

Zad Holding Company Q.P.S.C.
Consolidated Financial Statement
31 December 2022

Zad Holding Company Q.P.S.C.

**Consolidated Financial Statements
As at and for the year ended 31 December 2022**

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Independent auditors' report

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

Opinion

We have audited the consolidated financial statements of Zad Holding Company Q.P.S.C. (the 'Company') and its subsidiaries (together the 'Group'), which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out on pages 11 to 49.

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 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards).

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 Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants 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 Company's consolidated financial statements in the State of Qatar, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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



Independent auditors' report (continued)

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

Key Audit Matters (continued)

The key audit matter	How the matter was addressed in our audit
<p>Compensation from the Government of State of Qatar for sale of subsidized flour - Note 13</p> <p>We focused on this area because:</p> <ul style="list-style-type: none"> - The Group's business involves selling flour in local market at subsidized rates as agreed with the Government of State of Qatar. - We focused on this amount because of the significance of the subsidy amount representing 9.6% of total revenue from operations and importance of the subsidy to the business operations of the Group. - Due to the nature of the business, determination of subsidy depends on the various types of flour and the clauses of the subsidy agreement. 	<p>Our audit procedures in this area included the following:</p> <ul style="list-style-type: none"> - obtaining an understanding of the terms and conditions of the subsidy contract with the Government. - testing the design and operating effectiveness of controls over the process of recognizing and claiming government subsidy. - assessing the appropriateness of the claims made by the Group and whether they are in line with the contract. - agreeing the amount of subsidy received with the amount approved by the Government; and - Evaluating the adequacy of the Group's disclosures related to Government subsidy by reference to the requirements of the relevant accounting standards.
<p>Impairment assessment of goodwill - Notes 3 and 12</p> <p>We focused on this area because:</p> <ul style="list-style-type: none"> - As at 31 December 2022, the Group's consolidated financial statements include recognised goodwill of QR 19,704,770 which arose from acquisition of National Food Company which represents 1.4% of total assets. - An assessment is required annually to establish whether this goodwill should continue to be recognized, or if any impairment is required. - The impairment assessment relies on determining the recoverable amount of the investment in the subsidiary using valuation techniques such as discounted cash flows. - The estimation of future cash flows and the rate at which they are discounted is inherently uncertain and requires significant judgment and hence has been identified as a key audit matter 	<p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"> - Understanding the Group's budgeting process upon which forecasts are based. - testing the design and operating effectiveness of controls over goodwill impairment assessment process - We involved our valuation specialists to assist us in: - Evaluating the appropriateness of the methodology used by the Group to assess impairment of goodwill. - Evaluating key inputs and assumptions in cash flow projections used by the Group in comparison to externally derived data as well as our own assessments of investee specific circumstances. - Evaluating the adequacy of the Group's disclosures related to goodwill impairment by reference to the requirements of the relevant accounting standards.



Independent auditors' report (continued)

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

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Company's Annual Report but does not include the consolidated financial statements and our auditors' report thereon. The Annual report is expected to be made available to us after the date of this auditors' report.

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

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

Responsibilities of Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Standards, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' 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 auditors' 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 ISA, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:



Independent auditors' report (continued)

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' 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 the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.



Independent auditors' report (continued)

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

Report on Other Legal and Regulatory Requirements

As required by the Qatar Commercial Companies Law No. 11 of 2015, whose certain provisions were subsequently amended by Law No. 8 of 2021 ("amended QCCL"), we also report that:

- i) We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- ii) The Company has maintained proper accounting records and its consolidated financial statements are in agreement therewith.
- iii) We have read the report of the Board of Directors to be included in the Annual Report, and the financial information contained therein is in agreement with the books and records of the Company.
- iv) Furthermore, the physical count of the Company's inventories was carried out in accordance with established principles.
- v) We are not aware of any violations of the applicable provisions of the amended QCCL or the terms of the Company's Articles of Association having occurred during the year which might have had a material effect on the Company's consolidated financial position or performance as at and for the year ended 31 December 2022.

16 March 2023
Doha
State of Qatar

Gopal Balasubramaniam
KPMG
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Consolidated statement of financial position
As at 31 December 2022

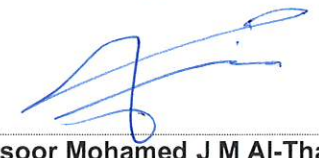
In Qatari Riyals

	Notes	31 December 2022	31 December 2021 * Restated	1 January 2021 * Restated
Assets				
Non-current assets				
Property, plant and equipment	5	259,490,273	278,602,024	306,574,046
Intangible assets	6	3,460,060	543,757	740,156
Right-of-use assets	7.1	68,440,965	73,635,936	78,462,435
Investment properties	8	518,216,379	523,566,386	528,916,403
Investment in equity instruments	9	398,742,955	453,316,748	315,428,750
Investment in an associate	10	8,093,880	8,855,684	6,989,435
Retention and other receivables	11	20,998,536	10,579,863	3,919,987
Deferred tax assets		78,899	130,347	101,527
Goodwill	12	19,704,770	19,704,770	19,704,770
Total non-current assets		1,297,226,717	1,368,935,515	1,260,837,509
Current assets				
Due from the Government of Qatar	13	27,316,023	32,508,362	36,979,898
Due from related parties	14.1	12,653,783	6,787,224	3,983,335
Inventories	15	380,494,314	198,533,609	170,708,868
Investment in equity instruments	9	2,288,281	1,943,694	1,532,294
Accounts, retention and other receivables	16	391,692,551	332,594,091	307,106,865
Investment in commodities	17	478,141,082	447,777,292	489,132,859
Cash and cash equivalents	18	56,458,308	52,898,188	30,642,844
Total current assets		1,349,044,342	1,073,042,460	1,040,086,963
Total assets		2,646,271,059	2,441,977,975	2,300,924,472
Equity and liabilities				
Equity				
Share capital	19	273,731,766	260,696,920	236,997,200
Legal reserve	20	563,120,753	563,120,753	563,120,753
Capital reserve	21	15,000,000	15,000,000	15,000,000
Fair value reserve		(93,404,537)	(31,613,512)	17,723,138
Retained earnings		525,857,855	511,566,377	511,785,668
Total equity		1,284,305,837	1,318,770,538	1,344,626,759
Non-current liabilities				
Lease liabilities	7.2	6,030,796	12,026,725	13,135,767
Employees' end of service benefits	23	39,255,483	38,451,891	33,972,951
Due to the Government of Qatar	24	164,968,246	181,468,246	156,812,866
Total non-current liabilities		210,254,525	231,946,862	203,921,584
Current liabilities				
Islamic financing	25	655,282,857	547,325,271	408,038,759
Accounts, retention and other payables	26	466,160,987	313,888,706	312,775,494
Lease liabilities	7.2	8,447,492	4,640,324	4,986,136
Due to the Government of Qatar	24	16,500,000	16,500,000	19,225,000
Due to related parties	14.2	5,319,361	8,906,274	7,350,740
Total current liabilities		1,151,710,697	891,260,575	752,376,129
Total liabilities		1,361,965,222	1,123,207,437	956,297,713
Total equity and liabilities		2,646,271,059	2,441,977,975	2,300,924,472

* The comparative information is restated. See Note 38.

Authorised for issue by the Board of Directors on 16 March 2023, signed for and on its behalf by;


Nasser Mohamed J M Al-Thani
Chairman


Mansoor Mohamed J M Al-Thani
Board Member

The notes are an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2022

In Qatari Riyals

	Notes	2022	2021 * Restated
Operating revenue	27	1,377,314,816	1,197,706,130
Compensation from the Government of Qatar for sale of subsidized flour	13	145,561,032	94,612,708
Total revenue		1,522,875,848	1,292,318,838
Operating cost	28	(1,197,732,787)	(1,023,976,074)
Gross profit		325,143,061	268,342,764
Other income	29	65,918,131	105,226,959
General and administrative expenses	30	(80,451,839)	(80,570,612)
Selling and distribution expenses	31	(80,624,931)	(71,073,909)
Allowance for impairment of financial assets		(2,359,569)	(704,639)
Operating profit		227,624,853	221,220,563
Finance cost - net		(20,591,625)	(13,090,673)
Profit before tax and zakat		207,033,228	208,129,890
Tax expense		(158,780)	(177,325)
Provision for zakat contribution		(12,656,718)	(14,009,053)
Profit for the year		194,217,730	193,943,512
Earnings per share			
Basic and diluted earnings per share	33	0.71	0.71
Profit for the year		194,217,730	193,943,512
Other comprehensive (loss) / income			
Item that will not be reclassified to profit or loss			
Equity investments at FVOCI – net change in fair value		(54,373,990)	(49,150,541)
Total comprehensive income for the year		139,843,740	144,792,971

* The comparative information is restated. See Note 38



The notes are an integral part of these consolidated financial statements.

Zad Holding Company Q.P.S.C.

**Consolidated statement of changes in equity
For the year ended 31 December 2022**

In Qatari Riyals

	Share capital	Legal reserve	*Capital reserve	**Fair value reserve	Retained earnings	Total
Balance at 1 January 2021	236,997,200	563,120,753	15,000,000	17,723,138	717,929,595	1,550,770,686
Impact of restatements (Note 38)	-	-	-	-	(206,143,927)	(206,143,927)
Restated balances at 1 January 2021	236,997,200	563,120,753	15,000,000	17,723,138	511,785,668	1,344,626,759
Profit for the year (Restated)	-	-	-	-	193,943,512	193,943,512
Other comprehensive income (Note 9)	-	-	-	(49,150,541)	-	(49,150,541)
Gain transferred on disposal of investment securities – 'At FVOCI'	-	-	-	(186,109)	186,109	-
Contribution to social and sports fund	-	-	-	-	(4,751,152)	(4,751,152)
Bonus shares (Note 19)	23,699,720	-	-	-	(23,699,720)	-
Dividend distribution (Note 22)	-	-	-	-	(165,898,040)	(165,898,040)
Restated balance at 31 December 2021	260,696,920	563,120,753	15,000,000	(31,613,512)	511,566,377	1,318,770,538
Balance at 1 January 2022	260,696,920	563,120,753	15,000,000	(31,613,512)	511,566,377	1,318,770,538
Profit for the year	-	-	-	-	194,217,730	194,217,730
Other comprehensive income (Note 9)	-	-	-	(54,373,990)	-	(54,373,990)
Gain transferred on disposal of investment securities – 'At FVOCI'	-	-	-	(7,417,035)	7,417,035	-
Contribution to social and sports fund	-	-	-	-	(4,855,443)	(4,855,443)
Bonus shares (Note 19)	13,034,846	-	-	-	(13,034,846)	-
Dividend distribution (Note 22)	-	-	-	-	(169,452,998)	(169,452,998)
Balance at 31 December 2022	273,731,766	563,120,753	15,000,000	(93,404,537)	525,857,855	1,284,305,837

*Capital reserve represents additional reserve created from prior years' profits. There has not been any movement in the reserve for the current year.

**Fair value reserve represents changes in fair value in mining shares which have been irrevocably designated as fair value through other comprehensive income.

*** Pursuant to Law No. 13 of 2008, the Group made an appropriation of QR 4,855,443 (2021: QR 4,751,152) from retained earnings for its contribution to the Social and Sports Activities Support Fund ("Daam") of Qatar, the Group is required to contribute 2.5% of annual net profits of the Company to the State Social and Sports Fund. The clarification relating to Law No. 13 requires the payable amount to be recognised as a distribution of income in the consolidated statement of changes in equity.

The notes on pages 11 to 49 are an integral part of these consolidated financial statements.

Consolidated statement of cash flow
For the year ended 31 December 2022

In Qatari Riyals

	Note	2022	2021 * Restated
Cash flows from operating activities			
Profit for the year		194,217,730	193,943,512
<i>Adjustments for:</i>			
Provision for slow moving inventories	15	5,989,502	225,029
Loss allowance made on accounts receivables	16	2,359,569	704,639
Loss allowance reversed on other receivables	16	-	(1,111,520)
Profit on disposal of investment in commodities	29	(32,527,216)	(75,306,055)
Depreciation on property, plant and equipment	32	41,940,421	45,699,279
Depreciation on right to use assets	32	9,257,387	4,817,599
Depreciation on investment properties	32	5,350,007	5,350,017
Gain on disposal of property, plant and equipment		(895,227)	(345,740)
Amortisation of intangible assets		707,935	214,868
Finance costs		20,591,625	13,090,673
Provision for income tax		158,780	177,325
Employees' end of service benefits	23	5,760,624	7,531,938
Provision for zakat contribution		12,656,718	14,009,053
Share of loss of investment in an associate	10	761,804	594,571
Dividend income	29	(5,310,435)	(3,015,825)
Loss on derecognition of right-of-use assets		3,169,925	294,231
Islamic finance income		-	(779)
Fair value gains on investment securities – At fair value through profit or loss	9	(344,587)	(1,260,329)
		<u>263,844,562</u>	<u>205,612,486</u>
<i>Change in:</i>			
Inventories		(187,950,207)	(28,049,770)
Due from and due to the Government of Qatar (net)		5,192,339	4,471,536
Accounts, retentions and other receivables		(71,876,702)	(31,740,221)
Due from and to related parties (net)		(9,453,472)	(1,248,355)
Accounts payable, retention and other payables		<u>149,408,040</u>	<u>(7,342,617)</u>
Cash generated from operating activities		<u>149,164,560</u>	<u>141,703,059</u>
Employees' end of service benefits paid	23	(4,957,032)	(3,052,998)
Zakat paid		(14,755,252)	(11,429,574)
Finance costs paid		<u>(19,766,319)</u>	<u>(12,456,951)</u>
Net cash from operating activities		<u>109,685,957</u>	<u>114,763,536</u>
Cash flows from investing activities			
Acquisition of property, plant and equipment		(26,081,068)	(18,422,803)
Acquisition of intangible assets		(3,642,707)	-
Proceeds from disposal of property, plant and equipment		4,166,094	1,022,817
Receipts from sale of investment securities	9	71,418,317	4,222,020
Addition in investment in an associate	10	-	(2,460,820)
Acquisition of equity instruments	9	(71,218,514)	(190,411,630)
Dividend income received	29	5,310,435	3,015,825
Receipts from sale of commodities	17	207,084,181	238,856,653
Acquisition of commodities	17	(204,920,755)	(122,195,031)
Islamic finance income received		-	779
Net cash used in investing activities		<u>(17,884,017)</u>	<u>(86,372,190)</u>



The notes on pages 11 to 49 are an integral part of these consolidated financial statements.

Consolidated statement of cash flow
For the year ended 31 December 2022

In Qatari Riyals

	Note	2022	2021 * Restated
Cash flows from financing activities			
Movement in Islamic financing	25	107,957,586	139,286,512
Repayment to the Government of Qatar		(16,500,000)	(19,225,000)
Receipts from the Government of Qatar		-	41,155,380
Lease liability paid	7.2	(10,246,408)	(1,454,854)
Dividends paid		(169,452,998)	(165,898,040)
Net cash used in financing activities		(88,241,820)	(6,136,002)
Net increase in cash and cash equivalents		3,560,120	22,255,344
Cash and cash equivalents at beginning of the year		52,898,188	30,642,844
Cash and cash equivalents at end of the year (Note 18)		56,458,308	52,898,188

* The comparative information is restated. See Note 38.



The notes on pages 11 to 49 are an integral part of these consolidated financial statements.

1. Reporting entity

Zad Holding Company Q.P.S.C. (the “Company”) was incorporated on 07 July 1969 under commercial registration No. 27 as a Qatari Shareholder Company by Emiri Decree No. 45 of 1969 and by Concession law No. 12 of 1969. The shares of the Company are listed on Qatar Stock Exchange. Its registered office is at Al Meena Street, Doha Sea Port P.O. Box 1444 Doha, State of Qatar.

The principal business activities of the Company and its subsidiaries (collectively the “Group”) are disclosed in Note 3 (a) of the consolidated financial statements and the Group’s principal activities, which remains unchanged since the previous year, are import of wheat, production of different kinds of flour, manufacturing and marketing of pasta and bakery products. Further, the Group earns income from sales of certain types of grain and related commodities. In addition to the above, the Group is engaged in the activities of contracting for building, investing, establishing, and managing of industrial projects, activities in real estate, selling and rental of heavy equipment, manufacturing and supply of ready-mix concrete and asphalt, crushing services, providing transport services, and investment in financial instruments.

The consolidated financial statements were authorised for issue by the representatives of the Board of Directors of Zad Holding Company Q.P.S.C. on 16 March 2023.

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards).

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for certain investment securities which have been measured at fair value.

(c) Functional and presentation currency

These consolidated financial statements are presented in Qatari Riyals, which is the Group’s functional currency. All financial information presented in Qatari Riyals have been rounded to the nearest Qatari Riyals unless otherwise indicated.

(d) Use of estimates and judgements

In preparing these consolidated financial statements, management has made judgements and estimates that affect the application of Group’s accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about critical estimates and judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are as follows:

2. Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

Going concern

The 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. The Group has a positive working capital and net assets as at 31 December 2022. Furthermore, 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 a going concern basis.

Depreciation of property, plant and equipment, right-of-use assets, and investment properties

Items of property, plant and equipment, right-of-use assets, and investment properties are depreciated on a straight line basis over their estimated individual useful lives. Management exercises significant judgement for the determination of the depreciation method and the useful lives and residual values of these assets, including their expected usage over their lives, the rate of their physical wear and tear, and their technological or commercial obsolescence. Such estimates could have a significant impact on the annual depreciation charge recognized in profit or loss.

Impairment of property, plant and equipment and right-of-use assets and investment properties

The carrying amounts of the Group's property, plant and equipment, right-of-use assets, and investment properties are reviewed at each reporting date to determine whether there is any indication of impairment. That assessment 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.

Provision for impairment for slow moving and obsolete 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. The necessity and setting up of a provision for slow moving and obsolete inventories requires considerable degree of judgment.

Impairment of receivable

The Group uses an expected credit loss (ECL) impairment model to determine the impairment of receivables. This impairment model requires forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. It also requires management to assign probability of default to various categories of receivables. Probability of default constitutes a key input in measuring the ECL and entails considerable judgement; it is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Impairment of investments in an associate

The Group accounts for its investment in an associate under the equity method. In addition, the Group makes an annual assessment based on the available market information and the judgement to evaluate whether any indications existed for provision for impairment loss for the Group's net investment in the associate. If indication is existed, the Group would reduce its net investment to the extent of estimated recoverable value of such investment.

Goodwill

Management tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 12).

2. Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

Provision for employees' end of service benefits

Management has measured the Group's obligation for the post-employment benefits of its employees based on the provisions of the Labour Laws of the State of Qatar. Management does not perform an actuarial valuation as required by International Accounting Standard 19 "Employee Benefits" as it estimates that such valuation does not result to a significantly different level of provision. The calculation of the provision is performed by management at the end of each year, and any change to the projected benefit obligation at the year-end is adjusted in the provision for employees' end of service benefits in profit or loss.

Lease liabilities

Management assesses whether contracts entered by the Group for renting various assets contain a lease. The lease identification, including whether or not the Group has contracted to substantially all the economic benefits of the underlying asset, may require significant judgement. Establishing the lease term may also present challenges where a contract has an indefinite term or is subject to auto renewal or there are renewal options that are unclear if they will be exercised at the option date. The extend of the lease term significantly influences the value of the lease liability and the related right-of-use asset, and arriving at a conclusion sometimes requires significant judgement calls. Furthermore, once the lease term is established, management needs to estimate the future cash flows payable over the lease term and discount them using the incremental borrowing rate that a lessee 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. That also requires significant judgment and affects both the finance lease liability and the fair value of the underlying asset.

Other provisions and liabilities

Other provisions and liabilities are recognized in the period only to the extent management considers it probable that there will be a future outflow of funds resulting from past operations or events and the amount of cash outflow can be reliably estimated. The timing of recognition and quantification of the liability require the application of judgment to existing facts and circumstances, which can be subject to change. Since the actual cash outflows can take place in subsequent years, the carrying amounts of payables are reviewed regularly and adjusted to take account of changing facts and circumstances. A change in estimate of a recognized liability would result in a charge or credit to profit or loss in the period in which the change occurs.

(e) New standards, amendments and interpretations effective from 1 January 2022

The Group adopted below amended International Financial Reporting Standards ("IFRS Standards") that are effective for the annual reporting period beginning on 1 January 2022:

- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018-2020
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Reference to the Conceptual Framework (Amendments to IFRS 3)

The adoption of above amendments had no significant impact on the Group's consolidated financial statements.

**Notes to the consolidated financial statements
As at and for the year ended 31 December 2022**

2. Basis of preparation (continued)

(f) New and amended standards and an interpretation to a standard not yet effective, but available for early adoption

A number of new standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted, however the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

Effective for year beginning 1 January 2023	<ul style="list-style-type: none"> IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) Definition of Accounting Estimates (Amendments to IAS 8) Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
Effective for year beginning 1 January 2024	<ul style="list-style-type: none"> Classification of liabilities as current or non-current (Amendments to IAS 1) Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
Effective date deferred indefinitely / available for optional adoption	<ul style="list-style-type: none"> Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

Management does not expect that the adoption of the above new and amended standards will have a significant impact on the Company's consolidated financial statements.

3. Significant accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except if mentioned otherwise:

a) Basis of consolidation

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

3. Significant accounting policies (continued)

a) Basis of consolidation (continued)

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree, the equity interests issued by the Group, the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised either in profit or loss or as a change to other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognized is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognized directly in the profit or loss.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs or group of CGUs that is expected to benefit from the synergies of the combination. Goodwill impairment testing is undertaken annually. Any impairment is recognized immediately as an expense and is not subsequently reversed.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

During the current and comparative years, there is no changes in ownership interests in subsidiaries without change of control and disposal of subsidiaries.

Notes to the consolidated financial statements
As at and for the year ended 31 December 2022

3. Significant accounting policies (continued)

a) Basis of consolidation (continued)

Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss and other comprehensive income of the investee after the date of acquisition.

On acquisition of an associate, the difference between the cost of the investment and the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as goodwill relating to the associate and is included in the carrying amount of the associate. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the Group's share of associate's profit or loss in the period in which the investment is acquired.

The Group's share of post-acquisition profit or loss is recognised in the consolidated statement of profit or loss and other comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and charges the amount to the consolidated statement of profit or loss and other comprehensive income.

Group companies

Set out below are the Group's principal subsidiaries at 31 December 2022. Unless otherwise stated, the subsidiaries as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group and the proportion of ownership interests held equals to the voting rights held by Group. The country of incorporation or registration is also their principal place of business.

Name of subsidiary	Country of incorporation	Principal activities	Group effective shareholding %	
			2022	2021
Qatar Flour Mills Company W.L. L.	Qatar	Manufacturing and distribution of wheat flour and trading of bran and barley.	100%	100%
Qatar Food Industries Company W.L. L.	Qatar	Marketing of wheat, flour and allied products.	100%	100%
Umm Said Bakery W.L.L.	Qatar	Manufacturing of bakery products.	100%	100%
Arzak Marketing Company W.L. L.	Qatar	Trading of food stuff.	100%	100%
QFM Trading Company W.L.L. (formerly "Zain Trading Company")	Qatar	Trading of food stuff and animal feed.	100%	100%
National Food Company W.L.L.	Qatar	Manufacturing & Trading of frozen meat products and vegetables.	100%	100%
Meeda Projects Company W.L.L.	Qatar	Civil construction, investing, establishing & managing of industrial projects, activities in real estate, selling and rental of heavy equipment and facilities.	100%	100%
Arzak Al Khalijia Company	Saudi Arabia	Trading of food stuff and cleaning items.	100%	100%
Tower International Limited	Cayman Islands	Holding and trading of investment in commodities	100%	100%

3. Significant accounting policies (continued)

b) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment, except capital work-in-progress, are measured at cost less accumulated depreciation and any accumulated impairment losses. Capital work-in-progress is carried at cost less impairment, if any.

Cost includes expenditure that is directly attributable to the acquisition of the 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

Subsequent expenditure is capitalized only if it is probable that future economic benefits associated with the expenditure will flow to the Group, and its cost can be measured reliably.

Depreciation

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 of property, plant and equipment for the current year and the comparative year are as follows:

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

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

Capital work in progress is not depreciated. Once assets within capital work in progress are completed, they are reclassified to the relevant category of other property, plant and equipment stated above and depreciated accordingly once they are put into use. The residual values, useful life and methods of depreciation of property, plant and equipment are reviewed at each financial year end, and adjusted prospectively, if appropriate.

Derecognition

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

c) Intangible assets – Computer software

Recognition and measurement

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 amortization and any accumulated impairment losses.

Subsequent measurement

Subsequent expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the computer software. Costs associated with maintenance of computer software programmes are charged to the profit or loss of the year in which they were incurred.

3. Significant accounting policies (continued)

c) Intangible assets – Computer software (continued)

Amortisation

Amortization is calculated to write off the cost of computer software using the straight-line method over their estimated useful lives, which is 15 to 20 years. Amortisation is recognised in profit or loss. The amortization method and the useful life are reviewed at each reporting date and adjusted if appropriate.

d) Goodwill

Goodwill arising on the acquisition of a business is measured as the excess of the consideration transferred over the fair value of the identifiable net assets acquired. In case the consideration transferred is less than the fair value of the net identifiable assets acquired, then the difference is recognized directly in profit or loss as a bargain purchase. Where settlement of any part of consideration transferred is deferred, the consideration to be transferred in future periods is discounted to present value as at the date of the transaction.

Subsequent measurement

Goodwill is not amortised, but is tested for impairment on an annual basis or more frequently if there are events and circumstances indicating that it has been impaired (See accounting policy “Impairment”).

e) Investment properties

Land and buildings are considered as investment properties only when they are being held to earn rentals or for long term capital appreciation or both.

Investment properties are stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated. The cost of property includes all directly attributable costs including the borrowing costs that are directly attributable to the construction of the assets and excludes the cost of day-to-day servicing of an investment property.

Depreciation on buildings is calculated on a straight-line basis over the estimated useful life of 20 to 30 years.

The carrying values of investment properties are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

An item of investment property is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the asset is derecognised.

f) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in-first-out (FIFO) method, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. A provision is made for any write-down of inventories to net realisable value and such a provision is reflected as an expense in profit or loss in the period the write-down. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised in profit or loss in the period in which the reversal occurs.

3. Significant accounting policies (continued)

g) Investment in commodities

Investment in commodities represents precious metals and is stated at cost less impairment. Cost is determined using the weighted average cost method. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the consolidated statement of income, to the extent of previously recognized impairment losses.

IAS 8 specifies that, in the absence of an IFRS Standard that specifically applies to a transaction, other event or condition, preparers use judgement in developing and applying an accounting policy that results in relevant and reliable information. IAS 8 goes on to specify that in making that judgement, preparers refer to and consider the applicability of, in descending order:

(a) the requirements in IFRS Standards dealing with similar and related issues; and

(b) the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the Conceptual Framework.

The management of the Group has considered the specific objectives of investment in commodities and business model under which such investments are held while applying the appropriate accounting policy for investment in commodities. According to management, the purpose of the investment is to naturally hedge Group's assets values against any volatility in the international market. The prime objective is not to track market movements in commodities pricing but to protect the value of the assets against any negative movements in the market dynamics. Any related gain and loss on investment in commodities are crystalized and recognized on disposal.

h) Leases

At the inception of a contract, the Group assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

The Group as a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from external financing sources and makes certain adjustments to reflect the terms of the lease and type of the assets leased.

3. Significant accounting policies (continued)

h) Leases (continued)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option of if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group as a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other operating revenue'.

3. Significant accounting policies (continued)

i) Financial instruments

Recognition and initial measurement

Trade receivables are initially recognised 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 a financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition. An accounts receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement of financial assets

Classification on initial recognition

On initial recognition, a financial asset is classified at:

- amortised cost – if it meets both of the following conditions and is not designated as at FVTPL:
 - it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
 - its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.
- Fair Value Through Other Comprehensive Income (FVOCI) - if it meets both of the following conditions and is not designated as at FVTPL:
 - it is held within a business model whose objective achieved by both collecting contractual cash flows and selling financial assets; and
 - its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.
- Fair Value Through Profit or Loss (FVTPL) – All financial assets not classified as measured at amortised cost or FVOCI as described above.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at fair value through profit or loss. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual cash flows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

3. Significant accounting policies (continued)

i) Financial instruments (continued)

Classification and subsequent measurement of financial assets (continued)

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 that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

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

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

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

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

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

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

Financial assets - Subsequent measurement and gains and losses

- Financial assets at amortised cost - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
- Financial assets at Fair Value Through Profit or Loss (FVTPL) - These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
- Debt instruments at Fair Value Through Other Comprehensive Income (FVOCI) - These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
- Equity investments at Fair Value Through Other Comprehensive Income (FVOCI) - These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never derecognised to profit or loss.

3. Significant accounting policies (continued)

i) Financial instruments (continued)

Financial liabilities - Classification, subsequent measurement

Financial liabilities are classified as measured at amortised cost or fair value through profit or loss. A financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at fair value through profit or loss are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

In the case the Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting

Financial assets and financial liabilities are offset, and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

j) Impairment

Non-derivative financial assets

The Group recognises loss allowances for Expected Credit Losses (ECLs) on financial assets measured at amortised cost (loans receivable, trade and other receivables, receivables from related parties, and cash at bank). The Group does not hold financial assets measured at FVOCI or debt investments and equity investments that are measured subsequently at FVTPL.

The Group measures loss allowance either at an amount equal to:

- lifetime ECLs, which are those ECLs that result from all possible default events over the expected life of a financial instruments; or
- 12-month ECLs, which includes the portion of ECLs that results 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).

3. Significant accounting policies (continued)

j) Impairment (continued)

Non-derivative financial assets (continued)

The Group considers that it is not exposed to any credit risk with respect to its receivables from the Government or their controlled entities.

For the financial assets, except for the cash at bank, the Group applied the simplified approach to measuring ECLs which recognises the lifetime ECLs of these assets that reflect an increased credit risk. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment and including forward looking information.

Loss allowances on bank balances are always measured at an amount equal to 12-month ECLs. The Group considers bank balances to have a low risk level when their credit risk rating is equivalent to the globally understood definition of "investment grade".

Measurement of ECLs

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

Credit-impaired financial assets

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 365 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 borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of loss allowance on financial assets in the statement of financial position

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

3. Significant accounting policies (continued)

j) Impairment (continued)

Impairment of non-financial assets

At each reporting date, management reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash Generating Units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or the CGU.

An impairment loss is recognized if the carrying amount of an asset or a CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

k) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of Cash and cash equivalents, unrestricted balances held with banks and short term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

l) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

m) Employees' end of service benefits

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

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

**Notes to the consolidated financial statements
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3. Significant accounting policies (continued)

n) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs.

Borrowings are derecognised from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the consolidated statement of profit or loss and other comprehensive income as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

o) Revenue recognition

Revenue from Contracts with Customers

Revenue from contracts with customers for sales of goods and rendering of services in the ordinary course of the Group's activities is recognised in accordance with the following 5-step model:

1. Identify contracts with customers: A contract is an agreement which creates enforceable rights and obligations and sets out criteria that must be met.
2. Identify performance obligations within the contract: A performance obligation is a promise to deliver a good or a service to a customer.
3. Determine the transaction price: The transaction price is the amount to which the Group expects to be entitled in exchange for delivering the promised goods or services to a customer.
4. Allocate the transaction price to the performance obligations, if more than one.
5. Recognise revenue as and when the performance obligation(s) is/are satisfied.

Performance obligations and revenue recognition policies

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

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

Type of services	Nature, timing of satisfaction of performance obligations, significant payment terms
Sale of manufactured and traded products	: Revenue is recognised at point in time when the goods are delivered to the customers based on the rates agreed with the customer
Contracting and other related services	: Revenue is recognised over time based on the stage of completion of the projects which is determined based on the input method. The related costs are recognised in profit or loss when they are incurred.
Building materials and logistics	: Revenue is recognised at point in time when the goods are delivered to the customers based on the rates agreed with the customer

3. Significant accounting policies (continued)

o) Revenue recognition (continued)

Rental income

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

Interest income and expense

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

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

Income from investment securities

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

Dividend Income

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

Compensation from the Government of Qatar

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

p) Income tax

Income tax comprises the expected tax payable on the taxable profit for the year, adjusted for any corrections to the tax payable of previous years. It is calculated on the basis of the tax laws enacted (Income Tax Law No. 24 of 2018 and Ministerial Decision No. 39 of 2019) or substantively enacted at the reporting date in the State of Qatar. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation.

If applicable tax regulation is subject to interpretation and there is uncertainty over a treatment chosen by the Group that it is not probable that the tax authority will accept, it establishes a provision where appropriate on the basis of amounts expected to be paid to the tax authorities. Provisions made in respect of uncertain tax positions are re-assessed whenever circumstances change or there is new information that affects the previous judgements and estimates.

Deferred tax is recognised in respect of temporary differences arising between the carrying amounts of assets and liabilities reported in the financial statements and their respective amounts used for tax purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled using tax rates based on tax laws that have been enacted (Income Tax Law No. 24 of 2018) or substantively enacted by the reporting date in the State of Qatar.

3. Significant accounting policies (continued)

q) Provisions

A provision is recognised when:

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

The amount of a provision is the present value, of the best estimate, of the amount required to settle the obligation. Provisions are reviewed annually to reflect current best estimates of the expenditure required to settle the obligations.

r) 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 in the year these are incurred. Borrowing costs consist of the interest and other costs that the Group incurs in connection with the borrowing of funds.

s) Foreign currency translation

Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Qatari Riyal which is the Parent Company, all subsidiaries, and all equity accounted investees' functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss and other comprehensive income. Foreign exchange gains and losses that relate to borrowings are also presented in the consolidated statement of profit or loss and other comprehensive income, within 'finance costs – net'. All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss and other comprehensive income within 'other income'.

t) Earnings per share

Basic earnings per share:

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Group, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share:

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3. Significant accounting policies (continued)

u) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

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

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

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

v) Current versus non-current classification

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

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

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

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

3. Significant accounting policies (continued)

w) Zakat

Zakat is levied at the higher of adjusted income subject to zakat or the zakat base in accordance with the articles of the Zakat Fund established the supervision of the Ministry of Endowments and Islamic Affairs. Zakat measurement basis are determined by the management based on the Sharia Law. The zakat provision is charged to the consolidated statement of income.

x) Contribution to social and sports fund

According to Qatari Law No. 13 for the year 2008 and the related clarifications issued in January 2010, the Group is required to contribute 2.5% of annual net profits of the Company to the State Social and Sports Fund. The clarification relating to Law No. 13 requires the payable amount to be recognised as a distribution of income in the consolidated statement of changes in equity.

y) Segment reporting

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

Notes to the consolidated financial statements
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In Qatari Riyals

4. Operating segments**Information about reportable segments:**

	Investment & managed services		Trading, manufacturing, distribution & services		Contracting, real estate & others		Total	
For the year ended 31 December	2022	2021	2022	2021	2022	2021	2022	2021
Revenue / profit								
External revenue	-	-	990,651,364	940,280,866	386,663,452	257,425,264	1,377,314,816	1,197,706,130
Other income	38,485,102	76,136,663	25,130,452	23,705,467	2,302,578	5,384,829	65,918,132	105,226,959
Inter-segment revenue	-	-	244,222,991	151,643,339	94,945,275	205,471,068	339,168,266	357,114,407
Compensation from the Government of Qatar	-	-	145,561,032	94,612,708	-	-	145,561,032	94,612,708
Total revenue	38,485,102	76,136,663	1,405,565,839	1,210,242,380	483,911,305	468,281,161	1,927,962,246	1,754,660,204
Segment profit / (loss)	(28,412,136)	72,857,103	199,919,920	115,220,972	22,709,946	5,865,437	194,217,730	193,943,512
As at 31 December	2022	2021	2022	2021	2022	2021	2022	2021
Assets and liabilities								
Current assets	363,638,673	469,565,444	675,941,174	344,362,039	309,464,495	259,114,977	1,349,044,342	1,073,042,460
Non – current assets	427,479,605	821,075,180	148,472,168	99,444,545	721,274,944	448,415,790	1,297,226,717	1,368,935,515
Total assets	791,118,278	1,290,640,624	824,413,342	443,806,584	1,030,739,439	707,530,767	2,646,271,059	2,441,977,975
Current liabilities	735,129,847	302,488,663	276,423,408	301,760,370	140,157,442	287,011,542	1,151,710,697	891,260,575
Non- current liabilities	16,672,761	189,171,425	182,877,349	33,202,423	10,704,415	9,573,014	210,254,525	231,946,862
Total liabilities	751,802,608	491,660,088	459,300,757	334,962,793	150,861,857	296,584,556	1,361,965,222	1,123,207,437

Notes to the consolidated financial statements
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5. Property, plant and equipment

	Building and attached rights	Plant and equipment	Furniture & fixtures	Motor vehicles	Tools	Capital work in progress	Total
Cost:							
At 1 January 2021	555,662,368	357,489,781	29,250,999	130,810,625	25,086,007	22,123,706	1,120,423,486
Additions	1,652,886	2,881,722	1,573,292	4,452,480	2,214,304	5,433,251	18,207,935
Disposals	-	(1,693,891)	(29,469)	(4,750,637)	(4,022,985)	(214,868)	(10,711,850)
Transfer from capital work in progress	2,125,258	17,482,214	206,009	183,000	777,761	(20,774,242)	-
Reclassification	-	-	-	-	(18,469)	214,868	196,399
At 31 December 2021 / 1 January 2022	559,440,512	376,159,826	31,000,831	130,695,468	24,036,618	6,782,715	1,128,115,970
Additions	115,932	11,814,003	1,898,431	1,370,619	4,102,459	6,798,093	26,099,537
Disposals	-	(7,675,486)	(1,066,955)	(7,106,012)	(419,940)	(2,023,195)	(18,291,588)
Transfer from / (to) capital work in progress	(12,500)	1,649,301	-	-	16,465	(1,653,266)	-
At 31 December 2022	559,543,944	381,947,644	31,832,307	124,960,075	27,735,602	9,904,347	1,135,923,919
Accumulated depreciation:							
At 1 January 2021	400,997,771	263,407,994	22,684,135	106,710,497	20,049,043	-	813,849,440
Charge for the year (Note 32)	13,037,997	15,128,666	2,318,148	12,596,146	2,618,322	-	45,699,279
Disposals	-	(1,645,673)	(11,070)	(4,750,637)	(3,611,982)	-	(10,019,362)
Transfers	-	-	(15,411)	-	-	-	(15,411)
At 31 December 2021 / 1 January 2022	414,035,768	276,890,987	24,975,802	114,556,006	19,055,383	-	849,513,946
Charge for the year (Note 32)	12,514,014	14,849,370	2,126,522	8,211,005	4,239,510	-	41,940,421
Disposals	-	(6,848,699)	(962,412)	(6,877,210)	(332,400)	-	(15,020,721)
At 31 December 2022	426,549,782	284,891,658	26,139,912	115,889,801	22,962,493	-	876,433,646
Net carrying amount:							
As at 31 December 2022	132,994,162	97,055,986	5,692,395	9,070,274	4,773,110	9,904,347	259,490,273
As at 31 December 2021	145,404,744	99,268,839	6,025,029	16,139,462	4,981,235	6,782,715	278,602,024

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6. Intangible assets

Computer software	2022	2021
Cost:		
At 1 January	1,863,663	1,845,194
Additions	3,642,707	-
Reclassification from / (to) property, plant, and equipment	(18,469)	18,469
At 31 December	<u>5,487,901</u>	<u>1,863,663</u>
Accumulated amortisation:		
At 1 January	1,319,906	1,105,038
Charge for the year	707,935	214,868
At 31 December	<u>2,027,841</u>	<u>1,319,906</u>
Net carrying amount:		
At 31 December	<u>3,460,060</u>	<u>543,757</u>

7. Right-of-use assets / lease liabilities**7.1 Right-of-use assets**

The right-of-use assets relates to lands and vehicles which are expiring within 2 to 5 years from the reporting date.

	2022	2021
Cost:		
At 1 January	100,913,153	100,922,053
Additions	7,188,171	285,331
Derecognition	(3,125,755)	(294,231)
At 31 December	<u>104,975,569</u>	<u>100,913,153</u>
Accumulated depreciation:		
At 1 January	27,277,217	22,459,618
Charge for the year (Note 32)	9,257,387	4,817,599
At 31 December	<u>36,534,604</u>	<u>27,277,217</u>
Net carrying amount:		
At 31 December	<u>68,440,965</u>	<u>73,635,936</u>

7.2 Lease liabilities

	2022	2021
At 1 January	16,667,049	17,202,850
Additions	7,232,341	285,331
Less: Lease payments during the year	(10,246,408)	(1,454,854)
Interest expense	825,306	633,722
At 31 December	<u>14,478,288</u>	<u>16,667,049</u>

The lease liabilities are presented in presented in the statement of financial position as follows:

	2022	2021
Current	8,447,492	4,640,324
Non-current	6,030,796	12,026,725
Total lease liabilities	<u>14,478,288</u>	<u>16,667,049</u>

Notes to the consolidated financial statements
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In Qatari Riyals

7. Right-of-use assets / lease liabilities (continued)

The maturity analysis of lease liabilities is as follows:

Not later than 1 year	5,691,644	5,350,899
Later than 1 year and not later than 5 years	10,194,218	10,679,096
More than 5 years	-	2,533,086
	<u>15,885,862</u>	<u>18,563,081</u>
Future finance charges of finance leases	<u>(1,407,574)</u>	<u>(1,896,032)</u>
Total lease liabilities	<u>14,478,288</u>	<u>16,667,049</u>

The following are the amounts recognised in the consolidated statement of profit or loss:

	2022	2021
Depreciation of right-of-use assets (Note 32)	<u>9,257,387</u>	<u>4,817,599</u>
Interest on lease liabilities	<u>825,306</u>	<u>633,722</u>

8. Investment properties

	Land	Buildings	Total	
			2022	2021
Cost				
At 1 January	<u>454,015,300</u>	<u>169,941,949</u>	<u>623,957,249</u>	<u>623,957,249</u>
At 31 December	<u>454,015,300</u>	<u>169,941,949</u>	<u>623,957,249</u>	<u>623,957,249</u>
Accumulated depreciation				
At 1 January	-	100,390,863	100,390,863	95,040,846
Depreciation (Note 32)	-	<u>5,350,007</u>	<u>5,350,007</u>	<u>5,350,017</u>
At 31 December	-	<u>105,740,870</u>	<u>105,740,870</u>	<u>100,390,863</u>
Net carrying amount:				
As at 31 December 2022	<u>454,015,300</u>	<u>64,201,079</u>	<u>518,216,379</u>	<u>-</u>
As at 31 December 2021	<u>454,015,300</u>	<u>69,551,086</u>	<u>-</u>	<u>523,566,386</u>

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

Management has used the services of an independent evaluator to calculate the fair value of investment property as at 31 December 2022 amounting to QAR 603 million (2021: QAR 659 million). The valuation is based on transaction for the similar asset in the same locality.

Investment property amounting to QAR 304.57 million (2021: QAR 309.12 million) of the Group are mortgaged against Islamic financing facility (Note 25).

9. Investment in equity instruments

The Group has made investments in the securities and these are classified as follows:

	2022	2021
Current		
Fair value through profit and loss*	<u>2,288,281</u>	<u>1,943,694</u>
Non-current		
Fair value through other comprehensive income	<u>398,742,955</u>	<u>453,316,748</u>
Total investment securities	<u>401,031,236</u>	<u>455,260,442</u>

*These comprise of investment made in listed shares in Egypt.

9. Investment in equity instruments (continued)

The movement during the year was as follows:

	2022	2021
At 1 January	455,260,442	316,961,044
Additions during the year	71,218,514	190,411,630
Disposals during the year	(71,418,317)	(4,222,020)
Fair value through profit or loss	344,587	1,260,329
Fair value through other comprehensive income	(54,373,990)	(49,150,541)
At 31 January	<u>401,031,236</u>	<u>455,260,442</u>

10. Investment in an associate

	2022	2021
Investments in associate	8,855,684	9,450,255
Share of loss during the year	(761,804)	(594,571)
Investment at end of year	<u>8,093,880</u>	<u>8,855,684</u>

The above mentioned investments is made on "Indigenous Foods Private Limited" a company in India, holding 51%, which engaged to produce dairy and allied products. These investments are accounted using equity method.

The below table summarizes the financial information of the associate of the group.

	2022	2021
Percentage ownership interest		
Non-current assets	8,526,558	8,641,583
Current assets	3,013,991	2,638,465
Current liabilities	6,688,131	4,786,331
Net assets (100%)	4,852,420	6,493,717
Group's share of net assets	<u>2,474,734</u>	<u>3,311,796</u>
Carrying amount of interest in associate		
Revenue	13,250,032	7,898,739
Loss from continuing operations (100%)	(1,493,734)	(1,275,903)
Other comprehensive income (100%)	-	-
Total comprehensive income (100%)	(1,493,734)	(1,275,903)
Group's share of total comprehensive income	<u>(761,804)</u>	<u>(594,571)</u>

11. Retention and other receivables

	2022	2021
Retention receivables	20,741,048	9,096,451
Other receivables	257,488	1,483,412
Total	<u>20,998,536</u>	<u>10,579,863</u>

12. Goodwill**Impairment testing of goodwill**

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

The recoverable amount of cash generating unit has been determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rate stated below. The terminal growth rate does not exceed the long-term average growth rate for the business in which the cash generating units operate. As a result of this exercise, at 31 December 2022 no impairment was identified. (2021: No impairment).

Key assumptions used in value in use calculations:

	National Food Company	
	2022	2021
Compound annual volume growth	5.00%	3.18%
Terminal growth rate	2.00%	2.00%
Discount rate	8.97%	8.97%

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

13. Due from the Government of Qatar

	2022	2021 (Restated)
<i>Compensation due from the Government of Qatar</i>		
At 1 January	32,508,362	36,979,898
Cash received during the year	(150,753,371)	(99,502,181)
Compensation due for the year for sale of subsidized flour	145,561,032	94,612,708
Compensation for storage and operation (1)	-	417,937
At 31 December	27,316,023	32,508,362

- (1) Due from the Government of Qatar represents the recovery of claims related to storage and operation income of strategic stock of oil.

14. Related party balances and transactions

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

Related parties comprise companies under common ownership and/or common management and control, key management personnel, entities in which the shareholders have controlling interest, affiliates, and other related parties.

14. Related party balances and transactions (continued)**14.1 Due from related parties**

	Relationship	2022	2021
Dandy Company Limited W.L.L.	Common ownership	12,397,385	6,787,224
Seven Brothers Holding Company W.L.L.	Common ownership	238,001	-
Al Jabor Real Estate Investment Company W.L.L.	Common ownership	18,397	-
		12,653,783	6,787,224

All above receivables are of trading nature, bear no interest or securities and are receivable on demand.

14.2 Due to related parties

	Relationship	2022	2021
Qatar Detergent Company W.L.L.	Common ownership	3,207,707	3,728,739
Aayan Leasing Company Qatar W.L.L.	Common ownership	2,111,654	3,931,500
Seven Brothers Holding Company W.L.L.	Common ownership	-	1,246,035
		5,319,361	8,906,274

All above payables are of trading nature, bear no interest or securities and are payable on demand.

14.3 Transaction with related parties

	2022	2021
Compensation of key management personnel		
Key management remuneration*	14,692,132	15,527,700
Post-employment benefits	458,654	458,654
	15,150,786	15,986,354

*Key management remuneration includes director remuneration amounting QR 9,023,073 (2021: QR 9,070,002).

Sale of goods and services*Companies under common control*

Aayan Leasing Company Qatar WLL, Qatar	-	15,879
Qatar Detergent Company W.L.L, Qatar	64,320	97,569
Dandy Company Limited W.L.L, Qatar	6,404,440	11,421,283
	6,468,760	11,534,731

Purchase of goods*Companies under common control*

Aayan Leasing Company Qatar	6,071,078	4,528,936
Qatar Detergent Company W.L.L	125,241	12,587
Dandy Company Limited W.L.L	2,861,240	8,589,756
	9,057,559	13,131,279

All transactions with related parties were made as approved by management.

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15. Inventory

	2022	2021
Wheat stock	249,151,702	128,213,141
Raw materials	41,663,902	36,211,125
Packing materials	37,820,452	5,204,379
Spare parts	15,840,551	15,898,530
Others	29,039,989	4,716,114
	<u>373,516,596</u>	<u>190,243,289</u>
Less: Provision for slow moving inventories (1)	<u>(7,968,223)</u>	<u>(1,978,721)</u>
	365,548,373	188,264,568
Finished goods	14,945,941	10,269,041
Total	<u>380,494,314</u>	<u>198,533,609</u>

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

	2022	2021
At 1 January	1,978,721	1,766,687
Provision for the year	5,989,502	225,029
Written off during the year	-	(12,995)
At 31 December	<u>7,968,223</u>	<u>1,978,721</u>

The Group is required by the Government of Qatar to maintain certain quantities as a strategic as per agreement for wheat and oil.

16. Accounts, retention and other receivables

	2022	2021
Accounts receivable	401,850,255	353,652,428
Allowance for impairment of accounts receivables (1)	<u>(57,615,770)</u>	<u>(55,256,201)</u>
	<u>344,234,485</u>	<u>298,396,227</u>
Retention receivables	197,198	4,771,763
Prepayments and advances	34,052,015	26,105,670
Margin deposit	116,820	4,320
Accrued income	532,450	762,847
Other receivables and deposits	<u>12,922,393</u>	<u>2,916,074</u>
	47,820,876	34,560,674
Allowance for impairment of other receivables (2)	<u>(362,810)</u>	<u>(362,810)</u>
	<u>47,458,066</u>	<u>34,197,864</u>
	<u>391,692,551</u>	<u>332,594,091</u>

(1) The movement in allowance for impairment of accounts receivables are as follows:

	2022	2021
At 1 January	55,256,201	54,551,562
Allowance made during the year (Note 30)	<u>2,359,569</u>	<u>704,639</u>
At 31 January	<u>57,615,770</u>	<u>55,256,201</u>

16. Accounts, retention and other receivables (continued)

(2) The movement in allowance for impairment of other receivables is as follows:

	2022	2021
At 1 January	362,810	1,474,330
Allowance reversed during the year	<u>-</u>	<u>(1,111,520)</u>
At 31 January	<u><u>362,810</u></u>	<u><u>362,810</u></u>

(3) A sum of QR 201,619,937 (2021: QR 170,210,949) is receivable from three major customers which represents 50% (2021: 47%) of total accounts and retentions receivable as at 31 December 2022.

17. Investment in commodities

	2022	2021 (Restated)
At 1 January	447,777,292	489,132,859
Purchased during the year	204,920,755	122,195,031
Disposed off during the year	(207,084,181)	(238,856,653)
Gain on disposals (Note 29)	32,527,216	75,306,055
At 31 December	<u><u>478,141,082</u></u>	<u><u>447,777,292</u></u>

Investment in commodities contains silver kept by the Group in Switzerland.

18. Cash and cash equivalents

	2022	2021
Cash in hand	3,037,496	3,797,620
Cash at bank	<u>53,420,812</u>	<u>49,100,568</u>
Cash and cash equivalent	<u><u>56,458,308</u></u>	<u><u>52,898,188</u></u>

19. Share capital

The authorized share capital amounting to QR 273,731,766 (2021: QR 260,696,920) represents 273,731,766 (2021: 260,696,920) ordinary shares of QR 1 each as follows:

	2022	2021
Issued and fully paid share capital – listed at Qatar Exchange	<u><u>273,731,766</u></u>	<u><u>260,696,920</u></u>

During the year company issued Bonus shares amounting to QAR 13,034,846 (2021: QAR 23,699,720) in line with the dividend announcement (Note 22).

20. Legal reserve

In accordance with the requirements of the Qatar Commercial Companies' Law No. 11 of 2015, as amended by law number 8 of 2021, and the Company's articles of association, an amount equal to 10% of the net profit for the year, as a minimum, should be transferred to legal reserve until this reserve is equal to 50% of the paid-up share capital. No such transfer was made during the current year and the comparative year as the Company's legal reserve balance exceeds 50% of its share capital in an earlier year. The reserve is not available for distribution except in the circumstances stipulated in the above-mentioned law and the Company's articles of association.

21. Capital reserve

Capital reserve amounting to QR 15,000,000 reflected in the consolidated statement of financial position as at 31 December 2022 (2021: QR 15,000,000) represents additional reserve created from prior years' profits. There has not been any movement in the reserve for the current year.

22. Dividends

At the Board Meeting held on 16 March 2023, a dividend in respect of the profit for the year ended 31 December 2022 were QR 0.62 per share & 5% bonus shares are recommended. These consolidated financial statements do not reflect this dividend payable, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 31 December 2022.

The dividends declared in respect of the profit for the year ended 31 December 2021 were QR 169.45 million or QR 0.65 per share and 5% bonus share. (2020: QR 165.89 million or QR 0.7 per share and 10% bonus share).

23. Employees' end of service benefits

	2022	2021
At 1 January	38,451,891	33,972,951
Provision made during the year	5,760,624	7,531,938
End of service benefits paid during the year	<u>(4,957,032)</u>	<u>(3,052,998)</u>
At 31 December	<u>39,255,483</u>	<u>38,451,891</u>

24. Due to the Government of Qatar

	2022	2021 (Restated)
Due to the Government of Qatar	<u>181,468,246</u>	<u>197,968,246</u>

Due to the Government of Qatar is presented in the statement of financial position as follows:

	2022	2021 (Restated)
Non-current	164,968,246	181,468,246
Current	<u>16,500,000</u>	<u>16,500,000</u>
	<u>181,468,246</u>	<u>197,968,246</u>

- On 1 September 2019, the Government of Qatar amended the amount payable to QR 132,000,000 as full and final settlement amount. This is repayable in 96 monthly installments of QR 1,375,000 starting from 1 September 2019.
- Due to the Government of Qatar also includes an amount of QR 97.5 million (2021: QR 97.5 million) representing the compensation received from the Government of Qatar in order to maintain the strategic wheat stock and oil as required by the Government of Qatar. Since the repayable terms and conditions has not been agreed with the Government of Qatar, the compensation is considered as long term.

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25. Islamic financing

	2022	2021
Islamic financing	<u>655,282,857</u>	<u>547,325,271</u>

The Group has obtained loan under Murabaha Contract in QAR and in USD at normal commercial rates.

Islamic financing is secured against corporate guarantee, first degree mortgage over certain investment properties (Note 8).

Apart from above secured loan, during the year the Group has also availed unsecured Murabaha loan.

26. Accounts, retention and other payables

	2022	2021 (Restated)
Accounts payable	274,847,090	152,111,992
Provision for job cost	37,470,854	23,745,476
Dividend payable	46,033,016	56,020,835
Social and sports fund payable	4,860,560	4,751,152
Directors' remuneration payable	4,500,000	4,700,000
Sub-contractors payable	1,857,466	1,172,206
Zakat payable	18,196,166	20,294,700
Retention payable	8,748,427	4,019,777
Other payables	69,647,408	47,072,568
	<u>466,160,987</u>	<u>313,888,706</u>

Movement in provision for job costs is as follows:

	2022	2021
At 1 January	23,745,476	13,185,148
Provided during the year	14,568,400	17,980,015
Used during the year	(843,022)	(7,419,687)
At 31 December	<u>37,470,854</u>	<u>23,745,476</u>

27. Operating revenue

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

	2022	2021
Trading, manufacturing distribution and services	990,651,364	995,757,827
Contracting, real estate and others	386,663,452	201,948,303
	<u>1,377,314,816</u>	<u>1,197,706,130</u>

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27. Operating revenue (continued)*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.

	2022	2021
<i>Primary geographical markets:</i>		
Local operations	1,356,819,324	1,190,564,238
Foreign operations	20,495,492	7,141,892
	<u>1,377,314,816</u>	<u>1,197,706,130</u>

	2022	2021
<i>Major Products and services:</i>		
Sale of manufactured and traded products	990,651,366	995,757,827
Contracting, building materials and logistics	298,546,471	135,005,295
Rental income	88,116,979	66,943,008
	<u>1,377,314,816</u>	<u>1,197,706,130</u>

	2022	2021
<i>Timing of revenue recognition:</i>		
Products and service transferred over time	161,745,568	82,854,656
Products transferred point of time	1,127,452,269	1,047,908,466
Rental income	88,116,979	66,943,008
	<u>1,377,314,816</u>	<u>1,197,706,130</u>

28. Operating cost

	2022	2021
Cost of material consumed	621,410,134	562,625,255
Depreciation on Property, plant and equipment (Note 32)	49,319,192	50,860,186
Other direct costs	527,003,461	410,490,633
	<u>1,197,732,787</u>	<u>1,023,976,074</u>

29. Other income

	2022	2021
Dividend income	5,310,435	3,015,825
Gain from sale of investment in commodities (Note 17)	32,527,216	75,306,055
Share of loss on investment in an associate	(761,804)	(594,571)
Fair value gains on investment securities – At fair value through profit or loss	344,587	1,260,329
Other miscellaneous income*	28,497,697	26,239,321
	<u>65,918,131</u>	<u>105,226,959</u>

* Other miscellaneous income includes, profit on disposal of property, plant and equipment, income from by products, scrap sales, maintenance and storage fee, transport income and damage product sales income.

30. General and administrative expenses

	2022	2021
Staff salaries and benefits	41,136,609	47,792,063
Directors' remuneration	9,023,073	9,070,002
Rent expense	4,627,100	4,089,569
Depreciation (Note 32)	5,648,054	1,679,370
Insurance expenses	2,761,340	701,698
Travelling and transportation	1,834,019	56,980
Repair and maintenance	289,002	926,905
Utilities	4,774,569	2,695,132
Telephone expenses	501,905	466,562
Consultancy fees	760,257	3,537,323
Miscellaneous	9,095,911	9,555,008
	80,451,839	80,570,612

31. Selling and distribution expenses

	2022	2021
Staff salaries and benefits	21,960,832	20,298,161
Packing and freight charges	4,392,241	4,526,398
Depreciation (Note 32)	1,580,569	3,327,339
Sales rebates	25,737,240	17,705,492
Sales commission	5,454,944	5,833,001
Marketing expenses	3,118,466	4,143,145
Rent expense	3,878,172	2,907,274
Insurance expenses	656,460	799,565
Other expenses	13,846,007	11,533,534
	80,624,931	71,073,909

32. Depreciation

	2022	2021
Property, plant and equipment (Note 5)	41,940,421	45,699,279
Right-of-use assets (Note 7.1)	9,257,387	4,817,599
Investment property (Note 8)	5,350,007	5,350,017
	56,547,815	55,866,895
<i>Allocation:</i>		
Operating cost (Note 28)	49,319,192	50,860,186
General and administrative expenses (Note 30)	5,648,054	1,679,370
Selling and distribution expenses (Note 31)	1,580,569	3,327,339
	56,547,815	55,866,895

33. Earnings per share*(a) Basic earnings per share:*

	2022	2021 (Restated)
Profit attributable to ordinary shareholders of the Group	194,217,730	193,943,512
Weighted average number of ordinary shares outstanding	<u>273,731,766</u>	<u>273,731,766</u>
Basic earnings per share (QR)	<u>0.71</u>	<u>0.71</u>

*Restated for the effect of bonus share issued in current year

(b) Diluted earning per share:

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

34. Contingent liabilities and capital commitments

As at year end the Group has contingent liability and capital commitments amounting to QR 163.29 million (2021: QR 58.69 million).

35. Financial risk management***Objective and policies***

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

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

Market risk

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

Currency risk

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

Interest rate risk

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

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

35. Financial risk management (continued)**Market risk (continued)*****Interest rate risk (continued)***

	2022	2021
Islamic financing	<u>6,552,829</u>	<u>5,473,253</u>

Equity price risk

The Group is exposed to price risk because of its investments in equity instruments which are measured at fair value as described in Note 9.

Equity price risk represents the sensitivity of the effect of cumulative changes in fair value recognized in equity of the Group to reasonably possible changes in quoted equity share prices, with all other variables held constant. The sensitivity analysis includes only investments held at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period. A 5% change in equity price of investment securities will effect equity by QR 17,070,161 (2021: QR 20,149,467).

At 31 December 2022, if the commodity price had been 1% (2021: 1%) higher or lower during the period, with all other variables held constant, profit or loss for the year would have been QR 4,781,411 (2021: QR 4,535,526) lower or higher, respectively.

Credit risk

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

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

	2022	2021
Bank balances	53,420,812	49,100,568
Accounts and retention receivables	344,234,485	298,396,227
Other receivables	34,767,397	19,034,867
Due from related parties	12,653,783	6,787,224
Due from the Government of Qatar	27,316,023	32,508,362
	<u>472,392,500</u>	<u>405,827,248</u>

A sum of QR 201,619,937 (2021: 170,210,949) is receivable from three major customers which represents 50% (2021: 47%) of total accounts and retentions receivable as at 31 December 2022. This significant concentration risk has been managed through enhanced monitoring and periodic tracking. The Group has a rigorous policy of credit screening prior to providing services on credit.

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

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

35. Financial risk management (continued)**Credit risk (continued)**

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

The following table provides information about the exposure to credit risk and ECLs for accounts receivables as at 31 December 2022:

	2022		2021	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
0-90 days	246,350,057	55,469	207,652,318	83,172
91–180 days past due	52,346,466	349,932	56,215,135	87,157
181–270 days past due	11,212,480	121,113	11,924,894	66,144
271–360 days past due	14,669,879	890,441	12,130,676	1,109,001
Over 360 days past due	77,271,372	56,198,815	65,729,405	53,910,727
At 31 December	401,850,254	57,615,770	353,652,428	55,256,201

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

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

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

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

Accounts receivables do not bear interest.

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

Cash at banks

The Group held cash and bank balances of QAR 53,420,812 at 31 December 2022 (2021: QAR 49,100,568). Management considers that its cash at bank and term deposits have low credit risk based on external credit ratings of the counterparties, which are rated A1 to baa2, based on moody's ratings. Impairment on cash at bank and term deposits have been measured on a 12-month expected loss basis and reflects the short-term maturities of the exposures.

As at the reporting date, none of the bank balances were credit impaired. On the non-credit impaired balance, based on the expected credit loss (ECL) exercise performed by the management, the ECL was determined to be immaterial, therefore, no ECL on the cash and cash equivalents was recognised in these consolidated financial statements.

35. Financial risk management (continued)**Credit risk (continued)***Due from related parties*

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

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet financial obligations as they fall due. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation and is to maintain a balance between continuity of funding and flexibility through the use of bank loans.

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

	Carrying amount	Contractual cash flows	1 to 12 months	More than 1 year
31 December 2022				
Accounts payable, retention and other payables	466,160,987	(466,160,987)	(466,160,987)	-
Lease liability	14,478,288	(15,885,862)	(5,691,644)	(10,194,218)
Islamic financing	655,282,857	(667,036,571)	(667,036,571)	-
Due to related parties	5,319,361	(5,319,361)	(5,319,361)	-
Due to the Government of Qatar	181,468,246	(181,468,246)	(16,500,000)	(164,968,246)
	<u>1,322,709,739</u>	<u>(1,335,871,027)</u>	<u>(1,160,708,563)</u>	<u>(175,162,464)</u>
31 December 2021				
Accounts payable, retention and other payables	313,888,706	(313,888,706)	(313,888,706)	-
Lease liability	16,667,049	(18,563,081)	(5,350,899)	(13,212,182)
Islamic financing	547,325,271	(576,344,361)	(576,344,361)	-
Due to related parties	8,906,274	(8,906,274)	(8,906,274)	-
Due to the Government of Qatar	197,968,246	(197,968,246)	(16,500,000)	(181,468,246)
	<u>1,084,755,546</u>	<u>(1,115,670,668)</u>	<u>(920,990,240)</u>	<u>(194,680,428)</u>

36. Capital management

The management's policy is to maintain a strong capital base so as to maintain investor, creditor and to sustain future development of the business. The management monitors the capital, which the Group defines as total shareholders' equity excluding cumulative changes in fair value reserve and is measured at QR 1,190,901,300 on 31 December 2022 (2021: QR 1,287,157,026).

The Group manages its capital structure and makes adjustments to it, in light of changes in business conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, or increase capital. No changes were made in the objectives, policies or process during the years 2022 and 2021.

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

37. Fair value of financial instruments

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

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are based on unobservable market data based on unobservable market data.

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

During the year ended 31 December 2022, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

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

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
31 December 2022				
Financial assets:				
Investment securities	401,031,236	-	-	401,031,236
31 December 2021				
Financial assets:				
Investment securities	455,260,442	-	-	455,260,442

38. Comparative figures

During 2022, the Group identified following accounting errors in the previous years consolidated financial statements.

- 1) Due from the Government of Qatar included claim in respect of sale of flour by the Group at subsidized rates in the local markets in the previous years. As a consequence, due from the Government of Qatar and the retained earnings have been overstated in prior years.
- 2) The Group had netted off the loan repayable to the Government of Qatar against its compensation claim with the Government of Qatar. Further, the Group did not accrue interest on loan repayable to the Government of Qatar since 2007 and penalty as per contract for non-repayment of principal and interest on due dates. As a consequence, finance cost and the related loan payable to the Government of Qatar have been understated and the retained earnings has been overstated in prior years.
- 3) Accordingly, provision for zakat contribution has been overstated and retained earnings has been understated for 2021.
- 4) In 2018, during consolidation procedure, the Company missed to eliminate profit on sale of investment in certain commodities to one of its subsidiaries. As a consequence, investment in commodities and retained earnings have been overstated.

In accordance with IAS 8 – 'Accounting Policies, Changes in Accounting Estimates and Errors', the affected consolidated financial statement line items for prior periods have been restated. The following table summarise the impacts on the Group's consolidated financial statements.

38. Comparative figures (continued)

The impact of the restatement as at 1 January 2021 was as follows:

Consolidated statement of financial position	As previously reported	Adjustments	As restated
Due from the Government of Qatar	117,723,474	(80,743,576)	36,979,898
Investment in commodities	494,908,210	(5,775,351)	489,132,859
Total assets	2,387,443,399	(86,518,927)	2,300,924,472
Retained earnings	717,929,595	(206,143,927)	511,785,668
Total equity	1,550,770,686	(206,143,927)	1,344,626,759
Due to the Government of Qatar – Non-current	56,412,866	100,400,000	156,812,866
Due to the Government of Qatar - Current	-	19,225,000	19,225,000
Total liabilities	836,672,713	119,625,000	956,297,713

The impact of the restatement as at 31 December 2021 was as follows:

Consolidated statement of financial position	As previously reported	Adjustments	As restated
Due from the Government of Qatar	132,476,938	(99,968,576)	32,508,362
Investment in commodities	453,552,643	(5,775,351)	447,777,292
Total assets	2,547,721,902	(105,743,927)	2,441,977,975
Retained earnings	713,812,888	(202,246,511)	511,566,377
Total equity	1,521,017,049	(202,246,511)	1,318,770,538
Due to the Government of Qatar – Non-current	97,568,246	83,900,000	181,468,246
Due to the Government of Qatar - Current	-	16,500,000	16,500,000
Accounts, retention and other payables	317,786,122	(3,897,416)	313,888,706
Total liabilities	1,026,704,853	96,502,584	1,123,207,437
Consolidated statement of profit or loss and other comprehensive income	As previously reported	Adjustments	As restated
Provision for zakat contribution	(17,906,469)	3,897,416	(14,009,053)
Profit for the year	190,046,096	3,897,416	193,943,512
Consolidated statement of cash flows	As previously reported	Adjustments	As restated
Net cash from operating activities	174,364,026	19,225,000	193,589,026
Net cash used in financing activities	(65,960,260)	(19,225,000)	(85,185,260)

39. Subsequent events

There were no significant events after the reporting date, which have a bearing on the understanding of these consolidated financial statements.