at</b></u> <u><b>31-12-2011</b></u> <u><b>QAR</b></u>
<u>Patents and know-how</u>		
Opening balance	27,799,673	29,356,575
Additions during the period	-	410,557
	<u>27,799,673</u>	<u>29,767,132</u>
Impaired intangible assets written off to income statement	-	(1,967,459)
Closing balance	<u>27,799,673</u>	<u>27,799,673</u>

**6.1** During the year ended December 31, 2007 the Company acquired the full rights for the use of the patents and know how without any limitations from Mr. Seikmann on a further payable amount of Euro 900,000. This payment has been made in January 2008 by taking a loan from Qatar National Bank. The patents now belong to the Company with full rights. All the expenses related to development and acquisition of patents and know-how have been included in the cost of patents and know-how.

**6.2** The patents now belong to the Company and have an infinite life. The management of the Company believes that there has been no impairment on the cost of the patents and know-how as of the reporting date.

**7. ADVANCE AGAINST PURCHASE OF PROPERTY, PLANT & EQUIPMENT**

**7.1** During the year 2009, the Board of Directors took a decision to expand the operations of the Company by introducing a new product line. Accordingly plant and machinery, factory premises and other necessary infrastructures were modified. Some of those machineries and equipment received are under commissioning as of the reporting date. The expansion plan is substantially complete as at the reporting date.

**7.2** All the capital expenditures incurred for purchase of machineries and other directly attributable expenses have been classified in this account.

The movement in this account is as follows:

	<u><b>As at</b></u> <u><b>31-12-2012</b></u> <u><b>QAR</b></u>	<u><b>As at</b></u> <u><b>31-12-2011</b></u> <u><b>QAR</b></u>
Opening balance	14,320,416	25,299,813
Current year advance payments	10,105,189	3,402,547
Transfer to property, plant & equipment	(23,996,107)	(13,482,130)
Advances written off during the year	-	(899,814)
Closing balance	<u>429,498</u>	<u>14,320,416</u>

**8. INVENTORY**

	<u><b>As at</b></u> <u><b>31-12-2012</b></u> <u><b>QAR</b></u>	<u><b>As at</b></u> <u><b>31-12-2011</b></u> <u><b>QAR</b></u>
Raw materials	10,680,751	6,525,280
Finished goods	1,643,764	1,112,020
Spare parts	3,035,621	2,759,245
Consumables	253,761	79,253
	<u>15,613,897</u>	<u>10,475,798</u>

**9. TRADE & OTHER RECEIVABLES**

	<u><b>As at</b></u> <u><b>31-12-2012</b></u> <u><b>QAR</b></u>	<u><b>As at</b></u> <u><b>31-12-2011</b></u> <u><b>QAR</b></u>
Trade receivables	6,273,883	1,563,105
Pre-payments	416,302	289,837
Advance to suppliers	319,667	26,627
Other receivables	35,021	9,624
	<u>7,044,873</u>	<u>1,889,193</u>

An age analysis of trade receivables that were past due but not impaired is as follows:

	<u><b>As at</b></u> <u><b>31-12-2012</b></u> <u><b>QAR</b></u>	<u><b>As at</b></u> <u><b>31-12-2011</b></u> <u><b>QAR</b></u>
Outstanding for 31 - 60 days	213,800	499,704
Outstanding for 61 - 90 days	1,284,854	14,840
Outstanding for 91 - 120 days	1,151,594	566,248
Outstanding for more than 120 days	1,903,269	293,480
	<u>4,553,517</u>	<u>1,374,272</u>

Trade receivables which were neither past due nor impaired are QAR 1,720,366  
(Previous year: QAR 188,833)

**10. CASH & CASH EQUIVALENTS**

	<u>As at</u> <u>31-12-2012</u> <u>QAR</u>	<u>As at</u> <u>31-12-2011</u> <u>QAR</u>
Cash in hand	20,000	4,004
Cash at bank:		
Current and call accounts	386,813	809,689
Fixed deposit account	-	3,022,039
	<u>406,813</u>	<u>3,835,732</u>

Cash and cash equivalents at the end of the year as shown in the statement of financial position, can be reconciled to the related items in the statement of cash flows as follows:

Cash and cash equivalents	406,813	3,835,732
Bank Overdraft	(279,749)	(2,136,655)
	<u>127,064</u>	<u>1,699,077</u>

**11. SHARE CAPITAL**

	<u>As at</u> <u>31-12-2012</u> <u>QAR</u>	<u>As at</u> <u>31-12-2011</u> <u>QAR</u>
Issued and fully paid	<u>115,500,000</u>	<u>115,500,000</u>

Ordinary shares of 11,550,000 (2011: 11,550,000 ) of QAR 10 each

The authorised capital of the Company comprises of 11,550,000 shares of QAR 10 each

**12. LEGAL RESERVE**

	<u>As at</u> <u>31-12-2012</u> <u>QAR</u>	<u>As at</u> <u>31-12-2011</u> <u>QAR</u>
Opening and closing balance	<u>30,343,120</u>	<u>30,343,120</u>

In accordance with Law No.5 of 2002 stating Qatari Commercial Companies' Law and the Articles of Association, the Company is required to establish a statutory reserve by transferring 10% of net profit for each year until the reserve equals 50% of the paid-up capital. This is not available for distribution except as stipulated by the Law. During the year, no transfer to the said reserve has been made since the Company has incurred a loss.

**13. PROVISION FOR EMPLOYEES END OF SERVICE BENEFIT**

	<u>As at</u> <u>31-12-2012</u> <u>QAR</u>	<u>As at</u> <u>31-12-2011</u> <u>QAR</u>
Opening balance	617,339	516,683
Provision for the year	296,946	129,908
Paid during the year	(331,351)	(29,252)
Closing balance	<u>582,934</u>	<u>617,339</u>

**14. BORROWINGS**

	<u>As at</u> <u>31-12-2012</u> <u>QAR</u>	<u>As at</u> <u>31-12-2011</u> <u>QAR</u>
<i>Non-current liability:</i>		
Term loan	32,330,032	19,357,822
<i>Current liability:</i>		
Documentary credit facility / Trust receipt loan - QNB	661,889	-
Documentary credit facility / Trust receipt loan - QDB	9,061,680	-
Bank overdraft	279,749	2,136,655
Credit card payable	36,090	8,840
Interest payable to bank	244,241	-
	<u>42,613,681</u>	<u>21,503,317</u>

**14.1** The Company has entered into a loan agreement for refinancing its existing facilities with Qatar Development Bank, a related party, for an amount of QAR 32.6 million term loan and QAR 9 million revolving loan, on 23 February 2012, to finance the establishment of industrial plant at Abu Hamour. The Company has also entered into a pledge agreement on 29 February 2012, to pledge all the assets of the Company for the purpose of this loan facility. The interest rate for the total loan facility is 3.5% per annum and the repayment commences after 3 years grace period. In addition, the Company has pledged these assets as a secondary mortgage for the facility availed from Qatar National Bank, for an amount of QAR 19 million.

**14.2** The Company has entered into a loan agreement with Qatar National Bank, a related party, on 10 August 2011 for an overdraft facility of QAR 2 million and document credit facility of QAR 16 million. The interest rate for these facilities are 8% per annum.

**15. TRADE & OTHER PAYABLES**

	<b><u>As at</u></b> <b><u>31-12-2012</u></b> <b><u>QAR</u></b>	<b><u>As at</u></b> <b><u>31-12-2011</u></b> <b><u>QAR</u></b>
Trade payables	2,310,466	891,135
Dividend payable	215,891	216,166
Accrued expenses	132,966	93,141
Other payables	297,812	195,251
	<u>2,957,135</u>	<u>1,395,693</u>

**16. REVENUE**

	<b><u>Year ended</u></b> <b><u>31-12-2012</u></b> <b><u>QAR</u></b>	<b><u>Year ended</u></b> <b><u>31-12-2011</u></b> <b><u>QAR</u></b>
Sales	<u>13,749,337</u>	<u>7,538,590</u>

**17. DIRECT COST**

	<b><u>Year ended</u></b> <b><u>31-12-2012</u></b> <b><u>QAR</u></b>	<b><u>Year ended</u></b> <b><u>31-12-2011</u></b> <b><u>QAR</u></b>
Cost of sales	<u>11,987,848</u>	<u>6,822,517</u>

**18. OTHER INCOME**

	<b><u>Year ended</u></b> <b><u>31-12-2012</u></b> <b><u>QAR</u></b>	<b><u>Year ended</u></b> <b><u>31-12-2011</u></b> <b><u>QAR</u></b>
Rent	180,000	205,000
Interest	11,643	92,586
	<u>191,643</u>	<u>297,586</u>

**19. EMPLOYEE COSTS**

	<b><u>Year ended</u></b> <b><u>31-12-2012</u></b> <b><u>QAR</u></b>	<b><u>Year ended</u></b> <b><u>31-12-2011</u></b> <b><u>QAR</u></b>
Salaries and wages	2,731,838	1,992,368
End of service benefits	129,980	87,196
Other employee costs	444,581	554,788
	<u>3,306,399</u>	<u>2,634,352</u>

**20. OTHER OPERATING EXPENSES**

	<u><b>Year ended</b></u> <u><b>31-12-2012</b></u> <u><b>QAR</b></u>	<u><b>Year ended</b></u> <u><b>31-12-2011</b></u> <u><b>QAR</b></u>
Legal and professional fees	392,857	464,804
Patent and renewal costs	108,212	61,978
Selling and marketing expenses	2,031,137	514,436
Rent	135,090	-
Conveyance	100,733	15,681
Repairs and maintenance	376,809	849,543
Utilities	242,648	563,681
Office and miscellaneous expenses	269,073	241,812
Staff related factory expenses written off	-	1,542,786
Foreign exchange loss	5,025	11,963
	<u>3,661,584</u>	<u>4,266,684</u>

**21. FINANCE COST**

	<u><b>Year ended</b></u> <u><b>31-12-2012</b></u> <u><b>QAR</b></u>	<u><b>Year ended</b></u> <u><b>31-12-2011</b></u> <u><b>QAR</b></u>
Bank charges and commission	372,278	7,897
Interest	1,221,616	947,106
	<u>1,593,894</u>	<u>955,003</u>

**22. BASIC AND DILUTED EARNINGS PER SHARE**

Basic earnings per share is calculated by dividing the profit for the period by weighted average number of ordinary shares outstanding as at the reporting date. The basic and diluted earnings per share are the same as there are no diluted effects on earnings. Since the Company has incurred a loss for the year, its has a negative earnings per share.

	<u><b>Year ended</b></u> <u><b>31-12-2012</b></u> <u><b>QAR</b></u>	<u><b>Year ended</b></u> <u><b>31-12-2011</b></u> <u><b>QAR</b></u>
Profit/ (loss) for the year	(7,007,113)	390,189
Weighted average number of shares	11,550,000	11,550,000
Earnings per share of QAR 10 each	(0.607)	0.034

**23. RELATED PARTY DISCLOSURES**

Related parties include the shareholders, key management personnel, fellow subsidiaries, associates, joint ventures, directors and entities which are controlled directly or indirectly by the shareholders or directors or over which they exercise significant management influence. Balances and transactions between the Company and its related parties are described below. Transactions with related parties were entered into on arms length basis.

During the period, the Company had transactions in the ordinary course of business with some of its shareholders. These transactions were substantially on the same terms, including interest rates, as those prevailing in comparable transactions with unrelated parties.

The transactions with related parties during the year are as follows:

	<b><u>Year ended</u></b> <b><u>31-12-2012</u></b> <b><u>QAR</u></b>	<b><u>Year ended</u></b> <b><u>31-12-2011</u></b> <b><u>QAR</u></b>
Interest	1,221,616	947,106
Bank charges and commission	372,278	7,897
	<u>1,593,894</u>	<u>955,003</u>
Key Management Personnel Remuneration, allowance and fees	<u>2,022,109</u>	<u>771,333</u>

The compensation of key management for the year is shown below:

	<b><u>Year ended</u></b> <b><u>31-12-2012</u></b> <b><u>QAR</u></b>	<b><u>Year ended</u></b> <b><u>31-12-2011</u></b> <b><u>QAR</u></b>
Short-term benefits	1,952,747	671,454
Post-employment benefits	69,363	99,879
	<u>2,022,109</u>	<u>771,333</u>

The following balances were outstanding at the end of the year:

	<b><u>As at</u></b> <b><u>31-12-2012</u></b> <b><u>QAR</u></b>	<b><u>As at</u></b> <b><u>31-12-2011</u></b> <b><u>QAR</u></b>
Due to related parties included in borrowings (Note 14)	<u>42,613,681</u>	<u>21,503,317</u>

**24. FINANCIAL INSTRUMENTS**

The net carrying amount of the financial assets and financial liabilities as at the reporting date are classified as follows :

	<u>Loans and Receivables</u>		<u>At amortized cost</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	<u>QAR</u>	<u>QAR</u>	<u>QAR</u>	<u>QAR</u>
<b>Financial Assets</b>				
Trade and other receivables (excluding prepayments) (Note 9)	6,593,550	1,589,732	-	-
Cash and cash equivalents (Note 10)	406,813	3,835,732	-	-
Total	<u>7,000,363</u>	<u>5,425,464</u>	<u>-</u>	<u>-</u>
<b>Financial liabilities</b>				
Borrowings (Note 14)	-	-	42,613,681	21,503,317
Trade and other payables (Note 15)	-	-	2,957,135	1,395,693
Total	<u>-</u>	<u>-</u>	<u>45,570,816</u>	<u>22,899,010</u>

**25. CAPITAL RISK MANAGEMENT**

The Company manages its capital to ensure that the Company will be able to continue as a going concern while providing maximum return to stakeholders through the optimization of the debt and equity balance and to maintain an optimal capital structure to reduce the cost of capital. The Company's overall strategy on capital risk management remains unchanged from the previous year.

The capital structure of the Company consists of equity as presented in the balance sheet. Debt comprises total amounts owing to third parties, net of cash and cash equivalents.

The Company is subject to externally imposed capital requirements.

**26. FINANCIAL RISK MANAGEMENT****26.1 Financial risk factors**

The Company's activities expose to a variety of financial risks: market risk (including currency risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

**26. FINANCIAL RISK MANAGEMENT (CONTINUED)****26.1 Financial risk factors (Continued)**

Risk management is carried out by the Company's management. The management identifies and evaluates financial risks on regular basis to minimize the adverse impact over the Company's operation.

**(a) Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity risk. The Company's activities are exposed primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

**(i) Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities, when revenue or expense are denominated in a different currency from the Company's functional currency which is QAR. The Company manages the risks through regular monitoring of the currency markets to determine appropriate action to minimise the exposure to the foreign currency risks.

Financial assets and financial liabilities are denominated in QAR or SAR both pegged with USD and in USD except for the following:

	<u>As at</u> <u>31-12-2012</u>	<u>As at</u> <u>31-12-2011</u>
<b>Trade receivables</b>		
Euro	61,267	129,978
<b>Trade payables</b>		
Euro	263,648	63,608

At the reporting date, if the above mentioned currencies had been weaker or stronger against QAR by 1%, loss for the year would have been higher or lower by QAR 15,627 (Previous year profit would be higher or lower by QAR 9,111)

## **26. FINANCIAL RISK MANAGEMENT (CONTINUED)**

### **26.1 Financial risk factors (Continued)**

#### **(a) Market risk (Continued)**

##### **(ii) 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 changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's bank borrowings.

As of the reporting date, the company has bank borrowings from related parties, as disclosed in Note 14. If the interest rate had strengthened by 1% against the effective rate with all other variables held constant, net loss for the year would have been higher by QAR 426,137 (2011 : profit for the year would have been lower by QAR 215,033).

The analysis is prepared assuming the amount of liability outstanding as on the reporting date was outstanding for the whole year.

#### **(b) Credit risk**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

The Company deals only with highly reputed local and international banks. In respect of major customers, credit risk is managed by assessing the credit quality of these major customers, taking into account their financial position, past experience and other factors including regular follow up.

Of the trade receivables balance at the end of the year, QAR 5,124,619 (2010: Nil) is due from one customer (considering customers with more than 10% of total balance).

#### **c) Liquidity risks**

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities at maturity date.

The Company manages the liquidity risk through risk management framework for the Company's short, medium and long-term funding and liquidity management requirements by maintaining adequate reserves, sufficient cash and cash equivalent to ensure funds are available to meet its commitments for liabilities as they fall due.

**QATARI GERMAN COMPANY FOR MEDICAL DEVICES Q.S.C.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

**26. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**26.1 Financial risk factors (Continued)**

**c) Liquidity risks (Continued)**

The table below analyses the Company's remaining contractual maturity for its financial liabilities based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. The contractual maturity is based on the earliest date on which the Company may be required to pay.

	<u>Less than</u> <u>1 year</u> <u>QAR</u>	<u>Between</u> <u>1 to 2</u> <u>years</u> <u>QAR</u>	<u>Between</u> <u>2 to 5</u> <u>years</u> <u>QAR</u>	<u>More than</u> <u>5 years</u> <u>QAR</u>	<u>Total</u> <u>QAR</u>
<b>As at 31 December 2012</b>					
Borrowings (Note 14)	10,283,649	-	13,957,835	18,372,197	42,613,681
Trade and other payables (Note 15)	2,957,135	-	-	-	2,957,135
	<u>13,240,784</u>	<u>-</u>	<u>13,957,835</u>	<u>18,372,197</u>	<u>45,570,816</u>
<b>As at 31 December 2011</b>					
Borrowings (Note 14)	2,145,495	-	19,357,822	-	21,503,317
Trade and other payables (Note 15)	1,395,693	-	-	-	1,395,693
	<u>3,541,188</u>	<u>-</u>	<u>19,357,822</u>	<u>-</u>	<u>22,899,010</u>

**27. FAIR VALUE**

The fair value of a financial instrument is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length basis transaction. The fair values of the financial assets and liabilities approximate their net book amounts as reflected in these financial statements.

## **28. COMMITMENT AND CONTINGENCIES**

Except the ongoing service commitments in the normal course of business against which no loss is expected and those specifically mentioned below, there has been no other known contingent liability or capital commitment on the Company's account

### **28.1 Operating lease arrangements**

The Company had entered into a lease agreement for the land at Abu hamour on 01 July 2001. The lease has a life of 30 years. The Company does not have an option to purchase the leased property at the expiry of the lease period.

	<u><b>As at</b></u> <u><b>31-12-2012</b></u> <u><b>QAR</b></u>	<u><b>As at</b></u> <u><b>31-12-2011</b></u> <u><b>QAR</b></u>
Lease that expires not later than 1 year	11,527	11,527
Lease that expires later than 1 year but not later than 5 years	46,108	46,108
Lease that expires later than 5 years	155,615	167,142
	<u>213,250</u>	<u>224,777</u>

### **28.2 Contingent liability**

As of the reporting date following contingent liabilities were outstanding;

	<u><b>As at</b></u> <u><b>31-12-2012</b></u> <u><b>QAR</b></u>	<u><b>As at</b></u> <u><b>31-12-2011</b></u> <u><b>QAR</b></u>
Letter of credit	-	1,184,773
Letter of credit - Usance	307,840	9,486,892
Guarantees (Tender, Performance and miscellaneous)	1,514,467	744,699
	<u>1,822,307</u>	<u>11,416,364</u>

### **28.3 Capital commitments**

As of the reporting date, there is no capital commitment on the Company's account.

**QATARI GERMAN COMPANY FOR MEDICAL DEVICES Q.S.C.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

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**29. SEGMENT INFORMATION**

For management purpose, the company is organized into one primary segment and operates in the State of Qatar.

**29. COMPARATIVE FIGURES**

Previous year figures with respect to non-current assets, current assets, non-current liability, current liability and other operating costs have been reclassified/ regrouped as follows as it is considered that the revised classification/ grouping, which has been adopted in the current accounting period, more fairly presents the state of affairs/ results of operations.

	<u>Amount</u>	<u>Reclassified</u>	<u>Reclassified</u>
	<u>QAR</u>	<u>from</u>	<u>to</u>
		<u>QAR</u>	<u>QAR</u>
<b><i>Advance against purchase of property, plant and equipment (Note 7 - disclosed under non-current assets)</i></b>			
Advances written off during the year	(899,814)	-	(899,814)
Transfer to property, plant & equipment	899,814	(14,381,944)	(13,482,130)
<b><i>Current assets</i></b>			
Trade and other receivables	1,889,193	-	1,889,193
Accounts receivable	1,563,105	1,563,105	-
Prepayments and other debit balances	326,088	326,088	-
<b><i>Non-current liability</i></b>			
Borrowings	19,357,822	-	19,357,822
Term loan- non-current portion	19,357,822	19,357,822	-
<b><i>Current liability</i></b>			
Borrowings	2,145,495	-	2,145,495
Due to bank	2,145,495	2,145,495	-
<b><i>Other operating expenses</i></b>			
Other general and administrative expenses	4,266,684	-	4,266,684
Selling and marketing expenses	3,740,285	3,740,285	-
Foreign exchange loss	514,436	514,436	-
	11,963	11,963	-

**QATARI GERMAN COMPANY FOR MEDICAL DEVICES Q.S.C.**  
**MANAGEMENT INFORMATION**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

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**The following pages do not form part of the statutory financial statements which are the subject of the Independent auditor's report on page 2 to 3**

**QATARI GERMAN COMPANY FOR MEDICAL DEVICES Q.S.C.**

**GROUPINGS FORMING PART OF STATEMENT OF FINANCIAL POSITION AND STATEMENT OF  
COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2012**

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**31-12-2012**

**QAR**

**Bank accounts**

QNB Salwa Br Call A/c 050000155	21,252
QNB Main CHF Cur A/c 00013-008081-002	740
QNB Main EUR Cur A/c 0013-008081-003	5,454
QNB Main USD Call A/c 0013-008081-052	63,694
QNB Main QAR Cur A/c 0013-008081-005	29,807
QNB Main QAR Cur A/c 0013-018902-001 (Dividend 2008)	215,866
Bank Sedarat Iran	50,000
	<hr/>
	386,813
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**Other receivables**

Receivable from Staff	7,992
Supplier Development Advance	12,376
Deposits	5,243
Other Current Assets	9,410
	<hr/>
	35,021
	<hr/>

**Interest payable to bank**

Payables to QDB - Long Term Loan Interest	230,811
Payables to QNB - Interest on DCF a/cs	598
Payables to QDB - Working Cap Loan Interest	12,832
	<hr/>
	244,241
	<hr/>

**QATARI GERMAN COMPANY FOR MEDICAL DEVICES Q.S.C.****GROUPINGS FORMING PART OF STATEMENT OF FINANCIAL POSITION AND STATEMENT OF  
COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2012**

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**Inventory**

FG - Syringes	1,244,045
FG - IV Cannula	53,569
FG - Packed Needles	20,164
FG - Trading Division	311,014
FG - Consignment Stock	14,972
Material Costs for Reallocation	374,977
Direct Rawmaterials	10,305,774
Production Consumables	48,640
Other Inventory Items	205,122
Spare Parts for Machinery & Equipment	3,035,621
	<hr/>
	15,613,898
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**Investment property**

Building property in Abu Hamour - Doha	5,774,194
	<hr/>
Land in Abu Hamour - Doha	17,102,540
	<hr/>

**Advance against purchase of property, plant & equipment**

Orion ERP System - Adv Pmt	420,844
Build Consultant- Advance Pmt	20,000
Orion ERP System - Installation Charges	22,150
Building Modif Misc works	3,660
	<hr/>
	466,654
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**Intangible assets**

IP - Patent Rights at cost	27,620,618
IP - Patent Registration charges	179,055
	<hr/>
	27,799,673
	<hr/>

**Trade payables**

Creditors - Foreign	1,679,200
Creditors - Local	631,266
	<hr/>
	2,310,466
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**QATARI GERMAN COMPANY FOR MEDICAL DEVICES Q.S.C.****GROUPINGS FORMING PART OF STATEMENT OF FINANCIAL POSITION AND STATEMENT OF  
COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2012**

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**Other payables**

Provision for Leave Salary	178,671
Provision for Staff Airticket	81,244
Other credit balances	37,897
	<hr/>
	297,812
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**Revenue**

Sales - Syringes	12,979,322
Sales - IV Cannula	509,070
Sales - Packed Needles	143,366
Sales - Trading Div - Sun Med (USA) products	16,328
Sales - Trading Div - PWB Health (UK) Products	36,430
Sales - Other Income	64,821
	<hr/>
	13,749,337
	<hr/>

**Direct cost**

CoS - Syringes	11,491,248
CoS - IV Cannula	380,039
CoS - Packed Needles	90,918
CoS - Trading Div - Sun Med (USA) products	15,662
CoS - Trading Div - PWB Health (UK) products	9,982
	<hr/>
	11,987,848
	<hr/>

**Salaries and wages**

Basic Salary - Admin Staff	1,970,529
Housing Allowance - Admin Staff	518,164
Transport Allow - Admin Staff	138,503
Overtime Allow - Admin Staff	516
Education Allowance - Admin Staff	104,126
	<hr/>
	2,731,838
	<hr/>

**QATARI GERMAN COMPANY FOR MEDICAL DEVICES Q.S.C.**

**GROUPINGS FORMING PART OF STATEMENT OF FINANCIAL POSITION AND STATEMENT OF  
COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2012**

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**Other allowances**

Leave Salary Accrual - Admin Staff	179,900
Air Ticket Accrual - Admin Staff	55,482
Medical Insurance - Admin Staff	38,843
Workmen insurance - Admin Staff	5,990
Car Allow. for Business - Admin Staff	11,100
Telephone Allowance - Admin Staff	3,700
Recruitment of Staff	83,229
Immigration for Staff & Govt Fees	17,390
Fuel & Repair Expenses of Car	36,002
Staff Entertainment - Factory Staff	1,488
Misc. Staff Expenses	11,458
	<hr/>
	444,581
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**Legal and professional fees**

Licence & Registration Fees	27,188
Legal & Professional Fees	196,005
Qatar Exchange (DSM) Expenses	142,650
ISO Certification & Audit	27,013
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	392,857
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**Patent renewal costs**

108,212

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**QATARI GERMAN COMPANY FOR MEDICAL DEVICES Q.S.C.****GROUPINGS FORMING PART OF STATEMENT OF FINANCIAL POSITION AND STATEMENT OF  
COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2012****Selling and marketing expenses**

Mktg Exp - Statutory Notices	81,838
Mktg Exp - Advertisements	23,183
Mktg Exp- Exhibitions & Promotions	322,027
Mktg Exp - Samples - Production cost	39,266
Mktg Exp - Samples/ brochure - Courier Charges	82,907
Mktg Exp - Visa/ immigration /Registration charges	2,132
Mktg Exp - Client Entertainments	65,938
Mktg Exp - Tender Fees / Pre awardation exp	27,459
CoS - Sales Shmt - Chamber Attestation	10,049
CoS - Sales Shmt - Docs Legalization/ Registration	62,740
CoS - Sales Shmt - Local Transport	2,210
CoS - Sales Shmt - Sea/Air/ Road Freight	844,413
CoS - Sales Shmt - Marine Insurance	49,715
CoS - Sales Shmt - Bank Charges	91,641
CoS - Sales Shmt - Loading charges	150
CoS - Sales Shmt - Other charges	69,446
CoS - Sales Shmt - QDB Tasdeer charges	16,237
CoS - Sales Shmt - Tender Fees & Misc Tender Exp	1,050
CoS - Sales Shmt - Penalties	169,570
Vendors / Customers samples	12,785
Vendor & Customer Development	56,380
	<hr/>
	2,031,137
	<hr/>

**Rent**

Rent & Lease - QG Land - Common	3,458
Rent & Lease - Warehouse for materials	131,631
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	135,090
	<hr/>

**QATARI GERMAN COMPANY FOR MEDICAL DEVICES Q.S.C.**

**GROUPINGS FORMING PART OF STATEMENT OF FINANCIAL POSITION AND STATEMENT OF  
COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2012**

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**Conveyance**

Travelling expense	100,733
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**Repairs and maintenance**

Software & Services	6,387
Repairs & Maintenance	211,613
Upkeeping & Cleaning	158,809
	376,809

**Utilities**

Water and electricity	157,104
Telephone and postage	85,544
	242,648

**Office and miscellaneous expenses**

General assembly expenses	105,392
Insurance expenses	67,540
Stationery and printing	60,490
Office expenses	25,227
Other expenses	10,425
	269,073

**Finance costs**

Bank Charges	20,390
Interest Exp on QNB OD	71,531
Interest Exp on QNB DCF Account	181,412
Commission Exp on QNB Facilities	73,694
Admin fee on QDB Loan / Facility	278,194
Interest on QDB Industrial Loan	873,382
Interest on QDB Working Capital Facility	95,291
	1,593,894