

**MANNAI CORPORATION Q.P.S.C.  
DOHA - QATAR**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**MANNAI CORPORATION Q.P.S.C.**

**CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT**

For the year ended December 31, 2016

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## **DIRECTOR AND GROUP CHIEF EXECUTIVE OFFICER'S REPORT**

The highlight of the year was the acquisition of 51.24% of GFI Informatique, a French Public Listed company.

2016 was a challenging year due to the collapse of oil prices which significantly affected consumer and business sentiments. This in turn led to businesses reducing their workforce as new projects were either put on hold or cancelled.

The earnings from GFI balanced the decline in earnings from our other businesses along with rationalisation of costs. Hence, we were able to finish this year with a net profit marginally ahead of 2015 and setting a new record for the net profit achieved.

The ICT business once again delivered a record breaking performance and further consolidated its position as Qatar's leading systems integrator that has built its reputation on trust and quality. The business is ideally positioned to provide the highest quality solutions to its customers throughout the entire technology stack.

Our other Qatar based businesses saw their net profits decline compared to previous years due to the lack of new infrastructure projects being released in the country. The Auto segment in Qatar declined by 27% and the Heavy Equipment segment declined by 57%. Mannai's Auto and Heavy Equipment segment by contrast only declined 8%.

Internationally, Damas witnessed a further decline due to the challenges in the luxury retail market in the GCC. The company rationalised its operating costs significantly. However, Damas is well positioned to take advantage of improvement in the luxury retail segment where affordable luxury is becoming an important growing segment and is an area where Damas excels. Having opened its new manufacturing unit in Nad Al Hamar, Dubai, Damas has ultimate control not only of the quality of the products but more importantly of the diamonds and gemstones selected.

Our associate company Axiom Telecom, where Mannai has a minority stake, was also not exempt from challenges in the slowdown in retail across the UAE and KSA. The company has taken out significant costs from its business operations including closing down numerous unviable stores. These initiatives will ensure that 2017 earnings are more robust than prior years.

GFI Informatique had an excellent year with 45.9% growth in net profit. The company concluded many acquisitions in Europe which will ensure its continued success in the years to come.

## **PERFORMANCE**

The Group delivered another year of record profits:

- Group Turnover: QR 4.88 Billion.
- Net Profit for the year: QR 535 Million.
- The Group's overseas operations contributed 44.53% of the overall profit of the Group.
- Return on Equity is 22%.
- Earnings per Share: QR 11.73

## **DIRECTOR AND GROUP CHIEF EXECUTIVE OFFICER'S REPORT (CONTINUED)**

### **DIVERSITY OF BUSINESSES**

Mannai Corporation is a conglomerate operating within a single set of values that we call the "Mannai Way". We work with an array of leading globally recognised brands and international partners.

Our diverse range of trading, retail and service businesses deal with customers in the Oil & Gas industry, the Commercial and Government sector and through GFI with a range of blue chip corporates in continental Europe, as well as retail client's throughout the GCC and Turkey. We aim to continue to provide a platform for future profitable growth, listening and responding to changing needs of our customers and clients while staying true to our core values of quality, value, service and trust.

### **FUTURE OUTLOOK**

The near term economic outlook remains unclear and challenging however, we remain committed to taking advantage of every opportunity available as we continue to build our business for growth over the longer term.



Alekh Grewal

Director & Group Chief Executive Officer

RN: 000274/SM/FY2017

QR. 31230

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders  
Mannai Corporation Q.P.S.C.  
Doha – Qatar

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the consolidated financial statements of Mannai Corporation Q.P.S.C. ("the Company"), and its subsidiaries (together "the Group") which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### Basis for Opinion

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

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### Key Audit Matters (continued)

Key audit matters	How our audit addressed the key audit matters.
<p><b>Revenue recognition</b></p> <p>The Group reported revenue of QR. 4.88 billion from the following principal activities:</p> <ul style="list-style-type: none"> <li>• Automotive;</li> <li>• Luxury goods; and</li> <li>• Information Technology and related services.</li> </ul> <p>We have considered this as a key audit matter due to the estimates and judgements involved in the accuracy, occurrence and completeness of revenue recognized in general and the timing of revenue recognition, particularly for IT related services revenue.</p> <p>Refer to the following notes to the consolidated financial statements:</p> <p>Note 3 – Significant accounting policies</p> <p>Note 4 – Critical judgments and key sources of estimation uncertainty</p> <p>Note 20 – Segment reporting</p>	<p>We tested revenue through a combination of controls testing, data analytics and substantive audit procedures covering, in particular:</p> <ul style="list-style-type: none"> <li>➤ Understanding the significant revenue processes and identifying the relevant controls (including IT systems, interfaces and reports);</li> <li>➤ Assessed the Group's selected accounting policies and checked compliance of revenue recognition therewith;</li> <li>➤ Testing of manual and automated controls around the significant revenue streams;</li> <li>➤ Performed data analysis and analytical reviews on significant revenue streams; and</li> <li>➤ Reviewed IT contracts to understand the terms of engagement and point of recognition as assessed by management.</li> </ul> <p>Consistent audit procedures have also been applied by component auditors on significant Group entities based on our instructions.</p>

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### Key Audit Matters (continued)

Key audit matters	How our audit addressed the key audit matters.
<p><b>Carrying value of intangible assets, including goodwill.</b></p> <p>The Group has the following significant intangible assets, including goodwill, in the consolidated statement of financial position:</p> <ul style="list-style-type: none"> <li>• Goodwill related to subsidiary, with a carrying value of QR. 530 million and goodwill embedded in the carrying value of an associate, of QR. 741 million; and</li> <li>• other intangible assets, such as trademark, of QR. 670 million that resulted from an acquisition in the prior year.</li> </ul> <p>The assessment of impairment indicators, when applicable, and the estimation of the recoverable amounts of these assets involves Management's significant judgements and estimates.</p> <p>Refer to the following notes to the consolidated financial statements for further details:</p> <ul style="list-style-type: none"> <li>• Note 3 – Significant accounting policies</li> <li>• Note 4 – Critical judgements and key sources of estimation uncertainty</li> <li>• Note 10 – Investment in associate companies</li> <li>• Note 11 – Goodwill and other intangible assets</li> </ul>	<p>For the assets within scope of IAS 36, Impairment of Assets, we challenged the Group's assessment of:</p> <ul style="list-style-type: none"> <li>➤ Determination of cash generating units (CGUs); and</li> <li>➤ Indicators which would trigger an impairment assessment, where applicable.</li> </ul> <p>We focused our testing on impairment assessment models and key assumptions applied by management. Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>➤ Obtained and analyzed the Board of Directors approved business plans for each CGU for the reasonableness of key assumptions;</li> <li>➤ Assessed whether the methodology used by management to estimate the value in use of applicable cash generating units ("CGU") comply with the requirements of IAS 36 Impairment of Assets;</li> <li>➤ Checked the mathematical accuracy of Management's workings.</li> <li>➤ Assessed the methodology used by the Group to estimate Weighted Average Cost of Capital (WACC) and corroborate discount rates used with broader sector related guidelines;</li> <li>➤ Assessed the reasonableness of assumptions used for long term growth rates based on growth forecast in local GDP and long term inflation expectations; and</li> <li>➤ Cross checked values with market multiples, where applicable.</li> </ul> <p>We performed sensitivity analysis on the key assumptions used by management to understand the impact of changes in key assumptions on headroom availability.</p> <p>Furthermore, we instructed auditors of the Group's significant entities to perform consistent audit procedures on the carrying value of intangible assets, including goodwill.</p> <p>We also assessed the appropriateness of the related disclosures in notes 3, 4, 10 and 11 of the consolidated financial statements.</p>

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### Key Audit Matters (continued)

Key audit matters	How our audit addressed the key audit matters.
<p><b>Acquisition, classification and accounting of GFI Informatique</b></p> <p>The Group has acquired 51.24% interest in GFI Informatique, a company listed in France, during the year. The acquisition is in a new territory for the Group and the accounting for this acquisition involves judgement, including the appropriate classification (associate, joint-venture, or subsidiary) and estimates in relation to the identification and valuation of acquired intangible assets including goodwill.</p> <p>The Group has assessed that it has significant influence over GFI and classified this new investment as an associate with a carrying value of QR. 1,182 million at the year-end.</p> <p>As a result of this acquisition the following intangible assets embedded in the carrying value of the associate, were identified:</p> <ul style="list-style-type: none"> <li>• customer contracts and relationships of QR. 211 million; and</li> <li>• goodwill of QR. 926 million.</li> </ul> <p>Refer to the following notes to the consolidated financial statements:</p> <p>Note 3 – Significant accounting policies</p> <p>Note 4 – Critical judgements and key sources of estimation uncertainty</p> <p>Note 10 – Investment in associate companies</p> <p>Note 29 – Acquisition of an associate</p>	<p>We reviewed the sale and purchase agreement and the shareholders' agreement, and discussed the substance of the arrangement with management, validating, where appropriate, to supporting evidence.</p> <ul style="list-style-type: none"> <li>➤ We audited the acquisition accounting noting in particular the requirements of IFRS 10 ( " Consolidated Financial statements" ), IFRS 11 ( "Joint Arrangements" ) and IAS 28 (Investment in Associates and Joint Ventures) in assessing the appropriateness of classification.</li> <li>➤ We involved our expert in reviewing the purchase price allocation performed by management, especially the identification and classification of intangible assets, valuation of identified assets and liabilities and assessing reasonableness of useful lives of identified assets.</li> <li>➤ We evaluated management' s assumptions and methodology supporting the fair values of net assets acquired and intangible assets identified and valued, by reference to, amongst other things, historical trends, customer attrition rates and other assumptions used in similar historical acquisitions.</li> <li>➤ We also tested the validity and completeness of consideration by reference to supporting evidence.</li> </ul> <p>We also assessed the adequacy and presentation of the related disclosures in the note 3, 4, 10 and 28 to the consolidated financial statements.</p>



## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### **Other Information**

Management is responsible for the other information. The other information comprises the Director and Group Chief Executive Officer's report, which we obtained prior to the date of this report, and the Chairman's Report, Financial Highlights, Business Review of 2016 and the Corporate Governance Report, which are expected to be made available to us after that date. The other information does not include the consolidated financial statements and our auditor's report thereon.

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS and the applicable provision of Qatar Commercial Companies Law, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)**

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosure is inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

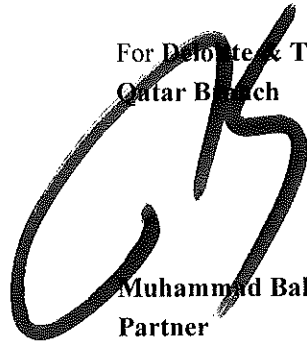
### **Report on Other Legal and Regulatory Requirements**

Furthermore, as required by the Qatar Commercial Companies Law, we report the following:

- We are also of the opinion that proper books of account were maintained by the Group, physical inventory verification has been duly carried out and the contents of the directors' report are in agreement with the Group's accompanying consolidated financial statements.
- We have obtained all the information and explanations which we considered necessary for the purpose of our audit.
- To the best of our knowledge and belief and according to the information given to us, no contraventions of the applicable provisions of Qatar Commercial Companies Law and the Company's Bylaws were committed during the year which would materially affect the Group's financial position or its performance.

**Doha – Qatar**  
**February 28, 2017**

For Deloitte & Touche  
Qatar Branch



**Muhammad Bahemia**  
**Partner**  
**License No. 103**

**MANNAI CORPORATION Q.P.S.C.****CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at December 31, 2016

	Notes	2016 QR '000	2015 QR '000
<b>ASSETS</b>			
<b>Current assets</b>			
Bank balances and cash	5	153,440	150,302
Accounts receivable and prepayments	6	893,204	1,008,425
Amounts due from related parties	25(b)	33,886	36,448
Inventories	7	2,358,072	2,631,197
<b>Total current assets</b>		<b>3,438,602</b>	<b>3,826,372</b>
<b>Non-current assets</b>			
Accounts receivable and prepayments	6	43,979	35,740
Amounts due from related parties	25(b)	32,544	16,646
Available for sale investments	8	40,034	43,688
Investment in joint venture companies	9	15,813	24,128
Investment in associate companies	10	2,417,600	1,187,660
Goodwill and other intangible assets	11	1,208,207	1,210,727
Property, plant and equipment	12	437,716	411,132
Investment properties	13	97,416	103,567
<b>Total non-current assets</b>		<b>4,293,309</b>	<b>3,033,288</b>
<b>Total assets</b>		<b>7,731,911</b>	<b>6,859,660</b>


THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

**MANNAI CORPORATION Q.P.S.C.****CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at December 31, 2016

	Notes	2016 QR '000	2015 QR '000
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Bank overdrafts	5	165,213	288,519
Interest bearing loans and borrowings	14	1,377,917	998,334
Amounts due to related parties	25(b)	2,426	1,041
Accounts payable and accruals	15	1,171,587	1,535,239
<b>Total current liabilities</b>		<b>2,717,143</b>	<b>2,823,133</b>
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	14	2,306,310	1,498,400
Accounts payable and accruals	15	18,066	17,393
Employees' end of service benefits	16	112,235	112,312
<b>Total non-current liabilities</b>		<b>2,436,611</b>	<b>1,628,105</b>
<b>Total liabilities</b>		<b>5,153,754</b>	<b>4,451,238</b>
<b>Equity</b>			
Share capital	17	456,192	456,192
Legal reserve	18(a)	1,083,456	1,083,456
Revaluation reserve		4,630	4,630
Foreign currency translation reserve		(143,743)	(13,994)
Proposed dividends	19	182,477	228,096
Retained earnings		1,583,312	1,238,093
Acquisition reserve	18(b)	(588,058)	(588,058)
<b>Equity attributable to shareholders of the Company</b>		<b>2,578,266</b>	<b>2,408,415</b>
Non-controlling interests		(109)	7
<b>Total equity</b>		<b>2,578,157</b>	<b>2,408,422</b>
<b>Total liabilities and equity</b>		<b>7,731,911</b>	<b>6,859,660</b>

These consolidated financial statements were approved by the Board of Directors and authorised for issue on February 28, 2017.

  
 .....  
 Sheikh Suhaim Bin Abdulla Al-Thani  
 Vice Chairman

  
 .....  
 Alekh Grewal  
 Director and Group Chief Executive Officer

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

**MANNAI CORPORATION Q.P.S.C.**
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

For the year ended December 31, 2016

	Notes	2016 QR '000	2015 QR '000
Revenue		4,885,644	5,934,633
Direct costs		(3,700,979)	(4,592,758)
<b>Gross profit</b>		<b>1,184,665</b>	<b>1,341,875</b>
Other income	21	222,898	150,530
Share of results of joint ventures and associates - net	9&10	109,312	55,429
General and administrative expenses	22	(412,327)	(432,740)
Selling and distribution expenses	23	(331,091)	(391,489)
<b>Profit before interest, depreciation and amortisation</b>		<b>773,457</b>	<b>723,605</b>
Finance costs		(127,651)	(94,747)
Depreciation and amortisation	11,12&13	(108,346)	(97,182)
<b>Profit from continuing operations before tax</b>		<b>537,460</b>	<b>531,676</b>
Income tax		(2,459)	(3,461)
<b>Net profit for the year</b>		<b>535,001</b>	<b>528,215</b>
<b>Attributable to :</b>			
<b>Shareholders of the Company</b>		<b>535,117</b>	<b>532,781</b>
Non-controlling interests		(116)	(4,566)
		<b>535,001</b>	<b>528,215</b>
<i>Earnings per share:</i>			
Basic and diluted earnings per share attributable to shareholders of the Company (QR)	24	<b>11.73</b>	<b>11.68</b>
Basic and diluted earnings per share from continuing operations attributable to shareholders of the Company (QR)	24	<b>11.73</b>	<b>11.68</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

**MANNAI CORPORATION Q.P.S.C.****CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the year ended December 31, 2016

	<u>2016</u>	<u>2015</u>
	<u>QR '000</u>	<u>QR '000</u>
<b>Net profit for the year</b>	<b>535,001</b>	<b>528,215</b>
<b>Other comprehensive loss</b>		
<b>Items that may be reclassified subsequently to statement of profit or loss:</b>		
<i>Foreign currency translation reserve</i>		
Foreign currency translation adjustment	<u>(129,749)</u>	<u>(4,455)</u>
<b>Total other comprehensive loss for the year</b>	<u><b>(129,749)</b></u>	<u><b>(4,455)</b></u>
<b>Total comprehensive income for the year</b>	<u><b>405,252</b></u>	<u><b>523,760</b></u>
<b>Attributable to:</b>		
Shareholders of the Company	<u>405,368</u>	<u>528,326</u>
Non-controlling interests	<u>(116)</u>	<u>(4,566)</u>
	<u><b>405,252</b></u>	<u><b>523,760</b></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

**MANNAI CORPORATION Q.P.S.C.**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
For the year ended December 31, 2016

	Share capital QR '000	Legal reserve QR '000	Revaluation reserve QR '000	Foreign currency translation reserve QR '000	Proposed dividends QR '000	Acquisition reserve QR '000	Retained earnings QR '000	Equity attributable to shareholders of the Company QR '000	Non-controlling interests QR '000	Total QR '000
Balance – January 1, 2015	456,192	1,083,456	4,630	(9,539)	273,715	(588,058)	940,987	2,161,383	4,795	2,166,178
Total comprehensive income for the year	--	--	--	(4,455)	--	--	532,781	528,326	(4,566)	523,760
Dividends paid (Note 19)	--	--	--	--	(273,715)	--	--	(273,715)	--	(273,715)
Proposed dividend (Note 19)	--	--	--	--	228,096	--	(228,096)	--	--	--
Withdrawal of non-controlling interests	--	--	--	--	--	--	--	--	(222)	(222)
Social and sports contribution for 2015	--	--	--	--	--	--	(7,579)	(7,579)	--	(7,579)
Balance – December 31, 2015	456,192	1,083,456	4,630	(13,994)	228,096	(588,058)	1,238,093	2,408,415	7	2,408,422
Total comprehensive income for the year	--	--	--	(129,749)	--	--	535,117	405,368	(116)	405,252
Dividends paid (Note 19)	--	--	--	--	(228,096)	--	--	(228,096)	--	(228,096)
Proposed dividend (Note 19)	--	--	--	--	182,477	--	(182,477)	--	--	--
Social and sports contribution for 2016	--	--	--	--	--	--	(7,421)	(7,421)	--	(7,421)
Balance – December 31, 2016	456,192	1,083,456	4,630	(143,743)	182,477	(588,058)	1,583,312	2,578,266	(109)	2,578,157

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS



**MANNAI CORPORATION Q.P.S.C.**
**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the year ended December 31, 2016

	<b>2016</b>	<b>2015</b>
	<b>QR '000</b>	<b>QR '000</b>
<b>OPERATING ACTIVITIES</b>		
Profit for the year before tax	537,460	531,676
<i>Adjustments for:</i>		
Depreciation and amortization	108,346	97,182
Impairment of property, plant and equipment	3,160	10,888
Impairment loss on accounts receivables, net	8,621	1,188
Impairment on available for sale investment, associates and joint ventures, net	2,384	1,334
Allowance for doubtful advance	1,641	--
Provisions/liabilities no longer required written back	(7,663)	--
Reversal of impairment allowances on Joint-venture	--	(4,944)
Write back/provision for obsolete and slow moving items, net	(6,854)	3,239
Gain on disposals of property, plant and equipment	(3,407)	(2,118)
Gain on disposals of investment property	(28)	(39,749)
Gain on operating lease premium received on closed shops	(6,909)	--
Finance income	(2,342)	--
Finance costs	127,651	94,747
Unrealised treasury gain	--	(17,954)
Share of results from joint ventures and associates	(109,312)	(55,429)
Provision for employees' end of service benefits	20,390	24,848
<b>Operating profit before working capital changes</b>	<b>673,138</b>	<b>644,908</b>
<i>Working capital changes:</i>		
Accounts receivables and prepayments	92,200	24,582
Inventories	278,931	(49,026)
Amounts due from/to related parties	(11,743)	(3,361)
Accounts payable and accruals	(365,489)	20,910
<b>Cash from operations</b>	<b>667,037</b>	<b>638,013</b>
Finance costs paid	(119,508)	(95,380)
Employees' end of service benefits paid	(20,706)	(11,853)
Social and sports contribution paid	(7,579)	(3,439)
<b>Net cash generated from operating activities</b>	<b>519,244</b>	<b>527,341</b>
<b>INVESTING ACTIVITIES</b>		
Purchases of property, plant and equipment	(143,777)	(132,867)
Purchases of investment properties	--	(891)
Addition to intangible assets	(559)	(5,372)
Proceeds from disposal of property, plant and equipment	16,531	16,577
Proceeds from disposal of investment properties	594	46,346
Proceeds/acquisition of available for sale of investment	2,032	(2,075)
Proceeds from disposal of operating lease premium	6,941	--
Acquisition of investment in associate	(1,329,726)	--
Interest received	2,134	--
Acquisition of investment in joint venture company	--	(2,550)
Dividend received from joint ventures and associates	87,827	46,480
<b>Net cash used in investing activities</b>	<b>(1,358,003)</b>	<b>(34,352)</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

**MANNAI CORPORATION Q.P.S.C.****CONSOLIDATED STATEMENT OF CASH FLOWS**

For the year ended December 31, 2016

	<u>2016</u> <u>QR '000</u>	<u>2015</u> <u>QR '000</u>
<b>FINANCING ACTIVITIES</b>		
Net movements in interest bearing loans and borrowings	1,187,493	(122,518)
Dividend paid	<u>(227,858)</u>	<u>(273,476)</u>
<b>Net cash generated/ (used in) financing activities</b>	<u>959,635</u>	<u>(395,994)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>120,876</b>	<b>96,995</b>
Cash and cash equivalents at the beginning of the year	<u>(145,908)</u>	<u>(242,903)</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		
<b>(NOTE 5)</b>	<u><b>(25,032)</b></u>	<u><b>(145,908)</b></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

**MANNAI CORPORATION Q.P.S.C.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2016

**1. CORPORATE INFORMATION**

Mannai Corporation Q.P.S.C. (the "Company") is registered as a Qatari Shareholding Company in the State of Qatar with the Ministry of Economy and Commerce under Commercial Registration Number 12. The registered office of the Company is situated in Doha, State of Qatar. The Company is listed on the Qatar Stock Exchange.

The core activities of the Company and its subsidiaries (together referred to as the "Group") include information and communication technology, automotive and heavy equipment distribution and service, geotechnical, geological, environmental and material testing services, engineering services to the oil & gas sector, logistics and warehousing, office systems, medical equipment, building materials, travel services, home appliances and electronics, trading and representation, facilities maintenance and management services and trading in gold and gold jewellery, diamond jewellery, pearls, watches, silver and precious stones on wholesale and retail basis.

The consolidated financial statements include the financial statements of the Company and its controlled subsidiaries listed below:

<i>Name of subsidiary</i>	<i>Principal activities</i>	<i>Group's effective shareholding percentage</i>		
		<i>Country of incorporation</i>	<i>December 31, 2016</i>	<i>December 31, 2015</i>
Mannai Trading Company W.L.L.	Trading and services	Qatar	100	100
Manweir L.L.C.	Engineering	Qatar	100	100
Gulf Laboratories Company W.L.L.	Geotechnical services	Qatar	100	100
Space Travel W.L.L.	Travel	Qatar	100	100
Qatar Logistics W.L.L.	Logistics	Qatar	100	100
Technical Services Company W.L.L.	Representations	Qatar	100	100
Mansoft Qatar W.L.L.	Information technology	Qatar	100	100
Mansoft Solutions and Systems (UAE) L.L.C.	Information technology	UAE	100	100
Techsignia Solutions Pvt. Ltd.	Information technology	India	100	100
Gulf Geotechnical Services and Material Testing L.L.C.	Geotechnical services	Oman	100	100
Global Trading Center FZCO	Auto	UAE	100	100
Damas International Limited	Jewellery trading	UAE	100	100
GTC Otomotiv Anonim Sirketi	Auto	Turkey	100	100
Mannai Network & Solution L.L.C.	Information technology	Oman	100	100
Utility Network Co.	Information technology	Saudi	--	100
Damas L.L.C.	Jewellery trading	UAE	100	100
Damas Jewellery L.L.C.	Jewellery trading	UAE	100	100
Damas Jewellery D.M.C.C.	Jewellery trading	UAE	100	100
Damas Folli Follie L.L.C.	Jewellery trading	UAE	51	51

**MANNAI CORPORATION Q.P.S.C.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2016

**1. CORPORATE INFORMATION (CONTINUED)**

<i>Name of subsidiary</i>	<i>Principal activities</i>	<i>Group's effective shareholding percentage</i>		
		<i>Country of incorporation</i>	<i>December 31, 2016</i>	<i>December 31, 2015</i>
Ayodhya Jewellers L.L.C.	Jewellery trading	UAE	<b>100</b>	100
The Watch Studio L.L.C.	Jewellery trading	UAE	<b>100</b>	100
Arshi Jewellery L.L.C.	Jewellery trading	UAE	<b>75</b>	75
Damas Jewellery Manufacturing Company	Jewellery trading	UAE	<b>75</b>	75
Damas SPV Jewellery L.L.C.	Jewellery trading	UAE	<b>100</b>	100
Premium Investments International L.L.C.	Jewellery trading	UAE	<b>100</b>	100
Damas SPV Jewellery L.L.C.	Jewellery trading	UAE	<b>100</b>	100
Gem Universe L.L.C.	Jewellery trading	Oman	<b>100</b>	100
Damas Company W.L.L.	Jewellery trading	Bahrain	<b>100</b>	100
Damas Jewellery Kuwait Company W.L.L.	Jewellery trading	Kuwait	<b>100</b>	100
Damas Saudi Arabia Company Limited	Jewellery trading	KSA	<b>98</b>	98
Damas Accessories L.L.C.	Jewellery trading	KSA	<b>100</b>	100
Ayodhya Jewellery L.L.C.	Jewellery trading	KSA	<b>100</b>	100
Golden Investments Limited	Investing	UAE	<b>100</b>	100
Golden Investments Holdings Limited	Investing	UAE	<b>100</b>	100
Golden Investments Services Limited	Investing	UAE	<b>100</b>	100
Global Motor Sports S.P.C.	Auto	Qatar	<b>100</b>	100
NYX Information Technology	Information technology	Turkey	<b>100</b>	--

Mannai Trading Company W.L.L. and Damas International Limited are the material subsidiaries of the Group.

During the year, the Group acquired 51.24% interest in GFI Informatique ("GFI"). The investment has been classified as an associate.

Axiom Limited and GFI are significant associates of the Group.

**MANNAI CORPORATION Q.P.S.C.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2016

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**2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)**

**2.1 New and revised IFRSs that are mandatorily effective**

The following new and revised IFRSs, which became effective for annual periods beginning on or after January 1, 2016, have been adopted in these consolidated financial statements.

- IFRS 14 *Regulatory Deferral Accounts*
- Amendments to IAS 1 *Presentation of Financial Statements* relating to Disclosure initiative
- Amendments to IFRS 11 *Joint arrangements* relating to accounting for acquisitions of interests in joint operations
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* relating to clarification of acceptable methods of depreciation and amortisation
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture* to bring in bearer plants into the scope of IAS 16
- Amendments to IAS 27 *Separate Financial Statements* relating to accounting investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements
- Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 *Investment in Associates and Joint Ventures* relating to applying the consolidation exception for investment entities
- Annual Improvements to IFRSs 2012 – 2014 Cycle covering amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34

The application of these revised IFRSs had no material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

**MANNAI CORPORATION Q.P.S.C.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2016

**2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)**

**2.2 New and revised IFRSs in issue but not yet effective**

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

<b><u>New and revised IFRSs</u></b>	<b><u>Effective for annual periods beginning on or after</u></b>
Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1, IFRS 12 and IAS 28	The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after January 1, 2018, the amendment to IFRS 12 for annual periods beginning on or after January 1, 2017
Amendments to IAS 12 <i>Income Taxes</i> relating to the recognition of deferred tax assets for unrealised losses	January 1, 2017
Amendments to IAS 7 <i>Statement of Cash Flows</i> to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.	January 1, 2017
IFRIC 22 <i>Foreign Currency Transactions and Advance Consideration</i>	January 1, 2018
The interpretation addresses foreign currency transactions or parts of transactions where: <ul style="list-style-type: none"><li>• there is consideration that is denominated or priced in a foreign currency;</li><li>• the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and</li><li>• the prepayment asset or deferred income liability is non-monetary.</li></ul>	
Amendments to IFRS 2 <i>Share Based Payment</i> regarding classification and measurement of share based payment transactions.	January 1, 2018
Amendments to IFRS 4 <i>Insurance Contracts</i> : Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.	January 1, 2018

**MANNAI CORPORATION Q.P.S.C.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2016

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**2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)**

**2.2 New and revised IFRSs in issue but not yet effective (continued)**

**New and revised IFRSs**

**Effective for  
annual periods  
beginning on or after**

Amendments to IAS 40 *Investment Property*: Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.

January 1, 2018

Amendments to IFRS 7 *Financial Instruments: Disclosures* relating to disclosures about the initial application of IFRS 9.

When IFRS 9 is first applied

IFRS 7 *Financial Instruments: Disclosures* relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.

When IFRS 9 is first applied

**MANNAI CORPORATION Q.P.S.C.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2016

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**2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)**

**2.2 New and revised IFRSs in issue but not yet effective (continued)**

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
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IFRS 9 *Financial Instruments* (revised versions in 2009, 2010, 2013 and 2014)

January 1, 2018

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement.

The standard contains requirements in the following areas:

- **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment:** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.
- **Hedge accounting:** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.



**MANNAI CORPORATION Q.P.S.C.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2016

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**2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)**

**2.2 New and revised IFRSs in issue but not yet effective (continued)**

**New and revised IFRSs**

**Effective for  
annual periods  
beginning on or after**

*IFRS 15 Revenue from Contracts with Customers*

January 1, 2018

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

Amendments to IFRS 15 *Revenue from Contracts with Customers* to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.

January 1, 2018

**MANNAI CORPORATION Q.P.S.C.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2016

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**2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)**

**2.2 New and revised IFRSs in issue but not yet effective (continued)**

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
IFRS 16 <i>Leases</i>	January 1, 2019

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i> (2011) relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.	Effective date deferred indefinitely
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Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9, IFRS 15 and IFRS 16, may have no material impact on the consolidated financial statements of the Group in the period of initial application.

Management anticipates that IFRS 15 and IFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning January 1, 2018 and that IFRS 16 will be adopted in the Group's consolidated financial statements for the annual period beginning January 1, 2019. The application of IFRS 15 and IFRS 9 may have significant impact on amounts reported and disclosures made in the Group's consolidated financial statements in respect of revenue from contracts with customers and the Group's financial assets and financial liabilities and the application of IFRS 16 may have significant impact on amounts reported and disclosures made in the Group's consolidated financial statements in respect of its leases.

However, management have not yet performed a detailed analysis of the impact of the application of these Standards and hence have not yet quantified the extent of the impact.

**3. SIGNIFICANT ACCOUNTING POLICIES**

**Statement of compliance**

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the applicable provisions of Qatar Commercial Company Law.

## **MANNAI CORPORATION Q.P.S.C.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2016

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#### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **Basis of preparation**

The consolidated financial statements have been prepared under the historical cost basis, except for land and building classified as property, plant and equipment at revalued amount, and derivative financial instruments and available-for-sale financial assets that are measured at fair value, respectively.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- (i) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- (ii) Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- (iii) Level 3 inputs are unobservable inputs for the asset or liability.

These consolidated financial statements are presented in Qatari Riyal (QR), which is the Group's functional and presentation currency. All numbers are presented in thousands of Qatari Riyals, except as otherwise stated. The principal accounting policies are set out below.

##### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Group. Control is achieved when the Group:

- (i) has power over the investee;
- (ii) is exposed, or has rights, to variable returns from its involvement with the investee; and
- (iii) has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Group and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

## **MANNAI CORPORATION Q.P.S.C.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2016

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#### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **Basis of consolidation (consolidated)**

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

##### *Changes in the Group's ownership interests in existing subsidiaries*

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries 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 subsidiaries. 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 Company.

##### **Business combination**

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred. At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in the statement of profit or loss as a bargain purchase gain.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in the statement of profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed off. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (12 months after the acquisition) to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

## **MANNAI CORPORATION Q.P.S.C.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2016

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#### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **Goodwill**

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit.

Any impairment loss for goodwill is recognised directly in the statement of profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

##### **Investments in associates and joint ventures**

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint arrangement is classified as joint venture whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted here after to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment is recognised immediately in statement of profit or loss in the period in which the investment is acquired.

**MANNAI CORPORATION Q.P.S.C.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2016

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments in associates and joint ventures (continued)**

When there is an indication of impairment, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with *IAS 36 Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale.

When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the investment is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. If a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, then the Group also reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

**Non-current assets held for sale**

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

## **MANNAI CORPORATION Q.P.S.C.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2016

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#### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **Property, plant and equipment**

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Such cost includes borrowing costs for long-term construction projects if the recognition criteria are met. Land and capital work-in-progress are not depreciated.

Capital work-in-progress is stated at cost. When the asset is ready for intended use, it is transferred from capital work-in-progress to the appropriate category under property, plant and equipment and depreciated in accordance with the Group's policies.

Land and buildings are stated at revalued amount and for buildings less accumulated depreciation and impairment losses recognised after the date of the revaluation. Valuations are performed frequently enough to ensure that the fair value of the asset does not differ materially from its carrying amount.

Any revaluation surplus is credited to the assets revaluation reserve included in the equity section of the statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the statement of profit or loss, in which case the increase is recognised in statement of profit or loss. A revaluation deficit is recognised in statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	10-30 years
Plant, machinery and equipment	3-15 years
Office furniture and equipment	3-5 years
Motor vehicles	3-5 years
Assets on hire	3-5 years

Maintenance, repairs and minor improvements are charged to the statement of profit or loss as and when incurred. Major improvements and replacements are capitalised.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of profit or loss in the year the item is derecognised.

The assets' useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

**MANNAI CORPORATION Q.P.S.C.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2016

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investment property**

Investment property comprises property held for capital appreciation, rental yields or both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is carried at cost less accumulated depreciation and impairment losses, if any.

Land held for undetermined use is classified as investment property and is not depreciated.

When the development of investment property commences, it is transferred to capital work-in-progress until development is complete, at which time it is transferred to the respective category, and depreciated on the straight-line method, at the rate calculated to reduce the cost of the asset to its estimated residual value over its expected useful life, as follows:

Building 20 years

Any expenditure that results in the maintenance of property to an acceptable standard or specification is treated as repairs and maintenance and is expensed in the period in which it is incurred.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss in the period in which the property is derecognised.

**Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expensed in the period in which the expenditures are incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and impairment losses, on the same basis as intangible assets that are acquired separately.



**MANNAI CORPORATION Q.P.S.C.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended December 31, 2016

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Intangible assets (continued)**

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the assets are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss as the expense category that is consistent with the function of the intangible assets. Intangible assets with finite lives are as follows:

Customer relationship	5-20 years
Order backlog	3 years
Other intangible assets	4 years

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

**Impairment of tangible and intangible assets**

At each reporting period, the Group assesses whether there is an indication that an asset (tangible or intangible excluding goodwill) may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations are recognised in the consolidated statement of profit or loss in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

## **MANNAI CORPORATION Q.P.S.C.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2016

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#### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **Impairment of tangible and intangible assets (continued)**

For assets (excluding goodwill), an assessment is made at each reporting period whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or Cash Generating Unit's (CGUs) recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

The following assets have specific characteristics for impairment testing:

##### *Goodwill*

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

##### *Intangible assets*

Intangible assets with indefinite useful lives are tested for impairment annually, either individually or at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

##### **Inventories**

Inventories are stated at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items. Costs are those expenses incurred in bringing each product to its present location and condition as follows:

Spare parts and merchandise	- purchase cost on a weighted average cost basis
Vehicles	- purchase cost on specific identification basis
Work-in-progress	- cost of direct materials, labour and other direct costs
Diamond jewellery, pearl jewellery, watches and precious stones*	- purchase cost on specific identification basis
Gold and gold jewellery	- purchase cost on a weighted average cost basis
Others	- purchase cost on a first-in-first-out (FIFO) basis

\*Making charges related to inventory of own and unfixed gold jewellery is included in inventories.

Net realizable value represents the estimated selling price less all cost expected to be incurred to completion or disposal.

## **MANNAI CORPORATION Q.P.S.C.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2016

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#### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

##### **Employees' end of service benefits**

The Group provides end of service benefits to its employees in accordance with the employment policies of the Group. The provision is calculated on the basis of individual's final salary and the period of service at the reporting date.

With respect to Qatari employees, the Group makes contribution to the Qatari Pension Fund calculated on a percentage of the employees' salaries, in accordance with the Retirement and Pension Law No. 24 of 2002. The Group's obligations are limited to these contributions.

##### **Financial instruments**

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value plus transaction cost.

##### **Financial assets**

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) 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. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

##### *Available for sale investments*

Available-for-sale financial investments comprise of equity securities. Equity securities classified as available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit or loss.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income and accumulated in the fair value reserve in equity until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the fair value reserve to the statement of profit or loss.

Dividends on AFS equity instruments are recognised in statement of profit or loss when the Group's right to receive the dividends is established.

**MANNAI CORPORATION Q.P.S.C.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2016

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial assets (continued)**

*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 (including trade and other receivables, bank balances and others) are subsequently measured at amortised cost using the effective interest rate method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

**Impairment of financial assets**

Financial assets, other than those at FVTPL, are assessed for impairment at each reporting period. Financial assets are impaired where there is objective evidence that, 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 investment have been affected.

For AFS equity 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. 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 of 30-180 days, 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.

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 statement of profit or loss.

**MANNAI CORPORATION Q.P.S.C.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2016

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financials assets (continued)**

**Impairment of financial assets (continued)**

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to the statement of profit or loss.

In respect of available for sale equity securities, impairment losses previously recognised in the statement of profit or loss are not reversed through statement of profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in the statement of profit or loss and other comprehensive income and accumulated under the heading of fair value reserve in the statement of changes in equity.

**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 the statement of profit or loss.

**Financial liabilities and equity instruments**

**Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

**Financial liabilities**

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

*Financial liabilities at FVTPL*

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in the statement of profit or loss.

## **MANNAI CORPORATION Q.P.S.C.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2016

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#### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **Financial liabilities (continued)**

###### *Other financial liabilities*

Financial liabilities that are not classified as FVTPL (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

##### **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.

##### **Derivative financial instruments**

The Group enters into derivative financial instruments to manage its exposure to market risk. Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

##### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

###### *Sale of goods*

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- (i) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (ii) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (iii) the amount of revenue can be measured reliably;
- (iv) it is probable that the economic benefits associated with the transaction will flow to the Group; and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

###### *Rendering of services*

Revenue from rendering of services is recognised when the outcome of the transaction can be estimated reliably, by reference to the stage of completion of the transaction at the reporting date.

**MANNAI CORPORATION Q.P.S.C.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2016

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue recognition (continued)**

*Investment income*

Income from investments other than joint venture is either accounted for on an accrual basis or when right to receive the income is established.

*Interest income*

Interest received under instalment credit sale agreement and bank deposits is accounted for on a time proportion basis taking into account the principal outstanding and interest rate applicable.

*Rental income*

Rental income is accounted for when earned.

**Leasing**

*Group as lessee*

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

*Group as lessor*

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

**Taxation**

Taxes are calculated based on applicable tax laws or regulations in which the Group operates.

*Current tax*

The current tax is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

**MANNAI CORPORATION Q.P.S.C.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2016

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Taxation (continued)**

*Deferred tax*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

**Borrowing costs**

Borrowing costs directly attributable to the acquisition, 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.

All other borrowing costs are recognised in the consolidated statement of profit or loss in the period in which they are incurred.



**MANNAI CORPORATION Q.P.S.C.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2016

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Foreign exchange difference**

In preparing the consolidated financial statements of the Group, transactions in currencies other than the Group's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated 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 not retranslated. Exchange differences on monetary items are recognised in the statement of profit or loss in the period in which they arise except as otherwise stated in the reporting framework.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Qatari Riyal using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during that year, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

**4. CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgements, 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 judgements in applying accounting policies**

The following are the critical judgements, 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 consolidated financial statements:

*Classification of investments*

Management decides on acquisition of an investment whether it should be classified as financial assets carried at fair value through profit and loss (FVTPL), held to maturity investments or available for sale financial assets.

The Group classifies investments as fair value through profit and loss (FVTPL), if they are acquired primarily for the purpose of making a short term profit by the Group or held for trading.

All other investments are classified as available for sale investments.

Investments in joint ventures and associates are assessed and classified based on management's judgement and in accordance with the provisions of IFRSs.

**4. CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)**

**Critical judgements in applying accounting policies (continued)**

*Classification of investments (continued)*

During the year, the Group acquired 51.24% interest in GFI Informatique, a company listed in France. Management concluded that the Group has significant influence and classified the investment as an associate based on the shareholders' agreement and related documentation.

*Impairment of available-for-sale financial assets*

The Group follows the guidance of IAS 39 Financial Instruments: Recognition and Measurement to determine whether an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook of the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

Management recognises the decline in the fair value of available-for-sale investments in the statement of profit or loss as impairment loss when there is a significant or prolonged decline in the fair value of the security below its cost.

*Impairment of tangible and intangible assets*

The Group's management evaluates whether there are internal and external indicators of impairment of its tangible and intangible assets. Management has not noted any indicators of impairment during the year.

*Impairment of investments in joint ventures and associates*

Management regularly reviews its investments in joint ventures and associates for indicators of impairment. In determination of whether indicators of impairment exist in investments in joint ventures and associates, Management evaluates the specific investee's profitability, liquidity, solvency and ability to generate operating cash flows from the date of acquisition and until the foreseeable future. Management is satisfied that no indication exists on its investments in joint ventures and associates.

*Classification of properties*

In the process of classifying properties, management has made various judgements. Judgement is needed to determine whether a property qualifies as an investment property, property, plant and equipment and/or property held for resale. The Group develops criteria so that it can exercise that judgement consistently in accordance with the definitions of investment property, property, plant and equipment and property held for resale. In making its judgement, management considered the detailed criteria and related guidance for the classification of properties as set out in IAS 16 and IAS 40, in particular, the intended usage of property as determined by the management.

*Revenue recognition*

Management has considered the detailed criteria for the recognition of revenue from the sale of goods set out in IAS 18: Revenue, and in particular whether the Group has transferred risks and rewards of ownership of the goods. Based on the acceptance by the customer of the liability for the goods sold and proof of receipt of the goods by the customers, management is satisfied that the significant risks and rewards have been transferred and the recognition of the revenue is appropriate.

## MANNAI CORPORATION Q.P.S.C.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

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#### 4. CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

##### Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation 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:

##### *Impairment of goodwill, other intangible assets and investment in associate*

The Group carries out impairment testing annually in respect of goodwill attributable to its subsidiaries, tradename and its investment in associate where there is an impairment indicator. In carrying out the impairment analysis, the Group makes the following estimates which are critical:

##### Growth rate

The growth rate is based on board approved business plan for the respective assets/ CGUs. Refer to Notes 10 and 11 for further details.

##### Discount rate

Management discounts the cash flows using its weighted average cost of capital estimated by adopting the Capital Asset Pricing Model and having reference to Mannai Group WACC rate of 9%.

Management performs sensitivity analysis to assess the impact of changes in key management assumptions on availability of headroom.

##### *Fair value of investment properties*

The best evidence of fair value is current prices in an active market for similar properties. In the absence of such information, the Group determined the amount within a range of reasonable fair value estimates. The Group considered recent prices of similar properties in the same location and similar conditions, with adjustments to reflect any changes in the nature, location or economic conditions since the date of the transactions that occurred at those prices. Such estimation is based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

The determination of the fair value of revenue-generating properties requires the use of estimates such as future cash flows from assets (such as leasing, tenants' profiles, future revenue streams, capital values of fixtures and fittings, and the overall repair and condition of the property) and discount rates applicable to those assets. These estimates are based on local market conditions existing at the end of the reporting period. Certain specified properties which would not reasonably have a comparable market value due to the specific nature of the property, have been valued at historical replacement cost.

In arriving at the estimates of market values as at December 31, 2016, the valuers have use their market knowledge and professional judgement and have not only relied solely on historic transactional comparable. In these circumstances, there is greater degree of uncertainty than which exists in a more active market in estimating market values of investment property.

**MANNAI CORPORATION Q.P.S.C.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2016

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**4. CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)**

**Key sources of estimation uncertainty (continued)**

*Fair value measurements and valuation processes*

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 available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The management 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 the respective notes.

*Tangible and intangible assets useful lives*

The Group's management determines the useful lives and related depreciation or amortization charge of the tangible or intangible assets. The depreciation or amortization charge for the year will change significantly if actual life is different from the estimated useful life of the asset.

*Impairment of financial assets*

The Group's management periodically reviews items classified as receivables to assess whether a provision for impairment should be recorded in the statement of profit or loss. 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 judgement and uncertainty. Management is confident that the impairment recorded on receivables is adequate.

*Impairment of inventories*

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

Furthermore, an estimate of the collectible amount of gold unfixed with trade receivables is made when recovery of inventories are no longer probable or the cash margins are not securing these inventories are not sufficient to cover the exposure.

*Amortisation of customer relationship and order backlog*

The Group's management determines the useful lives and related amortization charge of the intangible assets. The amortization charge for the year will change significantly if any of the estimates are different from the current assumptions used.

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**5. CASH AND CASH EQUIVALENTS**

	2016	2015
	QR '000	QR '000
Bank balances and cash	153,440	150,302
Less: Fixed and margin deposits under lien	(13,259)	(7,691)
	140,181	142,611
Less: Bank overdrafts	(165,213)	(288,519)
Cash and cash equivalents	(25,032)	(145,908)

**6. ACCOUNTS RECEIVABLE AND PREPAYMENTS**

	2016	2015
	QR '000	QR '000
Trade accounts receivable	682,338	725,748
Less : Allowance for impairment	(30,177)	(22,796)
	652,161	702,952
Advances to suppliers, net	28,422	67,159
Notes receivable	99,048	91,483
Prepayments	55,508	60,463
Deposits	20,372	21,678
Accrued income	34,633	33,128
Others	47,039	67,302
	937,183	1,044,165

Presented in the consolidated statement of financial position as follows:

	2016	2015
	QR '000	QR '000
Current	893,204	1,008,425
Non-current	43,979	35,740
	937,183	1,044,165

The movement in allowance for impairment is as follows:

	2016	2015
	QR '000	QR '000
At January 1,	22,796	145,677
Provision during the year	8,621	4,695
Written off during the year	(1,240)	(124,069)
Write back during the year	--	(3,507)
At December 31,	30,177	22,796

**MANNAI CORPORATION Q.P.S.C.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**6. ACCOUNTS RECEIVABLE AND PREPAYMENTS (CONTINUED)**

As at December 31, the ageing of unimpaired accounts receivable and notes receivable were as follows:

	2016 QR '000	2015 QR '000
Aging of neither past due nor impaired		
Up to 180 days	<u>368,854</u>	<u>484,425</u>
Aging of past due but not impaired		
0 – 90 days	195,254	149,693
90 – 180 days	81,023	53,465
180 + days	<u>75,901</u>	<u>84,056</u>
Total	<u><u>352,178</u></u>	<u><u>287,214</u></u>
Aging of impaired receivables		
Over 180 days	<u>30,177</u>	<u>22,796</u>

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

**7. INVENTORIES**

	2016 QR '000	2015 QR '000
Gold and other jewellerys	1,279,243	1,418,466
Work-in-progress	581,671	619,939
Merchandises, spares and tools	429,726	470,584
Vehicles and heavy equipment	234,737	298,948
Industrial supplies	20,072	23,042
Others	<u>6,740</u>	<u>4,812</u>
	2,552,189	2,835,791
Less: Provision for obsolete and slow moving items	<u>(194,117)</u>	<u>(204,594)</u>
	<u><u>2,358,072</u></u>	<u><u>2,631,197</u></u>

The Group in the normal course of business borrows gold on an unfixed basis which it converts into gold jewellery or trades as bullion. This jewellery and bullion is further used as stock in trade and is sold to various customers on a fixed or unfixed basis. The Group reduces the exposure to gold price by borrowing gold on an unfixed basis. These are then sold as manufactured jewellery or bullion, at which point, the price will be fixed at the spot rate on the sale date.

The Group provides gold on an unfixed basis to various consignment venturers, debtors, associates and joint ventures without any margin and to certain parties against cash margin.

**MANNAI CORPORATION Q.P.S.C.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**7. INVENTORIES (CONTINUED)**

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

	<u>2016</u> <u>QR '000</u>	<u>2015</u> <u>QR '000</u>
At January 1,	204,594	203,352
Provision during the year	23,177	31,564
Write back during the year	(30,031)	(28,325)
Amount written off	(5,469)	(2,057)
Reclassification	1,048	--
Exchange loss on foreign currency translation	798	60
At December 31,	<u>194,117</u>	<u>204,594</u>

**8. AVAILABLE FOR SALE INVESTMENTS**

	<u>2016</u> <u>QR '000</u>	<u>2015</u> <u>QR '000</u>
<i>Unquoted investments :</i>		
At January 1,	43,688	42,947
Additions	--	2,075
Disposals	(2,032)	--
Impairment loss	(1,700)	(1,334)
Exchange gain on foreign currency translation	78	--
At December 31,	<u>40,034</u>	<u>43,688</u>

Note (a): At December 31, 2016, available for sale investments include certain investments in unquoted equity shares and unquoted equity funds amounting to QR 13.4 million (2015: QR. 14.9 million) carried at fair value. The fair value of the unquoted equity shares is based on the net asset value of the underlying investments provided by the fund manager/investee companies.

Note (b): At December 31, 2016, certain unquoted equity investments amounting to QR. 26.6 million (2015: QR 28.7 million) were carried at cost less impairment due to non-availability of quoted market prices or other reliable measures of their fair value.

Note (c): At December 31, 2016, an impairment loss of QR. 1.7 million (2015: QR. 1.3 million) was recognised against available for sale investments based on the fair valuation and assessment of performance of those investments.

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**9. INVESTMENT IN JOINT VENTURE COMPANIES**

The Group has investments in the following joint venture companies:

<i>Name</i>	<i>Country of incorporation</i>	<i>Ownership interest</i>	
		<b>2016</b>	<b>2015</b>
Cofely Besix Mannai Facility Management L.L.C. (i)	Qatar	<b>51%</b>	<b>51%</b>
Gulf Land Survey W.L.L. (ii)	Qatar	<b>51%</b>	<b>51%</b>
Saint-Gobain Pam and Mannai L.L.C. (iii)	Qatar	<b>51%</b>	<b>51%</b>
Paspaley Pearl Jewellery L.L.C. (iv)	UAE	<b>51%</b>	<b>51%</b>
Roberto Coin Middle East L.L.C. (iv)	UAE	<b>51%</b>	<b>51%</b>

Principal activities of the Group's joint ventures are as follows:

- (i) Cofely Besix Mannai Facility Management L.L.C. is engaged in facilities and asset management business.
- (ii) Gulf Land Survey W.L.L is primarily engaged in carrying on aerial, ground and underground survey business.
- (iii) Saint-Gobain Pam and Mannai L.L.C. is engaged in distribution of ductile iron pipes, fittings and valves.
- (iv) Paspaley Pearl Jewellery L.L.C. and Roberto Coin Middle East L.L.C. are engaged in trading in gold and gold jewellery, diamond jewellery, pearls, watches, silver and precious stones.

Although the Group holds 51% equity in all of the above entities, decisions need unanimous consent of both parties and as such the investments are classified as joint ventures. Movements during the year are as follows:

	<b>2016</b>	<b>2015</b>
	<b>QR '000</b>	<b>QR '000</b>
At January 1,	<b>24,128</b>	18,306
Acquired during the year	--	2,550
Reversal of impairment on joint venture	--	4,944
Share of loss from joint ventures	<b>(973)</b>	(1,672)
Impairment of investment in joint venture	<b>(2,416)</b>	--
Reclassification	<b>(4,944)</b>	--
Effect on foreign currency translation	<b>18</b>	--
At December 31,	<b>15,813</b>	24,128



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**9. INVESTMENT IN JOINT VENTURE COMPANIES (CONTINUED)**

Aggregate information of joint ventures that are not individually material:

	2016	2015
	QR '000	QR '000
The Group's share of loss from continuing operations	(973)	(1,672)
The Group's share of total comprehensive loss	(973)	(1,672)
Aggregate carrying amount of the Group's interest in these joint ventures	15,813	24,128

**10. INVESTMENT IN ASSOCIATE COMPANIES**

The Group holds investments in the following associate companies:

Name	Country of incorporation	Ownership interest	
		2016	2015
GFI Informatique	France	51.24%	--
Axiom Limited	UAE	35%	35%
Daiso Japan Value Stores L.L.C.	UAE	51%	51%
LTC International General Trading Co	Kuwait	35%	35%
LTC International Qatar L.L.C.	Qatar	50%	50%
Daiso Trading	Bahrain	35%	35%
Al Mana Jewellery Co. - Damas W.L.L.	Qatar	49%	49%
Al Baraka Jewellery W.L.L.	Bahrain	33.33%	33.33%
Tanya Collections Ltd.	Thailand	49%	49%
TCO Damas Associates L.L.C.	UAE	51%	51%

The movements during the year are as follows:

	2016	2015
	QR '000	QR '000
At January 1,	1,187,660	1,177,040
Addition during the year	1,329,726	--
Dividends received	(87,827)	(46,480)
Share of profit from associates	110,285	57,101
Reversal of impairment (net)	1,732	--
Reclassification	4,944	--
Exchange difference on translation of foreign currency	(128,920)	(1)
At December 31,	2,417,600	1,187,660

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**10. INVESTMENT IN ASSOCIATE COMPANIES (CONTINUED)****Axiom Limited**

Axiom Limited is engaged in import, retail and wholesale of various brands of mobile phones and related accessories and provision of related services.

The Group holds 35% equity in Axiom Telecom Limited which is engaged in import, retail and wholesale of various brands of mobile phones and related accessories and provision of related services, mainly in UAE and KSA markets. Certain amounts within the Axiom Limited's financial statements are based on management accounts.

Below is presented Axiom's summarised financial information:

	<b>2016</b>	<b>2015</b>
	<b>QR '000</b>	<b>QR '000</b>
Current assets	<b>1,242,919</b>	1,414,327
Non-current assets	<b>414,320</b>	318,738
Current liabilities	<b>(1,220,377)</b>	(1,329,944)
Non-current liabilities	<b>(121,998)</b>	(41,877)
Net assets	<b>314,864</b>	361,244
Proportion of Company's interest in associate's net assets	<b>110,202</b>	126,435
	<b>2016</b>	<b>2015</b>
	<b>QR '000</b>	<b>QR '000</b>
Revenue	<b>6,760,877</b>	7,856,722
Loss for the year	<b>(30,884)</b>	(8,176)
Other comprehensive income/(loss) for the year	<b>487</b>	(28,814)
Total comprehensive loss for the year	<b>(30,397)</b>	(36,990)
The Group's share of loss	<b>(10,809)</b>	(2,862)
The Group's share of other comprehensive income/ (loss)	<b>170</b>	(10,085)
The Group's share of total comprehensive loss	<b>(10,639)</b>	(12,947)

**MANNAI CORPORATION Q.P.S.C.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**10. INVESTMENT IN ASSOCIATE COMPANIES (CONTINUED)****Axiom Limited (continued)**

Reconciliation of the above summarised financial information to the carrying amount of the interest in Axiom Limited recognised in the consolidated financial statements:

	<b>2016</b>	<b>2015</b>
	<b>QR '000</b>	<b>QR '000</b>
Net assets of the associate	<b>314,864</b>	361,244
Proportion of the Group's ownership interest	<b>35%</b>	35%
Share of net assets before goodwill	<b>110,202</b>	126,435
Goodwill	<b>741,496</b>	741,496
Other intangible assets identified	<b>170,000</b>	170,000
Other adjustments*	<b>68,569</b>	63,145
Carrying amount of the Group's interest	<b>1,090,267</b>	1,101,076

\*Other adjustments include minor exchange difference and purchase price allocation adjustment at acquisition date.

In 2012, the Group completed the Purchase Price Allocation ("PPA") of its investment in Axiom Telecom Limited. Based on the purchase price consideration of QR 1,088 million, the goodwill was calculated as follows:

	<b>Total</b>
	<b>2016</b>
	<b>QR '000</b>
Total consideration	<b>1,088,000</b>
Less: Group's share of fair value of the net identifiable assets	<b>(346,504)</b>
<b>Goodwill (Included in the carrying amount of investment in Associate)</b>	<b>741,496</b>

**Allocation of goodwill to cash generating units and impairment assessment**

Embedded goodwill, amounting to QR. 741 million which is attributable to the acquisition of Axiom Telecom Limited is tested for impairment as part of impairment testing of Axiom Telecom Limited, UAE as the associate is considered as a single cash generating unit (Axiom CGU). The recoverable amount of this cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on business plan and various scenarios of forecasts approved by the management covering a five-year period, and a discount rate of 9% (2015: 9%) per annum based on CAPM.

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**10. INVESTMENT IN ASSOCIATE COMPANIES (CONTINUED)****Axiom Limited (continued)****Allocation of goodwill to cash generating units and impairment assessment (continued)**

The associate's management has prepared Axiom's business plan which is approved by the Group's Board of Directors. Various scenarios have been defined from base case ('business as usual, normal growth') to 'business as usual + initiatives and high growth'. The budgeted growth rate is forecast in a CAGR range of 4.6% to 9.5% amongst the scenarios over the forecast period. The growth rate is based on Board of Directors' strategy and is considered achievable by management considering the nature of the industry, Axiom's positioning and the general growth in the economic activity witnessed in the countries where it operates. Terminal value has been derived by reference to the Gordon Growth Model assuming a steady level of operations beyond the discrete period using a terminal growth rate of 3.5% based on long term growth and inflation forecasts for UAE and KSA.

Any change in key assumptions on which the recoverable amount is based may cause the aggregate carrying amount including goodwill to exceed the aggregate recoverable amount of the cash-generating unit.

**GFI Informatique**

GFI Informatique is a major player in value-added IT services and software in Europe. Although, the Group acquired 51.24% equity in GFI, the Group does not have the power to govern the financial and operating activities of this investee and thus, does not have control or joint control in this entity. The Group has assessed and concluded that it has significant influence over GFI and has accordingly classified the investment as an associate.

Below is presented GFI's financial information:

	2016
	QR '000
Current assets	1,826,501
Non-current assets	1,603,669
Current liabilities	(1,751,224)
Non-current liabilities	(531,317)
Non-controlling interest	(106)
Net assets	1,147,523
Proportion of Group's interest in the associate's net assets	587,991

**MANNAI CORPORATION Q.P.S.C.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**10. INVESTMENT IN ASSOCIATE COMPANIES (CONTINUED)****GFI Informatique (continued)**

Below is presented GFI's financial information (continued):

	2016 QR '000
Revenue	4,106,915
Profit for the year	127,376
Other comprehensive loss for the year	(5,566)
Total comprehensive income for the year	121,810
Dividend received from associate during the period	21,009
The Groups' share of profit for nine months	72,051
The Group's share of other comprehensive loss for nine months	(2,852)
The Group's share of total comprehensive income for nine months	69,199

Reconciliation of the above summarised financial information to the carrying amount of the interest in GFI Informatique recognised in the consolidated financial statements:

	2016 QR '000
Net assets of the associate	1,147,523
Proportion of the Group's ownership interest	51.24%
Share net assets before goodwill	587,991
Goodwill	863,497
Other intangible assets, after amortisation	165,602
Exchange difference in translation of foreign currency	(129,337)
Other adjustments*	(305,885)
Carrying amount of the Group's interest	1,181,868

\*Other adjustments includes transaction costs and purchase price allocation adjustment to the carrying value of the net assets at acquisition date.

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**10. INVESTMENT IN ASSOCIATE COMPANIES (CONTINUED)**

**Other associates**

Although, the Group holds 50% or more equity in Daiso Japan Value Stores L.L.C., LTC International Qatar L.L.C. and TCO Damas Associates L.L.C., the Group does not have the power to govern the financial and operating activities of these investees and thus, does not have control or joint control in these entities. All other associates are engaged in trading of gold and gold jewellery, diamond jewellery, pearls, watches, silver and precious stones.

Aggregate information of associates that are not individually material:

	2016	2015
	QR '000	QR '000
The Group's share of profits from continuing operations	46,242	59,963
The Group's share of total comprehensive income	46,242	59,963
Aggregate carrying amount of the Group's interest in these associates	145,465	86,584

**11. GOODWILL AND OTHER INTANGIBLE ASSETS**

	Goodwill	Trade name	Distribution rights	Other intangible assets	Total
	QR '000	QR '000	QR '000	QR '000	QR '000
<b>Cost:</b>					
At January 1, 2015	530,342	670,000	24,339	1,010	1,225,691
Additions	--	--	--	5,372	5,372
Transferred from property, plant and equipment (Note 12)	--	--	--	6,028	6,028
Effect of foreign exchange translation	--	--	--	2	2
At December 31, 2015	530,342	670,000	24,339	12,412	1,237,093
Additions	--	--	--	559	559
Disposal during the year	--	--	--	(1,595)	(1,595)
<b>At December 31, 2016</b>	<b>530,342</b>	<b>670,000</b>	<b>24,339</b>	<b>11,376</b>	<b>1,236,057</b>
<b>Impairment/ amortisation:</b>					
At January 1, 2015	--	--	24,339	195	24,534
Charge for the year	--	--	--	1,832	1,832
At December 31, 2015	--	--	24,339	2,027	26,366
Charge for the year	--	--	--	3,142	3,142
Relating to disposal	--	--	--	(1,563)	(1,563)
Effect of foreign exchange translation	--	--	--	(95)	(95)
<b>At December 31, 2016</b>	<b>--</b>	<b>--</b>	<b>24,339</b>	<b>3,511</b>	<b>27,850</b>
<b>Net carrying amounts:</b>					
<b>At December 31, 2016</b>	<b>530,342</b>	<b>670,000</b>	<b>--</b>	<b>7,865</b>	<b>1,208,207</b>
At December 31, 2015	530,342	670,000	--	10,385	1,210,727

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**11. GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)**

The useful lives of goodwill and trade name are for indefinite period whilst useful life of distribution rights are for 3 years.

**(i) Allocation of goodwill to cash generating units for impairment testing purposes under IAS 36**

Goodwill, amounting to QR. 530 million is attributable to 100% acquisition of Damas International Limited, UAE as a single cash generating unit (Damas CGU). The recoverable amount of this cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the Group's Board of Directors covering an eight-year discrete period, and a discount rate of 9% (2015: 9%). The approved business plan defines Management's strategy relating to UAE and KSA, optimising growth attributable to Expo 2020, expected increase in tourists from lifting of travel bans of certain nationalities and normalised growth from FY25 onwards. Management have forecast average EBITDA margin to be in line with observed recent historical trend. Terminal value has been derived by reference to the Gordon Growth Model assuming a steady level of operations beyond the discrete period using a terminal growth rate of 3% (2015: 3%) which is based on UAE's long term CPI and GDP growth rates. Any change in key assumptions on which the recoverable amount is based may cause the aggregate carrying amount of goodwill to exceed the aggregate recoverable amount of the cash-generating unit.

The budgeted growth rate is assumed to be CAGR of 3% (2015: 3%) over the forecast period. The growth rate is considered appropriate by management considering the nature of the industry and the general growth in the economic activity witnessed in the countries where these entities operate. Terminal value has been derived by reference to the Gordon Growth Model assuming a steady level of operations beyond the discrete period.

Terminal period cash flows are assumed to grow at a perpetual growth rate of 3% (2015: 3%) which is based on UAE's long term CPI and GDP growth rates. Any change in key assumptions on which the recoverable amount is based may cause the aggregate carrying amount of goodwill to exceed the aggregate recoverable amount of the cash-generating unit.

**(ii) Allocation of trade name to cash generating units for impairment**

Trade name was valued using the Relief from Royalty Method (RRM) which assumes that the intangible asset has a fair value based on royalty income attributable to it. Royalty income would represent the cost savings by Group where it is not required to pay royalties to a third party for the license to use the intangible asset. The recoverable amount of this asset is determined based on a value in use calculation which uses royalty projections based on financial budgets approved by the management covering a five-year period and terminal value based on Gordon Growth Model and discounted to present value. Any change in key assumptions on which the recoverable amount is based may cause the aggregate carrying amount of trade name to exceed the aggregate recoverable amount of the asset. The key assumptions used in value in use for the trade name are as follows:

- (a) Royalty rate– Management applied a royalty rate of 2.75% (2015: 2.75%).
- (b) Budgeted growth rate - The budgeted growth rate is assumed to be CAGR of 3% (2015: 3%) over the forecast period. The growth rate is considered appropriate by management considering the nature of the industry and the general growth in the economic activity witnessed in the countries where these entities operate.

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**11. GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)**

**(ii) Allocation of trade name to cash generating units for impairment (continued)**

- (c) Terminal value has been derived by reference to the Gordon Growth Model assuming a steady level of operations beyond the discrete period. Terminal period cash flows are assumed to grow at a perpetual growth rate of 3% (2015: 3%) which is based on UAE's long term CPI and GDP growth rates.
- (d) Discount rate of 11% (2015:11%) per annum based on CAPM, inclusive of 2% (2015: 2%) premium to cover the inherent risk.



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**12. PROPERTY, PLANT AND EQUIPMENT**

	Land and buildings QR '000	Plant and machinery QR '000	Furniture and equipment QR '000	Motor vehicles QR '000	Assets on hire QR '000	Capital work-in- progress QR '000	Total QR '000
<b>Cost/revaluation:</b>							
At January 1, 2016	308,299	144,615	272,036	65,109	109,268	9,534	908,861
Additions	5,521	3,417	33,408	9,711	37,051	54,669	143,777
Disposals/other adjustments	--	(9,949)	(23,847)	(10,685)	(26,686)	--	(71,167)
Reclassifications	--	--	4,309	33	--	(4,342)	--
<b>At December 31, 2016</b>	<b>313,820</b>	<b>138,083</b>	<b>285,906</b>	<b>64,168</b>	<b>119,633</b>	<b>59,861</b>	<b>981,471</b>
<b>Accumulated depreciation:</b>							
At January 1, 2016	112,335	100,770	203,985	39,570	41,074	(5)	497,729
Charge for the year	13,641	10,683	35,408	10,416	28,919	--	99,067
Additions	--	--	1,949	--	--	--	1,949
Relating to disposals/other adjustments	--	(9,638)	(20,975)	(7,399)	(16,872)	--	(54,884)
Relating to reclassifications	(31)	--	(37)	50	18	--	--
Effect of foreign exchange translation	(226)	134	(201)	224	--	(37)	(106)
<b>At December 31, 2016</b>	<b>125,719</b>	<b>101,949</b>	<b>220,129</b>	<b>42,861</b>	<b>53,139</b>	<b>(42)</b>	<b>543,755</b>
Net carrying amount:							
<b>At December 31, 2016</b>	<b>188,101</b>	<b>36,134</b>	<b>65,777</b>	<b>21,307</b>	<b>66,494</b>	<b>59,903</b>	<b>437,716</b>

**Note:**

Capital work-in-progress mainly includes the ongoing cost of relocation of workshop facility and new warehouse projects.

**MANNAI CORPORATION Q.P.S.C.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2016

**12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

	Land and buildings QR '000	Plant and machinery QR '000	Furniture and equipment QR '000	Motor vehicles QR '000	Assets on hire QR '000	Capital work-in- progress QR '000	Total QR '000
<b>Cost/revaluation:</b>							
At January 1, 2015	292,014	132,464	237,588	58,896	99,242	23,872	844,076
Additions	16,300	12,960	44,807	15,104	34,296	9,400	132,867
Disposals/other adjustments	(15)	(809)	(27,262)	(8,891)	(24,270)	(807)	(62,054)
Reclassifications	--	--	16,903	--	--	(22,931)	(6,028)
At December 31, 2015	308,299	144,615	272,036	65,109	109,268	9,534	908,861
<b>Accumulated depreciation:</b>							
At January 1, 2015	99,533	88,851	192,719	34,619	28,795	(22)	444,495
Charge for the year	12,818	12,271	28,067	10,229	25,402	--	88,787
Relating to disposals/other adjustments	(15)	(597)	(17,229)	(5,743)	(13,123)	--	(36,707)
Effect of foreign exchange translation	(1)	245	428	465	--	17	1,154
At December 31, 2015	112,335	100,770	203,985	39,570	41,074	(5)	497,729
<b>Net carrying amount:</b>							
At December 31, 2015	195,964	43,845	68,051	25,539	68,194	9,539	411,132

**MANNAI CORPORATION Q.P.S.C.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2016

**13. INVESTMENT PROPERTIES**

	<u>2016</u>	<u>2015</u>
	QR '000	QR '000
<b>Cost:</b>		
Opening balance as at January 1,	224,680	255,703
Additions	--	891
Disposal/impairment	(780)	(31,914)
Exchange gain on translation of foreign currency	1,189	--
Closing balance as at December 31,	<u>225,089</u>	<u>224,680</u>
<b>Accumulated Depreciation/impairment:</b>		
Opening balance as at January 1,	121,113	139,867
Charge for the year	6,137	6,563
Disposal/impairment	(214)	(25,317)
Exchange gain on translation of foreign currency	637	--
Closing balance as at December 31,	<u>127,673</u>	<u>121,113</u>
<b>Carrying amount as at December 31,</b>	<u><u>97,416</u></u>	<u><u>103,567</u></u>

At December 31, 2016, the fair value of these investment properties amounted to QR. 117.24 million (December 31, 2015: QR. 141.01 million) based on the valuation performed internally by management. The valuation of these investment properties are based on an individual assessment, for each property type, of both, their future earnings and their required yield based on management's strategy.

**14. INTEREST BEARING LOANS AND BORROWINGS**

	<u>2016</u>	<u>2015</u>
	QR '000	QR '000
Working capital facilities and others (a)	1,088,581	776,350
Term loans (b)	2,423,798	1,650,036
Term loans (c)	171,848	70,348
	<u><u>3,684,227</u></u>	<u><u>2,496,734</u></u>

Presented in the consolidated statement of financial position as follows:

	<u>2016</u>	<u>2015</u>
	QR '000	QR '000
Current	1,377,917	998,334
Non-current	2,306,310	1,498,400
	<u><u>3,684,227</u></u>	<u><u>2,496,734</u></u>

**MANNAI CORPORATION Q.P.S.C.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2016

**14. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)***Notes:*

- (a) During the year, the Group obtained short term loans from commercial banks mainly to finance working capital requirements. These loans carry interest at commercial rates and have a varying maturities between 6 to 24 months.
- (b) This represents term loan facilities obtained from commercial banks. These loans carry interest at commercial rates and are to be repaid on quarterly basis. Some of the above interest bearing loans and borrowings are secured by:
- Fixed deposits amounting to QR 13.3 million (2015: QR. 7.7 million) (Note 5),
  - Negative pledge on all the assets owned by the Group.
- (c) In addition to the above loans, the Group has outstanding gold loans as at December 31, 2016 received from bullion banks on an unfixed basis aggregating to 5,193 Kgs (2015: 5,448 Kgs). These gold loans are covered by way of stand-by-letters of credit issued in favour of these bullion banks which are presented as part of the Group's contingencies and commitments disclosure note 26 (a).

**15. ACCOUNTS PAYABLE AND ACCRUALS**

	<b>2016</b>	<b>2015</b>
	<b>QR '000</b>	<b>QR '000</b>
Trade accounts payable	332,773	430,793
Dividend Payable	982	744
Advances from customers	431,948	581,346
Accrued expenses and others	416,529	532,170
Social and sports contribution	7,421	7,579
	<b>1,189,653</b>	<b>1,552,632</b>
	<b>2016</b>	<b>2015</b>
	<b>QR '000</b>	<b>QR '000</b>
Current portion	1,171,587	1,535,239
Non-current portion	18,066	17,393
	<b>1,189,653</b>	<b>1,552,632</b>

**MANNAI CORPORATION Q.P.S.C.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2016

**16. EMPLOYEES' END OF SERVICE BENEFITS**

Movement in the provision recognised in the consolidated statement of financial position are as follows:

	<u>2016</u> <u>QR '000</u>	<u>2015</u> <u>QR '000</u>
At January 1,	112,312	99,258
Provided during the year	20,390	24,848
End of service benefits paid	(20,706)	(11,853)
Transfer from related party	39	150
Exchange gain on translation of foreign currency	200	(91)
At December 31,	<u>112,235</u>	<u>112,312</u>

**17. SHARE CAPITAL**

	<u>2016</u> <u>QR '000</u>	<u>2015</u> <u>QR '000</u>
Authorised, issued and fully paid-up shares <i>[45,619,200 shares of nominal value 10 QR each]</i>	<u>456,192</u>	<u>456,192</u>

**18. RESERVES****(a) Legal reserve**

As required by Qatar Commercial Companies' Law, 10% of the profit for the year is required to be transferred to a legal reserve, until such reserve equals 50% of the issued share capital. The Group has resolved to cease such annual transfers as the legal reserve has reached the minimum required level. The reserve is not generally available for distribution except in the circumstances stipulated in the above law.

**(b) Acquisition reserve**

In case of acquisitions or disposal of subsidiaries without change in control, the difference between the decrease/increase in the non-controlling interests and the consideration paid or received is recognised as 'acquisition reserve' directly in equity attributed to the owners of the Company.

**19. DIVIDENDS PAID AND PROPOSED**

The Board of Directors has proposed a cash dividend of QR. 4 per share aggregating to QR. 182.47 million for the year 2016, which is subject to the approval of the shareholders at the Annual General Assembly (2015: QR. 5 per share totalling to QR. 228.09 million).

During the year, the dividend paid amounted to QR. 228.09 million (2015: QR. 273.72 million).

**MANNAI CORPORATION Q.P.S.C.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2016

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**20. SEGMENT INFORMATION**

The Group classified the reporting segments based on its products and services as follows:

- Information technology
- Auto group
- Energy and industrial markets
- Geotechnical services
- Logistics
- Travel
- Engineering
- Jewellery trading
- Telecom retail
- Others

Management monitors the operating results of the operating segments to make decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Segment assets and liabilities comprise operating assets and liabilities which are directly handled by the operating segment and income or expenses that are attributed in line with the assets and liabilities allocated. The following table summarises the performance of the operating segments:

**MANNAI CORPORATION Q.P.S.C.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2016

**20. SEGMENT INFORMATION (CONTINUED)**

**(a) By operating segments**

December 31, 2016	Information technology QR'000	Auto Group QR'000	E&I markets QR'000	Geotechnical services QR'000	Logistics QR'000	Travel QR'000	Engineering QR'000	Jewellery Trading QR'000	Telecom retail QR'000	Others QR'000	Total QR'000
Revenue	1,498,770	1,070,921	336,602	82,445	34,910	35,533	65,360	1,701,591	--	59,512	4,885,644
Gross profit	278,712	220,768	69,077	32,592	12,655	31,858	3,273	498,887	--	36,843	1,184,665
Net profit	211,150	81,085	42,214	11,526	7,176	6,724	278	145,693	(23,148)	52,303	535,001
Finance costs	(43,832)	(14,493)	(2,264)	(1,370)	(33)	(1,123)	(2,220)	(73,696)	(12,339)	23,719	(127,651)
Depreciation and amortisation	(5,544)	(35,727)	(803)	(5,215)	(326)	(531)	(4,453)	(42,665)	--	(13,082)	(108,346)
Segment assets	2,413,471	617,059	106,248	48,761	20,850	45,101	82,037	1,747,060	1,090,267	1,561,057	7,731,911
Segment liabilities	757,259	169,142	50,084	20,683	9,457	27,287	77,165	591,788	--	3,450,889	5,153,754
Other information											
Share of results from joint venture and associate companies	63,871	--	--	--	--	--	--	57,444	(10,809)	(1,194)	109,312
Investments in joint venture and associates companies	1,181,868	--	--	--	--	--	--	146,395	1,090,267	14,883	2,433,413

**MANNAI CORPORATION Q.P.S.C.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2016

**20. SEGMENT INFORMATION (CONTINUED)**

**(a) By operating segments (continued)**

December 31, 2015	Information technology QR'000	Auto Group QR'000	E&I markets QR'000	Geotechnical services QR'000	Logistics QR'000	Travel QR'000	Engineering QR'000	Jewellery Trading QR'000	Telecom retail QR'000	Others QR'000	Total QR'000
Revenue	1,663,629	1,351,214	500,790	96,609	49,331	43,116	90,573	2,096,863	---	42,508	5,934,633
Gross profit	274,132	234,908	105,289	40,898	12,008	37,959	9,590	607,568	---	19,523	1,341,875
Net profit	170,921	88,136	74,378	18,226	6,393	14,685	(108)	191,197	(15,201)	(20,412)	528,215
Finance costs	(15,104)	(13,860)	(3,044)	(1,543)	(91)	(1,400)	(2,789)	(76,173)	(12,339)	31,596	(94,747)
Depreciation and amortisation	(5,095)	(31,409)	(784)	(6,973)	(361)	(377)	(5,502)	(33,332)	---	(13,349)	(97,182)
Segment assets	1,303,495	718,206	160,448	55,216	13,765	64,584	84,180	2,355,723	1,101,076	1,002,967	6,859,660
Segment liabilities	934,906	356,100	56,401	28,671	4,548	23,444	79,586	970,758	---	1,996,824	4,451,238
Other information											
Share of results from joint venture and associate companies	--	--	--	--	--	--	--	60,133	(2,861)	(1,843)	55,429
Investments in joint venture and associates companies	--	--	--	--	--	--	--	94,636	1,101,076	16,076	1,211,788



**MANNAI CORPORATION Q.P.S.C.**
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For the year ended December 31, 2016

**20. SEGMENT INFORMATION (CONTINUED)**
**(b) By geography**

	<b>Qatar</b>	<b>Other GCC</b>	<b>Europe</b>	<b>Others</b>	<b>Total</b>
<b>December 31, 2016</b>	<b>QR'000</b>	<b>countries</b>	<b>QR'000</b>	<b>QR'000</b>	<b>QR'000</b>
		<b>QR'000</b>			
<b>Revenue</b>	<u>3,032,578</u>	<u>1,710,956</u>	<u>--</u>	<u>142,110</u>	<u>4,885,644</u>
<b>Gross profit</b>	<u>678,846</u>	<u>497,833</u>	<u>--</u>	<u>7,986</u>	<u>1,184,665</u>
<b>Net profit</b>	<u>296,848</u>	<u>175,486</u>	<u>63,871</u>	<u>(1,204)</u>	<u>535,001</u>
<b>Finance costs</b>	<u>(96,662)</u>	<u>(30,836)</u>	<u>--</u>	<u>(153)</u>	<u>(127,651)</u>
<b>Depreciation and Amortisation</b>	<u>(63,922)</u>	<u>(42,838)</u>	<u>--</u>	<u>(1,586)</u>	<u>(108,346)</u>
<b>Segment assets</b>	<u>3,630,175</u>	<u>2,843,945</u>	<u>1,181,868</u>	<u>75,923</u>	<u>7,731,911</u>
<b>Segment liabilities</b>	<u>4,533,969</u>	<u>601,714</u>	<u>--</u>	<u>18,071</u>	<u>5,153,754</u>
<b>Other information</b>					
<b>Share of results from joint venture and associate companies</b>	<u>(1,194)</u>	<u>46,635</u>	<u>63,871</u>	<u>--</u>	<u>109,312</u>
<b>Investment in joint venture and associate companies</b>	<u>14,883</u>	<u>1,236,662</u>	<u>1,181,868</u>	<u>--</u>	<u>2,433,413</u>

	<b>Qatar</b>	<b>Other GCC</b>	<b>Others</b>	<b>Total</b>
<b>December 31, 2015</b>	<b>QR'000</b>	<b>countries</b>	<b>QR'000</b>	<b>QR'000</b>
		<b>QR'000</b>		
<b>Revenue</b>	<u>3,706,708</u>	<u>2,114,205</u>	<u>113,720</u>	<u>5,934,633</u>
<b>Gross profit</b>	<u>722,318</u>	<u>609,676</u>	<u>9,881</u>	<u>1,341,875</u>
<b>Net profit</b>	<u>303,137</u>	<u>229,786</u>	<u>(4,708)</u>	<u>528,215</u>
<b>Finance costs</b>	<u>(61,391)</u>	<u>(33,312)</u>	<u>(44)</u>	<u>(94,747)</u>
<b>Depreciation and Amortisation</b>	<u>(61,556)</u>	<u>(34,248)</u>	<u>(1,378)</u>	<u>(97,182)</u>
<b>Segment assets</b>	<u>3,319,346</u>	<u>3,475,403</u>	<u>64,911</u>	<u>6,859,660</u>
<b>Segment liabilities</b>	<u>3,445,386</u>	<u>989,653</u>	<u>16,199</u>	<u>4,451,238</u>
<b>Other information</b>				
<b>Share of results from joint venture and associate companies</b>	<u>(1,843)</u>	<u>57,272</u>	<u>--</u>	<u>55,429</u>
<b>Investment in joint venture and associate companies</b>	<u>16,076</u>	<u>1,195,712</u>	<u>--</u>	<u>1,211,788</u>

**MANNAI CORPORATION Q.P.S.C.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**21. OTHER INCOME**

	<b>2016</b>	<b>2015</b>
	<b>QR '000</b>	<b>QR '000</b>
Reversal of impairment/ recoveries of receivables	<b>80,381</b>	59,363
Gain on disposal of investment property	--	39,749
Treasury gain	--	17,954
Gain on disposal of property, plant and equipment	<b>3,407</b>	2,118
Foreign exchange gain	<b>70,865</b>	--
Miscellaneous income	<b>68,245</b>	31,346
	<b>222,898</b>	150,530

**22. GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>2016</b>	<b>2015</b>
	<b>QR '000</b>	<b>QR '000</b>
Staff costs	<b>215,268</b>	213,797
Legal and professional fees	<b>30,883</b>	35,446
Rent	<b>25,464</b>	26,087
Director's remuneration	<b>25,353</b>	25,246
Repairs and maintenance	<b>22,351</b>	25,136
Travelling	<b>16,602</b>	18,829
Communication	<b>13,395</b>	16,054
Utility charges	<b>7,763</b>	7,820
Insurance	<b>6,221</b>	6,430
Bank charges	<b>5,947</b>	5,700
Printing and stationery	<b>3,737</b>	5,057
Allowance for inventories, net	<b>1,291</b>	4,156
Other administrative expenses and allowances	<b>38,052</b>	42,982
	<b>412,327</b>	432,740

**23. SELLING AND DISTRIBUTION EXPENSES**

	<b>2016</b>	<b>2015</b>
	<b>QR '000</b>	<b>QR '000</b>
Staff costs	<b>140,448</b>	176,941
Rent	<b>109,281</b>	104,595
Advertisement and other promotion expenses	<b>81,362</b>	109,953
	<b>331,091</b>	391,489

**MANNAI CORPORATION Q.P.S.C.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**24. EARNINGS PER SHARE**

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

	<u>2016</u>	<u>2015</u>
Profit for the year attributable to the shareholders of the Company (QR '000)	<u>535,117</u>	<u>532,781</u>
Weighted average number of shares outstanding during the year (in thousands of shares)	<u>45,619</u>	<u>45,619</u>
Basic and diluted earnings per share (QR) (attributable to the shareholders of the Company)	<u>11.73</u>	<u>11.68</u>
Basic and diluted earnings per share (QR) from continuing operations (attributable to the shareholders of the Company)	<u>11.73</u>	<u>11.68</u>

**25. RELATED PARTY DISCLOSURES**

Related parties represent associated companies, major shareholders, directors and key management personnel of the Group and entities in which they are principal owners. Pricing policies and terms of these transactions are approved by the Group's management.

**(a) Related party transactions**

Transactions with related parties included in the consolidated statement of profit or loss are as follows:

	<u>2016</u> <u>QR '000</u>	<u>2015</u> <u>QR '000</u>
Sales	<u>113,748</u>	<u>124,584</u>
Purchases	<u>9,037</u>	<u>16,941</u>

**MANNAI CORPORATION Q.P.S.C.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**25. RELATED PARTY DISCLOSURES (CONTINUED)****(b) Related party balances**

	<u>2016</u>	<u>2015</u>
	QR '000	QR '000
<b>Due from related parties</b>		
Receivable from joint venture companies and associates	33,886	36,448
Long term loans to joint venture companies and associates, net	<u>32,544</u>	<u>16,646</u>
	<u>66,430</u>	<u>53,094</u>
Presented in the financials as follows :		
Current	33,886	36,448
Non-current	<u>32,544</u>	<u>16,646</u>
	<u>66,430</u>	<u>53,094</u>
<b>Due to related parties</b>		
Payable to joint venture companies and associates	2,426	1,041
	<u>2,426</u>	<u>1,041</u>

Long term loans to related parties (associates and joint ventures) represent loans which are interest free, unsecured and have no fixed terms of repayment. These loans are in the nature of working capital advances and are not expected to be recalled within a period of twelve months from the reporting date.

Outstanding balances at December 31, 2016 arose in the normal course of business.

Majority of the related party transactions are carried out in United Arab Emirates Dirhams (AED) and reported in Qatari Riyal.

**(c) Terms and conditions of transactions with related parties**

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arms-length transactions. Outstanding balances at the reporting date are unsecured, interest free and the settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

**MANNAI CORPORATION Q.P.S.C.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**25. RELATED PARTY DISCLOSURES (CONTINUED)****(d) Compensation of key management personnel**

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

	<u>2016</u>	<u>2015</u>
	QR '000	QR '000
Short term benefits	12,958	12,556
Post-employment benefits	<u>1,183</u>	<u>783</u>
	<u>14,141</u>	<u>13,339</u>
Directors' remuneration	<u>25,353</u>	<u>25,246</u>

**26. CONTINGENCIES AND COMMITMENTS****(a) Contingent liabilities**

Under the bank facilities agreement, cross guarantees exist between certain Group companies which could be enforced by the financiers, if the borrowers were to be in default of the finance agreement. Each member of the Group is therefore irrevocably, unconditionally and jointly and severally liable as principal obligor. The amount of Group facilities outstanding is as follows:

	<u>2016</u>	<u>2015</u>
	QR '000	QR '000
Letters of guarantees	478,162	499,724
Letters of credit	49,147	71,604
Stand-by letters of credit	<u>731,916</u>	<u>800,781</u>
	<u>1,259,225</u>	<u>1,372,109</u>

The stand-by letters of credit are provided by commercial banks in favour of the suppliers of gold who have loaned gold on an unfixed basis to the Group (refer note 14 (c)).

**(b) Commitments***Capital commitments*

	<u>2016</u>	<u>2015</u>
	QR '000	QR '000
Capital work in progress – contracted but not provided for	<u>181,197</u>	<u>61,215</u>

**MANNAI CORPORATION Q.P.S.C.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**26. CONTINGENCIES AND COMMITMENTS (CONTINUED)****(b) Commitments (continued)***Operating lease commitments under non-cancellable lease arrangements:*

	<b>2016</b>	<b>2015</b>
	<b>QR '000</b>	<b>QR '000</b>
Less than one year	<b>137,371</b>	142,721
1 to 5 years	<b>99,996</b>	130,223
Above five year	<b>3,996</b>	--
	<b>241,363</b>	<b>272,944</b>
<i>Other commitment</i>		
	<b>2016</b>	<b>2015</b>
	<b>QR '000</b>	<b>QR '000</b>
Forward contract in Euro	--	1,129,632
Fair value of the Euro forward contract	--	17,954

**(c) Contingent liabilities and commitments related to joint ventures and associates**

	<b>2016</b>	<b>2015</b>
	<b>QR '000</b>	<b>QR '000</b>
Contingent liabilities		
- Guarantees	<b>79,270</b>	73,154
- Letters of credit	<b>39,694</b>	79,930
	<b>118,964</b>	<b>153,084</b>
Operating lease commitments		
- Less than one year	<b>42,951</b>	14,539
- 1 to 5 years	<b>80,401</b>	8,703
- Above 5 years	<b>18,012</b>	--
	<b>141,364</b>	<b>23,242</b>

**27. FINANCIAL INSTRUMENTS**

Financial instruments represent any contractual agreement that creates a financial asset, financial liability or an equity instrument. The Group's principal financial liabilities comprise interest bearing loans and borrowings, bank overdrafts, accounts payable, amounts due to related parties and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's financial assets comprise bank balances and cash, accounts and retention receivable, available for sale financial investments, amounts due from related parties and certain other receivables that arise directly from its operation.

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**27. FINANCIAL INSTRUMENTS (CONTINUED)****Fair value measurements**

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined.

<b>Financial assets/financial liabilities</b>	<b>Fair value as at December 31,</b>		<b>Fair value Hierarchy</b>
	<b>2016</b>	<b>2015</b>	
	<b>QR '000</b>	<b>QR '000</b>	
Available-for-sale investments	<u>13,367</u>	<u>14,988</u>	Level 3

There is no in or out movement from Level 3 fair value measurements. The investments classified under Level 3 category have been fair-valued based on information available for each investment.

AFS investments amounting to QR. 26.6 million (2015: QR. 28.7 million) are carried at cost less impairment, since their fair value cannot be reliably estimated.

All other financial assets and liabilities are carried at amortized cost. The fair values of the financial assets and liabilities are not materially different from their carrying values in the consolidated statement of financial position, as these assets and liabilities are either of short term maturities or are re-priced frequently based on market movement in interest rates.

**Fair value sensitivity analysis**

The following table shows the sensitivity of fair values to 10% increase or decrease as at December 31:

	<b>2016</b>	<b>2015</b>
Basis points	<b>+/-1,000</b>	<b>+/-1,000</b>
Effect on equity (QR '000)	<b>+/-1,337</b>	<b>+/-1,499</b>

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**28. FINANCIAL RISK MANAGEMENT**

The Group is exposed to credit risk, liquidity risk and market risks such as currency risk, price risk and interest rate risk. The Group monitors and manages the risks relating to its operations through internal risk reports. The major risks are discussed below.

**Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk.

**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 Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank balances (call deposits), bank overdraft and interest bearing loans and borrowings, which bear floating interest rate.

The following summary sets out the Group's exposure to interest rate risk as of December 31:

	<b>2016</b>	<b>2015</b>
	<b>QR '000</b>	<b>QR '000</b>
Bank deposits and call accounts	32,754	41,616
Bank overdraft	(165,213)	(288,519)
Interest bearing loans and borrowings	(3,684,227)	(2,496,734)
	<u>(3,816,686)</u>	<u>(2,743,637)</u>

The Group is exposed to interest rate risk as it maintains and borrows funds at floating interest rates. The following table demonstrates the sensitivity of the Group's profit to reasonably possible changes in interest rates, with all other variables held constant. The sensitivity of the profit is the effect of the assumed changes in interest rate on the Group's profit for one year, based on the floating rate financial assets and financial liabilities held at December 31:

	<b>2016</b>	<b>2015</b>
Basis points	+/-25	+/-25
Effect on profit for the year (QR '000)	+/-9,542	-/+6,859

**Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties. Credit risk on bank balances is limited as they are placed with banks having good credit rating. The Group's exposure to counterparties is continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by management. The credit terms for accounts receivable are 30 to 180 days.



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**28. FINANCIAL RISK MANAGEMENT (CONTINUED)****Credit risk (continued)**

With respect to credit risk arising from the financial assets of the Group, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments as follows:

	2016 QR '000	2015 QR '000
Bank balances (excluding cash on hand)	137,133	144,582
Accounts receivable and others	818,620	883,415
Amounts due from related parties	66,430	53,094
	<u>1,022,183</u>	<u>1,081,091</u>

**Foreign currency risk**

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The foreign currency exposure is minimal since the Group deals mostly in Qatari Riyal and US Dollars. Balances in other GCC currencies, with the exception of Kuwaiti Dinar, do not expose the Group to significant currency risk since they are pegged to the US Dollar. The following table details the Group's sensitivity to an increase or decrease in Qatari Riyal against the relevant foreign currencies.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and the impact of a change in the exchange rates are as follows:

Net Exposure (Liability)	2016 QR '000	2015 QR '000
EURO	16,345	12,133
GBP	1,640	5,467
Other currencies	4,521	5,667
	<u>22,506</u>	<u>23,267</u>

	Increase/decrease in Euro, GBP and other rates to the QR	Effect on profit before tax QR '000
2016	+/- 3%	+/- 675
2015	+/- 3%	+/- 698

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**28. FINANCIAL RISK MANAGEMENT (CONTINUED)****Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its obligations as they fall due. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's operations and reputation.

The Group limits its liquidity risk by ensuring bank facilities are available. The Group's terms of sale require amounts to be paid within 30-180 days of the date of sale.

The table below summarises the maturities of the Group's undiscounted financial liabilities at December 31, based on contractual payment dates and current market interest rates.

	<b>Less than 1 year</b>	<b>1 to 5 years</b>	<b>Total</b>
<b>At December 31, 2016</b>	<b>QR '000</b>	<b>QR '000</b>	<b>QR '000</b>
Accounts payable and accruals	739,639	18,066	757,705
Amounts due to related parties	2,426	--	2,426
Interest bearing loans and borrowings at gross	1,485,694	2,414,479	3,900,173
Bank overdrafts	165,213	--	165,213
<b>Total</b>	<b>2,392,972</b>	<b>2,432,545</b>	<b>4,825,517</b>

	<b>Less than 1 year</b>	<b>1 to 5 years</b>	<b>Total</b>
<b>At December 31, 2015</b>	<b>QR '000</b>	<b>QR '000</b>	<b>QR '000</b>
Account payable and accruals	953,893	17,393	971,286
Amounts due to related parties	1,041	--	1,041
Interest bearing loans and borrowings at gross	1,056,114	1,527,471	2,583,585
Bank overdrafts	288,519	--	288,519
<b>Total</b>	<b>2,299,567</b>	<b>1,544,864</b>	<b>3,844,431</b>

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**28. FINANCIAL RISK MANAGEMENT (CONTINUED)****Capital management**

The Group manages its capital structure to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of debt and equity balances. The Group's overall strategy remains unchanged from 2015. The Group monitors its capital using a gearing ratio which is net debt divided by total equity. The Group includes within the net debt, interest bearing loans and borrowings (included in Note 14) and bank overdraft less bank balances and cash.

*Gearing ratio*

The gearing ratio at December 31, is as follows:

	<u>2016</u>	<u>2015</u>
	<u>QR '000</u>	<u>QR '000</u>
Debt	3,849,440	2,785,253
Bank balances and cash	<u>(153,440)</u>	<u>(150,302)</u>
Net debt	<u>3,696,000</u>	<u>2,634,951</u>
Total equity	2,578,157	2,408,422
Add: acquisition reserve	<u>588,058</u>	<u>588,058</u>
	<u>3,166,215</u>	<u>2,996,480</u>
<b>Gearing ratio</b>	<u><b>1.17:1</b></u>	<u><b>0.88:1</b></u>

**29. ACQUISITION OF AN ASSOCIATE**

The Group acquired 25% interest in GFI Informatique ("GFI") in April 2016, and an additional 26.24% interest in June 2016 thereby aggregating the total interest in GFI to 51.24%. The total consideration for the acquisition was QR. 1,238 million. Goodwill recognized (embedded in the investment carrying value) as a result of the acquisition amounted to QR 926 million. After assessing this acquisition and related shareholder's agreement, management has decided to classify its investment in GFI as an associate.

Goodwill arising on the acquisition of GFI:

	<u>March 31,</u>
	<u>2016</u>
	<u>QR '000</u>
Consideration transferred	1,237,811
Adjusted net asset value	(74,285)
Additional intangible assets identified	(186,382)
Foreign exchange difference	<u>(51,038)</u>
Goodwill arising on acquisition, embedded	<u>926,106</u>

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**29. ACQUISITION OF AN ASSOCIATE (CONTINUED)**

The initial accounting of the business acquisition of GFI Informatique was carried out as of March 31, 2016 using fair values of identifiable assets, liabilities and contingent liabilities. Based on the final assessment of purchase price allocation performed and fair value adjustments on acquisition have been reflected to the acquisition balance sheet date.

**Analysis of assets and liabilities acquired:**

	<b>March 31, 2016</b>
	<b>QR'000</b>
<b>Assets</b>	
Property, plant and equipment	56,114
Existing intangible assets	217,770
Other current and non-current assets	1,857,710
Cash and cash equivalent	53,759
<b>Liabilities</b>	
Borrowings	(300,630)
Other current and non-current liabilities	(1,511,870)
Financial liabilities and current provisions	(227,878)
<b>Adjusted net asset value</b>	<b>144,975</b>
<b>The Group's share of 51.24%</b>	<b>74,285</b>