

Zad Holding Company Q.P.S.C.
Consolidated Financial Statements
31 December 2019

Contents	Page(s)
Independent auditor's report	1-7
Financial Statements	
Consolidated statement of financial position	8-9
Consolidated income statement	10
Consolidated statement of profit or loss and other comprehensive income	11
Consolidated statement of changes in equity	12
Consolidated statement of cash flows	13-14
Notes to the consolidated financial statements	15-48



INDEPENDENT AUDITOR'S REPORT

MME/RP/AU/2003004

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 2019, 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 2019, 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 note 10(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 10(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. Referring to the current status as described in Note 14, 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.

Other matter

The financial statements of the Group as of 31 December 2018 were audited by another auditor whose report Dated 30 March 2019 expressed a qualified opinion on those financial statements.





INDEPENDENT AUDITOR'S REPORT (Continued)

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
<p><u>Depreciation and impairment of investment properties</u> - Refer notes 3 and 7 in the consolidated financial statements</p> <p>We focused on this area because:</p> <ul style="list-style-type: none"> Investment properties with a carrying value of QR 535,894,689 represent 25% of the Group's total assets as at 31 December 2019, and form a material portion of the consolidated statement of financial position. The Group makes judgments over estimation of the useful life of investment properties and assessment of indicators of impairment. 	<p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"> 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 capitalized 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.
<p><u>Compensation from Government of State of Qatar for sale of subsidized flour</u> - Refer note 10(a) in the consolidated financial statements</p> <p>We focused on this area because:</p> <ul style="list-style-type: none"> For the year ended 31 December 2019, compensation from Government of State of Qatar amounted to QR 108,042,890 which is a material amount for the purposes of our audit. 	<p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"> 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.





INDEPENDENT AUDITOR'S REPORT (Continued)

Key audit matters (continued)

Description of the key audit matter	How the matter was addressed in our audit
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Challenging the Group in respect of the reasonableness of estimates made regarding the compensation. Evaluating 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
<p><u>Impairment assessment of goodwill</u> - Refer notes 2, 3 and 9 in the consolidated financial statements</p> <p>We focused on this area because:</p> <ul style="list-style-type: none"> As at 31 December 2019, 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. 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. 	<p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"> Testing of the Group's budgeting procedures upon which the forecasts are based. Involving our own valuation specialists to assist us in: <ul style="list-style-type: none"> evaluating the appropriateness of the methodology used by the Group to assess impairment of goodwill; 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.





INDEPENDENT AUDITOR'S REPORT (Continued)

Key audit matters (continued)

Description of the key audit matter	<i>How the matter was addressed in our audit</i>
<p><u>IFRS 9 "Financial Instruments"</u> - Refer notes and in the consolidated financial statements</p> <p>We focused on this area because IFRS 9 "Financial Instruments" requires complex accounting treatments, including use of significant estimates and judgments.</p>	<p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"> • Evaluating the appropriateness of the selection of accounting policies. • 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 judgement and estimates made in preparing the transition adjustments, specifically relating to the adjustment for the forward looking factor.
Description of the key audit matter	<i>How the matter was addressed in our audit</i>
<p><u>Transition to IFRS 16 Leases</u> - Refer notes 2, 3 and 6 in the consolidated financial statements</p> <p>The Group implemented IFRS 16 Leases,</p> <p>The impact of IFRS 16 as at 1-Jan-2019 is disclosed in note 2 to the financial statements. A number of judgments have been applied and estimates made in determining the impact of the standard.</p> <p>In order to compute the transition impact of IFRS 16, a significant data extraction exercise was undertaken by management to summarize all property and equipment lease data such that the respective inputs could be uploaded into management's model. The incremental borrowing rate ("IBR") method has been adopted where the implicit rate of interest in a lease is not readily determinable.</p>	<p>In responding to the identified key audit matter, we completed the following audit procedures:</p> <ul style="list-style-type: none"> • Assessed the design and implementation of key controls pertaining to the determination of the IFRS 16 transition impact disclosures • Assessed the appropriateness of the discount rates applied in determining lease liabilities with input from our valuation specialists • Verified the accuracy of the underlying lease data by agreeing a representative sample of leases to original contract or other supporting information, and checked the integrity and mechanical accuracy of the IFRS 16 calculations for each lease sampled through recalculation of the expected IFRS 16 adjustment.





INDEPENDENT AUDITOR'S REPORT (Continued)

Key audit matters (continued)

Description of the key audit matter	How the matter was addressed in our audit
<p>Our key audit matter was focused on the following areas of risk:</p> <ul style="list-style-type: none"> Leasing arrangements within the scope of IFRS 16 are not identified or appropriately included in the calculation of the transitional impact; Specific assumptions applied to determine the discount rates for each lease are inappropriate; The underlying lease data used to calculate the transitional impact is incomplete and/or inaccurate, the mechanical accuracy of lease calculations is flawed and the disclosures in the financial statements are insufficient, precluding investors from obtaining a clear understanding as to the transitional impact of the change in accounting standard. 	

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.

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.





INDEPENDENT AUDITOR'S REPORT (Continued)

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.

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.





INDEPENDENT AUDITOR’S REPORT (Continued)

Auditor’s responsibilities for the audit of the consolidated financial statements (Continued)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with 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 2019.



Kuriachan V Kuriakose
 Morison and Kuriachan Kuriakose Chartered Accountants
 (Formerly known as Morison Menon Chartered Accountants and Partners)
 Qatar Auditors Registry Number : 254
 Licensed by QFMA: External Auditor’s License No. 120178

11 March 2020
 Doha
 State of Qatar



**Consolidated statement of financial position
As at 31 December 2019**

In Qatari Riyals

	Note	2019	2018
Assets			
Non-current assets			
Property, plant and equipment	5	303,011,738	336,857,738
Right of use assets	6	47,669,468	38,725,922
Investment property	7	535,894,689	539,616,481
Investment securities	8	1,523,256	1,715,499
Retention and other receivables		11,915,042	1,604,080
Goodwill	9	19,704,770	19,704,770
Total non-current assets		<u>919,718,963</u>	<u>938,224,490</u>
Current assets			
Due from Government of Qatar	10(a)	78,840,635	78,177,126
Due from related parties	11(b)	16,554,914	14,058,183
Inventories	13	121,477,744	120,635,696
Accounts, retention and other receivables	14	375,716,561	409,036,135
Investment in commodities		543,876,259	383,337,018
Cash and bank balances	15	85,890,476	124,758,851
Total current assets		<u>1,222,356,589</u>	<u>1,130,003,009</u>
Total assets		<u>2,142,075,552</u>	<u>2,068,227,499</u>

Continued...

The Group has initially applied IFRS 16 at 1 January 2019. Under modified retrospective approach being transition the method chosen, comparative information is not restated. See Note 2.

The attached notes 01 to 37 form an integral part of these consolidated financial statements.



Zad Holding Company Q.P.S.C.

Consolidated statement of financial position
As at 31 December 2019

In Qatari Riyals

	Note	2019	2018
Equity and liabilities			
Equity			
Share capital	16	236,997,200	236,997,200
Legal reserve	17	563,120,753	563,120,753
Capital reserve	18	15,000,000	15,000,000
Retained earnings		722,920,086	718,494,333
Total equity		<u>1,538,038,039</u>	<u>1,533,612,286</u>
Non - current liabilities			
Other non-current liabilities		30,290,921	26,450,786
Lease liability	6	8,412,497	-
Due to Government of Qatar	10(d)	47,591,581	47,591,581
Islamic financing - non current	21	-	21,555,283
Total non-current liabilities		<u>86,294,999</u>	<u>95,597,650</u>
Current liabilities			
Accounts payable, retention and other payables	22	224,737,153	240,320,304
Lease liability	6	2,947,207	-
Due to related parties	11(c)	4,846,449	6,276,904
Islamic financing - current	21	285,211,705	192,420,355
Total current liabilities		<u>517,742,514</u>	<u>439,017,563</u>
Total liabilities		<u>604,037,513</u>	<u>534,615,213</u>
Total equity and liabilities		<u>2,142,075,552</u>	<u>2,068,227,499</u>

These consolidated financial statements were approved by the Board of Directors and were signed on its behalf by the following on 11 March 2020.

Talal Mohammed J M Al-Thani
Vice Chairman

Mansoor Mohamed J M Al-Thani
Board Member

The Group has initially applied IFRS 16 at 1 January 2019. Under modified retrospective approach being transition the method chosen, comparative information is not restated. See Note 2.

The attached notes 01 to 37 form an integral part of these consolidated financial statements.

Zad Holding Company Q.P.S.C.

Consolidated statement of income
For the year ended 31 December 2019

In Qatari Riyals

	Note	2019	2018
Operating revenue	23	1,274,721,059	1,165,480,865
Compensation from Government of Qatar for sale of subsidized flour	10(a)	108,042,890	103,470,862
Total revenue		<u>1,382,763,949</u>	<u>1,268,951,727</u>
Operating cost	24	<u>(1,075,476,899)</u>	<u>(981,853,595)</u>
Gross profit		<u>307,287,050</u>	<u>287,098,132</u>
Other income	25	63,333,038	60,084,489
General and administrative expenses	26	(84,961,982)	(84,736,076)
Selling and Distribution expenses	27	(67,138,678)	(63,538,010)
Net impairment reversal / (loss) on financial assets	29	16,791,629	41,831,171
Finance costs		(8,663,216)	(12,347,794)
Tax Expense	30	(268,574)	-
Zakat contribution		(15,227,090)	(14,905,656)
Profit		<u>211,152,177</u>	<u>213,486,256</u>
Earnings per share			
Basic earnings per share (QR) (2018 Adjusted)	31	<u>0.89</u>	<u>0.90</u>

The Group has initially applied IFRS 16 at 1 January 2019. Under modified retrospective approach being transition the method chosen, comparative information is not restated. See Note 2.

The attached notes 01 to 37 form an integral part of these consolidated financial statements.



Zad Holding Company Q.P.S.C.

Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2019

In Qatari Riyals

	Note	2019	2018
Profit		211,152,177	213,486,256
Other comprehensive income			
Total other comprehensive income		-	-
Total comprehensive income		<u>211,152,177</u>	<u>213,486,256</u>

The Group has initially applied IFRS 16 at 1 January 2019. Under modified retrospective approach being chosen, comparative information is not restated. See Note 2.

The attached notes 01 to 37 form an integral part of these consolidated financial statements.



Zad Holding Company Q.P.S.C.

In Qatari Riyals

Consolidated statement of changes in equity
For the year ended 31 December 2019

	Share capital	Legal reserve	Capital reserve	Fair value reserve	Retained earnings	Total equity
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
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
Balance at 1 January 2019	236,997,200	563,120,753	15,000,000	-	718,494,333	1,533,612,286
<i>Total comprehensive income</i>	-	-	-	-	211,152,177	211,152,177
Profit	-	-	-	-	211,152,177	211,152,177
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	211,152,177	211,152,177
Contribution to social and sports fund (i)	-	-	-	-	(5,278,804)	(5,278,804)
Dividends (Note 18)	-	-	-	-	(201,447,620)	(201,447,620)
Balance at 31 December 2019	236,997,200	563,120,753	15,000,000	-	722,920,086	1,538,038,039

(i) Pursuant to Law No. 13 of 2008, the Group made an appropriation of QR 5,278,804 (2018: QR 5,337,156) 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 2019.



The Group has initially applied IFRS 16 at 1 January 2019. Under modified retrospective approach being transition the methods chosen, comparative information is not restated. See Note 2.

The attached notes 01 to 37 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 2019**

In Qatari Riyals

	Note	2019	2018
Cash flows from operating activities			
Profit		211,152,177	213,486,256
<i>Adjustments for:</i>			
Provision for slow moving inventories	13	183,697	495,016
Provision for doubtful receivables	14	366,866	2,361,623
Profit on disposal of precious commodities		(20,475,283)	(2,002,903)
Depreciation on property, plant and equipment	5	60,030,492	70,776,304
Depreciation on Right To Use Assets		5,422,985	-
Depreciation on investment property	7	3,721,792	10,700,076
Gain on disposal of property, plant and equipment	25	-	(37,442,756)
Finance costs		8,663,216	12,347,794
Tax provision	30	268,574	-
Employees' end of service benefits		5,846,193	5,742,392
Capital work in progress written off	5	1,581,008	-
Zakat Contribution		15,227,090	14,905,656
Reversal of provision for doubtful receivables	25	(22,635,798)	(44,192,794)
Dividend income	20	(682,979)	(208,444)
Islamic finance income	21	(603,243)	(1,816,135)
Gain on disposal of investment securities	25	5,285,062	(1,841,758)
		<hr/>	<hr/>
		273,351,849	243,310,327
<i>Change in:</i>			
Inventories		(1,025,745)	(28,853,727)
Contract work in progress		-	400,628
Due from and due to Government of Qatar (net)		(663,509)	5,466,239
Accounts, retentions and other receivables		50,777,542	12,323,644
Due from and to related parties (net)		(3,927,186)	(12,729,544)
Accounts payable, retention and other payables		(27,106,792)	(26,906,244)
Cash generated from operating activities		<hr/>	<hr/>
		291,406,159	193,011,323
Employees' end of service benefits paid		(2,126,439)	(5,459,752)
Zakat paid		(13,600,000)	(14,849,180)
Finance costs paid		(6,384,417)	(11,998,118)
Net cash from operating activities		<u>269,295,303</u>	<u>160,704,273</u>

Continued...

The Group has initially applied IFRS 16 at 1 January 2019. Under the modified retrospective approach being transition the methods chosen, comparative information is not restated. See Note 2.

The attached notes 01 to 37 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 2019**

In Qatari Riyals

	Note	2019	2018
Cash flows from investing activities			
Acquisition of property, plant and equipment	5	(31,151,336)	(80,806,091)
Proceeds from disposal of property, plant and equipment		3,385,837	55,749,847
Proceeds from disposal of investment securities		23,168,790	20,199,952
Acquisition of AFS Shares		(28,453,852)	-
Dividend income received	25	682,979	208,444
Net Proceeds on purchase of commodities		(140,063,958)	554,559
Islamic finance income received		659,011	3,569,783
Net cash used in investing activities		<u>(171,772,529)</u>	<u>(523,506)</u>
Cash flows from financing activities			
Net movement in Islamic financing		71,236,067	(164,292,965)
Lease liability paid		(3,491,724)	-
Repayment of loan		(5,500,000)	-
Dividends paid		(198,635,492)	(139,775,545)
Net cash used in financing activities		<u>(136,391,149)</u>	<u>(304,068,510)</u>
Net decrease in cash and cash equivalents		(38,868,375)	(143,887,743)
Cash and cash equivalents at beginning of the year		124,758,851	268,646,594
Cash and cash equivalents at end of the year	15	<u>85,890,476</u>	<u>124,758,851</u>

The Group has initially applied IFRS 16 at 1 January 2019. Under the modified retrospective approach being transition the methods chosen, comparative information is not restated. See Note 2.

The attached notes 01 to 37 form an integral part of these consolidated financial statements.



**Notes to the consolidated financial statements
For the year ended 31 December 2019**

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. 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 11 March 2020.

The subsidiaries of the Group are as follows,

Name of subsidiary	Country of incorporation	Principal activities	Group effective shareholding %	
			31 December 2019	31 December 2018
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 and allied products.	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 16 "Leases" is 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

The '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. It is expected that under the new impairment model credit losses will be recognized earlier.

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.

Fair value of investment property

The fair value of investment property is determined by valuations from an external professional real estate valuer using recognized 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 7.

Inventories

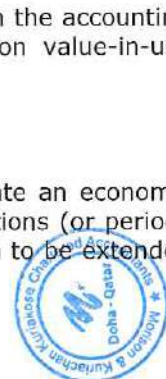
Management determines the net realizable value of inventories to assess any diminution in the respective carrying values. Any change in the estimates in future years might affect the carrying amounts of inventories with a corresponding effect on the amortization charge and impairment. Net realizable 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 9).

Lease period

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option: or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).



3. Basis of preparation (continued)

Use of estimates and judgements

Lease period (continued)

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was an increase in recognized lease liabilities and right-of-use assets.

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 2019:

Amendments to IAS 19	Plan Amendment, Curtailment or Settlement - 1 January 2019
Amendments to IAS 28	: Long-term Interests in Joint Ventures and Associates - 1 January 2019
Amendments to IFRS 9	: Prepayment Features with Negative Compensation - 1 January 2019
Amendments to IFRS 3	: Business Combinations: Annual Improvements to IFRS 2015 - 2017 cycle- 1 January 2019
Amendments to IFRS 11	: Joint Arrangements: Annual Improvements to IFRS 2015 - 2017 cycle- 1 January 2019
Amendments to IAS 12	: Income Taxes: Annual Improvements to IFRS 2015 - 2017 cycle- 1 January 2019
Uncertainty over Income Tax Treatments	: Uncertainty over Income Tax Treatments
IFRS 16	: Leases - 1 January 2019

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 16 "Leases 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 16 Leases

In the current year, the Group has adopted IFRS 16 Leases (as issued by the IASB in January 2016) with the date of initial application being January 1, 2019. IFRS 16 replaces 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.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in the accounting policy for leases. The impact of the adoption of IFRS 16 on the Group's financial statements is described below.

2. Basis of preparation (continued)

IFRS 16 Leases (continued)

The Group has applied the practical expedient available in IFRS 16 which provides that for contracts which exist at the initial application date, an entity is not required to reassess whether they contain a lease. This means that the practical expedient allows an entity to apply IFRS 16 to contracts identified by IAS 17 and IFRIC 4 as containing leases; and to not apply IFRS 16 to contracts that were not previously identified by IAS 17 and IFRIC 4 as containing leases.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of lease under IFRS 16 was applied only to contracts entered into or changed on or after 01 January 2019.

Leases where company is lessee

Leases previously classified as operating leases:

The company undertook the following at the date of initial application for leases which were previously recognised as operating leases:

- recognised a lease liability, measured at the present value of the remaining lease payments, discounted at the company's incremental borrowing rate at the date of initial application.
- recognised right-of-use assets measured on a lease by lease basis, at either the carrying amount (as if IFRS 16 applied from commencement date but discounted at the incremental borrowing rate at the date of initial application) or at an amount equal to the lease liability adjusted for accruals or prepayments relating to that lease prior to the date of initial application.

The company applied IAS 36 to consider if these right-of-use assets are impaired as at the date of initial application.

As an exception to the above, no adjustments were made on initial application of IFRS 16 for leases previously classified as operating leases:

- for which the underlying asset is of low value. From the date of initial application, these leases are accounted for in accordance with paragraph 6 of IFRS 16 by recognizing the lease payments on a straight-line basis or another systematic basis which is more representative of the pattern of benefits consumed;

The company applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases in terms of IAS 17. Where necessary, they have been applied on a lease by lease basis:

- when a portfolio of leases contained reasonably similar characteristics, the company applied a single discount rate to that portfolio.
- leases which were expiring within 12 months of January 1, 2019 were treated as short term leases, with remaining lease payments recognised as an expense on a straight-line basis or another systematic basis which is more representative of the pattern of benefits consumed.
- initial direct costs were excluded from the measurement of right-of-use assets at the date of initial application.
- hindsight was applied where appropriate. This was specifically the case for determining the lease term for leases which contained extension or termination options.

Impact on financial statements

On transition to IFRS 16, the Group recognised an additional Qatari Riyals- of 14,366,532 right-of-use assets and Qatari Riyals- of 14,366,532 lease liabilities. When measuring lease liabilities, company discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted average rate applied is 4%.

Notes to the consolidated financial statements
For the year ended 31 December 2019

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 2019 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 2020	<ul style="list-style-type: none"> • Amendments to IFRS 3- Definition of a business • Presentation of financial statements- Disclosure initiatives • Accounting policies, changes in accounting estimates and errors- Disclosure initiatives
Effective for year beginning 1 January 2021	<ul style="list-style-type: none"> • IFRS 17 "Insurance Contracts"
Effective date deferred indefinitely / available for optional adoption	<ul style="list-style-type: none"> • 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.

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.



3. Significant accounting policies (continued)

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 derecognized 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 recognized 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 recognized 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

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

Intangible asset

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Amortisation is provided to write down the intangible assets, on a straight line basis over 2.5 years.

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.



3. Significant accounting policies (continued)

Investment property (continued)

Investment property is derecognized 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 recognized 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 recognized 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 recognizes trade and other receivables on the date that they are originated. All other financial assets are recognized 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 realize 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.

Classification and subsequent measurement of financial assets – policy applicable from 1 January 2019

On initial recognition, a financial asset is classified at *amortized 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.

3. Significant accounting policies (continued)

Financial instruments (continued)

Non-derivative financial assets (continued)

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

On initial recognition, the Group may irreversibly 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.

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.

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 2019 (continued)

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.

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 assets (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 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

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

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.

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

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)

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.

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 – Accounting policy followed up till 1-January-2019

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.

Group as a lessee – Accounting policy followed after 1-January-2019

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the Group is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense (note) on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated to each lease component- on the basis of the relative stand-alone prices of the lease components and the aggregate stand-alone price of the non-lease components (where non-lease components exist).

3. Significant accounting policies (continued)

However as an exception to the preceding paragraph, the Group has elected not to separate the non-lease components for leases of land and buildings.

Details of leasing arrangements where the Group is a lessee are presented in note Leases (Group as lessee).

Group as a lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. Lease classification is made at inception and is only reassessed if there is a lease modification.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described previously, then it classifies the sub-lease as an operating lease. The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated by applying IFRS 15.

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.

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 Group 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.



3. Significant accounting policies (continued)

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.

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 Group'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.



4. Significant accounting policies (continued)

Income tax

Deferred tax asset and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Tax expense

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

Revenue recognition

Revenue from Contracts with Customers

"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.

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.

3. Significant accounting policies (continued)

Revenue recognition (continued)

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

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		
	2019	2018	2019	2018	2019	2018	
External income	-	-	985,418,698	835,574,762	289,302,361	329,906,103	1,274,721,059
Other income	23,399,017	5,964,282	20,588,078	13,527,441	19,345,943	40,592,766	63,333,038
Inter-segment income	-	-	149,870,566	128,948,880	91,705,660	58,849,764	241,576,226
Compensation from Government of Qatar	-	-	108,042,890	103,470,862	-	-	108,042,890
Total income	23,399,017	5,964,282	1,263,920,232	1,081,521,945	400,353,964	429,348,633	1,687,673,213
Segment profit / (loss)	(40,800,077)	(57,596,045)	172,747,483	161,409,761	79,204,770	109,672,540	211,152,177

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		
	2019	2018	2019	2018	2019	2018	
Current assets	593,374,244	452,946,494	494,665,136	477,952,664	134,317,209	199,103,851	1,222,356,589
Non - current assets	31,033,316	24,185,070	174,098,516	181,736,074	714,587,131	732,303,346	919,718,963
Total assets	624,407,560	477,131,564	668,763,652	659,688,738	848,904,340	931,407,197	2,142,075,552
Current liabilities	358,841,177	183,988,174	118,344,806	170,117,036	40,320,458	84,912,353	517,506,441
Non - Current liabilities	15,272,925	30,052,286	63,171,644	58,124,195	8,086,503	7,421,169	86,531,072
Total liabilities	374,114,102	214,040,460	181,516,450	228,241,231	48,406,961	92,333,522	604,037,513

5. Property, plant and equipment	Buildings and attached rights							Total
	As at 1 January 2018	Additions	Disposals	Transfers	As at 31 December 2018	Disposals	Transfers	
Cost	476,386,757	21,541,486	(10,634,832)	30,118,774	517,412,185	3,189,865	-	1,037,149,079
As at 1 January 2018	305,832,127	41,073,603	(1,145,271)	20,537,589	366,298,048	9,623,979	-	1,037,149,079
Additions	28,252,682	2,675,914	(1,081,333)	9,028	29,856,291	2,666,795	3,465	80,806,091
Disposals	(1,081,333)	(1,081,333)	(1,081,333)	(9,028)	(4,274,010)	(4,274,010)	-	(23,765,170)
Transfers	4,171	-	-	4,171	4,171	-	-	-
As at 31 December 2018	150,177,789	8,330,068	(9,053,513)	-	149,454,344	12,040,008	3,465	1,094,190,000
Additions	17,420,903	1,626,998	-	-	19,052,072	3,045,433	-	31,151,336
Disposals	(1,850,221)	-	-	-	(1,855,818)	(1,855,818)	-	(47,140,635)
Transfers	59,078,821	5,558,022	(1,850,221)	4,171	61,880,793	561,058	1,841,729	-
Write offs	(50,669,562)	-	-	-	(50,669,562)	-	-	(1,581,008)
As at 31 December 2019	131,298,785	131,298,785	19,221,737	1,845,194	6,942,668	1,076,619,693	1,845,194	1,076,619,693

Accumulated depreciation	Tools							Total
	As at 1 January 2018	Charge for the year	Disposals	As at 31 December 2018	Charge for the year (Note 28)	Disposals	As at 31 December 2019	
As at 1 January 2018	103,951,831	13,027,658	-	114,842,234	14,696,507	-	-	694,223,883
Charge for the year	15,480,992	1,668,849	-	16,149,841	1,668,849	-	-	68,566,457
Disposals	(4,590,589)	-	-	(4,590,589)	-	-	-	(5,458,079)
As at 31 December 2018	12,640,001	2,928,293	-	14,842,234	14,696,507	-	-	757,332,261
Charge for the year (Note 28)	736,705	736,705	-	736,705	736,705	-	-	60,030,492
Disposals	(3,414,001)	-	-	(3,414,001)	-	-	-	(43,754,798)
As at 31 December 2019	98,311,499	14,210,799	736,705	114,842,234	14,696,507	736,705	736,705	773,607,955

Net book value	Furniture and fixtures							Total
	As at 31 December 2019	As at 31 December 2018	As at 31 December 2019	As at 31 December 2018	As at 31 December 2019	As at 31 December 2018	As at 31 December 2019	
As at 31 December 2019	6,153,882	6,153,882	5,010,938	1,108,489	6,942,668	303,011,738	303,011,738	
As at 31 December 2018	5,238,163	5,238,163	4,355,565	-	12,117,060	336,857,739	336,857,739	

6. Leases

Details pertaining to leasing arrangements, where the Group is lessee are presented below:

Net carrying amounts of right-of-use assets

	2019	2018
The carrying amounts of right-of-use assets are		
Land	39,808,543	38,725,922
Vehicles	7,713,809	-
Buildings	147,116	-
	<u>47,669,468</u>	<u>38,725,922</u>

	2019	2018
Additions to right-of-use assets		
Land	3,581,981	-
Vehicles	10,490,320	-
Buildings	294,231	-
	<u>14,366,532</u>	<u>-</u>

Depreciation recognised on right-of-use assets

Depreciation recognised on each class of right-of-use assets, is presented below. It includes depreciation which has been expensed in the total depreciation charge in profit or loss (note 5).

	2019	2018
Land	2,499,359	2,209,847
Vehicles	2,776,511	-
Buildings	147,115	-
Total (Note 28)	<u>5,422,985</u>	<u>2,209,847</u>

	2019	2018
<i>The maturity analysis of lease liabilities is as follows</i>		
Within one year	3,400,824	-
Two to five years	6,932,721	-
More than five years	3,007,193	-
	13,340,744	-
Less finance charges component	(1,981,034)	-
	<u>11,359,704</u>	<u>-</u>

Present value of minimum lease payments due

	2019	2018
Within one year	2,947,207	-
Two to five years	6,074,716	-
More than five years	2,337,781	-
	<u>11,359,704</u>	<u>-</u>

	2019	2018
Non-Current liabilities	8,412,497	-
Current liabilities	2,947,207	-
	<u>11,359,704</u>	<u>-</u>



7. Investment property

The movement during the year were as follows:

	Land	Buildings	2019 Total	2018 Total
Cost				
As at 1 January	454,015,300	169,941,949	623,957,249	623,957,249
As at 31 December	454,015,300	169,941,949	623,957,249	623,957,249
Accumulated depreciation				
As at 1 January	-	84,340,768	84,340,768	73,640,692
Depreciation (Note 28)	-	3,721,792	3,721,792	10,700,076
As at 31 December	-	88,062,560	88,062,560	84,340,768
Net book value				
As at 31 December 2019	454,015,300	81,879,389	535,894,689	-
As at 31 December 2018	454,015,300	85,601,181	-	539,616,481

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 2019 amounting to QR 700.7 Million. The valuation is based on transaction for the similar asset in the same locality.

Investment property amounting to QR 90.3 Million (2018: QR 90.3 Million) of the group are mortgaged against Islamic financing facility (Note 19).

8. Investment securities

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

	2019	2018
Investment in equity instruments		
Quoted (Note 8 (a))		
Fair value through profit and loss financial assets	1,523,256	1,715,499

a) Investment in quoted equity instruments

The movement during the year was as follows:

	2019	2018
Balance at beginning of the year	1,715,499	19,969,752
Disposals during the year	(23,168,790)	(18,358,194)
Loss on sales	(5,285,062)	-
Additions during the year	28,453,852	-
Fair value adjustments	(192,243)	103,941
Balance at the end of the year	1,523,256	1,715,499



9. Goodwill*Impairment testing of goodwill*

The Group has identified the National Food Group 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 2019 no impairment was identified. (2018: No impairment).

Key assumptions used in value in use calculations:

	National Food Company	
	2019	2018
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.

10. Due from and due to government of Qatar**a) Due from Government of Qatar**

	2019	2018
<i>Compensation due from Government of Qatar</i>		
Balance at beginning of the year	138,136,167	143,602,404
Cash received during the year	(107,379,382)	(108,937,099)
Compensation due for the year for sale of subsidized flour	108,042,890	103,470,862
Compensation due from Government of Qatar	<u>138,799,675</u>	<u>138,136,167</u>
Loan from Government of Qatar (Note 10c)	(59,959,040)	(59,959,040)
Net due from Government of Qatar (Note 10b)	<u>78,840,635</u>	<u>78,177,127</u>

b) This includes net compensation receivable amounting to QR 68,368,576 (2018: 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. However, the Group has made a provision for the interest on the loan amounting to QR 19,959,040.



10. 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 2019 (2018: 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.

11. 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

	2019	2018
Key management remuneration	14,960,372	15,080,087
Post-employment benefits	458,654	755,337
	<u>15,419,026</u>	<u>15,835,424</u>

b) Due from related parties

	2019	2018
Dandy Company Limited W.L.L.	16,342,622	13,709,813
MFH Company	-	134,813
Seven Brothers Holding Company W.L.L.	212,292	213,557
	<u>16,554,914</u>	<u>14,058,183</u>

c) Due to related parties

	2019	2018
Qatar Detergent Company W.L.L.	4,066,234	5,246,788
Aayan Leasing Company Qatar	780,215	1,030,116
	<u>4,846,449</u>	<u>6,276,904</u>



11. Related party balances and transactions (continued)**d) Transaction with related parties**

	2019	2018
Sale of goods and services		
<i>Companies under common control</i>		
Aayan Leasing Company Qatar WLL, Qatar	-	194,900
Qatar Detergent Company W.L.L, Qatar	11,875	-
Seven Brothers Holding Company W.L.L, Qatar	450,378	-
Dandy Company Limited W.L.L, Qatar	14,033,936	18,099,704
Purchase of goods		
<i>Companies under common control</i>		
Aayan Leasing Company Qatar	3,956,259	3,563,822
Qatar Detergent Company W.L.L	11,875	130,362
Dandy Company Limited W.L.L	5,937,958	731,636

12. Deferred Tax

	2019	2018
At beginning of the year		
<i>Increase in available tax loss</i>		
Taxable/deductible temporary difference movements in fixed assets	30,212	-
Taxable/deductible temporary difference movements in provisions	16,401	-
Future loss	823	-
At the end of the year (Note 30)	<u>47,436</u>	<u>-</u>

13. Inventories

	2019	2018
Wheat stock	69,520,617	73,581,591
Raw materials	10,958,095	24,251,902
Packing materials & Empty bags	20,382,456	5,217,527
Spare parts	11,559,485	9,807,997
Others	1,354,997	1,508,077
	<u>113,775,650</u>	<u>114,367,094</u>
Provision for slow moving inventories	(1,822,609)	(1,854,423)
	<u>111,953,041</u>	<u>112,512,671</u>
Finished goods	9,524,703	8,123,025
Total	<u>121,477,744</u>	<u>120,635,696</u>

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

	2019	2018
Balance at beginning of the year	1,854,421	2,185,293
Provision for the year	183,697	495,016
Written off during the year	(215,509)	(825,886)
Balance at 31 December	<u>1,822,609</u>	<u>1,854,423</u>

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.



14. Accounts, retention and other receivables	2019	2018
Accounts receivable	332,381,040	397,335,755
Retention receivable – current	17,943,624	30,353,046
	<u>350,324,664</u>	<u>427,688,801</u>
Provision for doubtful receivables	(51,102,345)	(75,882,216)
	<u>299,222,319</u>	<u>351,806,585</u>
Prepayments and advances	37,371,458	24,742,746
Margin deposit	1,898,228	1,786,320
Accrued income	16,833	72,601
Other receivables and deposits (a)	39,508,946	35,123,074
	<u>78,795,465</u>	<u>61,724,741</u>
Provision for other doubtful debts	(2,301,223)	(4,495,191)
	<u>76,494,242</u>	<u>57,229,550</u>
Balance as at 31 December	<u>375,716,561</u>	<u>409,036,135</u>

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

	2019	2018
Balance at beginning of the year	75,882,215	63,168,147
Adjustments on initial application of IFRS 9	-	54,792,879
	<u>75,882,215</u>	<u>117,961,026</u>
Provision for the year (Note 25)	366,865	2,361,623
Reversal for the year (Note 25)	(22,635,798)	(44,192,794)
Written off during the year	(2,510,937)	(247,639)
Balance at 31 December	<u>51,102,345</u>	<u>75,882,216</u>

A sum of QR 196,824,070 (2018: QR 223,953,654) is receivable from three major customers which represents 56% (2018: 52%) of total accounts and retentions receivable as at 31 December 2019.

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

(a) This includes QAR 5.50 million which represents the amount paid to the Government of Qatar towards the loan referred in note 10.

15. Cash and bank balances	2019	2018
Cash at banks	84,307,856	123,279,511
Cash in hand	1,582,620	1,479,340
	<u>85,890,476</u>	<u>124,758,851</u>



16. Share capital

- a) The authorized share capital amounting to QR 236,997,200 as at 31 December 2019 represents 236,997,200 ordinary shares of QR 1 each (2018: 23,699,720 Ordinary shares of QR 10 each) as follows:

	2019	2018
Issued and fully paid share capital – listed at Qatar Exchange	236,997,200	143,891,750
Issued through share exchange transaction – unlisted	-	93,105,450
	<u>236,997,200</u>	<u>236,997,200</u>

- b) On 23 April 2019, in the Extra Ordinary General Meeting of the Group, the Shareholders approved the par values of the ordinary shares to be QAR 1 instead of QAR 10 per share as per the instruction of Qatar Financial Market Authority and amendment to the related Article of Association. The share split was implemented on 19 June 2019, and the total number of shares was increased from 23,699,720 to 236,997,200 ordinary shares. Consequently, earnings per share for the comparative period have been restated to reflect this.
- c) 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 Group 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 Commerce and Industry on 29 November 2011 to give effect of ownership change. Accordingly, the commercial registry of Meeda Projects Group W.L.L. was amended on 29 December 2011 to give effect of ownership change. During the year, said shares were listed on Qatar Stock Exchange.
- d) During the year 2018, the Group 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.

17. Legal reserve

The group maintains a legal reserve in compliance with the provisions of the Qatar Commercial Companies Law No. 11 of 2015, 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 Group'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.

18. Capital reserve

Capital reserve amounting to QR 15,000,000 reflected in the consolidated statement of financial position as at 31 December 2019 (2018: 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.

19. Fair value reserve

	2019	2018
Balance as at 1 January	-	5,197,879
Adjustments on initial application of IFRS 9	-	(5,197,879)
	<u>-</u>	<u>-</u>

20. Dividends

At the Board Meeting held on 11 March 2020, a dividend in respect of the profit for the year ended 31 December 2019 of QR 0.85 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 2019.

The dividends declared in respect of the profit for the year ended 31 December 2018 were QR 201.45 million or QR 8.5 per share (2017: QR 140.04 million or QR 6.5 per share) and 10% bonus shares.

21. Islamic financing

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

	2019	2018
Islamic financing - non current	-	21,555,283
Islamic financing – current	285,211,705	192,420,355
	<u>285,211,705</u>	<u>213,975,638</u>

Islamic financing is secured against corporate guarantee, first degree mortgage over certain investment properties (Note 7), and assignment of rental proceeds from pledged investment properties.

22. Accounts payable, retention and other payables

	2019	2018
Accounts payable	94,445,634	93,229,541
Provision for job cost	11,932,881	33,750,924
Dividend payable	34,189,964	31,377,836
Social and sports fund payable	5,278,790	5,337,156
Directors' remuneration payable	5,300,000	5,300,000
Sub-contractors payable	277,626	820,220
Zakat payable	16,532,990	14,905,656
Retention payable	2,872,992	7,526,368
Tax Payable	273,149	-
Other payables	53,633,357	48,072,603
	<u>224,737,153</u>	<u>240,320,304</u>

23. 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).

	2019	2018
Trading, manufacturing distribution and services	988,611,829	835,574,763
Contracting, real estate and others	286,109,230	329,906,102
	<u>1,274,721,059</u>	<u>1,165,480,865</u>

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.

	2019	2018
<u>Primary geographical markets</u>		
Local operations	1,267,579,167	1,155,436,290
Foreign operations	7,141,892	10,044,575
	<u>1,274,721,059</u>	<u>1,165,480,865</u>



23. Operating revenue (continued)

	2019	2018
<u>Major products and service lines</u>		
Sale of manufactured and traded products	988,611,829	835,574,763
Contracting and other related services	143,218,847	93,352,862
Building materials and logistics	66,570,897	183,263,436
Rental income	76,319,486	53,289,804
	<u>1,274,721,059</u>	<u>1,165,480,865</u>
<u>Timing of revenue recognition</u>		
Products and services transferred over time	219,538,333	146,642,666
Products transferred at a point in time	1,055,182,726	1,018,838,199
	<u>1,274,721,059</u>	<u>1,165,480,865</u>

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
Sale of manufactured and traded products	Revenue is recognised at point in time when the goods are delivered to the customers based on the rates agreed with the customer
Contracting and other related services	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.
Building materials and logistics	Revenue is recognised at point in time when the goods are delivered to the customers based on the rates agreed with the customer

24. Operating cost

	2019	2018
Material consumed	895,074,222	743,819,527
Depreciation on property, plant and equipment (Note 28)	55,131,010	62,174,540
Depreciation on investment property (Note 6)	3,721,792	10,700,076
Other direct costs	121,549,875	165,159,452
	<u>1,075,476,899</u>	<u>981,853,595</u>



Notes to the consolidated financial statements
For the year ended 31 December 2019

In Qatari Riyals

25. Other income

	2019	2018
Gain on disposal of investment securities	-	1,841,758
Islamic finance income	603,243	1,816,135
Dividend income	682,979	208,444
Gain on disposal of property, plant and equipment (a)	-	37,442,756
Gain on sale of commodities	20,475,283	2,002,903
Others	41,571,533	16,772,493
	<u>63,333,038</u>	<u>60,084,489</u>

(a) This represents 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.

26. General and administrative expenses

	2019	2018
Staff salaries and benefits	48,294,357	49,571,059
Directors' remuneration	9,105,000	9,175,000
Rent	1,396,837	4,108,588
Depreciation (Note 28)	5,480,862	2,768,536
Insurance expenses	2,581,925	1,711,023
Travelling and transportation	2,248,238	2,976,773
Repair and maintenance	752,298	965,885
Utilities	2,315,921	2,470,378
Telephone expenses	544,166	436,978
Consultancy fees	770,934	770,126
Miscellaneous	11,471,444	9,781,730
	<u>84,961,982</u>	<u>84,736,076</u>

27. Selling and distribution expenses

	2019	2018
Staff salaries and benefits	18,883,506	16,366,236
Packing and freight charges	5,695,889	6,160,650
Depreciation (Note 28)	4,841,605	5,833,230
Sales rebates	17,237,241	16,497,322
Sales commission	5,541,943	4,606,787
Marketing expenses	3,396,211	2,479,658
Rent	2,251,727	2,092,125
Insurance expenses	790,618	1,084,036
Other expenses	8,499,938	8,417,966
	<u>67,138,678</u>	<u>63,538,010</u>

Notes to the consolidated financial statements
For the year ended 31 December 2019

In Qatari Riyals

28. Depreciation

	2019	2018
Property, plant and equipment (Note 5)	60,030,492	68,566,457
Right of Use Assets (Note 6)	5,422,985	2,209,847
Investment property (Note 7)	3,721,792	10,700,076
	<u>69,175,269</u>	<u>81,476,380</u>

Allocation:

	2019	2018
General and administrative expenses (Note 26)	5,480,862	2,768,536
Selling and distribution expenses (Note 27)	4,841,605	5,833,230
Operating cost (Note 24)	58,852,802	72,874,614
	<u>69,175,269</u>	<u>81,476,380</u>

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

	2019	2018
Provision for doubtful receivables (Note 14)	(366,864)	(2,361,623)
Reversal of provision for doubtful receivables (Note 14 (a))	22,635,798	44,192,794
Loss/impairment on available-for-sale securities (Note 8 (a))	(5,477,305)	-
	<u>16,791,629</u>	<u>41,831,171</u>

(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 2018.

30. Income taxes

The net tax expense for the year is as follows

	2019	2018
Current taxes	316,010	-
Deferred taxes	(47,436)	-
	<u>268,574</u>	<u>-</u>

Reconciliation between accounting profit and tax expense

	2019	2018
Profit for the year	211,420,751	-
Net tax adjustment for the year	39,065,743	-
Tax Profit for the year	<u>250,486,494</u>	<u>-</u>



30. Income taxes (continued)

Tax on income has been computed as per Qatar Income Tax Law and is arrived at as follows;

	2019	2018
Taxable income	250,486,494	-
Tax due @ 10%	29,533,668	-
Non-Qatari share in tax based on their 1.07% share of profits (Income tax payable)	<u>316,010</u>	-

The movement in deferred tax asset during the year is as follows:

	2019	2018
Recognised during the year (Note 12)	47,436	-

Note: The Group is subject to income tax on its operation in the state of Qatar. During the year, based on the amendments to the income tax law and its regulations of State of Qatar, management have assessed that its subsidiaries operating in the state of Qatar were subject to tax.

31. Earnings per share**a) Basic earnings per share**

	2019	2018
Profit attributable to ordinary shareholders of the Group	<u>211,152,177</u>	<u>213,486,256</u>
Weighted average number of ordinary shares outstanding	<u>236,997,200</u>	<u>236,997,200</u>
Basic earnings per share (QR)	<u>0.89</u>	<u>0.90</u>

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

	2019	2018
Qualifying ordinary shares at the beginning of the period	236,997,200	215,452,000
Effect of bonus share issue	-	21,525,200
Restated Weighted average number of ordinary shares for the year	<u>236,997,200</u>	<u>236,997,200</u>

Each ordinary share of QR 10 face value has been split to 10 shares of QR 1 face value based on the instruction of Qatar Financial Market Authority, effective from 18 June 2019.

The weighted average numbers of ordinary shares have been restated to show the effect of stock split as per QFMA guidelines.

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.

32. Contingent liabilities and capital commitments

As at year end the Group has contingent liability and capital commitments amounting to QR 163.25 million (2018: QR 243 million).



33. 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:

	2019	2018
Islamic financing	<u>+ / (-)2,852,117</u>	<u>+ / (-) 2,139,756</u>

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 securities will effect equity by QR 76,173 (2018: QR 85,755).

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:

	2019	2018
Bank balances	84,307,856	123,279,511
Accounts, retention and other receivables	391,731,838	464,598,195
Retention and other receivables	11,915,042	1,604,080
Due from related parties	16,554,914	14,058,183
	<u>504,509,650</u>	<u>603,539,969</u>



33 Financial risk management (continued)**Credit risk (continued)**

A sum of QR 174,511,570 (2018: QR 223,953,654) is receivable from three major customers which represents 52% (2018: 52%) of total accounts and retentions receivable as at 31 December 2019. 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 receivables from customers as at 31 December 2019.

	Weighted average loss rate	Gross carrying amount	Loss allowance	Credit impaired
0-90 days	0.26%	141,169,267	367,826	Yes
91-180 days past due	0.06%	102,539,395	63,665	Yes
181-270 days past due	0.23%	10,946,497	25,100	Yes
271-360 days past due	99.91%	898,770	1,260,213	Yes
Over 360 days	64.28%	76,827,110	49,385,541	Yes
At 31 December 2019		332,381,039	51,102,345	

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.



33. Financial risk management (continued)**Credit risk (continued)***Cash at banks*

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

	2019	2018
Credit ratings (by Moody's)		
A1	33,130,792	11,827,610
A2	48,271,527	85,048,639
Aa3	-	429
Ba1	1,759,402	6,666,052
baa2	1,146,135	19,736,781
At 31 December	84,307,856	123,279,511

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 2019	Carrying Amount	Contractual cash flows	1-12 months	1-5 years	More than 5 years
Accounts payable, retention and other payables	159,170,915	(159,170,915)	159,170,915	-	-
Islamic financing	285,211,705	(285,211,705)	285,211,705	-	-
Due to related parties	4,846,449	(4,846,449)	4,846,449	-	-
Due to Government of Qatar	47,591,581	(47,591,581)	-	-	47,591,581
	496,820,650	(496,820,650)	449,229,069	-	47,591,581
31 December 2018	Carrying Amount	Contractual cash flows	1-12 months	1-5 years	More than 5 years
Accounts payable, retention and other payables	158,113,753	(158,113,753)	158,113,753	-	-
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
	425,957,876	(425,957,876)	356,811,012	21,555,283	47,591,581

34. 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 1,538,038,039 on 31 December 2019 (2018: QR 1,533,612,286).

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 2019 and 2018.

The Group 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.

35. 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 2019, 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.

36. Change in Accounting Estimates

Property Plant and Equipment

The useful life of certain plant and building was estimated in previous years. In the current period management have revised their estimate. The effect of this revision has decreased the depreciation charges for the current and future periods by QAR 17,760,553

37. 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.