Gulf Warehousing Company Q.P.S.C.

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GULF WAREHOUSING COMPANY Q.P.S.C.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Gulf Warehousing Company Q.P.S.C. (the "Company"), and its subsidiaries (together referred as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the 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 opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current 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. For each matter below our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	**How our audit addresses the key audit matter**
Impairment of Goodwill	
As required by the International accounting standard ("IAS") 36 "Impairment of assets", an impairment review is performed on goodwill at least annually and when there is an indicator of impairment. As at 31 December 2020, the Group had goodwill of QR 115 million on its consolidated financial statements, contained within three cash generating units ('CGUs'). Logistic services QR 53 million (2019: QR 53 million), Freight forwarding services QR 45 million (2019: QR 45 million) and Qontrac Logistics Freight QR 17 million (2019: QR 17 million).	Our audit procedures in this area included the following; • Obtained an understanding and evaluated the Group's impairment assessment process and evaluated the appropriateness of management's identification of the Group's CGUs. • Assessed the competence and capabilities of the management team who performed the impairment evaluation of the goodwill.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
GULF WAREHOUSING COMPANY Q.P.S.C. (CONTINUED)

Report on the audit of the consolidated financial statements (continued)

Key Audit Matter (continued)

Key audit matter	**How our audit addresses the key audit matter**
Impairment of Goodwill (continued)	
In carrying out the impairment assessment of goodwill, management determined the recoverable amount of goodwill through the "value in use" guidance in IAS 36. The management adopted the income approach and prepared a discounted cash flow forecast to determine the recoverable amount of CGUs. We focused on this area because of the significance of the balance and the significant judgments and assumptions involved in determining the recoverable amount of the CGU to which the goodwill is associated. Hence, this is considered a key audit matter. Information regarding the goodwill is included in Note 8 to the consolidated financial statements.	• Evaluated the key assumptions used in the impairment model for goodwill, including the operating cash flow projections, discount rates, and growth rates and compared them to external industry outlook reports and economic growth forecasts with the assistance of our internal experts. We assessed the reliability of cash flow forecasts through a review of actual past performance, comparison to previous forecasts and checked the mathematical accuracy. • We performed sensitivity analysis over management's key assumptions. • We assessed the appropriateness and completeness of the related disclosures in the consolidated financial statements.

Other Information Included in the Group's 2020 Annual Report
Other information consists of the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

The Annual Report is expected to be made available to us after the date of this auditor's report. Our opinion on the consolidated financial statements does not cover the other information and we do 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 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, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of Management and Board of Directors for the Consolidated Financial Statements
Management of the Parent Company is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Group's financial reporting process.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GULF WAREHOUSING COMPANY Q.P.S.C. (CONTINUED)

Report on the audit of the consolidated financial statements (continued)

Auditor's responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with ISAs, 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 management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GULF WAREHOUSING COMPANY Q.P.S.C. (CONTINUED)

Report on the audit of the consolidated financial statements (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)
From the matters communicated with Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law 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 Legal and Other Regulatory Requirements
Furthermore, in our opinion, proper books of account have been kept by the Company, an inventory count has been conducted in accordance with established principles and the consolidated financial statements comply with the Qatar Commercial Companies' Law No. 11 of 2015 and the Company's Articles of Association. We have obtained all the information and explanations we required for the purpose of our audit, and are not aware of any violations of the above mentioned law or the Articles of Association having occurred during the year, which might have had a material adverse effect on the Group's financial position or performance.

Ziad Nader
of Ernst and Young
Auditor's Registration No. 258

Date: 26 January 2021
Doha

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	***2020*** ***QR***	*2019* *QR*
ASSETS			
Non-current assets			
Property, plant and equipment	4	**2,502,395,484**	2,451,035,402
Capital work-in-progress	5	**350,726,971**	126,668,784
Right-of-use of assets	6	**255,610,442**	315,273,403
Investment properties	7	**40,634,854**	40,634,854
Intangible assets and goodwill	8	**117,296,522**	123,852,556
Refundable deposits		**18,251,000**	18,251,000
		3,284,915,273	3,075,715,999
Current assets			
Inventories		**11,944,081**	11,068,193
Trade and other receivables	9	**483,534,174**	470,050,687
Bank balances and cash	10	**298,630,196**	301,780,843
		794,108,451	782,899,723
TOTAL ASSETS		**4,079,023,724**	3,858,615,722
EQUITY AND LIABILITIES			
Equity			
Share capital	11	**586,031,480**	586,031,480
Legal reserve	12	**552,506,803**	552,506,803
Retained earnings		**769,724,748**	656,844,078
Foreign currency translation reserve		**(614,616)**	(401,116)
Attributable to equity holders of the parent		**1,907,648,415**	1,794,981,245
Non-controlling interests		**(2,926,021)**	(2,926,021)
Total equity		**1,904,722,394**	1,792,055,224
Liabilities			
Non-current liabilities			
Islamic financing	14	**1,298,949,804**	1,225,259,193
Lease liabilities	6	**234,264,206**	269,144,386
Employees' end of service benefits	15	**48,225,429**	45,593,697
Retention payable to contractors	16	**14,512,301**	-
		1,595,951,740	1,539,997,276
Current liabilities			
Islamic financing	14	**290,397,859**	282,728,490
Trade and other payables	16	**275,279,122**	221,350,256
Lease liabilities	6	**12,672,609**	22,484,476
		578,349,590	526,563,222
Total liabilities		**2,174,301,330**	2,066,560,498
TOTAL EQUITY AND LIABILITIES		**4,079,023,724**	3,858,615,722

These consolidated financial statements for the year ended 31 December 2020 were approved by Parent Company's Board of Directors on 26 January 2021 and were signed on its behalf by:

Abdulla Bin Fahad J J Al Thani
Chairman

Fahad Bin Hamad J J Al Thani
Vice Chairman

The attached notes 1 to 28 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For year ended 31 December 2020

	Notes	*2020* *QR*	*2019* *QR*
Revenue	18	**1,233,706,723**	1,221,836,497
Direct cost	20	**(825,540,965)**	(797,919,697)
Gross profit		**408,165,758**	423,916,800
Other income	19	**497,542**	18,191,771
General and administrative expenses	20	**(112,153,681)**	(109,197,848)
Operating profit		**296,509,619**	332,910,723
Finance cost, net	21	**(58,858,038)**	(83,399,564)
Profit before tax		**237,651,581**	249,511,159
Income tax expense	22	**(1,664,949)**	-
Profit for the year		**235,986,632**	249,511,159
Other comprehensive income			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(213,500)**	(401,116)
Total profit and other comprehensive income		**235,773,132**	249,110,043
Profit attributable to:			
Equity holders of the parent		**235,986,632**	249,511,159
Non-controlling interest		**-**	-
		235,986,632	249,511,159
Total comprehensive income attributable to:			
Equity holders of the parent		**235,773,132**	249,110,043
Non-controlling interest		**-**	-
		235,773,132	249,110,043
Earnings per share:			
Basic and diluted earnings per share	23	**0.40**	0.43

Gulf Warehousing Company Q.P.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to equity holders of the parent						
	Share capital QR	*Legal reserve QR*	*Retained earnings QR*	*Foreign currency translation reserve QR*	*Total QR*	*Non-controlling interests QR*	*Total equity QR*
Balance at 1 January 2019	586,031,480	552,506,803	524,916,679	-	1,663,454,962	(2,926,021)	1,660,528,941
Profit for the year	-	-	249,511,159	-	249,511,159	-	249,511,159
Other comprehensive loss for the year	-	-	-	(401,116)	(401,116)	-	(401,116)
Total comprehensive income for the year	-	-	249,511,159	(401,116)	249,110,043	-	249,110,043
Dividends (Note 13)	-	-	(111,345,981)	-	(111,345,981)	-	(111,345,981)
Transfer to social and sports development fund (Note 16)	-	-	(6,237,779)	-	(6,237,779)	-	(6,237,779)
Balance at 31 December 2019	586,031,480	552,506,803	656,844,078	(401,116)	1,794,981,245	(2,926,021)	1,792,055,224
Profit for the year	-	-	235,986,632	-	235,986,632	-	235,986,632
Other comprehensive loss for the year	-	-	-	(213,500)	(213,500)	-	(213,500)
Total comprehensive income for the year	-	-	235,986,632	(213,500)	235,773,132	-	235,773,132
Dividends (Note 13)	-	-	(117,206,296)	-	(117,206,296)	-	(117,206,296)
Transfer to social and sports development fund (Note 16)	-	-	(5,899,666)	-	(5,899,666)	-	(5,899,666)
Balance at 31 December 2020	**586,031,480**	**552,506,803**	**769,724,748**	**(614,616)**	**1,907,648,415**	**(2,926,021)**	**1,904,722,394**

The attached notes 1 to 28 form an integral part of these consolidated financial statements.

Gulf Warehousing Company Q.P.S.C.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	*2020* *QR*	*2019* *QR*
OPERATING ACTIVITIES			
Profit before tax for the year		**237,651,581**	249,511,159
Adjustments for:			
Depreciation of property, plant and equipment	4	**136,250,428**	138,903,840
Fair value gain on investment properties	7	**-**	(3,112,789)
Depreciation of right-of-use of assets	6	**18,142,254**	24,721,133
Amortisation of intangible assets	8	**6,556,034**	7,338,920
Provision (reversal) for expected credit losses	9	**4,125,000**	(8,400,000)
Loss (gain) on sale of property, plant and equipment		**99,690**	(544,642)
Provision for employees' end of service benefits	15	**8,816,493**	10,119,175
Lease concessions related to Covid-19	6	**(5,160,763)**	-
Profit charge on Islamic financing	21	**53,095,291**	77,640,163
Interest on lease liabilities	21	**9,156,741**	12,563,325
Profit on Islamic bank accounts	21	**(3,393,994)**	(6,803,924)
Operating profit before working capital changes		**465,338,755**	501,936,360
Working capital adjustments:			
Inventories		**(875,888)**	(66,945)
Trade and other receivables		**(21,501,017)**	(47,378,266)
Trade and other payables		**55,972,068**	(22,972,959)
Cash flow from operating activities		**498,933,918**	431,518,190
Income tax paid		**(573,162)**	-
Employees' end of service benefits paid	15	**(6,184,761)**	(1,511,608)
Net cash flows from operating activities		**492,175,995**	430,006,582
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	4	**(70,817,335)**	(95,230,660)
Proceeds from disposal of property, plant and equipment		**64,049**	554,000
Payment towards capital work in progress		**(332,544,122)**	(79,362,970)
Profit received on Islamic bank accounts		**6,779,371**	7,259,464
Net movement in restricted short-term deposit accounts		**(2,074,278)**	(1,703,595)
Net movement in term deposits with original maturity over 90 days		**(70,000,000)**	-
Net cash flows used in investing activities		**(468,592,315)**	(168,483,761)
FINANCING ACTIVITIES			
Proceeds from Islamic financing	14	**253,978,649**	46,074,541
Repayments on Islamic financing	14	**(172,618,669)**	(222,012,833)
Payment of principal portion of lease liabilities		**(8,464,467)**	(5,825,404)
Profit paid on Islamic financing		**(54,732,514)**	(94,967,946)
Dividends paid	13	**(117,206,296)**	(111,345,981)
Net cash flows used in financing activities		**(99,043,297)**	(388,077,623)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(75,459,617)**	(126,554,802)
Net foreign exchange difference		**234,692**	(208,622)
Cash and cash equivalents at 1 January		**183,081,240**	309,844,664
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	10	**107,856,315**	183,081,240

The attached notes 1 to 28 form an integral part of these consolidated financial statements.

1 CORPORATE INFORMATION

Gulf Warehousing Company Q.P.S.C. (the "Company" or "Parent") is incorporated in accordance with the provisions of the Qatar Commercial Companies Law No. 11 of 2015 as a Qatari Public Shareholding Company, and was registered at the Ministry of Commerce and Industry of the State of Qatar with the Commercial Registration number 27386 dated 21 March 2004. The Company's shares are listed on the Qatar Stock Exchange since 22 March 2004. The Company's name was changed from Gulf Warehousing Company Q.S.C. to Gulf Warehousing Company Q.P.S.C. during the year ended 31 December 2016 so as to comply with the Article 16 of the Qatar Commercial Companies Law No. 11 of 2015. The Company is domiciled in the State of Qatar, where it also has its principal place of business. The Company's registered office is at D Ring Road, Building number 92, Doha, State of Qatar.

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

The principal activities of the Group, which have not changed since the previous year, are the provision of logistics (warehousing, inland transportation of goods for storage, international moving and relocation, express courier and records management) and freight forwarding (land, sea or air) services.

Details of Company's operational subsidiaries are as follows:

Name of entities	*Country of incorporation*	*Principal activities*	*Ultimate ownership interest*	
			2020	*2019*
Agility W.L.L.	State of Qatar	Logistics and transportation	**100%**	100%
GWC Logistics Holding L.L.C.	State of Qatar	Logistics and freight forwarding	**100%**	100%
GWC Marine Services W.L.L	State of Qatar	Marine services	**100%**	100%
ION Shipping Services W.L.L.	State of Qatar	Shipping agent	**100%**	100%
ION Sea Freight W.L.L. (Formally known as GWC Sea Freight W.L.L.)	State of Qatar	Shipping Services	**100%**	100%
LEDD Technologies W.L.L.	State of Qatar	Information technology services	**100%**	100%
Prime Shipping Services W.LL	State of Qatar	Shipping agent	**100%**	100%
Prime Container Services W.L.L.	State of Qatar	Shipping services	**100%**	100%
Qontrac Shipping Services W.L.L.	State of Qatar	Shipping agent	**100%**	100%
GWC Shipping Services W.L.L.	State of Qatar	Shipping agent	**100%**	100%
GWC Logistic S.P.C.	Kingdom of Bahrain	Operation and management of general warehouse	**100%**	100%
Qontrac Global Logistics B.V.	Netherlands	Logistics and freight forwarding	**100%**	100%
GWC Global Cargo & Transport L.L.C.	United Arab Emirates	Warehousing and transportation	**100%**	100%

1 CORPORATE INFORMATION (CONTINUED)

Details of Company's non-operational subsidiaries are as follows:

Name of entities	*Country of incorporation*	*Principal activities*	*Ultimate ownership interest*	
			2020	*2019*
LEDD Technologies India Pvt. Ltd.	India	Information technology services	**100%**	100%
GWC Saudi Arabia –Branches in Riyadh, Dammam & Jeddah	Kingdom of Saudi Arabia	Preparation, development and management of warehouses	**100%**	100%
Gulf Warehousing Company Limited	Republic of Nigeria	Warehousing and transportation	**100%**	100%
GWC Chemicals W.L.L.	State of Qatar	Chemical trading and transportation	**100%**	100%
GWC Food Services W.L.L.	State of Qatar	Trading food	**100%**	100%
Gulf Warehousing Express U.P.S.W.L.L.	State of Qatar	Courier services	**100%**	100%
GWC Investments W.L.L	State of Qatar	Investment in shares, bonds and fund for owner of the registration	**100%**	-
GWC Logistics QFZ Branch	State of Qatar	Logistics and courier services	**100%**	
Imdad Sourcing & Logistic Group W.L.L.	State of Qatar	Trading food and other consumables	**51%**	51%
Gulf Warehousing Bumi Projects W.L.L	State of Qatar	General construction contracts (general contracting)	**51%**	51%

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of Gulf Warehousing Company Q.P.S.C and all its subsidiaries have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB) and applicable requirements of Qatar Commercial Companies' Law No.11 of 2015.

The consolidated financial statements are prepared under the historical cost convention except for investment properties that have been measured at fair value. The consolidated financial statements are presented in Qatari Riyal ("QR"), which is the Group's presentation currency.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The consolidated financial statements provide comparative information in respect of the previous period.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of Gulf Warehousing Company Q.P.S.C. and its subsidiaries (together referred to as the "Group") as at 31 December 2020. 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 (i.e. existing rights that give it the current ability to direct the relevant activities of 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.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

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 financial statements 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 (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interest, even if this results in the non-controlling interests having a deficit balance. 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 members 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.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2.3 Summary of significant accounting policies

a) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

a) Business combinations and goodwill (continued)

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

b) Property, plant and equipment

Items of property, plant and equipment are recognised at cost of acquisition and measured thereafter at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of an asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Subsequent expenditure is capitalized only if it is probable that future economic benefits associated with the expenditure will flow to the Group.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is recognised in profit or loss.

The estimated useful lives for the current year and the comparative year are as follows:

Buildings	25 to 30 years
Office equipment	3 to 5 years
Furniture & fixtures	4 years
Warehouse equipment	5 to 25 years
Motor vehicles	5 to 15 years
Tools and equipment	4 years

Depreciation methods, residual values and useful lives are reviewed at each reporting date and adjusted if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Profits and losses on disposals of items of property, plant and equipment are determined by comparing the proceeds from their disposals with their respective carrying amounts, and are recognised net within profit or loss.

c) Capital work-in-progress

Capital work-in-progress comprises projects of the Group under construction and is carried at cost less impairment, if any. Capital work in progress is not depreciated. Once the construction of assets within capital work-in-progress is completed, they are reclassified to either the property, plant and equipment or the investment property, depending on their use, and are depreciated as from the moment they are put into use.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

d) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Land and buildings	2 to 25 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term lease of machinery and equipment (i.e., those lease that have lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to lease of office equipment that are considered of low value (i.e., below USD 5000). Lease payment on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

e) Investment properties
An investment property is recognised initially at cost of acquisition including any transaction costs and is subsequently measured at fair value, representing open market value determined annually by external valuers. Any change in fair value is recognised in statement of profit or loss.

Subsequent expenditure is capitalised only if it is probable that future economic benefits associated with the expenditure will flow to the Group.

An item of investment property is derecognised upon disposal or when no future economic benefits are expected from its use. Profits or losses on disposals of items of investment property are determined by comparing the proceeds from their disposals with their respective carrying amounts, and are recognised net within statement of profit or loss. Investment property represents buildings that are occupied substantially for use by third parties and are held by the Group to earn rentals.

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.

f) Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite life are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of profit or loss when the asset is derecognized.

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

The estimated useful lives of the intangible assets with the definite useful lives as follows:

Customer contracts and related customer relationships	4-10 Years
Brand name	10 Years
Computer software	3 Years

Goodwill
Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Other intangible assets
Other intangible assets, which comprise "Customer contracts and related customer relationships" and the "Brand name" of Agility, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

f) Intangible assets (continued)

Computer software
Computer software that is not an integral part of computer hardware and can be separately identified and that will probably generate economic benefits exceeding costs beyond one year, is measured at cost less accumulated amortisation and impairment losses.

g) Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed as incurred. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

h) Inventories
Inventories are stated at the lower of cost or net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition. Inventory is valued at purchase cost on a weighted average basis.

Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

i) Financial instruments

Financial assets

Recognition and initial measurement
Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset unless it is a trade receivable without a significant financing component or financial liability is initially measured at fair value plus, for an item not a FVTPL, transaction costs are directly attributable to its acquisition. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement of financial assets
On initial recognition, a financial asset is classified at:

i) Amortised cost – if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

ii) 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 collect contractual cash flows and selling financial assets; 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.

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

On initial recognition, the Group may irrecoverable 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.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

i) Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets(continued)
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.

The Group has classified on initial recognition its trade and other receivables, refundable deposits and its bank balances at amortised cost. The Group does not hold any other financial assets.

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 realizing 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. 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.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

i) Financial instruments (continued)

Financial assets (continued)

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 recognized in profit or loss. Any gain or loss on derecognition is recognized 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 recognized in profit or loss. The Group does not hold such assets.
- 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 recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. The Group does not hold such assets.
- Equity investments at Fair Value through Other Comprehensive Income (FVOCI) – These assets are subsequently measured at fair value. Dividends are recognized 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 recognized in OCI and are never derecognised to profit or loss. The group does not hold such assets

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's statement of financial position) when:

- The rights to receive cash flows from the asset have expired Or
- 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 (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass- through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment

Non-derivative financial assets

The Group recognises loss allowances for Expected Credit Losses (ECLs) on financial assets measured at amortised cost.

Loss allowances for trade 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 realizing security (if any is held); or
- The financial asset is more than 360 days past due.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

i) Financial instruments (continued)

Financial assets (continued)

Impairment (continued)

Non-derivative financial assets (continued)
The group considers bank balances to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group considers this to be Baa3 or higher per Moody's Rating Agency.

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

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

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

Measurement of ECLs
ECLs are 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).

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; or
- 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.
- The disappearance of an active market for a security because of financial difficulties.

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.

Write-off
The gross carrying amount of a financial asset is written off when the Group has no reasonable expectation 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 procedure for recovery of amounts due.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

i) Financial instruments (continued)

Financial liabilities

Initial recognition and measurement
Financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, lease liabilities, retention payable to contractors and Islamic financing including bank overdrafts.

Subsequent measurement
For purposes of subsequent measurement, financial liabilities are classified in two categories:
• Financial liabilities at fair value through profit or loss
• Financial liabilities at amortised cost (loans and borrowings)

Financial liabilities at amortised cost (loans and borrowings)
This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

The Group does not hold any financial liabilities at fair value through profit or loss

Derecognition
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.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

j) Impairment of non-financial assets
The Group assesses at each reporting date whether there is an indication that an asset may be impaired (property, plant and equipment, capital work-in-progress and investment property, but not inventories). If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had not impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of profit or loss unless the asset is carried at re-valued amount, in which case the reversal is treated as a revaluation increase.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

i) Financial instruments (continued)

Financial Liabilities (continued)

j) Impairment of non-financial assets (continued)
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.

k) Cash and cash equivalents
Cash and cash equivalents in the consolidated statement of financial position comprise of cash at bank and cash in hand and short-term deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

For the purpose of consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of any outstanding bank overdrafts.

l) 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 statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

m) Employees' end of service benefits
In accordance with Qatar Labour Law No. 14 of 2004 or any other countries whereby the Group redundant, it provides end of service benefits to its employees. 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.

With respect to the Qatari nationals, the Group makes contributions to Qatar Retirement and Pension Authority as a percentage of the employees' salaries in accordance with the requirements of respective local laws pertaining to retirement and pensions. The Group's share of contributions to these schemes are charged to profit or loss in the year to which they relate.

n) Revenue recognition
The Group is in the business of providing logistics (warehousing, inland transportation of goods for storage, international moving and relocation, express courier and records management) and freight forwarding (land, sea or air) services. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

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. A performance obligation can be satisfied over time or at a point in time.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

n) Revenue recognition (continued)

Revenue from logistics services
Logistics services provided by the Group comprises primarily inventory management and storage, order fulfilment, records management and transportation services. Revenue is recognised over the time, as the customers simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

Revenue from freight forwarding services
Freight forwarding represents purchasing of transportation of capacity from independent air, ocean and overland transportation providers and reselling that capacity to customers. Revenue from such services is recognised in the period such services are rendered, by reference to a suitable method that depicts the transfer of the control of such goods or service to the customer.

Rental income
Rental income arising from operating leases is recognised on a straight-line basis over the lease term.

Interest income
Interest income is recognised using the effective interest rate method

o) Income tax
Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Taxes are calculated based on applicable tax laws or regulations in the countries in which the Group operates. Currently there is no corporate tax applicable to the Parent in the State of Qatar. However, corporate tax is applicable on subsidiaries operating inside and outside the State of Qatar.

Income tax expense is recognized in the statement of comprehensive income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

p) Foreign currencies
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. All differences are taken to the consolidated statement of profit or loss.

Group companies
On consolidation, the assets and liabilities of foreign operations are translated into Qatari Riyals at the rate of exchange prevailing at the reporting date and their statements of comprehensive income are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in consolidated statement of profit or loss.

q) Earnings per share
The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to the ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprises convertible notes and share options granted to employees, if any.

r) 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 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.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

s) Current versus non-current classification
The Group presents assets and liabilities based on current/non-current classification. An asset is classified as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised 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 classified as 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 period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

2.4 Changes in accounting policies and disclosures

New and amended standards and interpretations
Effective from 1 June 2020, the Group adopted IFRS 16: COVID-19 Related Rent Concessions. the nature and effect of these changes are disclosed below.

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Amendments to IFRS 16: COVID-19-Related Rent Concessions
IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
b) The reduction is lease payments affects only payments originally due on or before 30 June 2021; and
c) There is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in accounting for the concession.

The Group has elected to utilise the practical expedient for all rent concessions that meet the criteria. The practical expedient has been applied retrospectively, accordingly it has been applied to all rent concessions that satisfy the criteria.

The effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The effect of applying the practical expedient is disclosed in Note 6.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Standards and Interpretations	***Effective date***
Amendments to IFRS 3: Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to IAS 37: Onerous Contracts – Costs of Fulfilling a Contract	1 January 2022
IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter	1 January 2022
IFRS 9 Financial Instruments: Fees in the '10 per cent' test for derecognition of financial liabilities	1 January 2022
IAS 41 Agriculture: Taxation in fair value measurements	1 January 2022
IFRS 17: Insurance contracts	1 January 2023
Amendments to IAS 1: Classification of Liabilities as Current or Non-current	1 January 2023

The Group did not early adopt any standards, interpretations or amendments that have been issued but are not yet effective

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements
In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Significant judgements in determining the lease term of contracts with renewal options
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgements in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create and economic incentive for it to exercise the renewal. After commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and effects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Property lease classification – Group as lessor
The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains substantially all the risks and rewards incidental to ownership of these properties and accounts for the contracts as operating leases.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Judgements (continued)

Going concern
The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis. The impact of Covid-19 is outlined in Note 29 to the consolidated financial statements.

Classification of transfers between property, plant and equipment, and investment property
Judgement is needed to determine whether a property qualifies as investment property. Based on an assessment made by management, some properties of the Group comprising buildings were classified into investment property on the grounds that the buildings are not occupied substantially for use by or in the operations of the Group nor are for sale in the ordinary course of business, but are held primarily to earn rental income. This classification required judgement because the relevant buildings have dual purposes whereby part of the building is used for own-use activities that would result in the property being considered to be property, plant and equipment and part of the property is used as an investment property. Management has concluded that the properties with duel uses are separable and accordingly, accounted separately.

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Leases - Estimating the incremental borrowing rate
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

Fair valuation of investment property
The fair value of investment property was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Group's investment property portfolio on yearly basis.

Impairment of goodwill
Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. Goodwill is tested annually for impairment. The determination of the recoverable amount of goodwill requires management to make significant judgments, estimations and assumptions. These are disclosed in Note 8.

Impairment of inventories
When inventories become old or obsolete, an estimate is made of their net realizable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision is applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices. The necessity and setting up of a provision for slow moving and obsolete inventories requires considerable degree of judgment.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Estimates and assumptions (continued)

Impairment of non-financial assets (other than inventories and Goodwill)
The carrying amounts of the Group's non-financial assets other than goodwill (property, plant and equipment, and capital work-in-progress) are reviewed at each reporting date to determine whether there is any indication of impairment. The determination of what can be considered impaired requires judgement. As at the reporting date, management did not identify any evidence from internal reporting indicating impairment of an asset or class of assets.

Impairment of receivables
The Group uses a provision matrix to calculate ECLs for trade receivables (Non-Government) and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Business model assessment
Classification and measurement of financial assets depends on the results of the SPPI and the business model test (refer to the accounting policy "Financial instruments" in Note 2). The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the year.

Depreciation of property, plant and equipment
Items of property, plant and equipment are depreciated over their estimated individual useful lives. The determination of useful lives is based on the expected usage of the asset, physical wear and tear, technological or commercial obsolescence and impacts the annual depreciation charge recognized in the consolidated financial statements. Management reviews annually the residual values and useful lives of these assets. Future depreciation charge could be materially adjusted where management believes the useful lives differ from previous estimates.

4 PROPERTY, PLANT AND EQUIPMENT

	Buildings (Note i) QR	*Office equipment QR*	*Furniture and fixtures QR*	*Warehouse equipment QR*	*Motor vehicles QR*	*Tools and equipment QR*	*Total QR*
Cost							
At 1 January 2019	2,761,991,735	62,003,118	61,823,250	136,990,217	147,814,944	3,015,791	3,173,639,055
Additions	52,445,345	11,146,590	5,305,253	13,484,306	10,927,716	1,921,450	95,230,660
Disposals	-	-	-	-	(8,195,206)	-	(8,195,206)
Transfer from capital work-in-progress (Note 5)	-	8,090,400	2,632,677	-	-	-	10,723,077
At 31 December 2019	2,814,437,080	81,240,108	69,761,180	150,474,523	150,547,454	4,937,241	3,271,397,586
Additions	19,015,308	11,440,365	7,656,810	20,025,572	12,240,773	438,507	70,817,335
Disposals	-	(48,461)	-	-	(269,033)	-	(317,494)
Transfer from capital work-in-progress (Note 5)	85,136,312	27,291,154	3,611,287	835,000	83,161	-	116,956,914
At 31 December 2020	2,918,588,700	119,923,166	81,029,277	171,335,095	162,602,355	5,375,748	3,458,854,341

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings (Note i) QR	*Office equipment QR*	*Furniture and fixtures QR*	*Warehouse equipment QR*	*Motor vehicles QR*	*Tools and equipment QR*	*Total QR*
Accumulated depreciation							
At 1 January 2019	413,046,888	49,486,098	53,151,405	69,781,724	102,082,424	2,095,653	689,644,192
Depreciation (Note 20)	106,301,233	10,658,555	6,574,733	9,043,368	6,019,236	306,715	138,903,840
Disposals	-	-	-	-	(8,185,848)	-	(8,185,848)
At 31 December 2019	519,348,121	60,144,653	59,726,138	78,825,092	99,915,812	2,402,368	820,362,184
Depreciation (Note 20)	100,807,745	11,329,785	6,815,278	9,567,424	7,065,861	664,335	136,250,428
Disposals	-	(43,955)	-	-	(109,800)	-	(153,755)
At 31 December 2020	620,155,866	71,430,483	66,541,416	88,392,516	106,871,873	3,066,703	956,458,857
Net carrying amounts							
At 31 December 2020	**2,298,432,834**	**48,492,683**	**14,487,861**	**82,942,579**	**55,730,482**	**2,309,045**	**2,502,395,484**
At 31 December 2019	2,295,088,959	21,095,455	10,035,042	71,649,431	50,631,642	2,534,873	2,451,035,402

Notes:

(i) Buildings are constructed on land leased from the State of Qatar. As at 31 December 2020, buildings with a carrying amount of QR 2,110,596,215 (2019: QR 2,112,483,587) were mortgaged against Ras Laffan Industrial City, Logistics Village Qatar (LVQ) and Bu Sulba project financings (Note 14 (i), (ii) and (iv)).

5 CAPITAL WORK- IN- PROGRESS

Capital work-in-progress represents the cost of assets under construction that are not available for use as at the reporting date. Capital work-in-progress comprises mainly the construction work in relation to Ras Bu Fontas project and Al Wukair project.

	2020 *QR*	*2019* *QR*
At 1 January	**126,668,784**	57,453,637
Additions	**341,015,101**	79,938,224
Transfer to property, plant and equipment (Note 4)	**(116,956,914)**	(10,723,077)
At 31 December	**350,726,971**	126,668,784

The amount of borrowing costs capitalised during the year ended 31 December 2020 was QR 6,231,010 (2019: QR 575,254). The weighted average rate used to determine the amount of borrowing cost eligible for capitalisation was 3.9% per annum (2019: 4.5% per annum), which is the effective interest rate of the specific borrowings.

6 LEASES

a) Group as a lessee

The Group has lease contracts for lands and buildings used in its operations. Leases of lands generally have lease terms between 22 and 30 years, while buildings generally have lease terms between 2 and 4 years. Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the year:

Right-of-use assets	***Land*** ***QR***	***Building*** ***QR***	***Total*** ***QR***
At 1 January 2019	316,153,215	23,022,507	339,175,722
Additions	-	818,814	818,814
Depreciation expense	(14,316,672)	(10,404,461)	(24,721,133)
At 31 December 2019	301,836,543	13,436,860	315,273,403
Impact from modification of leases (Note i)	(68,538,883)	-	(68,538,883)
Additions	27,998,225	-	27,998,225
Depreciation expense	(11,207,369)	(6,934,885)	(18,142,254)
Depreciation capitalized (Note iii)	(980,049)	-	(980,049)
As at 31 December 2020	**249,108,467**	**6,501,975**	**255,610,442**

Lease liabilities	*2020* *QR*	*2019* *QR*
As at 1 January	**291,628,862**	296,635,452
Additions	**27,998,225**	818,814
Impact from modification of leases (Note i)	**(68,538,883)**	-
Lease concessions related to Covid-19 (Note ii)	**(5,160,763)**	-
Interest expense	**9,156,741**	12,563,325
Interest capitalized (Note iii)	**1,259,920**	-
Payments	**(9,407,287)**	(18,388,729)
As at 31 December	**246,936,815**	291,628,862
Current portion	**12,672,609**	22,484,476
Non-current portion	**234,264,206**	269,144,386

6 LEASES (CONTINUED)

Note i:
Leases of lands consist of six lease agreements for lands in the Ras Laffan area. The Company and the lessor agreed to amend the lease consideration for the remaining years with effect from 1 January 2020, and other terms were not changed. At the effective date of the modification, the Company remeasured the lease liability based on the remaining lease term, reduced lease rates, and the Group incremental borrowing rate. On 1 January 2020, the Company recognised the difference between the carrying amount of the modified lease liability (QR 142,059,673) and the lease liability immediately before the modification (QR 210,598,556) of QR 68,538,883 as an adjustment to the Right-of-use assets.

Note ii:
As a consequence of the COVID -19 pandemic, the Group received lease concessions from two landlords related to the lands located in the Ras Laffan area and Messaieed Industrial City for six months until September 2020. There are no other changes to the terms and conditions of the lease agreements. The Group decided to apply practical expedient as per IFRS 16 and elected not to assess whether a COVID-19 related lease concession from the landlord is a lease modification. Accordingly, the forgiven lease payments amounting to QR 5,160,763 for the year ended 31 December 2020 was recognised as a negative variable lease expense in the consolidated statement of profit or loss.

Note iii:
The amounts consist of capitalised interest expense and depreciation of right of use assets related to the capital work in progress of warehouse facility and office complex on lease lands.

Note iv:
The Group recognised rent expense from short-term leases of QR 2,362,317 for the year ended 31 December 2020 (2019: QR 676,829).

b) Group as a lessor
The Group has entered into operating leases on its investment properties. These leases have remaining terms of 1 to 4 years.

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

	2020	*2019*
	QR	*QR*
Less than one year	**10,020,276**	7,087,776
Between one and five years	**3,060,000**	6,887,776
	13,080,276	13,975,552

7 INVESTMENT PROPERTIES

a) Reconciliation of carrying value
The Group's investment properties consist of commercial buildings which are constructed on the lands obtained under operating lease from the State of Qatar.

	2020	*2019*
	QR	*QR*
At 1 January	**40,634,854**	37,522,065
Fair value gain (Note 19)	**-**	3,112,789
At 31 December	**40,634,854**	40,634,854

7 INVESTMENT PROPERTIES (CONTINUED)

b) Measurement of fair values

Fair value of the investment properties is determined using a discounted cash flow (DCF) method and the market comparable approach.

Under the DCF method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish the present value of the income stream associated with the asset.

Under the market comparable approach, a property's fair value is estimated based on the comparable transactions. The market comparable approach is based upon the principle of substitution, under which a potential buyer will not pay more for a property than the amount to buy a comparable substitute property. Management assumes that the operating lease agreements relating to acquisition of the land on which the buildings of those properties were constructed from the State of Qatar, which have expiration dates, will be renewed in perpetuity. Consequently, it is not expected that the fair values of these properties will decline as these lease agreements approach their expiry dates. The unit of comparison applied by the valuer is depreciated value for the building per square meter and the market price per square foot for the land.

The Group's management determines the valuation policies and procedures for property valuations.

The fair valuations of investment properties using the market comparable approach were performed by an accredited independent valuer with a recognised and relevant professional qualification and with recent experience in valuing similar properties at similar locations.

The fair value that arrived using both methods as of 31 December 2020 is within a similar range. The management decided to use the DCF method.

The fair value measurement for all of the investment properties has been categorised as level 3 fair value based on the inputs to the valuation technique used.

The following amounts in relation to the investment property have been recognised in statement of profit or loss:

	2020 ***QR***	*2019* *QR*
Rental income (Note 18)	**10,082,052**	8,377,776
Direct operating expenses that did not generate rental income	**377,520**	262,580

8 INTANGIBLE ASSETS AND GOODWILL

	Goodwill (Note i) QR	*Customer contracts and related customer relationships (Note ii) QR*	*Brand name (Note ii) QR*	*Computer software QR*	*Total QR*
Cost					
At 1 January 2019	115,662,532	12,841,690	52,780,500	3,826,370	185,111,092
At 1 January 2020/ 31 December 2020	**115,662,532**	**12,841,690**	**52,780,500**	**3,826,370**	**185,111,092**
Accumulated amortisation/ Impairment					
At 1 January 2019	-	8,972,294	42,224,400	2,722,922	53,919,616
Charge for the year	-	1,104,279	5,278,052	956,589	7,338,920
At 1 January 2020	-	10,076,573	47,502,452	3,679,511	61,258,536
Charge for the year	-	1,131,127	5,278,048	146,859	6,556,034
At 31 December 2020	-	11,207,700	52,780,500	3,826,370	67,814,570
Net carrying amounts					
At 31 December 2020	**115,662,532**	**1,633,990**	-	-	**117,296,522**
At 31 December 2019	115,662,532	2,765,117	5,278,048	146,859	123,852,556

Note i: Goodwill

Goodwill was recognised on the acquisition of Agility W.L.L in November 2010 and the entity acquired through Qontrac Global Logistics B.V. in April 2018.

The goodwill tested for impairment is allocated to the below Cash-Generating Units (CGUs) and represents the premium paid on their acquisition (i.e. the amount paid in excess of the aggregate of the individual fair values of the net assets acquired).

	Carrying amount of goodwill	
	2020 QR	*2019 QR*
Logistics	**53,090,350**	53,090,350
Freight forwarding services	**45,225,113**	45,225,113
Qontrac Logistics Freight	**17,347,069**	17,347,069
Total	**115,662,532**	115,662,532

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (the higher of their fair values less cost of disposals and their "value in use") to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised.

8 INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

Value-in-use calculations are determined using the cash-flow projections from financial budgets approved by management covering a five-year period. The key assumptions used in the value-in-use calculations are set out in the table below:

	Logistics		*Freight forwarding services*		*Qontrac logistics freight*	
	2020	*2019*	*2020*	*2019*	*2020*	*2019*
Compound annual volume growth (i)	**0.88%**	2.45%	**2.37%**	2.5%	**11.60%**	11.51%
Terminal growth rate (ii)	**2%**	3%	**2%**	3%	**3%**	3%
Discount rate (iii)	**8.40%**	8.5%	**10.30%**	11.4%	**7.50%**	8%

(i) Management determined the compound annual volume growth rate for each CGU over five-year forecast to be a key assumption. The volume growth in each period is the main driver for revenue and costs. The compound annual volume growth rate is based on the past performance and management's expectations of market developments.

(ii) The terminal growth rate does not exceed the long-term average growth rate for the business in which the CGUs operate. The long-term growth rates used are consistent with the forecast included in the industry reports.

(iii) Discount rate represents the current market assessment of the risk specific to each CGU. The discount rate calculation is based on the specific circumstances of the Group and its operating segments. Raise in the discount rate to 13.6% in the logistics, 14.25% in the freight forwarding and 12.1% in the Qontrac Logistics Freight will result in impairment.

Based on the above impairment test management concluded that there is no impairment of goodwill (2019: no impairment was identified).

Note ii: Customer contracts and related customer relationship and brand name
These intangibles represent assets acquired through the acquisition of Agility W.L.L in November 2010 and the other entity acquired through Qontrac Global Logistics B.V. in April 2018. At the time of acquisitions, management determined these intangible assets to have 10 years of useful life each.

Management concluded that as at 31 December 2020 there was no impairment of these assets (2019: No impairment was identified)

9 TRADE AND OTHER RECEIVABLES

	2020	*2019*
	QR	*QR*
Trade receivables	**302,305,652**	301,308,466
Contract assets	**86,832,697**	92,668,236
Less: Provision for expected credit losses	**(28,025,276)**	(43,219,615)
Trade receivables, net	**361,113,073**	350,757,087
Advances to suppliers	**15,641,713**	17,810,462
Prepayments	**69,487,916**	76,565,688
Other receivables	**37,291,472**	24,917,450
	483,534,174	470,050,687

9 TRADE AND OTHER RECEIVABLES

Set out below is the movement in the provision for expected credit losses of trade receivables:

	2020 *QR*	*2019* *QR*
At 1 January under IFRS 9	**43,219,615**	51,619,615
Amount written off against provision	**(19,319,339)**	-
Provision for expected credit losses (reversed) for the year (Note 20)	**4,125,000**	(8,400,000)
At 31 December	**28,025,276**	43,219,615

10 BANK BALANCES AND CASH

	2020 *QR*	*2019* *QR*
Cash in hand	**1,245,659**	1,638,208
Cash at bank – current accounts (i)	**106,610,656**	126,443,032
Cash at bank – short-term deposit accounts (ii)	**170,000,000**	155,000,000
Cash at bank – restricted accounts (iii)	**20,773,881**	18,699,603
Bank balance and cash	**298,630,196**	301,780,843
Less: Term deposits with original maturity over 90 days	**(170,000,000)**	(100,000,000)
Less: Cash at bank – restricted accounts (iii)	**(20,773,881)**	(18,699,603)
Cash and cash equivalents	**107,856,315**	183,081,240

Notes:

(i) Current account earns no interest.

(ii) Short-term deposits are made for varying terms depending on the immediate cash requirements of the Group and earn interest at market rates.

(iii) The restricted accounts consist of the amounts held in the banks for the dividends declared but not yet claimed by the Company's shareholders.

11 SHARE CAPITAL

	2020 *QR*	*2019* *QR*
Authorised, issued and fully paid:		
586,031,480 Ordinary shares of QR 1 each	**586,031,480**	586,031,480

12 LEGAL RESERVE

In accordance with Qatar Commercial Companies Law No. 11 of 2015, an amount equal to 10% of the net profit for the year of every company incorporated in the State of Qatar is required to be transferred to a legal reserve account until such time the balance of the legal reserve account of such a company reaches 50% of its paid up share capital. Share premium collected from the issuance of new shares is also transferred to the legal reserve. The legal reserve is not available for distribution, except in circumstances specified in the above mentioned Law.

13 DIVIDENDS

At the Board Meeting on 26 January 2021, a dividend in respect of the profit for the year ended 31 December 2020 of QR 0.10 per share amounting to a total dividend of QR 58,603,148 was proposed. 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 2020.

At the Board Meeting on 14 January 2020, A dividend of QR 117,206,296 (QR 0.20 per share) was proposed by the Board of Directors in respect of the Group profit for the year ended 31 December 2019, which was approved by the Company's shareholders at the Company's Annual General Meeting held on 3 February 2020.The dividend was paid in 2020. The dividend declared in respect of the profit for the year ended 31 December 2018 were QR 111,345,981 (QR 1.9 per share) and paid in 2019.

14 ISLAMIC FINANCING

The movement of Islamic financing were as follows:

	2020	*2019*
	QR	*QR*
At 1 January	**1,507,987,683**	1,683,925,975
Additions	**253,978,649**	46,074,541
Repayments	**(172,618,669)**	(222,012,833)
At 31 December	**1,589,347,663**	1,507,987,683

The Islamic financings are presented in the consolidated statement of financial position as follows:

	2020	*2019*
	QR	*QR*
Current portion	**290,397,859**	282,728,490
Non-current portion	**1,298,949,804**	1,225,259,193
	1,589,347,663	1,507,987,683

	Years of maturity	***2020***	*2019*
		QR	*QR*
LVQ project financing (i)	**2022-2027**	**603,277,998**	697,789,052
Bu-Sulba project financing (ii)	**2027**	**638,745,000**	714,693,922
Al Wukair project financing (iii)	**2032**	**193,304,686**	-
Ras Laffan project financing (iv)	**2026-2028**	**87,341,012**	72,254,709
Ras Bufontas project financing (v)	**2028**	**66,678,967**	23,250,000
		1,589,347,663	1,507,987,683

The Islamic financings are secured against the buildings and other tangible assets capitalised under property, plant and equipment and capital work in progress.

14 ISLAMIC FINANCING (CONTINUED)

Notes:

(i) The Company has entered into Islamic financing facilities of QR 1.2 billion with four local banks to finance the construction and development of Warehouse facility in Logistics Village Qatar. Profit is charged at a rate of 3.5%, 3.75% and 4% per annum. The Islamic financing is payable in 22-38 quarterly installments.

(ii) The Company has entered into Islamic financing facilities of QR 752 million with two local banks to finance the construction and development of the Bu-Sulba project. Profit is charged at a rate of 3.75% and 4 % per annum. The Islamic financing is payable in 22-25 quarterly installments.

(iii) The Company has entered into an Islamic financing facility of QR 449 million with a local bank to finance the construction and development of the Al Wukair project. As of 31 December 2020, the Company has utilized QR 193 million. Profit is charged at a rate of 3.25% per annum. The Islamic financing is payable in 40 quarterly installments from March 2022.

(iv) The Company has entered into an Islamic financing facility of QR 54 million with a local bank to finance the construction and development of the Ras Laffan warehousing facility extension project. Profit is charged at a rate of 4 % per annum. The Islamic financing is payable in 27 quarterly installments from May 2019.

In 2019, the Company has obtained a new facility for QR 62 million with a local bank to finance the construction and development of the Ras Laffan warehouse office and infrastructure project. As of 31 December 2020, the Company has utilized QR 45 million. Profit is charged at a rate of 4 % per annum. The Islamic financing is payable in 28 quarterly installments from March 2022.

(v) The Company has entered into an Islamic financing facility of QR 83 million with a local bank to finance the construction and development of the Ras Bufontas warehousing project. As of 31 December 2020, the Company has utilized QR 66 million. Profit is charged at a rate of 4 % per annum. The Islamic financing is payable in 28 quarterly installments from March 2022.

15 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

The movements in the provision for employees' end of service benefits were as follows:

	2020 ***QR***	*2019* *QR*
At 1 January	**45,593,697**	36,986,130
Provision made during the year (Note 20)	**8,816,493**	10,119,175
Paid during the year	**(6,184,761)**	(1,511,608)
At 31 December	**48,225,429**	45,593,697

The provision made for the year is included within staff cost in profit or loss (Note 20).

Management has classified the obligation within non-current liabilities in the consolidated statement of financial position as it does not expect that there will be significant payments towards its employees' end of service benefit obligation within 12 months from the reporting date. The provision is not discounted to present value as the effect of the time value of money is not expected to be significant.

16 TRADE AND OTHER PAYABLES

	2020 ***QR***	*2019* *QR*
Trade payables	**39,498,124**	38,179,769
Accrued expenses	**129,193,195**	101,097,828
Other payables	**75,342,990**	65,966,553
Retention payable to contractors of projects	**39,857,448**	9,868,327
Provision for contribution for social and sports fund	**5,899,666**	6,237,779
	289,791,423	221,350,256
Less: Non-current retention payable to contractors of projects	**(14,512,301)**	-
	275,279,122	221,350,256

The Group made an appropriation of QR 5,899,666 (2019: QR 6,237,779) to the Social and Sports Development Fund of the State of Qatar pursuant to the Qatar Law No.13 of 2008.

17 RELATED PARTY DISCLOSURES

Related parties represent shareholders, directors and key management personnel, affiliates of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

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

		31 December 2020		*31 December 2019*	
	Nature of relationship	***Revenue*** ***QR***	***Purchase of services*** ***QR***	*Revenue* *QR*	*Purchase of services* *QR*
Agility network	Affiliate	**7,317,685**	**30,838,666**	8,726,463	27,251,017
Others	Affiliate	-	**5,030,833**	-	7,373,826

Balances with related parties included in the consolidated statement financial position under trade receivable and trade payable are as follows:

		31 December 2020		*31 December 2019*	
	Nature of relationship	***Receivables*** ***QR***	***Payables*** ***QR***	*Receivables* *QR*	*Payables* *QR*
Agility network	Affiliate	**224,436**	**4,791,115**	1,269,507	6,047,953
Others	Affiliate	-	**175,974**	-	312,196

Compensation of key management personal

The remuneration of Board of Directors and members of key management during year is as follows:

	2020 ***QR***	*2019* *QR*
Short-term benefits		
Key management remuneration	**2,255,945**	7,163,468
Board of Directors' remuneration	**6,900,000**	6,305,000
Employees' end of service benefits	**150,000**	150,000

18 REVENUE

	2020 QR	2019 QR
Revenue from contracts with customer	**1,223,624,671**	1,213,458,721
Rental income from investment property	**10,082,052**	8,377,776
Revenue	**1,233,706,723**	1,221,836,497

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 (See Note 25).

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.

	2020 QR	2019 QR
Revenue from contracts with customers		
Logistics operations	**771,048,380**	774,833,027
Freight forwarding	**431,496,670**	437,001,314
Other	**21,079,621**	1,624,380
	1,223,624,671	1,213,458,721

	2020 QR	2019 QR
Primary geographical markets		
Local operations	**1,137,563,103**	1,128,567,819
Foreign operations	**86,061,568**	84,890,902
	1,223,624,671	1,213,458,721

	2020 QR	2019 QR
Major products and service lines		
Warehouse management services	**637,648,599**	636,899,193
Freight forwarding services	**401,050,773**	404,359,782
Records management systems	**59,077,223**	62,453,782
Transport services	**40,223,385**	36,374,703
International move and relocation services	**34,099,173**	39,105,349
Courier services	**30,445,897**	32,641,532
Other	**21,079,621**	1,624,380
	1,223,624,671	1,213,458,721

	2020 QR	2019 QR
Timing of revenue recognition		
Products and services transferred over time	**792,128,001**	776,457,407
Products transferred at a point in time	**431,496,670**	437,001,314
	1,223,624,671	1,213,458,721

18 REVENUE (CONTINUED)

Disaggregation of revenue from contracts with customers (continued)

Set out below, is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

	31 December 2020			*31 December 2019*		
	Logistics operations QR	***Freight forwarding QR***	***Other revenue QR***	*Logistics operations QR*	*Freight forwarding QR*	*Other revenue QR*
Revenue						
External customer	**771,048,380**	**431,496,670**	**21,079,621**	774,833,027	437,001,314	1,624,380
Inter-segment	**136,375,323**	**32,379,928**	**3,414,457**	54,234,857	22,904,135	4,616,035
	907,423,703	**463,876,598**	**24,494,078**	829,067,884	459,905,449	6,240,415
Adjustments and eliminations	**(136,375,323)**	**(32,379,928)**	**(3,414,457)**	(54,234,857)	(22,904,135)	(4,616,035)
	771,048,380	**431,496,670**	**21,079,621**	774,833,027	437,001,314	1,624,380

19 OTHER INCOME

	2020 QR	*2019 QR*
Non-operating Income*	-	13,161,281
Fair value gains on investment property (Note 7)	-	3,112,789
Gain on sale of property, plant and equipment	-	544,642
Miscellaneous income	**497,542**	1,373,059
	497,542	18,191,771

* Non-operating income represents the amount received relating to the Logistic line of business.

20 EXPENSE BY NATURE

	2020 QR	*2019 QR*
Freight forwarding charges (ii)	**285,074,280**	295,408,519
Staff cost (i)	**255,223,675**	255,464,876
Depreciation of property, plant and equipment (Note 4)	**136,250,428**	138,903,840
Logistic costs (ii)	**114,746,977**	49,199,070
Repairs and maintenance	**40,171,367**	40,652,440
Depreciation of right-of-use-assets (Note 6)	**18,142,254**	24,721,133
Insurance cost	**13,765,079**	9,182,098
Water and electricity	**13,453,526**	34,154,982
Fuel cost	**11,140,246**	16,699,456
Board of Directors' remuneration	**6,900,000**	6,305,000
Amortization of intangible assets (Note 8)	**6,556,034**	7,338,920
Legal and professional fees	**5,064,843**	7,246,653
Provision (reversal) for expected credit losses (Note 9)	**4,125,000**	(8,400,000)
Communication and postage	**3,164,192**	2,872,467
Manpower subcontract charges	**2,160,081**	3,527,331
Rent expense	**2,362,317**	676,829
Advertisement expenses	**615,882**	668,527
Lease concessions related to Covid-19 (Note 6)	**(5,160,763)**	-
Miscellaneous expenses	**23,939,228**	22,495,404
	937,694,646	907,117,545

20 EXPENSE BY NATURE (CONTINUED)

(i) Staff cost includes a provision for employees' end of service benefits of QR 8,816,493 (2019: QR 10,119,175).

(ii) Logistics costs and Freight forwarding charges include cost of inventories amounting to QR 4,970,046 (2019: QR 4,433,577).

The above expenses are presented in the consolidated statement of profit or loss as follows:

	2020 QR	*2019 QR*
Direct cost	**825,540,965**	797,919,697
General and administrative expenses	**112,153,681**	109,197,848
	937,694,646	907,117,545

21 FINANCE COST, NET

	2020 QR	*2019 QR*
Profit on Islamic bank accounts	**(3,393,994)**	(6,803,924)
Profit charge on Islamic financing	**53,095,291**	77,640,163
Interest expense on lease liabilities (Note 6)	**9,156,741**	12,563,325
	58,858,038	83,399,564

22 TAX EXPENSES

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the consolidated statement of profit or loss are:

	2020 QR
Current income tax expense	**1,091,787**
Adjustments in respect of current income tax of previous year (Note i)	**573,162**
Income tax expense reported in the statement of profit or loss	**1,664,949**
Tax rate	**10%**

Note i:
In December 2019, a new Executive Regulations for the tax was introduced in the State of Qatar, replacing the previous executive regulations. The tax exemption provided under Article 4 (paragraph 13) of the New Tax Law in relation to non-Qatari investors' share in profits in listed entities shall not be extended to subsidiaries/associates of listed entities. Accordingly, if a listed entity holds shares in a non-listed entity, the share of profits in the non-listed entity attributable to the listed entity would be subject to tax to the extent of the profit share attributable to non-Qatari shareholders in the listed entity. The group has completed the tax review for the year ended 31 December 2019, and the tax impact amounting to QR 573,162 was recognized in the consolidated statement of profit or loss.

23 EARNINGS PER SHARE

The calculation of basic earnings per share (EPS) is arrived by dividing the profit attributable to shareholders of the Parent Company for the year by the weighted average number of ordinary shares outstanding at the year end.

	2020 *QR*	*2019* *QR*
Profit attributable to equity holders of the Company	**235,986,632**	249,511,159
Weighted average number of shares outstanding during the year	**586,031,480**	586,031,480
Basic and diluted earnings per share	**0.40**	0.43

Diluted earnings per share
As the parent has no potential dilutive shares, the diluted EPS equals to basic EPS.

24 COMMITMENTS AND CONTINGENCIES

	2020 *QR*	*2019* *QR*
(a) Commitments		
Capital commitments	**257,418,476**	68,833,677
(b) Contingent liabilities		
Bank guarantees, corporate guarantees and documentary credits	**159,420,566**	166,280,586

25 SEGMENTAL INFORMATION

The Group has the following four strategic divisions, which are its reportable segments. These divisions offer different services and are managed by the Group separately for the purpose of making decisions about allocation and performance management.

The table below sets out the operations of each reporting segments.

Reportable segments	***Operations***
Logistics operations	Storage, handling, packaging and transportation
Freight forwarding	Freight services through land, air and sea
Rentals	Rental income
Others	Fixed deposit income and other

The Group's Chief Executive Officer reviews the internal management reports of each division at least quarterly.

There are varying level of integration between Logistics and Freight forwarding segments.

25 SEGMENTAL INFORMATION (CONTINUED)

The following table represents the revenue and profit information regarding the Group's operating segments for the year:

31 December 2020	***Logistics QR***	***Freight forwarding QR***	***Rental QR***	***Other QR***	***Total QR***
External revenue	**771,048,380**	**431,496,670**	**10,082,052**	**21,079,621**	**1,233,706,723**
Inter-segment revenue	**136,375,323**	**32,379,928**	**-**	**3,414,457**	**172,169,708**
Segment revenue	**907,423,703**	**463,876,598**	**10,082,052**	**24,494,078**	**1,405,876,431**
Segment profit before tax for the year	**178,720,668**	**25,870,327**	**9,704,532**	**23,356,054**	**237,651,581**
Profit on Islamic bank accounts	**-**	**-**	**-**	**3,393,994**	**3,393,994**
Profit charge on Islamic financing	**(53,095,291)**	**-**	**-**	**-**	**(53,095,291)**
Interest expense on lease liabilities	**(8,883,127)**	**(273,614)**	**-**	**-**	**(9,156,741)**
Depreciation and amortization	**(133,558,729)**	**(9,247,733)**	**-**	**-**	**(142,806,462)**
Depreciation of right-of-use-assets	**(15,637,833)**	**(2,504,421)**	**-**	**-**	**(18,142,254)**
Provision for expected credit loss	**(2,475,000)**	**(1,650,000)**	**-**	**-**	**(4,125,000)**
Lease concession related to Covid-19	**5,160,763**	**-**	**-**	**-**	**5,160,763**

31 December 2019	*Logistics QR*	*Freight forwarding QR*	*Rental QR*	*Other QR*	*Total QR*
External revenue	774,833,027	437,001,314	8,377,776	1,624,380	1,221,836,497
Inter-segment revenue	54,234,857	22,904,135	-	4,616,035	81,755,027
Segment revenue	829,067,884	459,905,449	8,377,776	6,240,415	1,303,591,524
Segment profit before tax for the year	190,923,906	25,476,362	8,115,196	24,995,695	249,511,159
Profit on Islamic bank accounts	-	-	-	6,803,924	6,803,924
Profit charge on Islamic financing	(77,640,163)	-	-	-	(77,640,163)
Interest expense on lease liabilities	(10,607,561)	(1,955,764)	-	-	(12,563,325)
Depreciation and amortization	(133,330,758)	(12,912,002)	-	-	(146,242,760)
Depreciation of right-of-use-assets	(20,348,388)	(4,372,745)	-	-	(24,721,133)
Reversal of impairment losses	5,040,000	3,360,000	-	-	8,400,000

25 SEGMENTAL INFORMATION (CONTINUED)

The following table represents the assets and liabilities information regarding the Group's operating segments for the year:

Assets and liabilities	***31 December 2020***		*31 December2019*	
	Segment assets QR	***Segment liabilities QR***	*Segment assets QR*	*Segment liabilities QR*
Logistics operations	**3,637,884,108**	**1,982,124,826**	3,444,938,773	1,883,683,981
Freight forwarding	**236,386,554**	**104,675,161**	196,481,473	91,445,959
Rentals	**40,634,854**	**-**	40,634,854	-
Others	**164,118,208**	**87,501,343**	176,560,622	91,430,558
	4,079,023,724	**2,174,301,330**	3,858,615,722	2,066,560,498

26 FINANCIAL RISK MANAGEMENT

Objectives and policies
The Group's principal financial liabilities comprise of Islamic financing, lease liabilities, retention payable to contractors and trade and other payables. The main purpose of these financial liabilities is to manage Group's working capital requirements. The Group has various financial assets such as contract assets, trade receivables, refundable deposits, cash at bank and other receivables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are Credit risk, Liquidity risk, and Market risk. This note presents information about the Group's exposure to each ofthe above risks,the Group's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these consolidated financial statements. The Board of Directors has the overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group and to monitor risks.

Credit risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty.

The Group's maximum exposure to credit risk as at the reporting date is the carrying amount of its financial assets, which are the following:

	2020 QR	*2019 QR*
Trade receivables	**302,305,652**	301,308,466
Cash at bank	**297,384,537**	300,142,635
Contract assets	**86,832,697**	92,668,236
Other receivables	**37,291,472**	24,917,450
Refundable deposits	**18,251,000**	18,251,000
	742,065,358	737,287,787

Trade receivables
The Group renders services to around two thousand customers with its largest 5 customers accounting for 34 % (2019: 26%) of its trade receivables. 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. Management evaluates the creditworthiness of each client prior to entering into contracts. Management also periodically reviews the collectability of its trade receivables and has a policy to provide any amounts whose collection is no longer probable and to write-off as bad debts any amounts whose recovery is unlikely. As a result, management believes that there is no significant credit risk on its trade receivables as presented on the consolidated statement of financial position.

26 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Trade receivables (continued)
The risk management committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, if they are available, financial statements, credit agency information, industry information and in some cases bank references. Sale limits are established for each customer and reviewed quarterly. Any sales exceeding those limits require approval from the risk management committee.

The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of one and three months for individual and corporate customers respectively.

More than 64% of the Group's customers have been transacting with the Group since or prior to 2017, and none of these customers' balances have been written off or are credit-impaired at the reporting date. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or a legal entity, whether they are a Government or non-government entity, their geographic location, industry, trading history with the Group and existence of previous financial difficulties.

93% (2019: 96%) of the trade receivables are due from customers based locally. At 31 December 2020, the carrying amount of the Group's twenty most significant customers amounted to QR 144,474,925 (2019: QR 160,320,112).

At 31 December, the exposure to credit risk for trade receivables by type of counter party was as follows;

	2020 ***QR***	*2019* *QR*
Government entities	**112,554,666**	95,376,921
Non-government entities	**186,340,894**	205,931,545
	298,895,560	301,308,466
Contract assets	**86,832,697**	92,668,236

The trade and other receivables are unrated except for Government customers.

The movements in the provision for impairment of trade receivables is disclosed in Note 9.

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

Loss rates are calculated separately for non- government receivables using a 'net flow rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off.

Loss rates are based on actual credit loss experience over the past three and half 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).

26 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Trade receivables (continued)
Past due are those amounts for which either the contractual or the "normal" payment date has passed.

The Group measure the expected credit losses on government customers (Trade receivables and contract assets) considering the Government credit rating.

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

On that basis, the expected credit loss allowance as at 31 December was determined as follows for the trade receivables and contract assets:

31 December 2020	***Weighted average loss rate***	***Gross carrying amount QR***	***Loss allowance QR***
Non-government customers			
0-90 days	**3.96%**	**126,796,076**	**5,026,732**
90-180 days past due	**14.52%**	**29,921,477**	**4,343,418**
180- 270 days past due	**34.07%**	**7,854,510**	**2,676,270**
271- 360 days past due	**53.56%**	**21,704**	**11,624**
Above 360	**53.56%**	**25,157,219**	**13,473,814**
Government customers *	**0.03%**	**112,554,666**	**31,820**
Contract assets	**2.83%**	**86,832,697**	**2,461,598**
At 31 December		**389,138,349**	**28,025,276**

31 December 2019	*Weighted average loss rate*	*Gross carrying amount QR*	*Loss allowance QR*
Non-government customers			
0-90 days	1.53%	123,406,636	1,883,859
90-180 days past due	6.21%	31,354,411	1,947,983
180- 270 days past due	16.13%	6,657,124	1,073,920
271- 360 days past due	26.01%	3,850,087	1,001,552
Above 360	89.18%	40,663,287	36,263,119
Government customers *	0.07%	95,376,921	64,181
Contract assets	1.06%	92,668,236	985,001
At 31 December		393,976,702	43,219,615

*As at 31 December 2020, The Group recognized provision for expected credit losses on its government customers amounting to QR 31,820 (2019: QR 64,181)

Trade receivables and contract assets are written off where there is no reasonable expectation of recovery. Further, trade receivables do not bear interest.

The Group does not require collateral as security in respect of its trade receivables.

26 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

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

Credit ratings (by Moody's)	***2020*** ***QR***	*2019* *QR*
A1	**114,333,815**	113,572,851
A2	**177,236,768**	186,361,021
A3	**5,813,954**	208,763
At 31 December	**297,384,537**	300,142,635

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.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Management's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The table below summarizes the contractual undiscounted maturities of the Group's financial liabilities at the reporting date. The Group's financial liabilities include contractual interest payments.

31 December 2020

		Contractual cash flows			
Non-derivative financial liabilities	***Carrying amount QR***	***Total QR***	***1-12 months QR***	***1-5 years QR***	***More than 5 years QR***
Trade and other payables (i)	**154,698,562**	**(154,698,562)**	**(154,698,562)**	**-**	**-**
Lease liabilities	**246,936,815**	**(374,161,955)**	**(20,982,550)**	**(62,771,158)**	**(290,408,247)**
Islamic Financing (ii)	**1,589,347,663**	**(1,797,554,391)**	**(355,716,737)**	**(1,158,477,554)**	**(283,360,100)**
	1,990,983,040	**(2,326,414,908)**	**(531,397,849)**	**(1,221,248,712)**	**(573,768,347)**

31 December 2019

		Contractual cash flows			
Non-derivative financial liabilities	*Carrying amount QR*	*Total QR*	*1-12 months QR*	*1-5 years QR*	*More than 5 years QR*
Trade and other payables (i)	114,014,649	(114,014,649)	(114,014,649)	-	-
Lease liabilities	291,628,862	(465,457,874)	(19,838,314)	(78,744,633)	(366,874,927)
Islamic Financing (ii)	1,507,987,683	(1,710,265,884)	(346,462,210)	(1,297,494,459)	(66,309,215)
	1,913,631,194	(2,289,738,407)	(480,315,173)	(1,376,239,092)	(433,184,142)

(i) Excluding accruals and provisions
(ii) The interest payments on variable interest rate loans in the table above reflect market forward interest rates at the reporting date and these amounts may change as market interest rates change.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

26 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Currency risk
Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Group's functional currency. The Group is not exposed to significant foreign exchange risk as it primarily transacts in Qatari Riyal, which is the Group's presentation currency. Also, some transactions of the Group in the US Dollar, Bahrain Dinars, and UAE Dirhams bear no foreign currency risk as these currencies are pegged with the Qatari Riyal. Further, net balances in EURO are not considered to represent a significant currency risk. Management believes that the Group's exposure to currency risk is minimal.

Profit rate risk
Profit rate risk arises when the fair value or future cash flows of a financial instrument will fluctuate because of changes in market profit rates. The Group's profit rate risk arises mainly from Islamic financing and bank deposits issued at variable rates, which expose it cash flow profit rate risk.

At 31 December 2020, if profit rates on Qatari Riyal-denominated bank deposits and Islamic financing had been 1% (2019: 1%) higher/lower with all other variables held constant, post-tax profit for the year would have been QR 14,675,715 (2019: QR 15,744,300) lower/higher, mainly as a result of higher/lower profit charge on floating rate Islamic financing. Therefore, management monitors the profit rate fluctuations on a continuous basis and acts accordingly.

Capital management
The primary objective of the Group's capital management is to ensure that it maintains a strong capital base in order to support its business and to sustain future development of the business. Management monitors its capital structure and makes adjustments to it in light of economic conditions.

The Group monitors capital using a gearing ratio, which is calculated as net debt divided by total capital. The debt is calculated as total borrowings (non-current and current borrowings and bank overdrafts as shown on the statement of financial position) less cash and cash equivalents (excluding bank overdrafts). The total capital is calculated as "equity" as shown on the consolidated statement of financial position plus net debt.

	2020 QR	*2019 QR*
Islamic financing (Note 14)	**1,589,347,663**	1,507,987,683
Less: Cash and cash equivalents (Note 10)	**107,856,315**	183,081,240
Net debt	**1,481,491,348**	1,324,906,443
Total equity	**1,904,722,394**	1,792,055,224
Total capital	**3,386,213,742**	3,116,961,667
Gearing ratio	**43.75%**	42.51%

The Group's capital management policy remained unchanged since the previous year as well as the gearing ratio. The Group is not subject to any externally imposed capital requirements.

27 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Financial assets consist of contract assets, trade receivables, refundable deposits, cash at bank and other receivables. Financial liabilities consist of Islamic financing, lease liabilities, retention payable to contractors and trade and other payables.

The Group has not disclosed the fair values as the fair values of financial instruments are not materially different from their carrying values.

28 IMPACT OF THE COVID 19 PANDEMIC

In March 2020, the World Health Organization declared COVID-19 a global pandemic. While COVID-19 is a health crisis, it has caused socioeconomic disruption on a global scale. More countries have imposed travel bans on millions of people, and more people in more locations are placed with quarantine measures. The extent and duration of such impacts remain uncertain and dependent on future developments that cannot be accurately predicted at this time, such as the transmission rate of the coronavirus, the extent and effectiveness of containment actions taken, including the deployment of COVID-19 vaccines.

Further, the Group logistic operations are concentrated in economies that relatively depend on the oil and gas income. The outbreak of COVID-19 has had an impact on the demand for oil and petroleum products. Recent global developments have caused further volatility in commodity markets.

The Group has considered the impact of COVID-19 and the volatility in the oil prices and its impact on the business when preparing the consolidated financial statements and related note disclosures.

During March 2020, certain concessions were announced by the Group for a short period to the existing customers considering the current economic conditions, and this resulted in a negative impact on the Group revenue. Further, overall revenue has not decreased significantly compared to the prior year's results.

For the year ended 31 December 2020, the Group has received rent concessions from two landlords. As discussed in Note 6, the Group has elected to apply the practical expedient introduced by the amendments to IFRS 16 to all rent concessions that satisfy the criteria. The application of the practical expedient has resulted in the reduction of total lease liabilities of QR 5,160,763 for the year ended 31 December 2020. The effect of this reduction has been recorded in consolidated profit or loss in the period in which the event or condition that triggers those payments occurs.

Considering the Group's net current assets of QR 215,758,861 and QR 298,630,196 total cash position, the management is satisfied that the Group has sufficient liquidity to meet its current liabilities and working capital requirements.

Further, the Group engages in essential services and significant logistics operations concentrated in the State of Qatar with long term customers.

Accordingly, the management has concluded there to be no material uncertainties that may cast significant doubt on the Group's ability to continue to operate as a going concern.

28 IMPACT OF THE COVID 19 PANDEMIC (CONTINUED)

The impact of COVID-19 on the recoverability of receivables from customers have been considered. While the methodologies applied in the base expected credit loss calculations remain unchanged from those applied in the prior year financial year, the assumptions used for the expected credit loss calculation ("ECL") as at 31 December 2020 were updated by the Group to reflect the economic uncertainties resulted due to the COVID-19 and volatility in oil prices. The Group has adjusted the forward-looking macro-economic factors and probability weights assigned to economic scenarios for ECL determination to reflect the economic uncertainties. Given the level of uncertainty and the sensitivity of judgments and estimates, the assumptions will be reassessed if adverse conditions continue.

The Group has considered the potential impact on the presented non-financial assets due to the current economic volatility.

The Group conducts an annual impairment review of goodwill as outlined in note 9. While the ongoing economic uncertainty from the COVID-19 global pandemic has impacted the cash flow forecasts and estimate and assumptions inherent in the goodwill impairment test, the results of the annual impairment test determined the goodwill allocated to the cash-generating units (CGUs) is recoverable and no impairment as of 31 December 2020.

Further, the management has assessed whether there is an indication that other non-financial assets may be impaired as at 31 December 2020. However, no indications were noted.

As the crisis evolves and the market conditions are unpredictable, the recorded amounts remain sensitive to market fluctuations.