Zad Holding Company Q.P.S.C.

Consolidated Financial Statements

31 December 2018

Zad Holding Company Q.P.S.C.

Consolidated financial statements
For the year ended 31 December 2018

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Zad Holding Company Q.P.S.C.

Report on the Audit of the Consolidated Financial Statements

Qualified opinion

We have audited the accompanying consolidated financial statements of Zad Holding Company Q.P.S.C. (the 'Company') and its subsidiaries (together the 'Group'), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statements of income, profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, except for the possible effects on the consolidated financial statements of the matters described in the basis for qualified opinion paragraph, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for qualified opinion

As explained in detail in note 9(b) to the consolidated financial statements, receivable from the Government of State of Qatar as compensation amounting to QR 68,368,576 in respect of subsidized flour sold during earlier years is, as per the provisions of the compensation agreement that was enforced until 13 December 2007. The quantification of the claim in respect of subsidized flour is still under discussion with the Government of State of Qatar. We have been unable to obtain assurance that this amount will be recovered in full. Further, as detailed in note 9(c) the Government of State of Qatar's loan of QR 59,959,040 has been netted off against the amount due in respect of the subsidies to arrive at the net outstanding balance due from the Government of State of Qatar. The Group has been unable to demonstrate to us that the "right of set off" exists. Accordingly, we have been unable to obtain assurance that the set off is appropriate.

We conducted our audit in accordance with International Standards on Auditing (ISA). 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 ethical requirements that are relevant to our audit of the Company's consolidated financial statements in the State of Qatar, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

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INDEPENDENT AUDITOR'S REPORT (Continued)

Emphasis of matter

We draw attention to note 14(b) to the consolidated financial statements; the Company is in the process of listing its 9,310,545 equity shares (including 10% bonus shares) as at 31 December 2018 at a par value of QR 10 each that were issued to the shareholders of an acquired subsidiary during the year 2011. The financial position and operating results of the acquired subsidiary are consolidated with these consolidated financial statements. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. 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. In addition to the matters described in the basis for qualified opinion section we have determined the matters described below to be the key audit matters to be communicated in our report.

Description of the key audit matter	**How the matter was addressed in our audit**
Depreciation and impairment of investment properties - refer notes 3 and 6 in the consolidated financial statements We focused on this area because: • Investment properties with a carrying value of QR 539,616,481 represent 26% of the Group's total assets as at 31 December 2018, and form a material portion of the consolidated statement of financial position. • The Group makes judgements over estimation of the useful life of investment properties and assessment of indicators of impairment.	Our audit procedures in this area included, among others: • Evaluating the key controls related to investment properties including the controls over the base data used in the estimation of useful life. • Evaluating the recognition criteria applied to the costs incurred and capitalised during the financial year against the requirements of the relevant accounting standards. • Assessing the depreciation method used and the appropriateness of the key assumptions based on our knowledge of the industry. • Recalculation of the depreciation charges and comparison with the actual depreciation charges for the year. • Critically challenging the Group's assessment of possible internal (physical damages) and external (decline in value) indications of impairment in relation to the investment properties including the comparison with fair value determined by independent valuer.

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INDEPENDENT AUDITOR'S REPORT (Continued)

Key audit matters (continued)

Description of the key audit matter	How the matter was addressed in our audit
<u>Compensation from Government of State of Qatar for sale of subsidised flour</u> - refer note 9(a) in the consolidated financial statements We focused on this area because: • For the year ended 31 December 2018, compensation from Government of State of Qatar amounted to QR 103,470,862 which is a material amount for the purposes of our audit. • The Group's business involves selling flour in local market at subsidized rates as agreed with the Government of State of Qatar. In return, Government of State of Qatar compensates the Group with a pre agreed rate of subsidy in respect of the amount of flour sold in the local market. Due to the nature of the business, determination of subsidy involves judgement keeping in view various types of flour and the clauses of the subsidy agreement.	Our audit procedures in this area included, among others: • Evaluating the key controls in sales process including the progress claim certification and the approval process. • Inspecting the compensation contract and discussing with the Group to obtain full understanding of the specific terms and risk. • Challenging the Group in respect of the reasonableness of estimates made regarding the compensation. • Evaluating the the adequacy of the Group's disclosure in relation to compensation from Government of State of Qatar by reference to the requirements of the relevant accounting standards.
Description of the key audit matter	**How the matter was addressed in our audit**
<u>Impairment assessment of goodwill - refer notes 2, 3 and 8 in the consolidated financial statements</u> We focused on this area because: • As at 31 December 2018, the Group's consolidated financial statements include recognised goodwill of QR 19,704,770 which is a material amount for the purposes of our audit.	Our audit procedures in this area included, among others: • Testing of the Group's budgeting procedures upon which the forecasts are based. • Involving our own valuation specialists to assist us in: o evaluating the appropriateness of the methodology used by the Group to assess impairment of goodwill;

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INDEPENDENT AUDITOR'S REPORT (Continued)

Key audit matters (continued)

<table>
<tr><th>Description of the key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>
An assessment is required annually to establish whether this goodwill should continue to be recognized, or if any impairment is required. The impairment assessment relies on determining the recoverable amount of the investment in the subsidiary using valuation techniques such as discounted cash flows. The estimation of future cash flows and the rate at which they are discounted is inherently uncertain and requires the use of estimates and judgments.
</td><td>
evaluating key inputs and assumptions in cash flow projections used by the Group in comparison to externally derived data as well as our own assessments of investee specific circumstances and experience in the related industry, in particular its derivation of discount rates, terminal growth rates and comparing progress against stated business plans.
Evaluating the adequacy of the disclosure in the consolidated financial statements including disclosures of key assumptions and judgments.
</td></tr>
</table>

<table>
<tr><th>Description of the key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>
<u>Transition to IFRS 9 "Financial Instruments"</u>- refer notes 2, 7 and 12 in the consolidated financial statements
We focused on this area because:
IFRS 9 "Financial Instruments" (hereafter "IFRS 9"), which the Group implemented on 1 January 2018:
requires complex accounting treatments, including use of significant estimates and judgements for the determination of adjustments on transition; and
resulted in significant changes to processes, data and controls that needed to be tested for the first time.
The adjustment made to the Group's retained earnings upon transition to IFRS 9 was QAR 49,595,000 debit.
</td><td>
Our audit procedures in this area included, among others:
Evaluating the appropriateness of the selection of accounting policies.
Considering the appropriateness of the transition approach and practical expedients applied.
Evaluating management's process for selection of the "expected credit loss" methodology.
Considering management's processes and controls implemented to ensure the completeness and accuracy of the transition adjustments.
Identifying and testing relevant controls.
Evaluating the reasonableness of management's key judgements and estimates made in preparing the transition adjustments, specifically relating to the adjustment for the forward looking factor.
Involving financial risk management specialist to challenge key assumptions/judgements relating to forward looking adjustments, definition of default and calculation of probability of default using net flow rates method.
</td></tr>
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INDEPENDENT AUDITOR'S REPORT (Continued)

Key audit matters (continued)

Description of the key audit matter	How the matter was addressed in our audit
	• Evaluating the completeness, accuracy and relevance of data used in preparing the transition adjustments. • Evaluating the adequacy of the transition disclosures required by IFRS 9.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. Prior to the date of this auditor's report, we obtained the report of the Board of Directors which forms part of the annual report, and the remaining sections of the annual report are expected to be made available to us after that date.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above 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 have 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.

When we read the remaining sections of the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Board of Directors.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as the Board of Directors 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, the Board of Directors 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 the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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INDEPENDENT AUDITOR'S REPORT (Continued)

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 ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the Board of Directors' 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 disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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.

INDEPENDENT AUDITOR'S REPORT (Continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

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

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

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year, and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes 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.

Report on other legal and regulatory requirements

We have obtained all the information and explanations we considered necessary for the purposes of our audit. The Company has maintained proper accounting records and its consolidated financial statements are in agreement therewith. Furthermore, the physical count of inventories was carried out in accordance with established principles. We have read the report of the Board of Directors to be included in the annual report, and the financial information contained therein is in agreement with the books and records of the Company. We are not aware of any violations of the Qatar Commercial Companies Law No. 11 of 2015 or the terms of the Articles of Association and any amendments thereto having occurred during the year which might have had a material effect on the Company's consolidated financial position or performance as at and for the year ended 31 December 2018.

30 March 2019
Doha
State of Qatar

Gopal Balasubramaniam
KPMG
Qatar Auditors Registry Number 251
Licensed by QFMA: External Auditor's License No. 120153

Consolidated statement of financial position
As at 31 December 2018 In Qatari Riyals

	Note	**2018**	2017*
Assets			
Non-current assets			
Property, plant and equipment	5	375,583,660	383,860,964
Investment property	6	539,616,481	550,316,557
Investment securities	7	1,715,499	19,969,752
Retention and other receivables		1,604,080	5,862,982
Goodwill	8	19,704,770	19,704,770
Total non-current assets		938,224,490	979,715,025
Current assets			
Contract work in progress		-	400,628
Due from Government of Qatar	9(a)	78,177,126	83,643,365
Due from related parties	10(b)	14,058,183	3,898,201
Inventories	11	120,635,696	92,276,985
Accounts, retention and other receivables	12	409,036,135	431,816,233
Investment in commodities		383,337,018	381,888,675
Cash and bank balances	13	124,758,851	268,646,594
Total current assets		1,130,003,009	1,262,570,681
Total assets		2,068,227,499	2,242,285,706

Continued…

*The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2.

Zad Holding Company Q.P.S.C.

Consolidated statement of financial position (Continued)
As at 31 December 2018

In Qatari Riyals

	Note	2018	2017*
Equity and liabilities			
Equity			
Share capital	14	236,997,200	215,452,000
Legal reserve	15	563,120,753	563,120,753
Capital reserve	16	15,000,000	15,000,000
Fair value reserve	17	-	5,197,879
Retained earnings		718,494,333	721,529,233
Total equity		1,533,612,286	1,520,299,865
Non - current liabilities			
Other non-current liabilities		26,450,786	26,155,116
Due to Government of Qatar	9(d)	47,591,581	47,591,581
Islamic financing - non current	19	21,555,283	51,862,779
Total non-current liabilities		95,597,650	125,609,476
Current liabilities			
Accounts payable, retention and other payables	20	240,320,304	261,124,075
Due to related parties	10(c)	6,276,904	8,846,466
Islamic financing - current	19	192,420,355	326,405,824
Total current liabilities		439,017,563	596,376,365
Total liabilities		534,615,213	721,985,841
Total equity and liabilities		2,068,227,499	2,242,285,706

These consolidated financial statements were approved by the Board of Directors and were signed on its behalf by the following on 30 March 2019.

Talal Mohammed J M Al-Thani
Vice Chairman

Thamer Mohammed J M Al-Thani
Board Member

*The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2.

The attached notes 1 to 30 form an integral part of these consolidated financial statements.

Consolidated income statement
For the year ended 31 December 2018 In Qatari Riyals

	Note	2018	2017*
Operating revenue	21	1,165,480,865	1,133,561,571
Compensation from Government of Qatar for sale of subsidised flour	9(a)	103,470,862	89,371,828
Total revenue		1,268,951,727	1,222,933,399
Operating cost	22	(981,853,595)	(909,395,505)
Gross profit		287,098,132	313,537,894
Other income	23	60,084,489	62,006,546
General and administrative expenses	24	(148,274,086)	(147,389,575)
Net impairment reversal / (loss) on financial assets	25	41,831,171	(5,023,582)
Finance costs		(12,347,794)	(9,978,785)
Zakat contribution		(14,905,656)	(14,849,180)
Profit		213,486,256	198,303,318
Earnings per share			
Basic and diluted earnings per share	26	9.01	8.37

*The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2.

The attached notes 1 to 30 form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2018 In Qatari Riyals

	Note	**2018**	2017*
Profit		213,486,256	198,303,318
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Available-for-sale financial assets – net change in fair value	17	-	16,618,265
Available-for-sale financial assets – reclassified to profit or loss	17	-	(11,761,063)
Total other comprehensive income		-	4,857,202
Total comprehensive income		213,486,256	203,160,520

*The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2.

The attached notes 1 to 30 form an integral part of these consolidated financial statements.

Zad Holding Company Q.P.S.C.

Consolidated statement of changes in equity
For the year ended 31 December 2018

In Qatari Riyals

	Share capital	Legal reserve	Capital reserve	Fair value reserve	Retained earnings	Total equity
Balance at 1 January 2017	215,452,000	563,120,753	15,000,000	340,677	625,136,898	1,419,050,328
Total comprehensive income						
Profit	-	-	-	-	198,303,318	198,303,318
Other comprehensive income	-	-	-	4,857,202	-	4,857,202
Total comprehensive income	-	-	-	4,857,202	198,303,318	203,160,520
Contribution to social and sports fund (i)	-	-	-	-	(4,957,583)	(4,957,583)
Dividends (Note 18)	-	-	-	-	(96,953,400)	(96,953,400)
Balance at 31 December 2017*	215,452,000	563,120,753	15,000,000	5,197,879	721,529,233	1,520,299,865
Balance at 1 January 2018*	215,452,000	563,120,753	15,000,000	5,197,879	721,529,233	1,520,299,865
Adjustments on initial application of IFRS 9 (note 2)	-	-	-	(5,197,879)	(49,595,000)	(54,792,879)
Adjusted balance at 1 January 2018	215,452,000	563,120,753	15,000,000	-	671,934,233	1,465,506,986
Total comprehensive income						
Profit	-	-	-	-	213,486,256	213,486,256
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	213,486,256	213,486,256
Contribution to social and sports fund (i)	-	-	-	-	(5,337,156)	(5,337,156)
Issue of Bonus Shares (Note 18)	21,545,200	-	-	-	(21,545,200)	-
Dividends (Note 18)	-	-	-	-	(140,043,800)	(140,043,800)
Balance at 31 December 2018	236,997,200	563,120,753	15,000,000	-	718,494,333	1,533,612,286

(i) Pursuant to Law No. 13 of 2008, the Group made an appropriation of 5,337,156 (2017: QR 4,957,583) from retained earnings for its contribution to the Social and Sports Activities Support Fund ("Daam") of Qatar. This amount represents 2.5% of the net profit for the year ended 31 December 2018.

*The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2.

The attached notes 1 to 30 form an integral part of these consolidated financial statements.

Zad Holding Company Q.P.S.C.

Consolidated statement of cash flows
For the year ended 31 December 2018 In Qatari Riyals

	Note	**2018**	2017*
Cash flows from operating activities			
Profit		**213,486,256**	198,303,318
Adjustments for:			
Provision for slow moving inventories	11	495,016	624,855
Provision for doubtful receivables	12	2,361,623	5,710,821
Impairment of available-for-sale securities	7(a)	-	703,002
Reversal of impairment loss on commodities	23	-	(19,802,353)
Profit on disposal of precious commodities		(2,002,903)	-
Depreciation on property, plant and equipment	5	70,776,304	59,829,772
Depreciation on investment property	6	10,700,076	15,001,945
Gain on disposal of property, plant and equipment	23	(37,442,756)	(24,285)
Finance costs		12,347,794	9,978,785
Employees' end of service benefits		5,742,392	5,767,828
Capital work in progress written off	5	-	984,795
Zakat Contribution		14,905,656	14,849,180
Reversal of provision for doubtful receivables	25	(44,192,794)	(1,390,241)
Dividend income	23	(208,444)	(497,403)
Islamic finance income	23	(1,816,135)	(7,763,432)
Gain on disposal of investment securities	23	(1,841,758)	(12,825,306)
		243,310,327	269,451,281
Change in:			
- Inventories		(28,853,727)	23,799,505
- Contract work in progress		400,628	27,898,391
- Due from and due to Government of Qatar (net)		5,466,239	(7,249,534)
- Accounts, retentions and other receivables		12,323,644	(151,996,055)
- Due from and to related parties (net)		(12,729,544)	(21,105,587)
- Accounts payable, retention and other payables		(26,906,244)	(65,470,530)
Cash generated from operating activities		193,011,323	75,327,471
Employees' end of service benefits paid		(5,459,752)	(3,056,048)
Zakat paid		(14,849,180)	(13,470,729)
Finance costs paid		(11,998,118)	(9,781,119)
Net cash from operating activities		**160,704,273**	49,019,575

Continued…

*The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2.

Consolidated statement of cash flows (Continued)
For the year ended 31 December 2018 In Qatari Riyals

	Note	**2018**	2017*
Cash flows from investing activities			
Acquisition of property, plant and equipment	5	(80,806,091)	(91,007,410)
Proceeds from disposal of property, plant and equipment		55,749,847	68,455
Proceeds from disposal of investment securities		20,199,952	20,159,702
Dividend income received	23	208,444	497,403
Net Proceeds on purchase of commodities		554,559	-
Islamic finance income received		3,569,783	7,939,261
Net cash used in investing activities		(523,506)	(62,342,589)
Cash flows from financing activities			
Net movement in Islamic financing		(164,292,965)	64,924,416
Dividends paid		(139,775,545)	(90,316,423)
Net cash used in financing activities		(304,068,510)	(25,392,007)
Net decrease in cash and cash equivalents		(143,887,743)	(38,715,021)
Cash and cash equivalents at beginning of the year		268,646,594	307,361,615
Cash and cash equivalents at end of the year	13	124,758,851	268,646,594

*The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2.

The attached notes 1 to 30 form an integral part of these consolidated financial statements.

1. Legal status and principal activities

Zad Holding Company Q.P.S.C. (the "Company") was incorporated on 07 July 1969 under commercial registration No. 27 as a Qatari Shareholder Company by Emiri Decree No. 45 of 1969 and by Concession law No. 12 of 1969.

The consolidated financial statements of the Company comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

The Group's main activities are import of wheat, production of different kinds of flour, manufacturing and marketing of pasta and bakery products and Oil refining Further, the Group earns income from sales of certain types of grain and related commodities. In addition to the above, the Group is engaged in the activities of contracting for building, investing, establishing, and managing of industrial projects, activities in real estate, selling and rental of heavy equipment, manufacturing and supply of ready mix concrete and asphalt, crushing services, providing transport services, and investment in financial instruments.

These consolidated financial statements were authorized for issue by the Company's Board of Directors on 30 March 2019.

The subsidiaries of the Group are as follows,

Name of subsidiary	Country of incorporation	Principal activities	Group effective shareholding % 31 December 2018	Group effective shareholding % 31 December 2017
Qatar Flour Mills Company W.L.L	Qatar	Manufacturing and distribution of wheat flour and trading of bran and barley.	100%	100%
Qatar Food Industries Company W.L.L	Qatar	Marketing of wheat, flour Oil ,allied products and Oil Refining	100%	100%
Umm Said Bakery W.L.L.	Qatar	Manufacturing of bakery products.	100%	100%
Arzak Marketing Company W.L.L	Qatar	Trading of food stuff.	100%	100%
QFM Trading Company W.L.L. (formerly " Zain Trading Company)	Qatar	Trading of food stuff and animal feed.	100%	100%
National Food Company W.L.L.	Qatar	Manufacturing &Trading of frozen meat products and vegetables.	100%	100%
Meeda Projects Company W.L.L.	Qatar	Civil construction, investing, establishing & managing of industrial projects, activities in real estate, selling and rental of heavy equipment and facilities.	100%	100%
Arzak Al Khalijia Company	Saudi Arabia	Trading of food stuff and cleaning items.	100%	100%
Tower International Limited	Cayman Islands	Holding and trading of investment in commodities	100%	-

2. Basis of preparation

Statement of compliance
The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS).

Basis of measurement
These consolidated financial statements have been prepared under the historical cost convention except for investment securities, which is carried at fair value.

This is the first set of the Group's annual financial statements in which IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" have been applied. Changes to significant accounting policies are described below.

Functional and presentation currency
These consolidated financial statements are presented in Qatari Riyals, which is the Company's functional currency. All financial information presented in Qatari Riyals have been rounded to the nearest Qatari Riyals unless otherwise indicated.

Use of estimates and judgements
The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Estimates underlying assumptions are reviewed on an ongoing basis. The most significant use of judgments and estimates are as follows:

Impairment of accounts receivables
On 1 January 2018, IFRS 9 "Financial Instruments" replaced the 'incurred loss' impairment model in IAS 39 "Financial Instruments: Recognition and Measurement" with an 'expected credit loss' (ECL) impairment model. The new impairment model requires forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. It also requires management to assign probability of default to various categories of receivables. Probability of default constitutes a key input in measuring an ECL and entails considerable judgement; it is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. In the previous year, the impairment review on accounts, retention and other receivables was performed only for receivables for which management had an indication for impairment. That also entailed significant judgement. It was determined by reference to past default experience of a counterparty and an analysis of the counterparty's financial situation, but the "incurred loss" model disregarded entirely the current and expected future conditions. As a result, it is expected that under the new impairment model credit losses will be recognised earlier.

Business model assessment
Classification and measurement of financial assets depends on the results of the SPPI and the business model test (refer to the accounting policy "Financial instruments" in Note 3). The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the year.

Useful lives, residual values and related depreciation charges of property, plant and equipment
Management determines the estimated useful lives and residual values of its property, plant and equipment to calculate depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually. Future depreciation charge would be adjusted where management believes the useful lives differ from previous estimates.

2. Basis of preparation (continued)

Use of estimates and judgements (continued)

Fair value of investment property
The fair value of investment property is determined by valuations from an external professional real estate valuer using recognised valuation techniques and the principles of IFRS 13 "Fair Value Measurement". These valuations entail significant estimates and assumptions about the future as set out in Note 6.

Inventories
Management determines the net realizable value of inventories to assess any diminution in the respective carrying values. Any change in the estimates in future years might affect the carrying amounts of inventories with a corresponding effect on the amortization charge and impairment. Net realizable value is determined with respect to estimated selling price less estimated expenditure to make the sale.

Goodwill
Management tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 8).

Newly effective standards, and amendments to or interpretations of standards
During the current year, the below new and amended International Financial Reporting Standards ("IFRS" or "standards") and an interpretation to a standard became effective for the first time for financial years beginning on 1 January 2018:

- *IFRS 9 "Financial Instruments"*
- *IFRS 15 "Revenue from Contracts with Customers"*
- *Amendments to IFRS 2 "Share Based Payment" on classification and measurement of share based payment transactions*
- *Amendments to IFRS 4 "Insurance Contracts" in applying IFRS 9 Financial Instruments*
- *Amendments to IAS 40 "Investment property" on transfers of investment property*
- *Amendments to IFRS 1 "Adoption of International Financial Standards" and IAS 28 "Investments in Associates and Joint Ventures" based on the Annual Improvements to IFRSs 2014-2016 Cycle*
- *Interpretation made by the International Financial Reporting Interpretation Council (IFRIC) 22 "Foreign Currency Transactions and Advance Consideration"*

The adoption of the above new and amended standards and the interpretation to a standard had no material effect on the Group's consolidated financial statements, except for the IFRS 15 "Revenue from Contracts with Customers" and the IFRS 9 "Financial Instruments" whose effects on the Group's consolidated financial statements are explained below.

Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these consolidated financial statements has not been restated to reflect the requirements of the new standards.

IFRS 15 "Revenue from contracts with customers"

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 "Revenue", IAS 11 "Construction Contracts" and related interpretations.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations.

Based on an assessment performed by the Company's management, the potential impact on the Group's consolidated statement of financial position as at 31 December 2018 and its consolidated statement of profit or loss and other comprehensive income for year ended is insignificant. Consequently, there were no adjustments as at 1 January 2018.

2. Basis of preparation (continued)

Newly effective standards, and amendments to or interpretations of standards (continued)

IFRS 9 "Financial instruments"

IFRS 9 sets out requirements for recognising and measuring financial assets and financial liabilities This standard replaces IAS 39 "Financial Instruments: Recognition and Measurement".

The following table summarises the impact of transition to IFRS 9 on the opening balance of retained earnings (for a description of the transition method, see Note 2 (iii) below).

(In Qatari riyals)

Line item impacted in the financial statements	As reported at 31 December 2017	Estimated adjustments due to adoption of IFRS 9	Estimated adjusted opening balances as at 1 January 2018
Accounts, retention and other receivables	431,816,233	(54,792,879)	377,023,354
Retained earnings	721,529,233	(49,595,000)	671,934,233
Fair value reserve	5,197,879	(5,197,879)	-

During the first year of transition to IFRS 9, the Group updated Day 1 ECL opening adjustment which was published in the interim condensed consolidated financial statements from QR 35 million to QR 55 million through adjusting retained earnings by QR 20 million. This was a result of certain correction made to the underlying financial assets data that was used to estimate ECL as of 01 January 2018.

(i) Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables, and available-for-sale financial assets.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets is set out below:

The IFRS 9 classification of a financial asset is done on the basis of the business model in which a financial asset is managed and its contractual cash flow characteristics. Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows,and that have contractual cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding, are measured subsequently at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI on the principal amount outstanding, are measured subsequently at FVTOCI;
- equity instruments that are not held for trading, on initial recognition, the Group may irrevocably elect to present subsequent changes in their fair value in OCI. This election is made on an investment-by-investment basis; and
- all other debt investments and equity investments are measured subsequently at FVTPL.

The Group has financial assets measured at amortised cost which are amortized using the effective interest method and investment securities carried at fair value through profit or loss (FVTPL).

The effect of adopting IFRS 9 on the carrying amounts of the Company's financial assets at 1 January 2018 relates solely to the new impairment requirements, as described further below.

2. Basis of preparation (continued)

Newly effective standards, and amendments to or interpretations of standards (continued)

IFRS 9 "Financial instruments" (continued)

(i) Classification and measurement of financial assets and financial liabilities (continued)

The following table below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of Group's financial assets as at 1 January 2018:

(In Qatari riyals)

Financial Assets	Original classification under IAS 39	New classification under IFRS 9	Original Carrying amount under IAS 39	New Carrying amount under IFRS 9
Accounts, retention and other receivables (1)	Loans and receivables	Amortised cost	431,816,233	377,023,354
Investment securities	Available for sale	FVTPL	19,969,752	19,969,752
Retention and other receivables	Loans and receivables	Amortised cost	5,862,982	5,862,982
Due from related parties	Loans and receivables	Amortised cost	3,898,201	3,898,201
Cash and bank balances	Loans and receivables	Amortised cost	268,646,594	268,646,594

(1) Accounts, retention and other receivables which were previously classified as loans and receivables under IAS 39 have been classified at amortised cost as per IFRS 9. An increase of QR 54,792,879 in the provision for impairment of these receivables was recognised in opening retained earnings at 1 January 2018 on transition to IFRS 9.

(ii) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

The financial assets at amortised cost comprise of accounts, retention and other receivables, due from related parties, due from Government of Qatar and cash and bank balances. With respect to retention and other receivables, and due from related parties, the group applied the simplified approach which recognises lifetime ECL for these assets which reflect an increased credit risk. All bank balances are assessed to have low credit risk as they are held with reputable banking institutions. No ECL is computed on receivables from Government of Qatar as the Group considers the amount to be fully recoverable.

Measurement of ECLs

Management has determined that the Group's existing trade and other receivables at 1 January 2018 required an additional impairment loss of QR 54,792,879 based on the IFRS 9 requirements as disclosed above.

The consequential amendments to IFRS 7 "Financial Instruments: Disclosures" have also resulted in more extensive disclosures about the Group's exposure to credit risk in year 2018 (see Note 28), but these were not applied to disclosures in relation to comparative information.

(iii) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied using the cumulative effect method. The Group has taken an exemption not to restate comparative information of prior periods.

Differences in the carrying amounts of the financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 but those of IAS 39.

The assessment has been made on the basis of the facts and circumstances that existed at the date of initial application.

2. Basis of preparation (continued)

New and amended standards and interpretations to standards not yet effective, but available for early adoption

The below new and amended International Financial Reporting Standards ("IFRS" or "standards") and an interpretation to a standard that are available for early adoption for financial years beginning after 1 January 2018 are not effective until a later period, and they have not been applied in preparing these consolidated financial statements.

Effective for year beginning 1 January 2019	• *IFRS 16 "Leases"* • *Interpretation made by the International Financial Reporting Interpretation Council (IFRIC) 23 "Uncertainty over Tax Treatments"* • *Amendments to IFRS 9 "Financial Instruments" on prepayment features with negative compensation* • *Amendments to IAS 28 "Investments in Associates and Joint Ventures" on long-term interests in associates and joint ventures* • *Amendments to IAS 19 "Employee Benefits" on plan amendment, curtailment or settlement* • *Amendments to various standards based on the Annual Improvements to IFRSs 2015-2017 Cycle*
Effective for year beginning 1 January 2020	• *Amendments to references to conceptual framework in IFRS standards*
Effective for year beginning 1 January 2021	• *IFRS 17 "Insurance Contracts"*
Effective date deferred indefinitely / available for optional adoption	• *Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" on sale or contribution of assets between an investor and its associate or joint venture*

Management does not expect that the adoption of the above new and amended standards and the interpretation to a standard will have a significant impact on the Group's consolidated financial statements, except for the IFRS 16 "Leases" whose effects on the Group's consolidated financial statements are explained below.

IFRS 16 "Leases"

The Group is required to adopt IFRS 16 – Leases from 1 January 2019.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including IAS 17- Leases, IFRIC 4 – Determining whether an Arrangement contains a Lease, SIC - 15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Group is currently assessing the impact on initial application of IFRS 16 as at 1 January 2019 on its consolidated financial statements.

3. Significant accounting policies

The principal accounting policies of the Group applied in the preparation of these consolidated financial Statements are set out below.

Basis of consolidation

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns

The Group re-assesses 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. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. These consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. 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 intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income/(loss) in the consolidated statement of income.

Depreciation is calculated over the depreciable amount, which is the cost of an asset or other amount substituted for cost, less its residual value. Depreciation is recognised in the consolidated statement of income on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The useful lives of property, plant and equipment are estimated as follows:

Buildings and attached rights	5 to 30 years
Plant, equipment and tools	1 to 20 years
Furniture & fixtures	4 to 10 years
Motor vehicles	4 to 10 years

3. Significant accounting policies

Capital work in progress
Capital work in progress comprise constructions in progress of properties. Capital work in progress are carried at cost less impairment, if any. Costs are those expenses incurred by the Group that are directly attributable to the construction of properties.

Land and capital work in progress are not depreciated

Investment property
Investment property comprises land and building held for long term and to earn rentals or for capital appreciation or both.

Investment property is measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment property is stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is calculated over the depreciable amount, which is the cost of an asset or other amount substituted for cost, less its residual value. Depreciation is recognised in the consolidated statement of income on a straight-line basis over the estimated useful lives of each component of an item of investment property, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The useful lives of building is 15 years.

Investment property is derecognised when either it is disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of profit or loss.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Investment property under construction
Property under construction is presented as investment property if intention is to hold such property under construction for rental or capital appreciation or both after completion of the construction.

Investment in commodities
Investment in commodities represents precious metals and is stated at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business less applicable saleable expenses. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the consolidated statement of income, to the extent of previously recognised impairment losses.

Inventories
Inventories are stated at the lower of cost and net realizable value. Cost is determined using first-in-first-out (FIFO) method. Net realizable value is the estimated selling price in the ordinary course of business less applicable saleable expenses. Inventories comprise trading stock, spares and consumables as at the reporting date.

Financial instruments

Non-derivative financial assets

The Group initially recognises trade and other receivables on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The Group has the following non-derivative financial assets: due from related parties, investment securities, accounts, retention and other receivables and cash and cash equivalents.

3. Significant accounting policies (continued)

Financial instruments (continued)

Non-derivative financial assets (continued)

Classification and subsequent measurement of financial assets – policy applicable from 1 January 2018
On initial recognition, a financial asset is classified at:

- *amortised cost* – if it meets both of the following conditions and is not designated as at FVTPL:
    - it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
    - its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

- *Fair Value Through Other Comprehensive Income (FVOCI)* - if it meets both of the following conditions and is not designated as at FVTPL:
    - it is held within a business model whose objective achieved by both collecting contractual cash flows and selling financial assets; and
    - its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

- *Fair Value Through Profit or Loss (FVTPL)* – All financial assets not classified as measured at amortised cost or FVOCI as described above.

On initial recognition, the Group may irrecoverably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets – Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

– the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual cash flows or realising cash flows through the sale of the assets;

– how the performance of the portfolio is evaluated and reported to the Group's management;

– the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

– how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

– the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

3. Significant accounting policies (continued)

Financial instruments (continued)

Non-derivative financial assets (continued)

Classification and subsequent measurement of financial assets – policy applicable from 1 January 2018 (continued)

Financial assets – Assessment whether contractual cash flows are Solely Payments of Principal and Interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

– contingent events that would change the amount or timing of cash flows;
– terms that may adjust the contractual coupon rate, including variable-rate features;
– prepayment and extension features; and
– terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets - Subsequent measurement and gains and losses

- *Financial assets at amortised cost* - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

- *Financial assets at Fair Value Through Profit or Loss (FVTPL)* -These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

- *Debt instruments at Fair Value Through Other Comprehensive Income (FVOCI)* - These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

- *Equity investments at Fair Value Through Other Comprehensive Income (FVOCI)* - These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never derecognised to profit or loss.

3. Significant accounting policies (continued)

Financial instruments (continued)

Non-derivative financial assets (continued)

Classification and subsequent measurement of financial assets – policy applicable before 1 January 2018

Accounts, retention and other receivables
The Group initially recognises trade and other receivables on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The Group has the following non-derivative financial assets: due from related parties, available for sale investment, accounts, retention and other receivables and cash and cash equivalents.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and are not classified as an investment at fair value through the profit or loss or held to maturity or loans or receivables. Available-for-sale financial assets are initially recognized at cost being the fair value of the consideration given. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments are recognized in other comprehensive income and presented within equity in a fair value reserve. When an investment is derecognized, cumulative gains and losses in other comprehensive income are transferred to profit or loss.

Cash and cash equivalents
Cash and cash equivalent consist of cash in hand, bank balances and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts for the purpose of consolidated statement of cash flows.

Derecognition of financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

(a) The rights to receive cash flows from the asset have expired;
(b) The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through· arrangement; and either:
  (i) The Group has transferred substantially all the risks and rewards of the asset, or
  (ii) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Non-derivative financial liabilities
The Group has the following non-derivative financial liabilities: Islamic financing, due to related parties, accounts, retention and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

3. Significant accounting policies (continued)

Financial instruments (continued)

Non-derivative financial liabilities (continued)

Accounts payable, retention and other payables
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not. A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss and other comprehensive income.

Islamic Financing
Islamic financing is recognised initially at the fair value of the amounts borrowed, less directly attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost, using the effective profit method, with any differences between the cost and final settlement values being recognised in the consolidated statement of profit or loss over the period of Islamic financing. Installments due within one year are shown as a current liability.

De-recognition of financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the statement of profit or loss and other comprehensive income.

Impairment

Impairment of non-financial assets
The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to sell and its value in use. Recoverable amount 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. When the carrying amount of an asset or CGU 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, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. Impairment losses of continuing operations, including impairment on inventories, are recognised in the consolidated statements of profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's 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 consolidated statement of profit or loss.

3. Significant accounting policies (continued)

Impairment (continued)

Impairment of non-financial assets (continued)

The following assets have specific characteristics for impairment testing:

Goodwill
Goodwill is tested for impairment annually 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.

Impairment of financial assets– policy applicable from 1 January 2018
The Group recognises loss allowances for Expected Credit Losses (ECLs) on financial assets measured at amortised cost.

Loss allowances for account, retention and other receivables are always measured at an amount equal to lifetime ECLs.

The Group considers a financial asset to be in default when:
- customer is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 360 days past due.

The Group considers bank balances to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group considers this to be Baa3 or higher per Moody's Rating Agency.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets
At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the customer or issuer;
- a breach of contract such as a default or being more than 360 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the customer will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

3. Significant accounting policies (continued)

Impairment (continued)
Impairment of financial assets– policy applicable from 1 January 2018 (continued)

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impairment losses related to financial assets are presented under net impairment (loss) / reversal on financial assets in the consolidated income statement.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Impairment of financial assets– policy applicable before1 January 2018

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

Financial assets carried at amortized cost
For financial assets carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually financial assets, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the consolidated statement of profit or loss. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the consolidated statement of profit or loss.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

3. Significant accounting policies (continued)

Employees' end of service benefits

The Group provides end of service benefits to its expatriate employees in accordance with employment contracts and the Qatar Labor Law No. 14 of 2004. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Also, the Group provides for its contribution to the State of Qatar administered retirement fund for Qatari employees in accordance with the Retirement Law. The resulting charge is included within the staff cost in the consolidated statement of profit or loss. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised when they are due. This has been presented as other non-current liability in these statement of financial position.

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 an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed. For example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of profit or loss net of any reimbursements.

Leasing

The determination of whether an arrangement is a lease or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessee

Leases which do not transfer to the Group substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the consolidated statement of profit or loss on a straight line basis over the lease term.

Foreign currency translation

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the end of the reporting date.

Non monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

3. Significant accounting policies (continued)

Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Group's top management (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

Current versus non-current classification

The Group presents assets and liabilities based on current /non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle, held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting , or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting

The Group classifies all other liabilities as non-current.

Fair value measurement

The Group measures financial and non-financial assets and liabilities, at fair value at each reporting date for accounting and or disclosure purposes. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 29.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability
- The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

3. Significant accounting policies (continued)

Fair value measurement (continued)
The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting.

The Group's management determines the policies and procedures for both recurring fair value measurement, such as investment property. The management comprises of the head of the logistics operations segment, the head of the internal audit department, chief finance officers and the managers of each property.

External valuers are involved for valuation of significant assets, such as investment property. Involvement of external valuers is decided annually after discussion with and approval by the Company's management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The management, in conjunction with the Group's external valuers, also compares changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3. Significant accounting policies (continued)

Revenue recognition

Revenue from Contracts with Customers

IFRS 15 “Revenue from Contracts with Customers” outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance found across several Standards and Interpretations within IFRS. It establishes a new five-step model that will apply to revenue arising from contracts with customers.

Step 1: Identify the contract(s) with customer: A contract is defined as an agreement between two or more parties that create enforceable rights and obligations and sets out the criteria for each of those rights and obligations.

Step 2: Identify the performance obligations in the contract: A performance obligation in a contract is a promise to transfer a good or service to the customer that is distinct.

Step 3: Determine the transaction price: Transaction price is the amount of consideration to which the entity expects to be entitled to in exchange for transferring the promised goods and services to a customer, excluding amounts collected from third parties.

Step 4: Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the entity will allocate the transaction price to each performance obligation in an amount that depicts the consideration to which the entity expects to be entitled in exchange for satisfying each performance obligation.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

The Group has initially applied IFRS 15 from 1 January 2018. Information about the Group’s accounting policies relating to contracts with customers is provided in Note 21.

Rental income
Rental income from investment property is recognized on a straight line basis over the term of relevant lease. Lease incentive granted are recognized as an integral part of the total rental income over the term of the lease.\

Interest income and expense
Interest income and expense are recognized in consolidated statement of income using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability. Interest income and expense presented in the statement of comprehensive income include interest on financial assets and financial liabilities measured at amortized cost calculated on an effective interest basis.

Income from investment securities
Gains or losses on the sale of investment securities are recognized in profit or loss as the difference between fair value of the consideration received and carrying amount of the investment securities

3. Significant accounting policies (continued)

Revenue recognition (continued)

Dividend Income
Dividend income is recognised when the right to receive income is established.

Compensation from Government of Qatar
Government grants that are receivable as compensation for expenses already incurred by the Group with no future related costs are recognized in consolidated statement of income in the period in which they become receivable.

Compensation from the Government of Qatar for the sale of subsidized flour is accrued based on the terms of the subsidy agreement signed by the Group with the Government of Qatar.

Borrowing costs
Borrowing costs attributable to acquisition or construction of qualifying assets are capitalised as part of cost of the assets up to the date of asset being put to its intended use or the construction of the assets is complete. Other borrowing costs are recognised as an expense in the year in which they are incurred.

4. Operating segments

Information about reportable segments

Income / profit	**Investment and managed services**		**Trading, manufacturing distribution and services**		**Contracting, real estate and others**		**Total**	
	For the year ended 31 December		For the year ended 31 December		For the year ended 31 December		For the year ended 31 December	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
External income	-	-	835,574,762	623,792,483	329,906,103	509,769,088	1,165,480,865	1,133,561,571
Other income	5,964,282	42,515,837	13,527,441	18,802,746	40,592,766	687,963	60,084,489	62,006,546
Inter-segment income	-	-	128,948,880	127,242,983	58,849,764	131,448,578	187,798,644	258,691,561
Compensation from Government of Qatar	-	-	103,470,862	89,371,828	-	-	103,470,862	89,371,828
Total income	5,964,282	42,515,837	1,081,521,945	859,210,040	429,348,633	641,905,629	1,516,834,860	1,543,631,506
Segment profit / (loss)	(57,596,045)	(14,327,819)	161,409,761	161,075,920	109,672,540	51,555,217	213,486,256	198,303,318

Assets and liabilities	**Investment and managed services**		**Trading, manufacturing distribution and services**		**Contracting, real estate and others**		**Total**	
	For the year ended 31 December		For the year ended 31 December		For the year ended 31 December		For the year ended 31 December	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
Current assets	452,946,494	622,689,884	477,952,664	407,548,623	199,103,851	232,332,174	1,130,003,009	1,262,570,681
Non - current assets	24,185,070	48,463,594	181,736,074	144,925,848	732,303,346	786,325,583	938,224,490	979,715,025
Total assets	477,131,564	671,153,478	659,688,738	552,474,471	931,407,197	1,018,657,757	2,068,227,499	2,242,285,706
Current liabilities	183,988,174	92,479,407	170,117,036	357,817,098	84,912,353	146,079,860	439,017,563	596,376,365
Non - Current liabilities	30,052,286	9,137,926	58,124,195	57,062,731	7,421,169	59,408,819	95,597,650	125,609,476
Total liabilities	214,040,460	101,617,333	228,241,231	414,879,829	92,333,522	205,488,679	534,615,213	721,985,841

5. Property, plant and equipment

	Land	Buildings and attached rights	Plant and equipments	Furniture and fixtures	Motor vehicles	Tools	Capital work in progress	Total
Cost								
As at 1 January 2017	10,634,832	492,097,673	290,933,295	25,287,951	134,482,667	15,131,853	30,064,651	998,632,922
Additions	-	1,931,152	5,901,186	2,365,300	13,250,505	2,279,362	65,279,905	91,007,410
Disposals	-	-	(29,300)	(8,925)	(389,500)	(7,590)	-	(435,315)
Transfers	12,320,743	10,473,500	9,026,946	608,356	2,834,117	17,278	(35,280,940)	-
Write offs	-	-	-	-	-	-	(984,795)	(984,795)
As at 31 December 2017	22,955,575	504,502,325	305,832,127	28,252,682	150,177,789	17,420,903	59,078,821	1,088,220,222
Additions	-	21,541,486	41,073,603	2,675,914	8,330,068	1,626,998	5,558,022	80,806,091
Disposals	(10,634,832)	-	(1,145,271)	(1,081,333)	(9,053,513)	-	(1,850,221)	(23,765,170)
Transfers	-	30,118,774	20,537,589.	9,028	-	4,171	(50,669,562)	-
Write offs	-	-	-	-	-	-	-	-
As at 31 December 2018	12,320,743	556,162,585	366,298,048	29,856,291	149,454,344	19,052,072	12,117,060	1,145,261,143
Accumulated depreciation								
As at 1 January 2017	1,587,215	305,318,288	217,070,590	21,632,075	87,905,407	11,407,056	-	644,920,631
Charge for the year	2,211,956	23,612,837	14,442,434	1,526,218	16,413,629	1,622,698	-	59,829,772
Disposals	-	-	(17,924)	(3,920)	(367,205)	(2,096)	-	(391,145)
Transfers	-	-	-	-	-	-	-	-
As at 31 December 2017	3,799,171	328,931,125	231,495,100	23,154,373	103,951,831	13,027,658	-	704,359,258
Charge for the year	2,210,103	28,789,918	20,563,910	2,062,532	15,480,992	1,668,849	-	70,776,304
Disposals	-	-	(268,713)	(598,777)	(4,590,589)	-	-	(5,458,079)
Transfers	-	-	-	-	-	-	-	-
As at 31 December 2018	6,009,274	357,721,043	251,790,297	24,618,128	114,842,234	14,696,507	-	769,677,483
Net book value								
As at 31 December 2018	**6,311,469**	**198,441,542**	**114,507,751**	**5,238,163**	**34,612,110**	**4,355,565**	**12,117,060**	**375,583,660**
As at 31 December 2017	19,156,404	175,571,200	74,337,027	5,098,309	46,225,958	4,393,245	59,078,821	383,860,964

Depreciation is allocated as follows:

	For the year ended 31 December	
	2018	2017
Operating cost (Note 22)	62,174,540	51,270,392
General and administrative expenses (Note 24)	8,601,764	8,559,380
	70,776,304	59,829,772

6. Investment property

The movement during the year were as follows:

	Land	**Buildings**	**2018 Total**	2017 Total
Cost				
As at 1 January	454,015,300	169,941,949	623,957,249	623,957,249
Write off	-	-	-	-
As at 31 December	454,015,300	169,941,949	623,957,249	623,957,249
Accumulated depreciation				
As at 1 January	-	73,640,692	73,640,692	58,638,747
Depreciation (Note 22)	-	10,700,076	10,700,076	15,001,945
As at 31 December	-	84,340,768	84,340,768	73,640,692
Net book value				
As at 31 December 2018	454,015,300	85,601,181	539,616,481	-
As at 31 December 2017	454,015,300	96,301,257	-	550,316,557

Investment property comprises a number of residential and commercial properties that are leased to third parties. Each of the leases contains an initial non-cancellable period of one to five years, with annual rents indexed to consumer prices. Subsequent renewals are negotiated with the lessees and historically the average renewal period was one year.

The management has used the services of an independent evaluator to calculate the fair value of investment property as at 31 December 2018 amounting to QR 723 million. The valuation is based on transaction for the similar asset in the same locality.

Investment property amounting to QR 90.3 million (2017: QR 90.3 million) of the group are mortgaged against Islamic financing facility (Note 19).

7. Investment securities

Investment securities comprise of investment in shares of a listed company classified as fair value through profit and loss.

	2018	2017
Investment in equity instruments		
Quoted (Note 7(a))		
Fair value through profit and loss financial assets	1,715,499	-
Available for sale financial assets	-	19,969,752
	1,715,499	**19,969,752**

a) Investment in quoted equity instruments

The movement during the year was as follows:

	2018	2017
Balance at beginning of the year	19,969,752	23,149,948
Disposals during the year	(18,358,194)	(19,095,459)
Fair value adjustments	103,941	16,618,265
Allowance for impairment during the year (Note 25)	-	(703,002)
Balance at the end of the year	**1,715,499**	19,969,752

8. Goodwill

Impairment testing of goodwill
The Group has identified the National Food Company as cash generating unit (CGU) and has allocated the entire goodwill acquired through business combination to this CGU.

The recoverable amount of cash generating unit has been determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rate stated below. The terminal growth rate does not exceed the long-term average growth rate for the business in which the cash generating units operate. As a result of this exercise, at 31 December 2018 no impairment was identified. (2017: No impairment).

Key assumptions used in value in use calculations:

	National Food Company	
	2018	2017
Compound annual volume growth	3%	10%
Terminal growth rate	2%	2%
Discount rate	13.5%	15%

Management determined compound annual volume growth rate for cash generating unit over five-year forecast to be a key assumption. The volume of growth in each period is the main driver for revenue and costs. The compound annual volume growth rate is based on past performance and management's expectations of market developments. The discount rates used reflect specific risks relating to the relevant operating segments.

9. Due from and due to government of Qatar

a) Due from Government of Qatar

	2018	2017
Compensation due from Government of Qatar		
Balance at beginning of the year	143,602,405	136,352,871
Cash received during the year	(108,937,101)	(82,122,294)
Compensation due for the year for sale of subsidized flour	103,470,862	89,371,828
Compensation due from Government of Qatar	138,136,166	143,602,405
Loan from Government of Qatar (Note 9c)	(59,959,040)	(59,959,040)
Net due from Government of Qatar (Note 9b)	**78,177,126**	83,643,365

b) This includes net compensation receivable amounting to QR 68,368,576 (2017: QR 68,368,576) relating to the period up to 31 December 2007 and was computed based on the term of a subsidy agreement dated 25 May 1993.

c) A loan amounting to QR 40,000,000 was provided by the Government of Qatar on 5 June 1994 according to decision taken by the cabinet of ministers in the year 1991. The loan was repayable in equal semi-annual installments for 10 years commencing three years after the receipt of the loan. It carries interest at a variable rate of 2% over the Qatar Central bank lending rate. In addition, the Group is required to pay an additional 1% annual rate of interest if it fails to make payment on the due dates. The Group has not yet made any repayment of the principle or interest. However, the Group has made a provision for the interest on the loan amounting to QR 19,959,040.

9. Due from and due to government of Qatar (continued)

The interest amount has been computed on the loan balance net of the amount due from Government of Qatar on account of the compensation for subsidized flour. As the amount receivable in respect of compensation for subsidized flour has exceeded the loan balance since beginning of the year 2006, no interest has been accrued for the subsequent period.

The amount of claims under previous compensation agreement and the loan are under review by the Government of Qatar. The loan balance including the accrued interest has been netted off with the compensation due from the Government in respect of the subsidized flour.

d) Due to Government of Qatar

Due to Government of Qatar amounting to QR 47,591,581 as at 31 December 2018 (2017: QR 47,591,581) represents the compensation received from the Government of Qatar in order to maintain the strategic wheat stock as required by the Government of Qatar. Since the repayable terms and conditions have not been agreed with the Government of Qatar, the compensation is considered as long term.

10. Related party balances and transactions

The Group enters into transaction with companies, entities and individuals that fall within the definition of a related party as referred in International Accounting Standard (IAS) No. 24 Related Party Disclosures.

a) Compensation of key management personnel

	2018	2017
Key management remuneration	15,080,087	14,938,295
Post-employment benefits	755,337	883,894
	15,835,424	15,822,189

b) Due from related parties

	2018	2017
Dandy Company Limited W.L.L.	13,709,813	3,070,016
Al Jabor Real Estate Investment Company Limited	-	545,882
MFH Company	134,813	134,813
Seven Brothers Holding Company W.L.L.	213,557	147,490
	14,058,183	3,898,201

c) Due to related parties

	2018	2017
Qatar Detergent Company W.L.L	5,246,788	7,809,756
Aayan Leasing Company Qatar	1,030,116	1,036,710
	6,276,904	8,846,466

10. Related party balances and transactions (continued)

d) Transaction with related parties

	2018	2017
Sale of goods and services		
Companies under common control		
Aayan Leasing Company Qatar	194,900	145,250
Dandy Company Limited W.L.L	18,099,704	6,698,415
Seven Brothers Holding Company W.L.L	-	336,000
Purchase of goods		
Companies under common control		
Aayan Leasing Company Qatar	3,563,822	4,051,629
Qatar Detergent Company W.L.L	130,362	2,330,057
Dandy Company Limited W.L.L	731,636	3,161,067

11. Inventories

	2018	2017
Wheat stock	73,581,591	25,993,168
Raw materials	24,251,902	24,300,813
Packing materials & Empty bags	5,217,527	4,694,073
Spare parts	9,807,997	8,077,864
Others	1,508,077	1,570,306
	114,367,094	64,636,224
Provision for slow moving inventories	(1,854,423)	(2,185,293)
	112,512,671	62,450,931
Finished goods	8,123,025	7,071,197
Trading inventories	-	22,754,857
Total	**120,635,696**	92,276,985

The movement for the provision of slow moving inventories is as follows:

	2018	2017
Balance at beginning of the year	2,185,293	2,368,486
Provision for the year	495,016	624,855
Written off during the year	(825,886)	(808,048)
Balance at 31 December	**1,854,423**	2,185,293

The Group is required by the Government of Qatar to maintain certain quantities as a minimum stock to avoid any possible stock out of wheat.

12. Accounts, retention and other receivables

	2018	2017
Accounts receivable	397,335,755	433,429,136
Retention receivable – current	30,353,046	29,365,013
	427,688,801	462,794,149
Provision for doubtful receivables	(75,882,216)	(63,168,147)
	351,806,585	399,626,002
Prepayments and advances	24,742,746	21,817,953
Margin deposit	1,786,320	3,536,793
Accrued income	72,601	1,826,249
Other receivables and deposits	35,123,074	9,067,593
	61,724,741	36,248,588
Provision for other doubtful debts	(4,495,191)	(4,058,357)
	57,229,550	32,190,231
Balance as at 31 December	**409,036,135**	431,816,233

The movement for the provision of doubtful receivables is as follows:

	2018	2017
Balance at beginning of the year	63,168,147	58,847,567
Adjustments on initial application of IFRS 9 (note 2)	54,792,879	-
	117,961,026	58,847,567
Provision for the year (Note 25)	2,361,623	5,710,821
Reversal for the year (Note 25)	(44,192,794)	(1,390,241)
Written off during the year	(247,639)	-
Balance at 31 December	**75,882,216**	63,168,147

A sum of QR 223,953,654 (2017: QR 275,962,541) is receivable from thee major customers which represents 52% (2017: 60%) of total accounts and retentions receivable as at 31 December 2018.

The normal credit terms of trade and other receivables falls between 60 to 90 days.

13. Cash and bank balances

	2018	2017
Cash at banks	123,279,511	267,254,652
Cash in hand	1,479,340	1,391,942
	124,758,851	268,646,594

14. Share capital

a) The authorized share capital amounting to QR 236,997,200 as at 31 December 2018 represents 23,699,720 ordinary shares of QR 10 each as follows:

	2018	2017
Issued and fully paid share capital – listed at Qatar Exchange	143,891,750	130,810,680
Issued through share exchange transaction – unlisted	93,105,450	84,641,320
	236,997,200	215,452,000

b) Unlisted equity shares 8,464,132 having par value of QR 10 each amounting to QR 84,641,320 as at 31 December 2018 (2017: QR 84,641,320) represents the par value of shares issued for acquisition of Meeda Projects Company W.L.L. through a share swap transaction. It also includes 10% bonus equity shares 846,413 thereon having a par value of QR 10 each amounting to QR 8,464,130.

The share swap transaction was approved by Ministry of Business and Trade on 29 November 2011 to give effect of ownership change. Accordingly, the commercial registry of Meeda Projects Company W.L.L. was amended on 29 December 2011 to give effect of ownership change.

c) During the year, the Company issued bonus shares (ordinary shares) at the rate of one share for every ten shares held by the ordinary shareholders upon obtaining approval from the shareholders in the Annual General Meeting held on 28 March 2018.

15. Legal reserve

The group maintains a legal reserve in compliance with the provisions of the Qatar Commercial Companies Law No. 11 of 2017, which requires that a minimum amount of 10% of the net profit for each year is transferred to a legal reserve until the legal reserve equals to 50% of the Company's paid-up and issued share capital. No such transfer was made during the year as the reserve balance exceeds 50% of paid-up share capital. The reserve is not available for distribution except in the manner specified in the above law.

16. Capital reserve

Capital reserve amounting to QR 15,000,000 reflected in the consolidated statement of financial position as at 31 December 2018 (2017: QR 15,000,000) represents additional reserve created from prior years' profits. There has not been any movement in the reserve for the current year.

17. Fair value reserve

	2018	2017
Balance as at 1 January	5,197,879	340,677
Adjustments on initial application of IFRS 9 (note 2)	(5,197,879)	-
	-	340,677
Available-for-sale financial assets – net change in fair value (Note 7a)	-	16,618,265
Available-for-sale financial assets – reclassified to profit or loss	-	(11,761,063)
Balance as at 31 December	**-**	5,197,879

18. Dividends

At the Board Meeting held on 30 March 2019, a dividend in respect of the profit for the year ended 31 December 2018 of QR 8.5 per share is recommended. These consolidated financial statements do not reflect this dividend payable, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 31 December 2018.

The dividends declared in respect of the profit for the year ended 31 December 2017 were QR 140.04 million or QR 6.5 per share (2016: QR 96.95 million or QR 4.5 per share) and 10% bonus shares (2016:Nil)

19. Islamic financing

Islamic financing is presented in the consolidated statement of financial position as follows:

	2018	2017
Islamic financing - non current	21,555,283	51,862,779
Islamic financing - current	192,420,355	326,405,824
	213,975,638	378,268,603

Islamic financing is secured against corporate guarantee, first degree mortgage over certain investment properties (Note 6), and assignment of rental proceeds from pledged investment properties.

20. Accounts payable, retention and other payables

	2018	2017
Accounts payable	93,229,541	116,047,667
Provision for job cost	33,750,924	34,110,102
Dividend payable	31,377,836	31,109,581
Social and sports fund payable	5,337,156	9,147,942
Directors' remuneration payable	5,300,000	5,325,000
Sub-contractors payable	820,220	5,216,105
Zakat payable	14,905,656	14,849,180
Retention payable	7,526,368	4,130,572
Other payables	48,072,603	41,187,926
	240,320,304	261,124,075

21. Operating revenue

The Group derives its revenue from contracts with customers for the transfer of goods and services over time and at a point in time in the following major revenue streams. This is consistent with the revenue information that is disclosed for each reportable segment under IFRS 8 “Operating Segments” (see Note 4).

	2018	2017
Trading, manufacturing distribution and services	835,574,763	623,792,483
Contracting, real estate and others	329,906,102	509,769,088
	1,165,480,865	1,133,561,571

Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical markets, major products and service lines and timing of revenue recognition.

	2018	2017
Primary geographical markets		
Local operations	1,155,436,290	1,115,583,223
Foreign operations	10,044,575	17,978,348
	1,165,480,865	1,133,561,571

21. Operating revenue (continued)

	2018	2017
Major products and service lines		
Sale of manufactured and traded products	835,574,763	623,792,483
Contracting and other related services	93,352,862	190,318,054
Building materials and logistics	183,263,436	272,460,161
Rental income	53,289,804	46,990,873
	1,165,480,865	1,133,561,571
Timing of revenue recognition		
Products and services transferred over time	146,642,666	237,308,927
Products transferred at a point in time	1,018,838,199	896,252,644
	1,165,480,865	1,133,561,571

Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of services	**Nature, timing of satisfaction of performance obligations, significant payment terms**	**Revenue recognition under IFRS 15 (applicable from 1 January 2018)**	**Revenue recognition under IAS 11 and IAS 18 (applicable before 1 January 2018)**
Sale of manufactured and traded products	The revenue is recognised when the control of the goods is transferred to the buyer.	Revenue is recognised at point in time when the goods are delivered to the customers based on the rates agreed with the customer	Revenue was recognised when persuasive evidence exists, that the significant risks and rewards of ownership have been transferred to the buyer.
Contracting and other related services	The Group provides contracting and other related services to customers. Length of the contract depends on the customers' requirement.	Revenue is recognised over time based on the stage of completion of the projects which is determined based on the input method. The related costs are recognised in profit or loss when they are incurred.	Under IAS 11, revenue was recognised by reference to the stage of completion of the projects at the reporting date, provided that the revenue and costs could be measured reliably, the recovery of the consideration was probable and there was no continuing managerial involvement with the goods and services rendered.
Building materials and logistics	The revenue is recognised when the control of the goods is transferred to the buyer.	Revenue is recognised at point in time when the goods are delivered to the customers based on the rates agreed with the customer	Revenue was recognised when persuasive evidence exists, that the significant risks and rewards of ownership have been transferred to the buyer.

22. Operating cost

	2018	2017
Material consumed	743,819,527	679,426,920
Depreciation on property, plant and equipment (Note 5)	62,174,540	51,270,392
Depreciation on investment property (Note 6)	10,700,076	15,001,945
Other direct costs	165,159,452	163,696,248
	981,853,595	909,395,505

23. Other income

	2018	2017
Gain on disposal of investment securities	1,841,758	12,825,306
Islamic finance income	1,816,135	7,763,432
Reversal of impairment loss on commodities	-	19,802,353
Dividend income	208,444	497,403
Gain on disposal of property, plant and equipment (a)	37,442,756	24,285
Others	18,775,396	21,093,767
	60,084,489	62,006,546

(a) This includes an additional compensation in respect of a piece of land acquired by Government of Qatar from the Group in the year 2012. There is a written confirmation from the Government of Qatar for this compensation payable, and hence the Group management is confident of receiving this amount, even though the settlement is delayed so far.

24. General and administrative expenses

	2018	2017
Staff salaries and benefits	63,712,069	55,589,730
Sales rebates	16,497,322	18,822,434
Directors' remuneration	9,175,000	9,105,000
Depreciation on property, plant and equipment (Note 5)	8,601,764	8,559,380
Rent	6,200,714	5,973,114
Packing and freight charges	6,160,650	3,989,401
Sales commission	4,606,787	3,560,973
Insurance expenses	2,795,059	2,838,286
Traveling and transportation	2,976,773	2,847,165
Marketing expenses	2,721,598	2,521,080
Miscellaneous	24,826,350	33,583,012
	148,274,086	147,389,575

25. Net impairment reversal / (loss) on financial assets

	2018	2017
Provision for doubtful receivables (Note 12)	(2,361,623)	(5,710,821)
Reversal of provision for doubtful receivables (Note 12 & (a))	44,192,794	1,390,241
Impairment loss on available-for-sale securities (Note 7a)	-	(703,002)
	41,831,171	(5,023,582)

(a) During 2012, the legal case was filed by the Group against one of the customers for the recoverability of the outstanding trade receivables and the Group management had set up a provision against these receivables. The case was decided in the favour of Group by the Court of first stance in 2016, however, the counterparty filed an appeal against the enforcement of the decision of the Court. Based on the recent developments and independent legal opinion by the Group management, the provisions set up against these receivables were fully reversed during the year.

26. Earnings per share

a) Basic earnings per share

	2018	2017
Profit attributable to ordinary shareholders of the company	213,486,256	198,303,318
Weighted average number of ordinary shares outstanding	23,699,720	23,699,720
Basic earnings per share (QR)	9.01	8.37

The weighted average number of ordinary shares have been calculated as follows:

	2018	2017
Qualifying ordinary shares at the beginning of the period	21,545,200	21,545,200
Effect of bonus share issue	2,154,520	2,154,520
Weighted average number of ordinary shares for the period	**23,699,720**	23,699,720

b) Diluted earnings per share

There were no potentially dilutive instruments outstanding at any time during the year. Therefore, the diluted earnings per share are equal to the basic earnings per share.

27. Contingent liabilities and capital commitments

As at year end the Group has contingent liability and capital commitments amounting to QR 243 million (2017: QR 291 million).

28. Financial risk management

Objective and policies
The Group's principal financial liabilities comprise Islamic financing, accounts, retentions and other payables. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as accounts receivables and bank balances which arise directly from its operations.

The main risks arising from the Group's financial instruments are market risk, credit risk and liquidity risk. The management reviews and agrees policies for managing each of these risks which are summarized below.

Market risk
Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Group's profit, or value of its holding of financial instruments. The objective of market risk management is to manage and control the market risk exposure within acceptable parameters, while optimizing return.

Currency risk
Currency risk is the risk that the value of a financial instrument will fluctuate due to a change in foreign exchange rates. The Group is exposed to foreign currency risk on its imports. However, the outstanding payments are designated in US Dollar. As the Qatari Riyals is pegged to the US Dollar, balances in US Dollar are not considered to represent a significant currency risk.

Interest rate risk
Interest rate risk is the risk that the Group's earnings will be affected as a result of fluctuations in the value of financial instruments due to changes in market interest rates. The Group's exposure to interest rate risk is limited to the variable interest bearing borrowings.

At the reporting date, reasonably possible changes of 100 basis points in interest rates would have increased / (decreased) equity and profit or loss by the amounts showing below:

	2018	2017
Islamic financing	+ / (-) 2,139,756	+ / (-) 3,782,685

28. Financial risk management (continued)

Market risk (continued)

Equity price risk
Equity price risk represents the sensitivity of the effect of cumulative changes in fair value recognized in equity of the Group to reasonably possible changes in quoted equity share prices, with all other variables held constant. A 5% change in equity price of investment securites will effect equity by QR 85,755 (2017: QR 998,488).

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's exposure to credit risk is as indicated by the carrying amount of its assets which consist principally of accounts, retentions and other receivable, due from related parties and bank balances (except due from Government of Qatar).

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

	2018	2017
Bank balances	123,279,511	267,254,652
Accounts, retention and other receivables	464,598,195	475,398,535
Retention and other receivables	1,604,080	5,862,982
Due from related parties	14,058,183	3,898,201
	603,539,969	752,414,370

A sum of QR 223,953,654 (2017: QR 275,962,541) is receivable from three major customers which represents 52% (2017: 60%) of total accounts and retentions receivable as at 31 December 2018. This significant concentration risk has been managed through enhanced monitoring and periodic tracking. The Group has a rigorous policy of credit screening prior to providing services on credit.

The Group reduces the exposure of credit risk arising from other financial assets by maintaining bank accounts with reputable and creditworthy banks and providing services only to the creditworthy counter parties.

The Group uses an allowance matrix to measure the ECLs of accounts, retention and other receivables from non-government customers, which comprise a very large number of balances.

Loss rates are calculated using a 'net flow rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Net flow rates are calculated separately for exposures in different segments based on the following common credit risk characteristics – Government and non-government.

The following table provides information about the exposure to credit risk and ECLs for accounts, retention and other receivables from non-governmental customers as at 31 December 2018.

	Weighted average loss rate	**Gross carrying amount**	**Loss allowance**	**Credit impaired**
0-90 days	4.38%	82,333,222	3,604,142	No
91–180 days past due	16.73%	12,254,606	2,050,672	No
181–270 days past due	55.55%	1,348,890	749,338	No
271–360 days past due	77.93%	2,889,160	2,251,404	No
At 31 December		**98,825,878**	8,655,556	

28. Financial risk management (continued)

Credit risk (continued)

Loss rates are based on actual credit loss experience over the three years. These rates are multiplied by forward looking factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Forward looking factors are based on actual and forecast macro-economic factors (primarily GDP) and is considered to be positive.

Past due are those amounts for which either the contractual or the "normal" payment date has passed.

Management believes that the unimpaired amounts that are past due are still collectible in full, based on historical payment behaviour and extensive analysis of customer credit base.

Accounts, retention and other receivables do not bear interest.

The Group does not require collateral as security in respect of its accounts, retention and other receivables.

Cash at banks

The Group's cash at banks is held with banks that are independently rated by credit rating agencies as follows:

	2018	2017
Credit ratings (by Moody's)		
A1	11,827,610	146,854,091
A2	85,048,639	10,163,057
Aa3	429	440
Ba1	6,666,052	21,161,337
baa1	-	810
baa2	19,736,781	89,074,917
At 31 December	**123,279,511**	267,254,652

Therefore, the Group's bank deposits are held with credit worthy and reputable banks with high credit ratings. As a result, management believes that credit risk in respect of these balances is minimal.

Due from Related Party

Management believes that there is no significant credit risk in its receivables from the related parties because these counterparties are under the control of the Group's shareholders, who are financially healthy and accordingly no expected credit loss has been recognised.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet financial 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 reputation and is to maintain a balance between continuity of funding and flexibility through the use of bank loans.

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December based on contractual undiscounted payments.

31 December 2018	**Carrying Amount**	**Contractual cash flows**	**1-12 months**	**1-5 years**	**More than 5 years**
Accounts payable, retention and other payables	158,496,777	(158,496,777)	158,496,777	-	-
Islamic financing	213,975,638	(213,975,638)	192,420,355	21,555,283	-
Due to related parties	6,276,904	(6,276,904)	6,276,904	-	-
Due to Government of Qatar	47,591,581	(47,591,581)	-	-	47,591,581
	426,340,900	**(426,340,900)**	**357,194,036**	**21,555,283**	**47,591,581**

28. Financial risk management (continued)

31 December 2017	Carrying Amount	Contractual cash flows	1-12 months	1-5 years	More than 5 years
Accounts payable, retention and other payables	185,826,047	(185,826,047)	185,826,047	-	-
Islamic financing	378,268,603	(378,268,603)	326,405,824	51,862,779	-
Due to related parties	8,846,466	(8,846,466)	8,846,466	-	-
Due to Government of Qatar	47,591,581	(47,591,581)	-	-	47,591,581
	620,532,697	(620,532,697)	521,078,337	51,862,779	47,591,581

Capital management
The management's policy is to maintain a strong capital base so as to maintain investor, creditor and to sustain future development of the business. The management monitors the capital, which the Group defines as total shareholders' equity excluding cumulative changes in fair value reserve and is measured at QR 1,533,612,286 on 31 December 2018 (2017: QR 1,515,101,986).

The Group manages its capital structure and makes adjustments to it, in light of changes in business conditions. To maintain or adjust the capital structure, the Branch may adjust the dividend payment to shareholders, or increase capital. No changes were made in the objectives, policies or process during the years 2018 and 2017.

The Company monitors capital using a gearing ratio, which is debt divided by capital plus debt. The Group's policy is to keep the gearing ratio less than 40%. The Group includes within debt, interest bearing loans and borrowings less cash and cash equivalents. Capital includes shareholders equity less any net unrealised fair value gains.

29. Fair value of financial instruments

The Group measures fair values using the following hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are based on unobservable market data.

All the quoted investments are classified under Level 1 in the fair value hierarchy into which the fair value measurements are categorized.

During the year ended 31 December 2018, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The fair value of the financial assets and liabilities carried at amortised cost approximates their carrying amount, hence not included in the above fair value hierarchy.

30. Comparative figures

Certain comparative figures have been reclassified to conform to the presentation in the current year’s financial statements. However, such reclassification does not have any effect on the net income, net assets and equity of the previous year.