INVESTMENT HOLDING GROUP W.L.L.
DOHA - QATAR

UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS AND INDEPENDENT ACCOUNTANT'S REPORT FOR THE YEAR ENDED DECEMBER 31, 2013

INVESTMENT HOLDING GROUP W.L.L.

UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS AND INDEPENDENT ACCOUNTAN'S REPORT

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INDEPENDENT ACCOUNTANT'S REPORT

The Management
Investment Holding Group W.L.L.
Doha – Qatar

Report on the unaudited pro forma combined financial statements

We have completed our assurance engagement to report on the compilation of unaudited pro forma combined financial statements of Investment Holding Group W.L.L. (the " Company") and certain entities as detailed in Note 1.1(a) (together the "Group"). The unaudited pro forma combined financial statements consist of the unaudited pro forma combined statement of financial position as at December 31, 2013, unaudited pro forma combined statements of comprehensive income, changes in equity and cash flows for the year ended December 31, 2013 and related notes. The applicable criteria on the basis of which the management has prepared the combined unaudited pro forma combined financial statements are described in Note 1.1.

The unaudited pro forma combined financial statements have been prepared by management based on the assumptions set out in Note 1.1 to illustrate the impact of the exclusion of certain entities, set out in Note 1.1 (b), on the Group's statement of financial position as at December 31, 2013 and its financial performance for the year ended December 31, 2013. As part of this process, information about the Group's financial position December 31, 2013 and financial performance for the year ended December 31, 2013 has been extracted from the audited consolidated financial statements of the Group for the year ended December 31, 2013 and the underlying financial records of the certain entities detailed in Note 1.1 (a) and incorporating adjustments described in Note 1.1.

Management's responsibility for the unaudited pro forma combined financial statements

Management is responsible for compiling the unaudited pro forma combined financial statements on the basis of the applicable criteria described in Note 1.1. The accuracy and completeness of the information used to prepare these financial statements are management's responsibility.

Auditor's Responsibilities

Our responsibility is to express an opinion on the unaudited pro forma combined financial statements about whether these unaudited pro forma combined financial statements have been compiled, in all material respects, by the management on the basis of the applicable criteria detailed in Note 1.1.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, "*Assurance Engagements to Report on the Compilation of Pro Forma Financial Statements Included in a Prospectus*," issued by the International Auditing and Assurance Standards Board. This standard requires that the auditor complies with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether management has compiled, in all material respects, the unaudited pro forma combined financial statements on the basis of the applicable criteria detailed in Note 1.1.

INDEPENDENT ACCOUNTANT'S REPORT (CONTINUED)

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma combined financial statements, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma combined financial statements.

The purpose of unaudited pro forma combined financial statements is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration as mentioned in Note 1.1. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at a future transaction date would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial statements have been combined, in all material respects, on the basis of the applicable criteria, involves performing procedures to assess whether the applicable criteria used by management in the compilation of the unaudited pro forma combined financial statements provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma combined financial statements reflect the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the auditor's judgment, having regard to the understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma combined financial statements have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma combined financial statements.

The unaudited pro forma combined financial statements for the year ended December 31, 2012 have been compiled for the first time, accordingly no comparatives figures for the pro forma combined statement of cash flows for the year ended December 31, 2012 have been presented.

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

Opinion

In our opinion, the unaudited pro forma combined financial statements have been compiled, in all material respects, on the basis detailed in Note1.1 to the unaudited pro forma combined financial statements.

For **Deloitte & Touche**
Qatar Branch

Walid Slim
Partner
License No. 319

Doha – Qatar
December 15, 2015

INVESTMENT HOLDING GROUP W.L.L.

UNAUDITED PRO FORMA COMBINED STATEMENT OF FINANCIAL POSITION

As at December 31, 2013

	Notes	2013	2012
		QR.	QR.
ASSETS			
Current assets			
Cash and bank balances	4	**91,690,658**	90,624,435
Accounts receivable and other debit balances	5	**163,836,867**	118,195,892
Gross amount due from customers on contract work		**91,833,702**	46,121,729
Due from related parties	6(a)	**96,198,506**	172,295,168
Inventories	7	**67,183,681**	87,486,650
Total current assets		**510,743,414**	514,723,874
Non-current assets			
Retentions receivable	8	**68,369,865**	55,624,319
Available for sale investments	9	**2,250,000**	2,250,000
Investment properties	10	**3,988,011**	4,593,784
Property and equipment	11	**14,056,786**	27,869,768
Total non-current assets		**88,664,662**	90,337,871
Total assets		**599,408,076**	605,061,745

INVESTMENT HOLDING GROUP W.L.L.

UNAUDITED PRO FORMA COMBINED STATEMENT OF FINANCIAL POSITION

As at December 31, 2013

	Notes	**2013**	2012
		QR.	QR.
LIABILITIES AND EQUITY			
Current liabilities			
Bank overdraft	12 (a)	**93,393,310**	58,163,631
Bank loans and borrowings	12 (b)	**63,216,427**	42,015,746
Due to related parties	6(b)	**44,482,019**	42,514,110
Gross amounts due to customers on contract work		**121,187,327**	134,701,116
Accounts payable and accruals	13	**142,718,365**	121,833,178
Income tax payable		**3,516,928**	5,063,001
Total current liabilities		**468,514,376**	404,290,782
Non-current liabilities			
Bank loans and borrowings	12	**259,194**	167,958
Retentions payable		**3,174,572**	540,044
Employees' end of service benefits		**18,299,852**	13,663,181
Total non-current liabilities		**21,733,618**	14,371,183
Total liabilities		**490,247,994**	418,661,965
Equity and reserves			
Share capital	15	**10,000,000**	10,000,000
Capital reserve		**18,468,265**	18,468,265
Legal reserve	16	**5,000,000**	5,000,000
Retained earnings		**53,966,201**	122,921,411
Equity attributable to equity holders of the parent		**87,434,466**	156,389,676
Non – controlling interests		**21,725,616**	30,010,104
Total equity		**109,160,082**	186,399,780
Total liabilities and equity		**599,408,076**	605,061,745

INVESTMENT HOLDING GROUP W.L.L.

UNAUDITED PRO FORMA COMBINED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2013

	Notes	2013	2012
		QR.	QR.
Sales	17	**474,958,150**	501,497,026
Cost of sales		**(333,290,979)**	(333,046,893)
Gross profit		**141,667,171**	168,450,133
Other income	18	**17,573,259**	19,626,200
General and administrative expenses	19	**(78,591,045)**	(87,471,283)
Interest expense		**(6,316,594)**	(7,511,936)
Depreciation of property and equipment	11	**(5,550,506)**	(5,271,654)
Provision for anticipated losses		**--**	(553,000)
Depreciation of investment properties		**(605,773)**	--
Net profit before management expenses and income tax		**68,176,512**	87,268,460
Management expenses	20	**(9,971,615)**	(6,003,106)
Profit before income tax for the year		**58,204,897**	81,265,354
Income tax		**(6,075,268)**	(8,661,381)
Profit for the year		**52,129,629**	72,603,973
Profit for the year		**52,129,629**	72,603,973
Other comprehensive income		**--**	--
Total comprehensive income for the year		**52,129,629**	72,603,973
Attributable to:			
Equity holders of the parent		**31,225,607**	43,524,124
Non – controlling interests		**20,904,022**	29,079,849
Total		**52,129,629**	72,603,973

INVESTMENT HOLDING GROUP W.L.L.

UNAUDITED PRO FORMA COMBINED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2013

	Share capital	Capital reserve	Legal reserve	Retained earnings	Attributable to equity holders of the parent	Non- controlling interest	Total equity
	QR.	QR.	QR.	QR.	QR.	QR.	QR.
Pro forma adjustments as at January 1, 2012	10,000,000	18,468,265	5,000,000	93,122,935	126,591,200	15,548,123	142,139,323
Total comprehensive income for the year	--	--	--	43,524,124	43,524,124	29,079,849	72,603,973
Dividend distribution	--	--	--	(13,725,648)	(13,725,648)	(14,617,868)	(28,343,516)
Balance at December 31, 2012	10,000,000	18,468,265	5,000,000	122,921,411	156,389,676	30,010,104	186,399,780
Total comprehensive income for the year	--	--	--	31,225,607	31,225,607	20,904,022	52,129,629
Effect of reduction in capital (Note 1.1 (a)(i))	--	--	--	--	--	(4,410,000)	(4,410,000)
Effect of increase in capital (Note 1.1(a)(ii))	--	--	--	--	--	2,205,000	2,205,000
Dividend distribution	--	--	--	(100,180,817)	(100,180,817)	(26,983,510)	(127,164,327)
Balance at December 31, 2013	**10,000,000**	**18,468,265**	**5,000,000**	**53,966,201**	**87,434,466**	**21,725,616**	**109,160,082**

INVESTMENT HOLDING GROUP W.L.L.

UNAUDITED PRO FORMA COMBINED STATEMENT OF CASHFLOWS

For the year ended December 31, 2013

	Notes	2013
		QR.
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year before tax		**58,204,897**
Adjustments for:		
Depreciation of property and equipment	11	**5,550,506**
Profit on disposal of property and equipment		**(122,519)**
Depreciation of investment property	10	**605,773**
Interest expenses		**6,316,594**
Provision for bad debts	5	**1,251,079**
Employees' end on service benefits		**5,651,244**
		77,457,574
Changes in working capital :		
Inventories		**20,302,969**
Due from related parties		**76,096,662**
Accounts receivable and other debit balances		**(46,892,054)**
Due to related parties		**1,967,909**
Retentions receivable		**(12,745,546)**
Accounts payable, accruals and retention payable		**23,519,715**
Gross amount due from/to customers on contract work		**(59,225,762)**
Cash flow from operations		**80,481,467**
Employee's end of service benefits paid		**(1,014,573)**
Interest paid		**(6,316,594)**
Income tax paid		**(7,621,341)**
Net cash flow generated from operating activities		**65,528,959**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	11	**(5,933,351)**
Proceeds from sale of property and equipment		**14,318,346**
Net cash generated from investing activities		**8,384,995**
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid		**(127,164,327)**
Net movement in non-controlling interests		**(2,205,000)**
Proceeds from bank loans and borrowings		**21,291,917**
Net cash used in financing activities		**(108,077,410)**
Net decrease in cash and cash equivalents		**(34,163,456)**
Cash and cash equivalents at the beginning of the year		**32,460,804**
Cash and cash equivalents at the end of the year	14	**(1,702,652)**

1. GENERAL INFORMATION

Investment Holding Group W.L.L. (the "Company" or "Parent Company") is registered in the State of Qatar in accordance with the Qatar Commercial Companies Law No. 5 of 2002 and the terms of its Articles of Association. The Company operates in the State of Qatar under Commercial Registration No. 39127. The Company is engaged in various types of investments inside the State of Qatar in accordance with sound commercial and economic practices.

On August 5, 2015 the Company obtained approval from the official authorities to start the Initial Public Offering process, as such, these unaudited pro forma combined financial statements are compiled for submission to the official authorities responsible for Initial Public Offering Process. The Parent Company along with all entities included in the preparation of unaudited pro forma combined financial statements listed below are hereafter referred as "the Group".

The unaudited pro forma combined financial statements give no indication of the future financial position of the Group.

All pro forma adjustments made in the preparation of these unaudited pro forma combined financial statements are in accordance with the basis of preparation given below in Note 2. The future consolidated financial statements after the proposed initial public offering and considering all requirements of International Financial Reporting Standards and the requirements of Qatari Commercial Companies Law No 5 of 2002, may significantly differ from these unaudited pro forma combined financial statements of the Group.

The unaudited pro forma combined financial statement for the year ended December 31, 2012 have been prepared for the first time, accordingly no comparative figures for the statement of cash flows has been presented. The unaudited pro forma combined financial statements have been prepared on the basis set out in the Note 2 of accounting policies.

1.1 Basis of preparation of the unaudited pro forma combined financial statements

These unaudited pro forma combined financial statements are compiled based on the following assumptions:

a. The Company only included the following entities in the compilation of the unaudited pro forma combined financial statements, based on the below newly assumed percentage of ownership as of January 1, 2012 as a result of swap of shares with the minority shareholders existing in the below subsidiaries in lieu of shares swapped in the Company. This swap is still in process to be signed by the shareholders during 2015:

Name of the entities included	Percentage of ownership as of January 1, 2012	Transfer of ownership % based on swap of shares effected on January 1, 2015	Assumed percentage of ownership	Domiciled	Accounting standard applied	Activity
Trelco Limited – Single Shareholder Company	100%	--	100%	Qatar	IFRS	Trading
Debbas Enterprises - Qatar W.L.L.	51%	--	51%	Qatar	IFRS	Trading and contracting
Construction Development Contracting & Trading Co. W.L.L. ***(i)***	51%	--	51%	Qatar	IFRS	Contracting

1. GENERAL INFORMATION (CONTINUED)

1.1 Basis of preparation of the unaudited pro forma combined financial statements (continued)

Name of the entities included	Percentage of ownership as of January 1, 2012	Transfer of ownership % based on swap of shares effected on January 1, 2015	Assumed percentage of ownership	Domiciled	Accounting standard applied	Activity
Trelco Building Materials Co. W.L.L.	51%	34%	85%	Qatar	IFRS	Trading
Consolidated Supplies Company W.L.L. ***(ii)***	51%	24.5%	75.5%	Qatar	IFRS	Trading
Electro Mechanical Engineering Company W.L.L.	51%	17.5%	68.5%	Qatar	IFRS	Contracting
Watermaster (Qatar) Company W.L.L.	51%	12.3%	63.3%	Qatar	IFRS	Contracting
Consolidated Engineering Systems Company W.L.L.	40.8%	19.6%	60.4%	Qatar	IFRS	Trading and contracting

Notes:

(i) Capital was reduced in the subsidiary from QR. 15,000,000 to QR. 6,000,000 during the year.

(ii) Capital was increased in the subsidiary from QR 9,000,000 to QR. 10,000,000 during the year.

The unaudited pro forma combined financial statements of the Parent Company has been prepared to illustrate the significant and material effects of the combination of only selected legal entities as if these legal entities listed above have been the only entities controlled by the Parent Company, and in accordance with a newly assumed percentage of ownership as of January 1, 2012 for certain legal entities based on swap of shares with the minority shareholders existing in these entities in lieu of shares swapped in the Company. This swap is still in process to be signed by the shareholders during 2015.

By its nature and inherent limitation, the unaudited pro forma combined financial statements is neither representative of the actual financial position that could have resulted in taking control over legal entities listed above , nor consider any consequential impact/ synergies as a result of making such assumption.

b. The Company excluded the following entities to prepare the unaudited pro forma combined financial statements:

Name of the entities excluded	Percentage of ownership	Domiciled	Activity
Oriental Enterprises W.L.L.	100%	Qatar	Contracting and construction
Trelco International Company W.L.L.	51%	Qatar	Trading
Gazzaoui & Partners Qatar W.L.L.	36%	Qatar	Trading
El Sewedy Cables Qatar W.L.L. (Joint venture)	45%	Qatar	Trading

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.1 Basis of preparation of the unaudited pro forma combined financial statements (continued)

c. Management has adjusted the investment account and any related Goodwill previously identified in the excluded entities against partners' current accounts, on the assumption that all these investments were originally contributed by the partners. In addition, operations of these excluded entities were adjusted against due from/ to related parties and partners' current accounts.

The following pro forma adjustments were made to the unaudited pro forma combined statement of financial position as at December 31, 2013:

	Audited balances	Pro forma adjustments	Pro forma balances
Assets	**QR.**	**QR.**	**QR.**
Bank balances and cash	**108,807,170**	**(17,116,512)**	**91,690,658**
Accounts receivable and other debit balances	**405,947,746**	**(242,110,879)**	**163,836,867**
Gross amounts due from customers on contract work	**105,314,828**	**(13,481,126)**	**91,833,702**
Due from related parties	**54,175,138**	**42,023,368**	**96,198,506**
Inventories	**102,382,095**	**(35,198,414)**	**67,183,681**
Retentions receivable	**68,369,865**	**--**	**68,369,865**
Goodwill	**8,017,074**	**(8,017,074)**	**--**
Available for sale investments	**9,288,953**	**(7,038,953)**	**2,250,000**
Investment properties	**34,539,640**	**(30,551,629)**	**3,988,011**
Investment in associates	**7,175,936**	**(7,175,936)**	**--**
Property and equipment	**37,067,925**	**(23,011,139)**	**14,056,786**
Total assets	**941,086,370**	**(341,678,294)**	**599,408,076**
Liabilities			
Bank overdraft	**130,950,551**	**(37,557,241)**	**93,393,310**
Bank loans and borrowings	**234,735,672**	**(171,260,051)**	**63,475,621**
Due to related parties	**40,699,755**	**3,782,264**	**44,482,019**
Gross amounts due to customers on contract work	**121,653,617**	**(466,290)**	**121,187,327**
Accounts payable and accruals	**190,522,271**	**(47,803,906)**	**142,718,365**
Income tax payable	**4,324,534**	**(807,606)**	**3,516,928**
Retentions payable	**10,519,756**	**(7,345,184)**	**3,174,572**
Employees' end of service benefits	**22,664,652**	**(4,364,800)**	**18,299,852**
Total liabilities	**756,070,808**	**(265,822,814)**	**490,247,994**
Equity			
Share capital	**10,000,000**	**--**	**10,000,000**
Capital reserve	**18,468,265**	**--**	**18,468,265**
Legal reserve	**5,000,000**	**--**	**5,000,000**
Retained earnings	**113,757,030**	**(59,790,829)**	**53,966,201**
Fair value reserve	**1,758,314**	**(1,758,314)**	**--**
Non – controlling interests	**36,031,953**	**(14,306,337)**	**21,725,616**
Total equity	**185,015,562**	**(75,855,480)**	**109,160,082**
Total equity and liabilities	**941,086,370**	**(341,678,294)**	**599,408,076**

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.1 Basis of preparation of the unaudited pro forma combined financial statements (continued)

The following pro forma adjustments were made to the unaudited pro forma combined statement of comprehensive income for the year ended December 31, 2013:

	Audited balances	Pro forma adjustments	Pro forma balances
	QR.	QR.	QR.
Sales	1,164,312,960	(689,354,810)	474,958,150
Cost of sales	(955,811,726)	622,520,747	(333,290,979)
Gross profit	208,501,234	(66,834,063)	141,667,171
Other income	28,347,769	(10,774,510)	17,573,259
General and administrative expenses	(116,184,076)	37,593,031	(78,591,045)
Interest expense	(16,674,785)	10,358,191	(6,316,594)
Depreciation of property and equipment	(12,059,259)	6,508,753	(5,550,506)
Gain from revaluation of investment properties at fair value	5,136,662	(5,136,662)	--
Share of loss of associates	(559,830)	(45,943)	(605,773)
Net profit before management expenses	96,507,715	(28,331,203)	68,176,512
Management expenses	(10,248,512)	276,897	(9,971,615)
Profit before income tax for the year	86,259,203	(28,054,306)	58,204,897
Income tax	(6,272,357)	197,089	(6,075,268)
Profit for the year	79,986,846	(27,857,217)	52,129,629
Attributable to:			
Equity holders of the parent	45,850,133	(14,624,526)	31,225,607
Non – controlling interests	34,136,713	(13,232,691)	20,904,022
Total	79,986,846	(27,857,217)	52,129,629

d. Long term retentions receivables amounting to QR. 52,779,473 are not discounted out of total balance amounting to QR. 68,369,865 as at December 31, 2013.

e. The joint operation of Debbas Enterprise – Qatar W.L.L. has considered unapproved variations included in the contract revenue for the year ended December 31, 2013.

f. The financial statements of Water Master (Qatar) Company W.L.L. has old outstanding balances due from customers for more than 180 days amounting to QR 1,694,568 as of December 31, 2013. No provision has been taken in the unaudited pro forma combined financial statements on these overdue receivables.

g. Unquoted available for sale investments is carried at cost.

h. The land assigned to the Company which was in the name of one of the partners and amounting to QR. 13,359,361 was sold during 2013 and proceeds were directly collected by the partner. The sale of the land was offset against the partner's current account, Note 11.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

As mentioned in Note 1.1, the underlying financial statements of legal entities that were combined in the unaudited pro forma combined financial statements, have been prepared in accordance with International Financial Reporting Standards (IFRSs) and Qatar Commercial companies Law No 5 of 2002.

These unaudited pro forma combined financial statements have been prepared under the historical cost basis. The principle accounting policies are set out below.

These unaudited pro forma combined financial statements have been presented in Qatari Riyal (QR.) which is the Group's functional currency

Basis of consolidation and compilation

The unaudited pro forma combined financial statements compile the financial statements of the Company and certain controlled legal entities ("the legal entities") selected for the purpose described in Note 1.1(a). Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of legal entities acquired or disposed off during the year are included in the unaudited pro forma combined statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. There are no legal entities acquired or disposed off during the period for which the unaudited pro forma combined financial statements are prepared.

Where necessary, adjustments are made to the financial statements of legal entities to bring their accounting policies into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on compilation.

Non-controlling interests in the net assets of the legal entities is identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original compilation and the minority's share of changes in equity since the date of the compilation. Losses applicable to the non-controlling interests in excess of the non-controlling interests in the legal entity's equity are allocated against the interests of the Group except to the extent that the non-controlling interests has a binding obligation and is able to make an additional investment to cover the losses.

Changes in the Group's ownership interests in legal entities that do not result in the Group losing control over such entities resulting in non-compilation are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the legal entities. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Parent company.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation and compilation (continued)

When the Group loses control of a legal entity, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the legal entities and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former legal entity at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Foreign currency transactions

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. All differences are taken to the unaudited pro forma combined statement of comprehensive income.

Borrowing costs

Borrowing costs directly attributable to the construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. The remaining borrowing costs are expensed in the unaudited pro forma combined statement of comprehensive income in the period in which they are incurred.

Property and equipment

Property and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or capitalized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is capitalized. All other repairs and maintenance are charged to the unaudited pro forma combined statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated based on the estimated useful lives of the applicable assets on a straight-line basis commencing when the assets are ready for their intended use. The estimated useful lives, residual values and depreciation methods are reviewed at each reporting date, with the effect of any changes in estimate accounted for on prospective basis.

Depreciation of these assets, on the same basis as other property and equipment, commences when the assets are ready for their intended use.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment (continued)

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 gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the un audited pro forma combined statement of comprehensive income.

Investment properties

The cost of building classified as investment property is depreciated over the estimated remaining useful life, which is based on expected usage of the asset, expected physical wear and tear, the repair and maintenance program and technological obsolescence arising from changes and residual value. Management has not considered any residual value as it is deemed immaterial. The carrying value of investment property is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Such assessment of impairment is based on several assumptions relating to future cash flows from assets, risk adjusted discounted factor etc.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs are those expenses incurred in bringing each product to its present location and condition. Cost is determined on a weighted average basis. Net realizable value is based on estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, 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.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial assets

Financial assets are recognised and derecognised on a trade date basis, where purchases or sales of financial assets require delivery of assets within the time frame established by regulation or convention in the marketplace. Financial assets are recognised initially at fair value plus directly attributable transaction costs.

Financial assets are classified into available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

Effective interest rate method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Available-for-sale investments

Available-for-sale investments are non-derivative financial assets that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Listed redeemable notes held by the Group that are traded in an active market are classified as available for sale and are stated at fair value at the end of each reporting period. The Group also has investments in unlisted shares that are not traded in an active market but that are also classified as available-for-sale financial assets and stated at fair value less impairment loss, if any.

Profit or loss arising from changes in carrying amounts of available-for-sale financial assets are recognised in equity under the heading of fair value reserve except; impairment loss, interest (calculated using the effective interest method), changes in foreign currency rates (which are directly recognized in the unaudited pro forma combined statement of comprehensive income). When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified to profit or loss.

Dividends on available for sale equity instruments are recognised in unaudited pro forma combined statement of comprehensive income when the Group's right to receive the dividends is established.

Accounts receivable

Accounts receivable are stated at original invoice amount, being the fair value less any impairment for doubtful debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. After initial measurement, loans and receivables are subsequently measured at amortised cost using the effective interest rate method, less any impairment.

Cash and cash equivalents

Cash and cash equivalents consist of bank balances and short-term deposits with maturity of three months or less, net of bank overdraft, if any.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset, except financial assets held at fair value through profit or loss, is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred ‘loss event’) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

Impairment of financial assets (continued)

For available-for-sale investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For other financial assets, objective evidence of impairment could include:
(i) significant financial difficulty of the issuer or counterparty; or
(ii) default or delinquency in interest or principal payments; or
(iii) it is becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
(iv) the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are in addition, assessed for impairment on a collective basis.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the unaudited pro forma combined statement of comprehensive income.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in unaudited pro forma combined statement of comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

Derecognition of financial assets (continued)

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer.

The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities

Financial liabilities and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Accounts payable

Liabilities are recognized at cost, being the fair value of amounts to be paid in the future for goods or services received.

Financial liabilities

Bank loans and borrowings

Bank loans and borrowings are recognized initially at fair value of the amounts borrowed, less directly attributable transaction costs. Subsequent to initial recognition, interest bank loans and borrowings are measured at amortized cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the unaudited pro forma combined statement of comprehensive income over the period of the borrowings using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Employees' end of service benefits

The Group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' length of service and the completion of a minimum service period. The Group treats this obligation as a non-current liability.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues

Revenues are recognized by the Group on the following basis:

Revenues from sale of goods are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be reliably measured.

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the contract activity at the reporting date, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

Revenues from rendering services are recognized when the services are performed.

Dividend income is recognized when the right to receive the dividend is established.

Interest income is accounted for on an accrual basis.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group’s accounting policies, which are described in note 2, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations, that management has made in the process of applying the Group’s accounting policies and that have the most significant effect on the amounts recognised in the unaudited pro forma combined financial statements:

Classification of financial assets

Management decides on the acquisition of an investment whether to classify it as available for sale or financial assets at fair value through profit or loss. The Group classifies investments as financial assets at fair value through profit or loss if the investment is classified as held for trading and upon initial recognition it is designated by the Group as at fair value through profit or loss. All other investments are classified as available for sale.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Critical judgments in applying accounting policies (continued)

Accounting policy for measurement of investment properties

Management of the Group is required to choose as its accounting policy either the fair value model or the cost model and shall apply this policy to all of its investment property, except if it holds an investment property as a lessee under an operating lease, under which it is required to hold these investment properties only at fair value.

The Group has chosen to adopt the cost model for the purposes of measuring its investment properties in the unaudited pro forma combined statement of financial position.

Key sources of estimation uncertainty

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

Impairment of tangible and intangible assets

The Group's management tests annually whether there is an indication that tangible and intangible assets have suffered impairment in accordance with accounting policies stated in Note 2 of the unaudited pro forma combined financial statements. The recoverable amount of an asset is determined based on the higher of fair value or value-in-use method. This method uses estimated cash flow projections over the estimated useful life of the asset discounted using market rates.

Impairment of financial assets

The Group's management reviews periodically items classified as receivables to assess whether a provision for impairment should be recorded in the unaudited pro forma combined statement comprehensive income. Management estimates the amount and timing of future cash flows when determining the level of provisions required.

Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty.

Impairment of available for sale investments

The Group follows the guidance of IAS 39 "Financial Instruments: Recognition and measurement" to determine when an available for sale investment is impaired. This determination requires significant judgment. In making this judgment, the Group assesses, among other factors, whether objective evidence of impairment exists.

Fair value measurements

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The management/valuation committee if any works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in respective notes.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (continued)

Impairment of inventories

Inventories are stated at the lower of cost and net realisable value. Adjustments to reduce the cost of inventory to its realisable value are made for estimated obsolescence or impaired balances. Factors influencing these adjustments include changes in demand, product pricing, physical deterioration and quality issues. Based on the above factors, the Group has arrived at certain percentages for allowance for slow moving and obsolete inventories. Revisions to these adjustments would be required if these factors differ from the estimates.

Impairment of accounts receivable

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates. Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the unaudited pro forma statement of comprehensive income.

Property and equipment

The cost of property and equipment is depreciated over the estimated useful life, which is based on expected usage of the asset, expected physical wear and tear, the repair and maintenance program and technological obsolescence arising from changes and the residual value. The management has not considered any residual value as it is deemed immaterial.

Revenue recognition on long-term contract

In calculating revenue on long term contracts, management has estimated the cost to complete for each of the projects, in order to ensure an appropriate profit percentage is accrued each year. In the process of calculating the cost to complete, management conducted regular and systematic reviews of actual results and future projection with comparison against budgets. This process requires monitoring controls including financial operational, identifying major risks facing the Group, developing and implementing initiatives to manage those risks.

4. CASH AND BANK BALANCES

	2013	2012
	QR.	QR.
Cash in hand and bank current accounts	**91,634,520**	78,606,948
Call accounts	**--**	5,017,487
Term deposits	**56,138**	7,000,000
	91,690,658	90,624,435

Term deposits mature within three months and earn interest at a rate of 1.5% to 2.5% per annum (2012: 4.5% to 6% per annum).

5. ACCOUNTS RECEIVABLE AND OTHER DEBIT BALANCES

	2013	2012
	QR.	QR.
Trade receivables, net	**120,015,037**	87,409,737
Retentions receivable	**6,486,746**	1,389,463
Prepaid expenses	**4,482,934**	20,982,786
Other receivables and debit balances	**32,852,150**	8,413,906
	163,836,867	118,195,892

The average credit period for sale of goods and rendering services is 60 to 90 days. No interest is charged on the overdue accounts receivable. Appropriate allowances for estimated irrecoverable amounts are recognized in the unaudited pro forma combined statement of comprehensive income when there is objective evidence that the asset is impaired, based on management's historical experience.

	2013	2012
	QR.	QR.
Trade receivables comprises:		
Trade receivables	**122,965,795**	90,921,587
Less: Allowance for doubtful debts	**(2,950,758)**	(3,511,850)
Trade receivables – net	**120,015,037**	87,409,737

At December 31, the ageing of accounts receivable is as follows:

(i) Ageing of neither past due nor impaired

	2013	2012
	QR.	QR.
Less than 60 days	**62,734,237**	36,676,329

(ii) Ageing of past due but not impaired

	2013	2012
	QR.	QR.
61 – 90 days	**17,744,468**	8,056,882
91 - 180 days	**14,202,277**	10,012,440
181 – 365 days	**13,646,211**	18,740,119
More than 365 days	**11,687,844**	13,923,967
Total	**57,280,800**	50,733,408

(iii) Ageing of past due and impaired

	2013	2012
	QR.	QR.
Over 365 days	**2,950,758**	3,511,850

5. ACCOUNTS RECEIVABLE AND OTHER DEBIT BALANCES (CONTINUED)

Movement in the allowance for doubtful debts is as follows:

	2013	2012
	QR.	QR.
Balance at beginning of the year	**3,511,850**	48,288
Charge for the year	**1,251,079**	3,463,562
Bad debts written off	**(1,812,171)**	--
Balance at end of the year	**2,950,758**	3,511,850

6. RELATED PARTIES

Related parties, represent shareholders, directors and senior management of the Group and companies of which they are principal owners. Terms of transactions with related parties are approved by the Group's management.

a) Due from related parties:

	2013	2012
	QR.	QR
Shareholders	**84,180,835**	131,950,960
Associates	**3,141,121**	28,624,897
Others	**8,876,550**	11,719,311
	96,198,506	172,295,168
Less: non-current portion	**--**	--
Current portion	**96,198,506**	172,295,168

b) Due to related parties

	2013	2012
	QR.	QR
Shareholders	**26,259,008**	29,668,414
Associates	**4,213,852**	1,289,510
Others	**14,009,159**	11,556,186
	44,482,019	42,514,110

c) Remuneration of key management personnel are as follows:

	2013	2012
	QR.	QR
Short term benefits	**11,288,832**	11,225,100
Long-term benefits	**365,717**	459,397

d) Transactions with related parties are as follows:

	2013	2012
	QR.	QR
Sales	**36,845,225**	30,486,158
Purchases	**54,239,923**	78,013,542
Management fees	**6,811,801**	1,645,877

7. INVENTORIES

	2013	2012
	QR.	QR
Raw material	**56,855,078**	68,394,770
Work in progress	**--**	19,091,880
Goods in transit	**10,328,603**	--
	67,183,681	87,486,650

8. RETENTIONS RECEIVABLE

	2013	2012
	QR.	QR
Gross retentions receivable	**17,195,371**	12,519,846
Discounting charges	**(1,604,979)**	(1,517,993)
Present value of the future expected collection of retentions receivable	**15,590,392**	11,001,853
Undiscounted retentions receivable	**52,779,473**	44,622,466
	68,369,865	55,624,319

As of December 31, 2013, non-current retentions receivable amounting to QR. 17,195,371 was discounted to calculate the present value of the future expected collection of non-current retention receivables. The remaining balance amounting to QR. 52,779,473 has not been discounted as of December 31, 2013.

9. AVAILABLE FOR SALE INVESTMENTS

	2013	2012
	QR.	QR.
Unquoted equity investments	**2,250,000**	2,250,000

Unquoted available for sale investments is carried at cost, since its fair value cannot be reliably estimated.

10. INVESTMENT PROPERTIES

	2013	2012
	QR.	QR.
Opening balance	**4,593,784**	5,199,556
Charge for the year	**(605,773)**	(605,772)
Closing balance	**3,988,011**	4,593,784

Investment properties represent cost of buildings constructed on land, leased from a third party. The Group will return this building after 10 years from the date of completion; therefore the Group is depreciating the total cost using straight line method over 10 years. Investment properties with a carrying value of QR. 3.9 million were appraised by management at a fair value of QR. 10 million as at December 31, 2013.

11. PROPERTY AND EQUIPMENT

	Land	Furniture and fixtures	Buildings and constructions	Motor vehicles	Improve-ments	Office equipment	Tools and equipment	Machinery	Computers	Total
	QR.	QR.	QR.	QR.	QR.	QR.	QR.	QR.	QR.	QR.
Cost:										
At January 1, 2012	--	2,930,802	9,611,731	12,555,812	2,190,999	4,537,909	1,873,233	352,617	659,425	34,712,528
Additions	13,359,361	175,845	668,639	2,667,748	--	467,490	1,049,303	72,900	121,166	18,582,452
Disposals	--	--	--	(481,602)	--	--	--	--	--	(481,602)
At December 31, 2012	**13,359,361**	**3,106,647**	**10,280,370**	**14,741,958**	**2,190,999**	**5,005,399**	**2,922,536**	**425,517**	**780,591**	**52,813,378**
Additions	--	187,526	321,335	1,751,711	154,720	1,491,282	1,688,167	--	338,610	5,933,351
Disposals	(13,359,361)	(130,454)	(548,788)	(1,100,627)	--	--	(157,973)	--	(23,584)	(15,320,787)
Reclassification	--	(229,751)	(53,079)	(321,047)	--	--	602,885	--	992	--
At December 31, 2013	**--**	**2,933,968**	**9,999,838**	**15,071,995**	**2,345,719**	**6,496,681**	**5,055,615**	**425,517**	**1,096,609**	**43,425,942**
Accumulated depreciation										
At January 1, 2012	--	1,753,101	4,931,893	7,865,830	1,511,788	2,305,096	1,101,729	210,607	235,204	19,915,248
Charge for the year	--	385,024	1,069,894	2,066,729	103,286	597,283	869,824	40,903	138,711	5,271,654
Disposals	--	--	--	(243,292)	--	--	--	--	--	(243,292)
At December 31, 2012	**--**	**2,138,125**	**6,001,787**	**9,689,267**	**1,615,074**	**2,902,379**	**1,971,553**	**251,510**	**373,915**	**24,943,610**
Charge for the year	--	374,534	951,773	2,010,518	146,931	808,140	1,001,220	58,318	199,072	5,550,506
Disposals	--	(112,037)	(58,720)	(784,706)	--	--	(145,910)	--	(23,587)	(1,124,960)
Reclassification	--	(163,171)	(26,873)	(130,972)	--	--	320,127	--	889	--
At December 31, 2013	**--**	**2,237,451**	**6,867,967**	**10,784,107**	**1,762,005**	**3,710,519**	**3,146,990**	**309,828**	**550,289**	**29,369,156**
Net Book Value:										
At December 31, 2013	**--**	**696,517**	**3,131,871**	**4,287,888**	**583,714**	**2,786,162**	**1,908,625**	**115,689**	**546,320**	**14,056,786**
At December 31, 2012	13,359,361	968,522	4,278,583	5,052,691	575,925	2,103,020	950,983	174,007	406,676	27,869,768
Depreciation rates:		**15% - 25%**	**15% - 33.33%**	**20% - 25%**	**10% - 20%**	**15% - 33.33%**	**15% - 20%**	**10% - 20%**	**33%**	

11. PROPERTY AND EQUIPMENT (CONTINUED)

- The land having a carrying value of QR 13,359,361 has been disposed off during the year, which was in the name of one of the partners and had been beneficially held by the Group (Note 1.1.f).

- Buildings were constructed on land leased from the municipality of Doha under the name of one of the partners for a period of 30 years starting from January 1, 1991.

- Some motor vehicles where mortgaged against borrowings.

12. BANK LOANS AND BORROWINGS

(a) Overdrafts

	2013	2012
	QR.	QR.
Balance at the end of the year	**93,393,310**	58,163,631

These overdrafts are secured by the personal guarantee of the partners of the Group and bear interest rate of 4.75% per annum (2012: 5.25% per annum).

(b) Loans against guarantee receipts

This amount represents the total amount of guarantee receipt loans from local banks for the purpose of financing purchases of the companies of the Group's entities. These loans bear average interest rate of 4.5% to 4.75% per annum and are secured by the personal guarantee of the partners of the Group and the guarantee of Investment Holding Group.

(c) Term loans

Term loans have different maturity dates. The last loan matures in December 2015 and bears interest rate of 4.5% per annum. Term loans are secured by motor vehicles.

	Current		**Non-current**	
	2013	2012	**2013**	2012
	QR.	QR.	**QR.**	QR.
Loans against guarantee receipts (b)	**63,022,183**	22,867,812	**--**	--
Term loans (c)	**194,244**	19,147,934	**259,194**	167,958
	63,216,427	42,015,746	**259,194**	167,958

13. ACCOUNTS PAYABLE AND ACCRUALS

	2013	2012
	QR.	QR.
Trade and notes payable	**51,471,770**	49,854,677
Advances from customers	**23,211,078**	24,629,475
Accruals and other credit balances	**68,035,517**	47,349,026
	142,718,365	121,833,178

14. CASH AND CASH EQUIVALENTS

	2013	2012
	QR.	QR.
Bank balances and cash (note - 4)	**91,690,658**	90,624,435
Bank overdraft (note - 12.1)	**(93,393,310)**	(58,163,631)
	(1,702,652)	32,460,804

Cash and cash equivalents comprise cash, bank balances and deposits with original maturity of less than 90 days, net of bank overdrafts.

15. SHARE CAPITAL

The Company's issued and paid up capital is QR 10,000,000 owned as follows:

Name	**Percentage of ownership**	**Amount QR.**
Ghanim Sultan Hudaifi Al Kuwari	73%	**7,300,000**
Anoud Ghanim Sultan Hudaifi Al Kuwari	1%	**100,000**
Hossa Ghanim Sultan Hudaifi Al Kuwari	1%	**100,000**
Hamad Ghanim Sultan Hudaifi Al Kuwari	2%	**200,000**
Khaled Ghanim Sultan Hudaifi Al Kuwari	2%	**200,000**
Sarah Jassem Mohammad Al Bouinain	3%	**300,000**
Sultan Ghanim Sultan Hudaifi Al Kuwari	2%	**200,000**
Aisha Ghanim Sultan Hudaifi Al Kuwari	1%	**100,000**
Abdulrahman Ghanim Sultan Hudaifi Al Kuwari	2%	**200,000**
Abdulaziz Ghanim Sultan Hudaifi Al Kuwari	2%	**200,000**
Abdallah Ghanim Sultan Hudaifi Al Kuwari	2%	**200,000**
Fatima Ghanim Sultan Hudaifi Al Kuwari	1%	**100,000**
Latifa Ghanim Sultan Hudaifi Al Kuwari	1%	**100,000**
Louloua Ghanim Sultan Hudaifi Al Kuwari	1%	**100,000**
Mohammad Ghanim Sultan Hudaifi Al Kuwari	2%	**200,000**
Moza Shaheen Saad Al Rabia Al Kuwari	3%	**300,000**
Noura Ghanim Sultan Hudaifi Al Kuwari	1%	**100,000**
Total	100%	**10,000,000**

16. LEGAL RESERVE

Legal reserve is computed in accordance with the provisions of the Qatar Commercial Companies' Law and the Company's Articles of Association at 10% of the net profit for the year. Transfers to the reserve are made until it equals at least 50% of the paid up capital. The reserve is not available for distribution except in circumstances specified in the Qatar Commercial Companies' law.

17. SALES

	2013	2012
	QR.	QR.
Trading and service revenue	**114,978,126**	149,629,638
Contracting revenue	**359,980,024**	351,867,388
	474,958,150	501,497,026

18. OTHER INCOME

	2013	2012
	QR.	QR.
Commission income	**1,842,396**	3,140,420
Rental income	**5,162,801**	7,744,250
Supply of manpower	**375,582**	5,616,199
Others	**10,192,480**	3,125,331
	17,573,259	19,626,200

19. GENERAL AND ADMINISTRATIVE EXPENSES

	2013	2012
	QR.	QR.
Salaries and fringe benefits	**53,314,497**	54,947,814
Offices, stores and staff residence rent	**7,649,569**	10,799,964
Postage and communication	**944,517**	1,031,943
Travelling	**1,100,223**	1,860,378
Professional and legal fees	**2,073,610**	1,892,504
Business development promotion and commissions	**2,194,097**	759,866
Electricity and water	**266,043**	263,265
Immigration and visa	**380,692**	827,362
Transportation and labour	**217,772**	1,246,753
Office and other expenses	**1,570,193**	1,186,369
Vehicle charges	**554,896**	390,001
Repairs and maintenance	**1,499,098**	1,596,156
Provision for doubtful debt	**1,251,079**	3,463,562
Other expenses	**5,574,759**	7,205,346
	78,591,045	87,471,283

20. MANAGEMENT EXPENSES

This represent amounts paid to the foreign partners and general managers in the Group's entities in compensation for their management of the respective subsidiaries, in accordance with the agreement signed by both parties.

21. CONTINGENT LIABILITIES

	2013	2012
	QR.	QR.
Letters of credit	**17,239,437**	5,167,676
Letter of guarantees	**119,022,661**	54,277,214

22. FINANCIAL INSTRUMENTS

Financial instruments consist of financial assets and financial liabilities.

***Financial Assets*:**

The Group's principal financial assets include bank balances and cash, due from related parties, trade and retention receivables and available for sale investment.

Financial Liabilities:

The Group's significant financial liabilities include accounts payables, bank loans and borrowings, bank overdrafts and due to related parties.

Accounting policies for key items of financial assets and liabilities are set out in Note 2.

Fair Value of Financial Instruments:

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. Since the unaudited pro forma combined financial statements have been prepared under the historical cost convention, the carrying values of the Group's financial instruments as recorded could therefore be different from their fair values. However, in the opinion of the management, fair values of the financial assets and liabilities are not considered significantly different from their book values as most of these items are short-term in nature or repriced frequently.

23. FINANCIAL RISK MANAGEMENT

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's exposure to credit risk is as indicated by the carrying amount of its financial assets which consist primarily of bank balances and accounts receivable. Credit risk on bank balances is limited as it is placed with banks having good credit rating. Credit risk on accounts receivable is limited as these are spread among various counterparties and are shown after review of their recoverability and stated net of provision for doubtful receivables.

Interest rate risk exposure

The Group is exposed to interest rate risk on its bank balances and borrowings, subject to floating rates. Any change in the interest rate in 1% could increase or decrease the Group's profit by QR. 0.6 million approximately.

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group's exposure to currency risk is minimal, since most of the transactions are either in Qatari Riyals or US Dollars.

Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves banking facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group's terms of sales require amounts to be paid within a 30-60 days. Trade payables are normally settled within 30-90 days of the date of purchase.

Capital management

The Group manages its capital to ensure that it will be able to continue as a going concern while optimising the return to stakeholders through the optimization of the debt and equity balances.

The capital structure of the Group consists of debt, which includes the borrowings as disclosed in Note (12), and equity, comprising issued capital, reserves and retained earnings.

Gearing ratio

The Group's management reviews the capital structure on a regular basis.

The gearing ratio at year end is as follows:

	2013	2012
	QR.	QR.
Debt (i)	**63,475,621**	42,183,704
Cash and cash equivalents (Note 14)	**1,702,652**	(32,460,804)
Net debt	**65,178,273**	9,722,900
Equity (ii)	**109,160,082**	186,399,780
Net debt to equity ratio	**59.71%**	5.22%

(i) Debt is defined as long and short term bank loans and borrowings, as detailed in Note (12).
(ii) Equity includes all capital and reserves of the Group.