# INVESTMENT HOLDING GROUP – Q.P.S.C.

# CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018

**INVESTMENT HOLDING GROUP – Q.P.S.C.**
**CONSOLIDATED FINANCIAL STATEMENTS AND**
**INDEPENDENT AUDITOR'S REPORT**

**AS AT AND FOR THE YEAR ENDED**
**31 DECEMBER 2018**

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## INDEPENDENT AUDITOR'S REPORT

**TO THE SHAREHOLDERS**
**INVESTMENT HOLDING GROUP (Q.P.S.C.)**
**DOHA – QATAR**

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

### Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### Basis for Opinion

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

### Emphasis of Matter

1- We draw attention to note 33 to the consolidated financial statements, which describes in detail that,

(a) during the year the Group has initiated legal proceedings against the main contractor of a particular project and as per the Group's external legal advisor, the claim filed, stands a reasonable chance of success.

(b) also the Group is party to legal proceedings initiated by a local bank requiring to pay outstanding loan balance which secured by Corporate/ Personal Guarantees.

As a result, the Group do not expect any material contingent liabilities to arise from the above lawsuits.

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## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### Emphasis of Matter (Continued)

2- We draw attention to note no. 14 of the accompanying consolidated financial statements which describes recognition of goodwill. the management recognised internally generated goodwill amounting to QR. 711,492,489 arising from evaluation of the Company and its subsidiaries due to transferring of the Company's legal status from Limited Liability Company to Qatari Public Shareholding Company, although, this matter is not in conformity with IAS 38" Intangible Assets", due to legal considerations represented by determining the company's share capital at QR. 830 Million by H.E the Minister of Economy and Commerce and the later approvals by the Ministry of Economy and Commerce and the approvals of Qatar Financial Market Authority and Qatar Stock Exchange on the share capital as well as the Initial Public Offer in which the Prospectus took the same approach. Then the shareholders' approved the same in their Constituent General Assembly. As a result of all these, it became inevitable to recognise internally generated goodwill in the Company's books of accounts.

Our opinion is not modified in respect of the above matters.

### Key Audit Matters

Key audit matters are matters those, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the current year. We identified the following key audit matters which were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below our description of how our audit addressed the matters is provided in that context.

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the management made subjective judgments, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the management that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Valuation of Goodwill

As referred Note 14 of the accompanying consolidated financial statements, the Group has recognised internally generated goodwill of QR. 711,492,489 which represent 52% of the Group's total assets as of 31 December 2018. The internally generated goodwill was recognised after the verification from the issuance of updated commercial register for the company with new share capital amounting to QR. 830 Million based on evaluation study for the company and its subsidiaries and the related assumptions. Also taking into consideration the resolution by His Excellency the Minister of Economy and Commerce, determining the company's share capital by the full value according to the evaluation including the goodwill resulted from that evaluation and the approval of the formal authorities of the Ministry of Economy and Commerce, Qatar Financial Market Authority, and Qatar Stock Exchange on that procedure Due to the magnitude of the balance and the estimation uncertainty and subjectivity involved in the assessment of internally generated goodwill, we have considered the same to be a key audit matter.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

**Key Audit Matters (Continued)**

Valuation of Goodwill (Continued)

*Audit procedures includes among other matters, as follows:*

Examining the potential impairment of the carrying value of the goodwill, given that management judgments are required to make in respect of the assumptions used to determine the recoverable amount. The key judgments include identification of cash generating units, growth rates used in future cash flow forecasts both short term and long term, discount rates applied to these forecasts and determining the impact of reasonably possible changes in these assumptions.

Our audit procedures assessed the adequacy of the design and implementation of controls over monitoring the carrying value of goodwill. We identified and challenged management's assessment of the cash generating units within the group based on a review of the cash flows internally reported by the management, and also studying and testing the management's future plans. And also, we challenged the assumptions used by management in their impairment assessment by using valuation specialists within the audit team to benchmark the discount rate against independently available data and performing parallel analysis and understanding the assumptions undermining the Group's cash flow forecasts, also comparing the previous and current revenues and profitability of the Group.

Revenue recognition of construction contracts

Revenue from construction contracts is recognised using the percentage of completion method, where progress is determined by comparing actual costs incurred to date, with the total estimated costs of the project. Revenue recognition for construction contracts includes management judgment in a form of estimates, which are subject to management experience and expectations of future events. The most important judgment relates to the estimated total costs of the project. In order to determine percentage of completion. Since there is significant subjectivity and management judgment involved in the project estimates, we have considered this to be a key audit matter.

- Refer to notes 4 and 23 of the accompanying consolidated financial statements.

Audit procedures includes among other matters, as follows:

Our audit procedures included both testing of the company's controls, as well as substantive audit procedures targeted at selected major long-term construction projects. Our substantive testing focused on estimates applied by management in the accounting.

- Ensured that the revenue recognition method applied was appropriate based on the terms of the arrangement;
- Agreed the total project revenue estimates to sales agreements, including amendments as appropriate;
- We obtained an understanding of the processes and tested relevant controls, which impact the revenue recognition;
- We assessed the reliability of management's estimates by comparing the actual results of delivered projects to previous estimates;
- Recalculated the revenue based on the stage of completion of the projects. Ensured that the stage of completion is correct by comparing actual costs per the company's accounting records to the estimated total costs of the projects.

We also assessed the appropriateness of the related disclosures in the accompanying consolidated financial statements.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### Other Information

The Board of Directors are responsible for the other information. The other information comprises the information included in the annual report for 2018 but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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.

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## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

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

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

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

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

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

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

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

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

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

# INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

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

## Report on other legal and regulatory requirements

Furthermore, as required by Qatar Commercial Companies' Law, we are of the opinion that proper books of account have been kept by the Company and the consolidated financial statements are agreed with these books, physical inventory verification has been duly carried out, we have read the report of the board of directors to be included in the annual report and financial information contained therein is in agreement with the books and records of the Company, we have obtained all the information and explanations we considered necessary for the purposes of our audit. We are not aware of any violations of the provisions of the Qatar Commercial Companies Law no. 11 of 2015 or the terms of the company's Articles of Association having occurred during the year which might have had a material effect on the Group financial position or its financial performance as at and for the year ended 31 December 2018.

**Rödl & Partner - Qatar Branch**
**Certified Public Accountants**

رودل اند بارتنر
Rödl & Partner

**Hikmat Mukhaimer, FCCA (UK)**
**License No. 297**
**QFMA Registration Auditor's No.120151**

**Doha – Qatar**
**March 19, 2019**

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## AS AT DECEMBER 31, 2018

| | Notes | December 31, 2018 | 2017 |
|---|---|---|---|
| | | **QR.** | QR. |
| **ASSETS** | | | |
| **Current assets** | | | |
| Bank balances and cash | 6 (a) | **79,952,464** | 136,855,552 |
| Accounts receivable and other debit balances | 7 | **169,958,891** | 173,306,340 |
| Gross amounts due from customers on contract work | 8 | **201,198,975** | 198,745,047 |
| Due from related parties | 9 (a) | **30,910,519** | 32,750,201 |
| Inventories | 10 | **78,662,759** | 71,651,943 |
| **Total current assets** | | **560,683,608** | 613,309,083 |
| **Non-current assets** | | | |
| Retentions receivable | 11 (b) | **44,620,556** | 49,528,090 |
| Financial assets at fair value through profit or loss | 12 (a) | **31,000,000** | -- |
| Available for sale investments | 12 (b) | **--** | 2,250,000 |
| Investment properties | 13 | **959,146** | 1,564,919 |
| Goodwill | 14 | **711,492,489** | 711,492,489 |
| Property and equipment | 15 | **21,337,574** | 19,644,442 |
| **Total non-current assets** | | **809,409,765** | 784,479,940 |
| **Total assets** | | **1,370,093,373** | 1,397,789,023 |

The attached notes 1 to 37 form an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## AS AT DECEMBER 31, 2018

| | Notes | December 31, 2018 | December 31, 2017 |
|---|---|---|---|
| | | QR. | QR. |
| **LIABILITIES AND EQUITY** | | | |
| **Current liabilities** | | | |
| Bank overdrafts | 16 (a) | **70,246,568** | 70,479,292 |
| Borrowings | 16 (b) | **141,972,244** | 126,937,318 |
| Due to related parties | 9 (b) | **63,030,367** | 16,812,364 |
| Gross amounts due to customers on contract work | 17 | **18,308,856** | 27,185,439 |
| Dividend Payable | | **3,292,812** | 3,002,770 |
| Accounts payable and accruals | 18 | **184,872,422** | 165,207,124 |
| **Total current liabilities** | | **481,723,269** | 409,624,307 |
| **Non-current liabilities** | | | |
| Borrowings | 16 (b) | **87,795,993** | 1,269,387 |
| Retentions payable | 19 | **1,881,032** | 1,285,286 |
| Provision for employees' end of service benefits | 20 | **25,193,404** | 30,138,760 |
| **Total non-current liabilities** | | **114,870,429** | 32,693,433 |
| **Total liabilities** | | **596,593,698** | 442,317,740 |
| **Equity** | | | |
| Share capital | 21 | **830,000,000** | 830,000,000 |
| Legal reserve | 22 | **8,857,760** | 696,902 |
| Other reserves | 1 (B) | **(152,508,123)** | -- |
| Retained earnings | | **62,383,494** | 38,997,240 |
| **Equity attributable to the shareholders' of the Company** | | **748,733,131** | 869,694,142 |
| Non – controlling interests | 29 | **24,766,544** | 85,777,141 |
| **Total equity** | | **773,499,675** | 955,471,283 |
| **Total liabilities and equity** | | **1,370,093,373** | 1,397,789,023 |

| | |
|---|---|
| **Mohammed Ghanim Sultan Al Hodaifi** | **Samer Wahbeh** |
| **Board Member** | **Group Chief Executive Officer** |

The attached notes 1 to 37 form an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS
## FOR THE YEAR ENDED DECEMBER 31, 2018

| | Notes | December 31, 2018 QR. | 2017 QR. |
|---|---|---|---|
| Revenue | 23 | **426,298,967** | 469,231,506 |
| Direct cost | 24 | **(301,393,611)** | (330,066,885) |
| **Gross profit** | | **124,905,356** | 139,164,621 |
| Other income | 25 | **15,865,814** | 21,070,271 |
| Gains on financial assets at FVTPL | 12 | **28,750,000** | -- |
| Dividend income from financial assets | | **3,764,658** | 5,000,000 |
| Gain from disposal of property and equipment | | **--** | 117,805 |
| General and administrative expenses | 26 | **(99,306,277)** | (85,893,370) |
| Finance cost | | **(11,943,343)** | (9,111,220) |
| **Net Profit for the year** | | **62,036,208** | 70,348,107 |
| **Net Profit for the year attributable to:** | | | |
| The shareholders' of the Company | | **58,362,357** | 40,711,941 |
| Non-controlling interest | 29 | **3,673,851** | 29,636,166 |
| **Total** | | **62,036,208** | 70,348,107 |
| **Basic earnings per share for the year,** | 27 | **0.70** | 0.49 |

The attached notes 1 to 37 form an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
## FOR THE YEAR ENDED DECEMBER 31, 2018

| | Notes | December 31, 2018 | December 31, 2017 |
|---|---|---|---|
| | | **QR.** | QR. |
| **Profit for the year** | | **62,036,208** | 70,348,107 |
| Other comprehensive income | | **--** | -- |
| **Total comprehensive income for the year** | | **62,036,208** | 70,348,107 |
| **Total comprehensive income for the year - attributable to:** | | | |
| The shareholders' of the Company | | **58,362,357** | 40,711,941 |
| Non – controlling interests | 29 | **3,673,851** | 29,636,166 |
| **Total** | | **62,036,208** | 70,348,107 |

The attached notes 1 to 37 form an integral part of these consolidated financial statements.

## INVESTMENT HOLDING GROUP – Q.P.S.C.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED DECEMBER 31, 2018

| | Equity attributable to the shareholders of the Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share capital | Legal reserve | Other reserves | Retained earnings | Total | Non-controlling interest | Total equity |
| | QR. | QR. | QR. | QR. | QR. | QR. | QR. |
| Balance at January 1, 2018 | 830,000,000 | 696,902 | -- | 38,997,240 | 869,694,142 | 85,777,141 | 955,471,283 |
| Impact of IFRS 9 implementation at January 1, 2018 – Note (3. A/2) | -- | - | -- | (5,348,134) | (5,348,134) | (1,434,110) | (6,782,244) |
| Impact of IFRS 15 implementation at January 1, 2018 - Note (3. A/1) | -- | - | -- | 741,948 | 741,948 | 486,442 | 1,228,390 |
| **Balance at January 1, 2018 - adjusted** | **830,000,000** | **696,902** | **--** | **34,391,054** | **865,087,956** | **84,829,473** | **949,917,429** |
| **Total comprehensive income for the year** | **--** | **--** | **--** | **58,362,357** | **58,362,357** | **3,673,851** | **62,036,208** |
| **Transfer to legal reserve for the year** | **--** | **8,160,858** | **--** | **(8,160,858)** | **--** | **--** | **--** |
| **Transfer to Social and Sports Activities Fund - Note (18)** | **--** | **--** | **--** | **(1,459,059)** | **(1,459,059)** | **--** | **(1,459,059)** |
| **Effect of new acquisition on remaining shares of non-controlling interest – Note – 1 (B)** | **--** | **--** | **(152,508,123)** | **--** | **(152,508,123)** | **(41,470,908)** | **(193,979,031)** |
| **Dividend distribution Notes 28, 29** | **--** | **--** | **--** | **(20,750,000)** | **(20,750,000)** | **(22,265,872)** | **(43,015,872)** |
| **Balance at December 31, 2018** | **830,000,000** | **8,857,760** | **(152,508,123)** | **62,383,494** | **748,733,131** | **24,766,544** | **773,499,675** |

The attached notes 1 to 37 form an integral part of these consolidated financial statements

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED DECEMBER 31, 2018

| | Equity attributable to the shareholders of the Company | | | | | |
|---|---|---|---|---|---|---|
| | Share capital | Legal reserve | Retained earnings | Total | Non-controlling interest | Total equity |
| | QR. | QR. | QR. | QR. | QR. | QR. |
| Balance at January 1, 2017 | 830,000,000 | -- | -- | 830,000,000 | 62,763,492 | 892,763,492 |
| Total comprehensive income for the year | -- | -- | 40,711,941 | 40,711,941 | 29,636,166 | 70,348,107 |
| Transfer to legal reserve | -- | 696,902 | (696,902) | -- | -- | -- |
| Transferred to Social and Sports Activities Fund - Note (18) | -- | -- | (1,017,799) | (1,017,799) | -- | (1,017,799) |
| Dividend distribution | -- | -- | -- | -- | (6,622,517) | (6,622,517) |
| Balance at December 31, 2017 | 830,000,000 | 696,902 | 38,997,240 | 869,694,142 | 85,777,141 | 955,471,283 |

The attached notes 1 to 37 form an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED DECEMBER 31, 2018

| | Notes | For the year ended December 31, 2018 | 2017 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | **QR.** | QR. |
| Profit for the year, | | **62,036,208** | 70,348,107 |
| **Adjustments for:** | | | |
| Depreciation of property and equipment | 15 (a) | **5,748,071** | 6,021,526 |
| Loss/ (gain) from disposal of property and equipment | | **322,085** | (117,805) |
| Property and equipment written off | | **--** | 2,197 |
| Loss on revaluation of investment properties at fair value | 13 | **605,773** | 605,773 |
| Provision for employees' end of service benefits | 20 | **5,629,619** | 4,948,934 |
| Reversal of provision for employees' end of service benefits | 20 | **(3,298,389)** | -- |
| Provision for obsolete inventory items | 26 | **7,842,063** | -- |
| Finance cost | | **11,943,343** | 9,111,220 |
| Net movement in retention receivable discounting charges | | **150,045** | (2,783,385) |
| Provision for retention receivable | 26 | **169,380** | 1,649,255 |
| Gains on financial assets at FVTPL | 12 (a) | **(28,750,000)** | -- |
| Allowance/ (reversal) of expected credit losses on trade receivables | 26 | **762,643** | (1,772,110) |
| Allowance for expected credit losses on other debit balances | 26 | **48,717** | -- |
| | | **63,209,558** | 88,013,712 |
| **Movements in working capital:** | | | |
| Inventories | | **(14,852,879)** | (4,908,498) |
| Due from related parties | | **1,839,682** | 6,258,126 |
| Gross amount due from customers on contract work | | **(2,453,928)** | (50,046,036) |
| Accounts receivable and other debit balances | | **(4,246,155)** | 23,247,125 |
| Due to related parties | | **2,738,972** | (6,703,223) |
| Retentions receivable | | **4,588,109** | (5,087,036) |
| Gross amounts due to customers on contract work | | **(7,648,193)** | (7,534,405) |
| Trade payable and other credit balances | | **18,206,239** | (9,147,405) |
| Retention payable | | **595,746** | -- |
| **Cash generated from operations** | | **61,977,151** | 34,092,360 |
| Finance cost paid | | **(11,943,343)** | (9,111,220) |
| Employees' end of service benefits paid | 20 | **(7,276,586)** | (4,424,915) |
| Income tax paid | | **--** | (303,160) |
| **Net cash generated from operating activities** | | **42,757,222** | 20,253,065 |
| **INVESTING ACTIVITIES** | | | |
| Purchase of property and equipment | | **(7,857,918)** | (2,894,639) |
| Acquisition of non-controlling interests | 1 (B) | **(150,500,000)** | -- |
| Proceeds from sale of property and equipment | | **94,630** | 122,496 |
| **Net cash used in investing activities** | | **(158,263,288)** | (2,772,143) |

The attached notes 1 to 37 form an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
## FOR THE YEAR ENDED DECEMBER 31, 2018

| | Notes | For the year ended December 31, 2018 | 2017 |
|---|---|---|---|
| | | **QR.** | QR. |
| **FINANCING ACTIVITIES** | | | |
| Dividend paid | | **(20,459,958)** | (21,897,230) |
| Dividend paid to non-controlling interest | 29 | **(22,265,872)** | (6,622,517) |
| Movement in borrowings | | **101,561,532** | 25,846,714 |
| **Net cash generated from/ (used in) financing activities** | | **58,835,702** | (2,673,033) |
| | | | |
| **Net (decrease) increase in cash and cash equivalents** | | **(56,670,364)** | 14,807,889 |
| Cash and cash equivalents at beginning of the year | | **66,376,260** | 51,568,371 |
| **Cash and cash equivalents at end of the year** | 6 (b) | **9,705,896** | 66,376,260 |

The attached notes 1 to 37 form an integral part of these consolidated financial statements.

## 1. GENERAL INFORMATION

Investment Holding Group Q.P.S.C (the "Company" or "Parent") is registered in the State of Qatar under Commercial Registration No. 39127 which has been amended by converting the legal status of the company from a limited liability company to Qatari public shareholding company effective 11 of May 2017.

The Company is engaged in various types of investments inside the State of Qatar in accordance with sound commercial and economic practices.

Before this date, the company was registered under the same commercial registration No. 39127 as a limited liability from 11th of May 2008.

**Note (A):**

The consolidated financial statements comprise the financial statements of the Company and those related to its subsidiaries and company share in joint operation (collectively, The "Group"), mentioned below as follows:

| Name of subsidiaries | Percentage of ownership (%) | | Principal activity |
|---|---|---|---|
| | **2018** | 2017 | |
| Consolidated Engineering Systems Company – W.L.L (Note - B) | **100** | 60.4 | Mainly engaged in trading in fire alarms, security systems and related contracting activities. |
| Trelco Limited – W.L.L | **100** | 100 | Mainly engaged in various trading activities. |
| Consolidated Supplies Company - W.L.L (Note - B) | **100** | 75.5 | Mainly engaged in trading of electrical and construction materials. |
| Water master (Qatar) Company | **63.3** | 63.3 | Mainly engaged in water treatment contracting activities. |
| Electro Mechanical Engineering Company - W.L.L | **68.5** | 68.5 | Mainly engaged in installation and maintenance of electro mechanical works. |
| Construction Development Contracting & Trading Company – W.L.L | **51** | 51 | Mainly engaged in the contracting activities and trading in building materials. |
| Debbas Enterprises - Qatar - W.L.L | **51** | 51 | Mainly engaged in trading in electrical equipment, switch gear, light and instrument electrical tools, electromechanical equipment installation and maintenance works. |
| Trelco Building Materials Company – W.L.L | **85** | 85 | Mainly engaged in trading of wood, steel and building materials. |

All the above subsidiaries are located in the state of Qatar and prepared their financial statements in accordance with International Financial Reporting Standards (IFRSs) and applicable provisions of Qatar Commercial Companies Law.

**1. GENERAL INFORMATION (CONTINUED)**

***Note (B):***

On 30 September 2018, the Company acquired the remaining 39.6% interest in the voting shares of Consolidated Engineering Systems Company W.L.L., increasing its ownership interest to 100%. Total consideration of QR. 193,479,031 which is based on the evaluation prepared by independent valuer with adjustments to reflect the increase of the non-controlling shareholders' share in the cash balance was partially paid amounting to QR. 150,000,000 through (1) financing of QR 100,000,000 from a local financial institution while (2) a sum of QR 50,000,000 through Group's existing funds, the remaining amount of QR. 43,479,031 will be paid on semi-annual installments starting from April 2019.

The carrying value of the net assets of Consolidated Engineering Systems Company W.L.L., attributable to the non-controlling shareholders was QR. 42,305,651.

The parent Company acquired all of remaining interest in Consolidated Engineering Systems Company W.L.L., because it has proved over the years a very strong financial performance derived by abundant cash flow, limited loans, and yearly distribution of dividends, vast projects with clients and high profit margins which will significantly enlarges financial position of the Group in the future. Further, the sales and purchase agreement signed between the buyer "the Company" and the seller "non-controlling shareholders" enabled the Company the right for all profits or losses arising from the operations of Consolidated Engineering Systems Company W.L.L., including any tax liabilities from the beginning of the year 2018.

On 31 December 2018, the Company acquired the remaining 24.5% interest in the voting shares of Consolidated Supplies Company W.L.L., increasing its ownership interest to 100%. Total consideration of QR. 500,000 which is based on internal evaluation and as mutually agreed with the non-controlling shareholder according to the signed sales and purchase agreement was paid to the non-controlling shareholder. The carrying value of the net assets of Consolidated Supplies Company W.L.L., attributable to the non-controlling shareholders was a deficit of QR. 834,743. The Company acquired all of remaining interest in Consolidated Supplies Company W.L.L., because the Company expects to gain synergy benefits in building material trading segment along with other entity in the Group which deals with the same operations.

Following is a schedule of additional interest acquired in Consolidated Engineering Systems Company W.L.L. and Consolidated Supplies Company - W.L.L.

| | ***Consolidated Engineering Systems Company W.L.L*** | ***Consolidated Supplies Company W.L.L.*** | ***Total*** |
|---|---|---|---|
| | **QR.** | **QR.** | **QR.** |
| Consideration to non-controlling interest | **193,479,031** | **500,000** | **193,979,031** |
| Carrying value of the acquired interest – Note 29 | **(42,305,651)** | **834,743** | **(41,470,908)** |
| **Difference recognised in other reserves** | **151,173,380** | **1,334,743** | **152,508,123** |

**1. GENERAL INFORMATION (CONTINUED)**

***Note (C):***

***Public offering process***

The process of public offering of the revised capital of the Company started on January 8, 2017 to January 22, 2017, the period of subscription has been extended for an additional two weeks. The Company offered 49,800,000 ordinary shares representing 60% of the Company's revised capital. Offer price was QR. 10.1 per share representing par value of QR. 10 per share and expenses for public offering of QR. 0.1 per share.

Below table summarized the results of the process of public offering:

| Description | No. of shares | Amount QR. | Percentage of the revised share capital |
|---|---|---|---|
| Revised share capital | 83,000,000 | 830,000,000 | 100% |
| Capital issued for public subscription | 49,800,000 | 498,000,000 | 60% |
| Subscribed capital shares | 24,756,800 | 247,568,000 | 29.83% |

On May 11, 2017 The Group obtained from the Ministry of Economy and Commerce the revised commercial registration with stipulated share capital of QR. 830,000,000.

***Note (D):***

The Group has obtained the approval of Ministry of Economy and Commerce in accordance with the resolution from His Excellency the Minister of Economy & Commerce number 286 dated 5th of August 2015 to transfer the legal entity from a Limited Liability Company to a Qatari Public Shareholding Company with a capital of QR 914,086,370 for the purpose of listing its shares on the Qatar Stock Exchange, and to have a public offering, the company filed an application on 11 August 2015 for the listing of its shares on the Qatar stock exchange. The Qatar Financial Markets Authority (QFMA) requested a new evaluation of the Company and its subsidiaries by accredited evaluators, the Company was valued for an amount of QR. 830 Million, and as a result share capital was amended to QR 830 Million divided in to 83 Million shares of QR 10 each fully paid. Which agrees with the group value as per the evaluation and not according to the book value of the partners' equity of the group.

Based on the amended capital of QR 83 million ordinary shares of QR 10 each, the Company made an initial public offer from January 8, 2017 till January 22, 2017 which has been extended for additional two weeks. The shareholding pattern of the Company after the initial public offer is as follows:

| Description | No. of Shares | Shares Nominal Value | Share Value QR. | % From Total Share Capital |
|---|---|---|---|---|
| Founders | 58,243,200 | QR 10 | 582,432,000 | 70.17% |
| New shareholders | 24,756,800 | QR 10 | 247,568,000 | 29.83% |
| **Total share capital** | **83,000,000** | **QR 10** | **830,000,000** | **100%** |

## 2. BASIS OF PREPARATION

**Statement of compliance**

These consolidated financial statements have been prepared in accordance with IFRSs and applicable provisions of Qatar Commercial Companies Law No. 11 of 2015.

**Basis of measurement**

These consolidated financial statements have been prepared under the historical cost basis, except for investment properties and financial instruments which are carried at fair value.

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

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

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

**Functional and presentation currency**

These consolidated financial statements have been presented in Qatari Riyals (QR.) which is the Group's functional currency.

**Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the parent Company and entities it controls. Control is achieved where the Company has:

- Power over the investee (that is, existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect the amount of the investor's returns.

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

When the Company has less than a majority of the voting or similar rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct relevant activities of the investee unilaterally.

## 2. BASIS OF PREPARATION (CONTINUED)

### Basis of consolidation (Continued)

The Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other voted holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholder's meetings.

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

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

Non-controlling interests in the net assets of the consolidated subsidiaries is identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

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

Changes in the Company's ownership interests in certain subsidiaries *(Refer to disclosure note 1)* that do not result in the Company losing control over those subsidiaries are accounted for as equity transactions.

The carrying amounts of the company interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in those subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the shareholders of the Company.

## 2. BASIS OF PREPARATION (CONTINUED)

### Basis of consolidation (Continued)

When the company loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets, and liabilities of the subsidiary and any non-controlling interests.

When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs).

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

### 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.

## 3. NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

*A) Newly effective standard and amendments and improvements to standards*

The Group adopted IFRS 15 and IFRS 9 with effect from 1 January 2018. The nature and effect of the changes as a result of adoption of these new accounting standards are described below:-

The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

*A/1) <u>IFRS 15 Revenue from Contracts with Customers:</u>*

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers.

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

**3. NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)**

*A) Newly effective standard and amendments and improvements to standards (Continued)*

*A/1) IFRS 15 Revenue from Contracts with Customers (Continued)*

The Group has adopted IFRS 15 using the modified retrospective method, with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January, 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

| | Impact of adopting IFRS- 15 at 1 January, 2018 |
|---|---|
| **Retained earnings:** | **QR.** |
| Maintenance service revenue | 741,948 |
| Impact at 1 January 2018 | 741,948 |
| **Non-controlling interests:** | |
| Maintenance service revenue | 486,442 |
| Impact at 1 January 2018 | 486,442 |
| **Total Impact at January 1, 2018** | **1,228,390** |
| **Gross amount due to customers on contract work:** | |
| Balance at December 31, 2017 | 27,185,439 |
| Impact at January 1, 2018 | (1,228,390) |
| **Balance at January 1, 2018 - adjusted** | **25,957,049** |

*A/2) IFRS 9 "Financial instruments"*

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has adopted modified retrospective approach of IFRS 9, with the initial application date of 1 January 2018, and accordingly the Group has taken an exemption not to restate comparative information of prior periods.

**3. NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)**

*A) Newly effective standard and amendments and improvements to standards (Continued)*

*A/2) IFRS 9 "Financial instruments" (Continued)*

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

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, Fair Value through Other Comprehensive Income (FVTOCI) and Fair Value through Profit or Loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

Below notes are explaining how the Group classifies and measures financial instruments and accounts for related gains and losses under IFRS 9.

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

| In Qatar Riyals | **Original classification under IAS 39** | **New classification under IFRS 9** | **Original carrying amount under IAS 39** | **New carrying amount under IFSR 9** |
|---|---|---|---|---|
| **Financial assets:** | | | | |
| **(a) at fair value:** | | | | |
| Investment in equity instruments | Available for sale | Fair value through profit or loss | 2,250,000 | 2,250,000 |
| **(b) at amortized cost:** | | | | |
| Due from Related Parties | Loans and receivables | Amortised cost | 32,750,201 | 32,750,201 |
| Trade receivables* | Loans and receivables | Amortised cost | 126,788,393 | 126,788,393 |
| Other debit balance* | Loans and receivables | Amortised cost | 22,612,206 | 22,612,206 |
| Retention Receivable | Loans and receivables | Amortised cost | 77,290,003 | 77,290,003 |
| Bank balances | Loans and receivables | Amortised cost | 135,923,672 | 135,923,672 |
| **Total financial assets** | | | **397,614,475** | **397,614,475** |

* Excludes the impact of additional impairment from ECL.

**3. NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)**

*A) Newly effective standard and amendments and improvements to standards (Continued)*

*A/2) IFRS 9 "Financial instruments" (Continued)*

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

| **In Qatar Riyals** | **Original classification under IAS 39** | **New classification under IFRS 9** | **Original carrying amount under IAS 39** | **New Carrying amount under IFRS 9** |
|---|---|---|---|---|
| **Financial liabilities** | | | | |
| Trade and other payables | Other financial liabilities | Amortized cost | 99,434,599 | 99,434,599 |
| Due to related parties | Other financial liabilities | Amortized cost | 16,812,364 | 16,812,364 |
| Borrowings and overdraft | Other financial liabilities | Amortized cost | 198,685,997 | 198,685,997 |
| **Total financial liabilities** | | | **314,932,960** | **314,932,960** |

* Excludes the impact of additional impairment from ECL.

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on 1 January 2018.

| In Qatar Riyals | **IAS 39 carrying amounts 31 December 2017** | **Reclassification** | **Remeasurement** | **IFRS 9 carrying amounts 1 January 2018** |
|---|---|---|---|---|
| **Financial assets:** | | | | |
| *At fair value:* | | | | |
| Financial assets at fair value | 2,250,000 | -- | -- | 2,250,000 |
| *Amortised cost* | | | | |
| Trade receivables* | 126,788,393 | -- | -- | 126,788,393 |
| Other debit balances* | 22,612,206 | -- | -- | 22,612,206 |
| Bank balances | 135,923,672 | -- | -- | 135,923,672 |
| Retention receivable | 77,290,003 | -- | -- | 77,290,003 |
| Due from related parties | 32,750,201 | -- | -- | 32,750,201 |
| **Total financial assets** | **397,614,475** | **--** | **--** | **397,614,475** |

* Excludes the impact of additional impairment from ECL.

**3. NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)**

*A) Newly effective standard and amendments and improvements to standards (Continued)*

*A/2) IFRS 9 "Financial instruments" (Continued)*

*(ii) Impairment of financial assets*

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

*Impact of the new impairment model*

For trade and other receivables in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of IFRS 9's impairment requirements at 1 January 2018 results in an additional impairment allowance of QR. 6,782,244.

*Measurement of ECLs*

The table below provides information about exposure to credit risk and ECL for trade and other debit balances as at 1 January 2018.

| Aging | Weighted average loss rate | Gross Carrying amount | Loss allowance |
|---|---|---|---|
| Current | 0.19% | 44,002,998 | 84,665 |
| 0- 30 days | 0.06% | 15,661,449 | 9,163 |
| 30 - 60 days | 0.07% | 11,565,239 | 7,651 |
| 61 - 90 days | 0.49% | 7,829,414 | 38,319 |
| 91 - 180 days | 1.41% | 4,797,002 | 67,456 |
| 181 - 365 days | 1.09% | 14,980,562 | 162,545 |
| Above 365 days | 35.94% | 27,951,729 | 10,045,704 |
| | | **126,788,393** | **10,415,503** |

| | Weighted average loss rate | Gross Carrying amount | Loss allowance |
|---|---|---|---|
| Other debit balances | 7.48% | **22,612,206** | **1,690,661** |

(iii) *Transition*

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied using the cumulative effect method.

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

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

**3. NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)**

*A/3) IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations*

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any material impact on the Group's Consolidated Financial Statements.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the consolidated financial statements of the Group.

*B) New and amended standards not yet effective, but available for early adoption*

The below new and amended International Financial Reporting Standards ("IFRS" or "standards") that are available for early adoption for financial years ending 31 December 2018 are not effective until a later period, and they have not been applied in preparing these consolidated financial statements.

*Adoption expected to impact the Groups consolidated financial statements:*

*B/1) IFRS 16 Leases*

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17. The Group is in the process of assessing the impact of IFRS 16 to its consolidated financial statements.

**3. NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)**

*B) New and amended standards not yet effective, but available for early adoption (Continued)*

*Adoption not expected to impact the Group's consolidated financial statements.*

| Effective date | Description |
|---|---|
| January 1,2019 | • IFRIC Interpretation 23 Uncertainty over Income Tax Treatment.<br>• Amendments to IFRS 9: Prepayment Features with- Negative Compensation.<br>• Amendments to IAS 19: Plan Amendment, Curtailment or Settlement.<br>• Amendments to IAS 28: Long-term interests in associates- and joint ventures<br>• Annual Improvements 2015-2017 Cycle (issued in December 2017)<br>- Amendments to IFRS 3 Business Combinations<br>- Amendments to IFRS 11 Joint Arrangements<br>- Amendments to IAS 12 Income Taxes<br>- Amendments to IAS 23 Borrowing Costs |
| January 1, 2022 | • IFRS 17 Insurance Contracts |
| Effective date to be determined | • Amendments to IFRS 10 and IAS 28: Sale or Contribution of - Assets between an Investor and its Associate or Joint Venture. |

## 4. SIGNIFICANT ACCOUNTING POLICIES

**Policies under IFRS 15 effective January 1, 2018**

**Revenue**

The Group is in the business of sale of foods, chemicals, security equipment (fire alarm, CCTV), electrical material, building material, installation, maintenance service, contracting, Specialized Contracting and providing the provision of project management service.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The disclosures of significant accounting judgments, estimates and assumptions relating to revenue from contracts with customers are provided in note 5.

**Sales of security equipment**

Revenue from sale of security equipment is recognised over time, using an input method to measure progress towards complete satisfaction of the service.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale of safety equipment, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

**Sales of electrical material and building material**

Revenue from sale of electrical material and building material is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment. The normal credit term is 60 to 90 days upon delivery.

**Civil construction services**

The Group recognises revenue from civil construction services over time, using an input method to measure progress towards complete satisfaction of the service, because the entity's performance creates or enhances a customer controlled asset.

**Installation services**

The Group provides installation services that are either sold separately or bundled together with the sale of equipment to a customer. The Group allocates the transaction price based on the relative stand-alone selling prices of the equipment and installation services. The Group recognises revenue from installation services over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group. Revenue from the sale of equipment are recognised at a point in time, generally upon delivery of the equipment.

*(i) Variable consideration*

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of electronics equipment provide customers with a right of return and volume rebates. The rights of return and volume rebates give rise to variable consideration.

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

**Policies under IFRS 15 effective January 1, 2018 (Continued)**

**Revenue (Continued)**

*Rights of return*

Certain contracts provide a customer with a right to return the goods within a specified period. The Group uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the Group recognises a refund liability. A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

*Non-cash consideration*

The Group applies the requirements of IFRS 13 Fair Value Measurement in measuring the fair value of the noncash consideration. If the fair value cannot be reasonably estimated, the non-cash consideration is measured indirectly by reference to the stand-alone selling price of the fire prevention equipment.

**Contract balances**

**Contract assets**

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

**Trade receivables**

A receivable represents the Group’s right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets, Financial instruments – initial recognition and subsequent measurement.

**Contract liabilities**

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

**Expenses recognition**

Expenses are recognized in profit or loss when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen and can be measured reliably.

An expense is recognized immediately in profit or loss when an expenditure produces no future economic benefits, or when, and to the extent that, future economic benefits do not qualify or cease to qualify for recognition in the statement of financial position as an asset, such as in the case of asset impairments.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

### Classification

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

### Measurement

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

The Group initially recognizes financial assets on the date when they are originated. Financial liabilities are initially recognized on the trade date.

*At amortised cost*

*These assets are initially* recognized at fair value plus any directly attributable transaction costs. Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

*At fair value through profit or loss*

The Group's investment in unquoted equity instrument cannot be classified as an instrument within a cash flow and business model to hold to collect solely payments of principal and interest nor held to collect solely payments of principal and interest, and sell. Hence, as permitted by IFRS 9, the Group has measured the instrument at fair value through profit or loss (FVTPL)

Management of the Group used earnings based valuation methods for valuing its unlisted equity shares and the fair value gains/ losses from this valuation has been recognised directly in the consolidated statement of profit or loss.

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

**Policies under IFRS 15 effective January 1, 2018 (Continued)**

**Financial instruments (Continued)**

**Impairment**

Financial assets, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

(a) Default or delinquency by a debtor;
(b) Restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
(c) Indications that a debtor will enter bankruptcy; or
(d) Observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets.

*Financial assets measured at amortized cost*

The financial assets at amortised cost comprise of trade receivables and cash at bank under IFRS 9 and loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date.
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group has elected to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs.

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.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 60 to 90 days past due. The Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- The financial asset is more than 60 to 90 days past due.

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.

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

**Financial instruments (Continued)**

*Credit-impaired financial assets*

At each reporting date, the Group assesses the financial assets carried at amortised cost. 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.

*Presentation of impairment*

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

Impairment losses related to trade and other receivables are presented under general and administrative expenses in the statement of profit or loss.

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (property and equipment) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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).

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.

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, if no impairment loss had been recognised.

**Derecognition of Financial assets and liabilities**

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Group is recognized as a separate asset or liability.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

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

**Financial instruments (Continued)**

***Non-derivative financial assets and financial liabilities – initial recognition and derecognition***

**Derecognition of Financial assets and liabilities (Continued)**

The Group classified its non-derivative financial assets, at initial recognition, as subsequently measured at amortised cost (receivables and cash at bank) and at fair value through OCI. The Group classifies its non-derivative financial liabilities into the other financial liabilities category (payables). The Group does not hold derivative financial instruments.

*Other financial liabilities*

All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, net of directly attributable transaction costs. Other financial liabilities are subsequently measured using the effective interest (EIR) method. Gains and losses are recognized in profit or loss when the asset is derecognized or modified.

**Financial assets - Policy applicable before 1 January 2018**

Financial assets are recognized and derecognized on a trade date basis, where purchases or sales of financial assets require delivery of assets within the time frame established by regulation or convention in the marketplace. Financial assets are recognized initially at fair value plus directly attributable transaction costs.

Financial assets are classified into available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

*Effective interest rate method*

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

*Available-for-sale investments*

Available-for-sale investments are non-derivative financial assets that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Listed redeemable notes held by the Group that are traded in an active market are classified as available for sale and are stated at fair value at the end of each reporting period. The Group also has investments in unlisted shares that are not traded in an active market but that are also classified as available-for-sale financial assets and stated at fair value less impairment loss, if any.

Profit or loss arising from changes in carrying amounts of available-for-sale financial assets are recognised in equity under the heading of fair value reserve except; impairment loss, interest (calculated using the effective interest method), changes in foreign currency rates (which are directly recognized in the consolidated statement of comprehensive income). When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified to the consolidated statement of profit or loss.

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

**Financial assets - Policy applicable before 1 January 2018 (Continued)**

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

*Accounts receivable*
Accounts receivable are stated at original invoice amount, being the fair value less any impairment for doubtful debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

*Loans and receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. After initial measurement, loans and receivables are subsequently measured at amortised cost using the effective interest rate method, less any impairment.

*Cash and cash equivalents*
Cash and cash equivalents consist of bank balances and short-term deposits with maturity of three months or less, net of bank overdraft, if any.

*Impairment of financial assets*
The Group assesses at each reporting date whether there is any objective evidence that a financial asset, except financial assets held at fair value through profit or loss, is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For available-for-sale investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it is becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the absence of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

**Financial assets - Policy applicable before 1 January 2018 (Continued)**

*Impairment of financial assets (Continued)*

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the statement of profit or loss.

When an available-for-sale investment is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to consolidated statement of profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the consolidated statement of profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity securities, impairment losses previously recognised through the consolidated statement of profit or loss are not reversed through the consolidated statement of profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of available for sale debt securities, impairment losses are subsequently reversed through consolidated statement of profit or loss (to the extent of impairment losses previously recognised profit or loss) if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

**Derecognition of financial assets**

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received or receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in consolidated statement of profit or loss.

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

**Derecognition of financial assets (Continued)**

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

*Accounts payable*
Liabilities are recognized at cost, being the fair value of amounts to be paid in the future for goods or services received.

*Bank loans and borrowings*
Bank loans and borrowings are recognized initially at fair value of the amounts borrowed, less directly attributable transaction costs. Subsequent to initial recognition, interest bank loans and borrowings are measured at amortized cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

**Derecognition of financial liabilities**
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in consolidated statement of profit or loss.

**Gross amounts due from/to customers on contract work**
Gross amounts due from/to customers are stated at cost plus attributable profit less progress payments received or receivable. When the cost plus attributable profit exceeds the progress, payments received / receivable, the excess is reflected as gross amounts due from customers. On the other hand, when the progress payments received / receivable exceed the cost plus attributable profit, the excess is reflected as gross amounts due to customers.

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

**Revenues – Policy applicable before 1 January 2018**
Revenues are recognized by the Group on the following basis:

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

(a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

(b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

(c) The amount of revenue can be measured reliably;

(d) It is probable that the economic benefits associated with the transaction will flow to the Group;

(e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

*Construction and specialized contracts*

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the contract activity at the reporting date, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

*Rendering of services*
Revenues from rendering services are recognized when the services are performed.

*Interest income*
Interest income is accounted for on an accrual basis.

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

**Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with a maturity of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of any outstanding bank overdrafts.

**Property and equipment**

Property and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or capitalized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is capitalized, while cost of regular maintenance and repairs is recorded in the consolidated statement of profit or loss when it is incurred.

Depreciation of all property and equipment are calculated based on the estimated useful lives of the applicable assets on a straight-line basis commencing when the assets are ready for their intended use. The estimated useful lives, residual values and depreciation methods are reviewed at each reporting date, with the effect of any changes in estimate accounted for on prospective basis.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the consolidated statement of profit or loss.

**Capital work in progress**

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

**Investment properties**

Investment properties which are properties held to earn rental and/or for capital appreciation, are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains and losses arising from changes in the fair value of investment property are included in consolidated statement of profit or loss in the period in which they arise.

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Goodwill**

Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses refer to Note (14) to the consolidated financial statements.

**Inventories**

Inventories are stated at the lower of cost and net realisable value after taking an allowance for any slow moving or obsolete items. Cost comprises the purchase price, import duties, transportation handling and other direct costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method for construction materials, spares and merchandise.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

**Interests in joint operations**

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

Financial statements of joint activities are prepared using the same financial year of the Parent. Where necessary, adjustments are made to the financial statements to consolidate the accounting policies of joint operations to be in line with those used by the Parent.

**Provisions**

Provisions are recognized when the Group has an 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 recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**Related party transactions**

Parties are considered to be related because they have the ability to exercise control over the Group or to exercise significant influence or joint control over the Group's financial and operating decisions. Further, parties are considered related to the Group when the Group has the ability to exercise influence, or joint control over the financial and operating decisions of those parties.

Transaction with related parties, normally, comprise transfer of resources, services, or obligations between the parties.

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

**Basic earnings per share**
The Group presents basic earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss for the year attributable to the owners of the Group by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held.

**Employees' end of service benefits**
The Group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' length of service and the completion of a minimum service period. A provision is made for employees' end of service benefits which is payable on completion of employment. The provision is calculated in accordance with Qatari Labour Law based on employees' salary and accumulated period of service as at the reporting date. The Group treats this obligation as a non-current liability.

**Borrowing costs**
Borrowing costs directly attributable to the construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. The remaining borrowing costs are expensed in the consolidated statement of profit or loss in the period in which they are incurred.

**Segment reporting**
Operating segments are reported in a manner consistent with the internal reporting provided to the Group Chief Executive Officer (CEO). The CEO, who is responsible for resource allocation and assessing performance of the operating segment, has been identified as the Board of Directors (BOD). The nature of the operating segment is set out in Note 30.

**Dividend distribution**
Dividend distribution to the Group's shareholders' is recognised as a liability in the Group's Consolidated Financial Statements in the period in which the dividends are approved by the Group's shareholders.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

**Critical judgments in applying accounting policies**

The following are the critical judgments, apart from those involving estimations, that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements:

**Goodwill**

Referring to note no. 14, Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses "if any". At each reporting date, the Group reviews the carrying amounts of its non-financial assets (property and equipment) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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).

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.

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, if no impairment loss had been recognised.

**Going concern**

Management has made an assessment of the Group's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. The Group has been profitable, and it had positive net asset, working capital and cash flow positions as at the year end. 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 Group's consolidated financial statements continue to be prepared on a going concern basis.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

**Provision for expected credit losses of trade receivables and contract assets**

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Receivables from government entities are generally excluded from ECL calculation, as the Group considers those receivable balances are fully recoverable. Further, balances due from related parties, are also excluded from ECL calculation, as credit risk is considered to be nil based on the fact that these related companies are either directly or indirectly supported by the owners for any liquidity or financial crisis situations.

*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 provisions and liabilities are reviewed regularly and adjusted to take account of changing facts and circumstances. A change in estimate of a recognized provision or liability would result in a charge or credit to profit or loss in the period in which the change occurs.

*Identifying performance obligations in a bundled sale of security equipment and installation services*

The Group provides installation services that are either sold separately or bundled together with the sale of security equipment to a customer. The installation services can be obtained from other providers and do not significantly customise or modify the equipment.

Contracts for bundled sales of security equipment and installation services are comprised of two performance obligations because the promises to transfer equipment and provide installation services are capable of being distinct and separately identifiable. Accordingly, the Group allocates the transaction price based on the relative stand-alone selling prices of the equipment and installation services.

*Determining the timing of satisfaction of sale of goods*

Referring to note no. 4, revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods, at which point the Group has a right to payment, the customer has legal title, physical possession, significant risks and rewards of ownership and has accepted the goods.

**5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)**

*Determining the timing of satisfaction of construction services*

Revenue from civil construction services is to be recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group and the Group has an enforceable right to payment for performance completed to date. The fact that another entity would not need to re-perform the services that the Group has provided to date demonstrates that the customer simultaneously receives and consumes the benefits of the Group's performance as it performs.

The Group determined that the input method is the best method in measuring progress of the installation services because there is a direct relationship between the Group's effort (i.e., labour hours incurred) and the transfer of service to the customer. The Group recognises revenue on the basis of the labour hours expended relative to the total expected labour hours to complete the service.

*Joint arrangement classifications*

The Group determined the arrangement as joint operation based on the legal forms and contractual arrangement. Management has considered the facts and circumstances that create rights to the assets and obligations for the liabilities of that joint arrangement. Accordingly, the Group's interest in joint arrangement is classified as joint operations of the Group. Refer to Note 31.

*Measurement of financial assets at fair value through profit or loss*

The Group's investment in unquoted equity instrument cannot be classified as an instrument within a cash flow and business model to hold to collect solely payments of principal and interest nor held to collect solely payments of principal and interest, and sell. Hence, as permitted by IFRS 9, the Group has measured the instrument at fair value through profit or loss (FVTPL)

Management of the Group used earnings based valuation methods for valuing its unlisted equity shares and the fair value gains/ losses from this valuation has been recognised directly in the consolidated statement of profit or loss.

**Key sources of estimation uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the consolidated statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

*Impairment of tangible and intangible assets*

The Group's management tests annually whether there is indication that tangible and intangible assets have suffered impairment in accordance with accounting policies stated in Note 3 of the consolidated financial statements. The recoverable amount of an asset is determined based on the higher of fair value or value-in-use method. This method uses estimated cash flow projections over the estimated useful life of the asset discounted using market rates.

The Group tests whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note no. 4. These calculations require the use of significant estimates and assumptions about the future as disclosed in Note no. 14, which could impact the goodwill revaluation and the conclusion that no good will impairment is required.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

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

*Measurement of investment properties*

One of the subsidiaries owns a building constructed on a piece of land leased from a third party for 10 years. The building has been classified as investment properties. The fair value amount is reduced over the period of the lease since the land and building will be transferred to the lessor at the end of the contract term. Management is of the opinion that the closing balance of the investment properties approximates the fair value of the investment properties at the reporting date. The reduction in the fair value is classified under changes in fair value as part of general and administrative expenses in the consolidated statement of profit or loss. The closing balances of the investment properties were QR. 959,146, QR. 1,564,919 as at December 31, 2018 and 2017, respectively.

*Impairment of inventories*

Inventories are stated at the lower of cost and net realisable value. Adjustments to reduce the cost of inventory to its realisable value are made for estimated obsolescence or impaired balances. Factors influencing these adjustments include changes in demand, product pricing, physical deterioration and quality issues. Based on the above factors, the Group has arrived at certain percentages for allowance for slow moving and obsolete inventories. Revisions to these adjustments would be required if these factors differ from the estimates.

*Discounting of retention*

Management determines effective interest rate to discount the long term retentions receivable / payable to determine their present value.

*Property, plant and equipment*

The cost of property and equipment is depreciated over the estimated useful life, which is based on expected usage of the asset, expected physical wear and tear, the repair and maintenance program and technological obsolescence arising from changes and the residual value. The management has not considered any residual value as it is deemed immaterial.

*Variation orders*

One of the Group's subsidiaries (Debbas Enterprise Qatar – W.L.L.) through its joint operation (ETA Star Engineering and Contracting – W.L.L. and Debbas Enterprises Qatar – W.L.L. – Joint Operation) recognized cumulative revenue to December 31, 2018 based on site orders amounting to QR. 163,820,000 (The Group's share: QR. 81,910,000) in respect of scope changes and delays. Management is currently in negotiation with the customer for approving those variations. Management is confident at least the amounts recognized in the books are fully recoverable.

## 6. BANK BALANCES AND CASH

| | December 31, | |
|---|---|---|
| | **2018** | 2017 |
| | **QR.** | QR. |
| Cash on hand | **945,311** | 931,880 |
| Cash in bank | **65,295,391** | 127,965,015 |
| Fixed deposits *(Note i)* | **7,000,000** | 7,000,000 |
| Bank margin | **6,711,762** | 958,657 |
| **Total Bank Balances and Cash (6-a)** | **79,952,464** | 136,855,552 |
| Deduct: | | |
| Bank Overdraft - Note (16 - a) | **(70,246,568)** | (70,479,292) |
| Cash and Cash Equivalent (6-b) | **9,705,896** | 66,376,260 |

***Note i:*** Fixed deposits are held with a local bank in the State of Qatar. They carry profit at an average rate of 1% (2017: 1%) per annum. These deposits have a maturity of less than 3 months from the date of placement.

All bank balances are assessed to have low credit risk at each reporting dates as they are held with reputable local bank institutions as such not considered for expected credit losses calculations.

## 7. ACCOUNTS RECEIVABLE AND OTHER DEBIT BALANCES

| | December 31, | |
|---|---|---|
| | **2018** | 2017 |
| | **QR.** | QR. |
| Trade receivables, net - Note (a) | **102,770,923** | 121,464,473 |
| Retention receivable, net - Note 11 (b) | **37,033,953** | 27,761,913 |
| Prepaid expenses | **2,239,817** | 1,467,748 |
| Other debit balances, net - Note - (b) | **27,914,198** | 22,612,206 |
| | **169,958,891** | 173,306,340 |

**Note (a)**

| | December 31, | |
|---|---|---|
| Trade receivables comprise: | **2018** | 2017 |
| | **QR.** | QR. |
| Trade receivables | **113,949,069** | 126,788,393 |
| Less: Allowance for expected credit losses – Note (c) | **(11,178,146)** | (5,323,920) |
| **Trade receivables – net** | **102,770,923** | 121,464,473 |

## 7. ACCOUNTS RECEIVABLE AND OTHER DEBIT BALANCES

**Note (b)**

| | December 31, | |
|---|---|---|
| | **2018** | 2017 |
| | **QR.** | QR. |
| Other debit balances, (Gross) | **29,653,576** | 22,612,206 |
| Impact of implementation of IFRS 9 - at January 1, 2018 | **(1,690,661)** | -- |
| Provision for expected credit losses during the year, | **(48,717)** | -- |
| | **27,914,198** | 22,612,206 |

Included in other debit balances is an amount of QR. 6,893,467 receivable from Qatar General Insurance and Reinsurance Q.P.S.C. against the disposal of Oriental Enterprise W.L.L, which was completed during 2015. *Refer to Note 9.b.* the management is confident to collect this amount.

Information about exposure to credit risk and ECL for trade receivable and other debit balances as at 31 December 2018 presented on Note no. 34 to these consolidated financial statements.

**Note (c)**:

*Movement in the allowance for expected credit losses during the year was as follows:*

| | **2018** | 2017 |
|---|---|---|
| | **QR.** | QR. |
| Balance at beginning of the year | **5,323,920** | 8,096,030 |
| Impact of implementation of IFRS 9 - at January 1, 2018 | **5,091,583** | -- |
| **Balance at January 1, 2018 - adjusted** | **10,415,503** | 8,096,030 |
| Provision (reversal) of expected credit losses | **762,643** | (1,772,110) |
| Bad debts written off | **--** | (1,000,000) |
| **Balance at end of the year** | **11,178,146** | 5,323,920 |

## 8. GROSS AMOUNTS DUE FROM CUSTOMERS ON CONTRACT WORK

| | December 31, | |
|---|---|---|
| | **2018** | 2017 |
| | **QR.** | QR. |
| Contract cost incurred plus recognised profits | **757,163,430** | 926,817,326 |
| Less: Progress billings | **(555,964,455)** | (728,072,279) |
| | **201,198,975** | 198,745,047 |

## 9. RELATED PARTIES

Related parties represent associated companies, shareholders, directors and / or key management personnel of the Group and companies controlled, jointly controlled or significantly influenced by those parties. Terms of transactions with related parties are approved by the Group's management.

*a) Due from related parties*

| | December 31, | |
|---|---|---|
| | **2018** | 2017 |
| | **QR.** | QR. |
| Al Hoddaifi Group W.L.L. and its subsidiaries | **26,076,842** | 24,923,631 |
| Others | **4,833,677** | 7,826,570 |
| | **30,910,519** | 32,750,201 |

*b) Due to related parties*

| | December 31, | |
|---|---|---|
| | **2018** | 2017 |
| | **QR.** | QR. |
| Existing shareholders ***(Note i)*** | **6,893,467** | 6,893,467 |
| Al Hoddaifi Group W.L.L. and its subsidiaries | **4,623,738** | 3,219,554 |
| Others * | **51,513,162** | 6,699,343 |
| | **63,030,367** | 16,812,364 |

**Note i*:*** Included in due to existing shareholders an amount of QR. 6,893,467 as dividends payable against the disposal of Oriental Enterprise W.L.L., which was completed during 2015. *Refer to Note 7.*

*Including in due to related parties – others an amount of QR. 43,979,031 represent the due balance from the acquisition of remaining interests which acquired by the company – refer to Note (1-B).

*c) Related Parties Transactions*

Major transactions with related parties included in the consolidated statement of profit or loss are as following:

| | December 31, | |
|---|---|---|
| | **2018** | 2017 |
| | **QR.** | QR. |
| Sale | **1,668,025** | 645,403 |
| Purchase | **14,982,387** | 18,059,868 |
| Sub – contract service | **458,679** | 953,218 |
| Other | **24,110** | 316,311 |
| Total | **17,133,201** | 19,974,800 |

## 9. RELATED PARTIES (CONTINUED)

d) *Compensation of key management personnel*

| | December 31, | |
|---|---|---|
| | **2018** | 2017 |
| | **QR.** | QR. |
| Short term benefits | **11,214,919** | 11,804,609 |
| Long-term benefits | **471,501** | 411,139 |

## 10. INVENTORIES

| | December 31, | |
|---|---|---|
| | **2018** | 2017 |
| | **QR.** | QR. |
| Trading inventories *(Note 24-i)* | **76,014,180** | 62,444,272 |
| Raw material | **7,434,002** | 3,237,006 |
| Goods in transit | **6,361,311** | 7,789,529 |
| | **89,809,493** | 73,470,807 |
| Less: Allowance for obsolete and slow moving items | **(11,146,734)** | (1,818,864) |
| | **78,662,759** | 71,651,943 |

*Movement in the allowance for Inventory items*

| | December 31, | |
|---|---|---|
| | **2018** | 2017 |
| | **QR.** | QR. |
| Balance at the beginning of the year | **1,818,864** | 2,139,607 |
| Provision for the year – note 26 | **7,842,063** | -- |
| Reclassified during the year* | **1,523,528** | -- |
| Write off during the year | **(37,721)** | (320,743) |
| **Balance at the ending of year** | **11,146,734** | 1,818,864 |

*During the year the management has revaluated inventory items on site and has reclassified inventory items with an amount of QR. 4,023,139 and the allowance reclassified for these items was QR. 1,523,528.

## 11. RETENTIONS RECEIVABLE

(a) Summary of gross retention movement during the year

| | December 31, | |
|---|---|---|
| | **2018** | 2017 |
| | **QR.** | QR. |
| Retentions receivable | **85,031,416** | 80,347,485 |
| Discounting charges | **(1,558,272)** | (1,408,227) |
| Provision of retention - Note (c) | **(1,818,635)** | (1,649,255) |
| **Net Retention at the end of the year,** | **81,654,509** | 77,290,003 |

Management applies an average discount rate of 4.25% and 5% to calculate the present value of the expected collection of retentions receivable which is classified as non-current.

## 11. RETENTIONS RECEIVABLE (CONTINUED)

| (b) retention receivable reclassified as following: | December 31, | |
|---|---|---|
| | **2018** | 2017 |
| | **QR.** | QR. |
| Current retention (Note – 7) | **37,033,953** | 27,761,913 |
| Non-current retention | **44,620,556** | 49,528,090 |
| | **81,654,509** | 77,290,003 |

| (c) Movement in provision for retention receivable during the year was as following: | | December 31, | |
|---|---|---|---|
| | | **2018** | 2017 |
| | | **QR.** | QR. |
| Balance at the beginning of the year | | **1,649,255** | -- |
| Provided during the year, | (Note -26) | **169,380** | 1,649,255 |
| **Balance at the end of the year,** | | **1,818,635** | 1,649,255 |

Provision of retention receivable balance include QR. 200,079 (2017: QR. 1,649,255) related to non-current retention portion and QR. 1,618,556 (2017: QR. Zero) related to current retention portion.

## 12. (A) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | December 31, | |
|---|---|---|
| | **2018** | 2017 |
| | **QR.** | QR. |
| Balance at January 1, reclassified as per IFRS 9 – Note 12 (B) | **2,250,000** | -- |
| Fair value gains during the year | **28,750,000** | -- |
| Balance at December 31, | **31,000,000** | -- |

During the year, the Group has performed an internally evaluation for its investment in unlisted shares using earnings based valuation methods, and the fair value gains during the year amounted to QR. 28,750,000 was recognised in the consolidated statement of profit or loss.

## 12. (B) AVAILABLE FOR SALE INVESTMENTS

| | December 31, | |
|---|---|---|
| | **2018** | 2017 |
| | **QR.** | QR. |
| Balance at January 1, | **2,250,000** | 2,250,000 |
| reclassified as per IFRS 9 - Note 12 (A) | **(2,250,000)** | -- |
| Balance at December 31, | **--** | 2,250,000 |

## 13. INVESTMENT PROPERTIES

| | December 31, | |
|---|---|---|
| | **2018** | 2017 |
| | **QR.** | QR. |
| Opening balance | **1,564,919** | 2,170,692 |
| Changes in fair value – Note 26 | **(605,773)** | (605,773) |
| **Closing balance** | **959,146** | 1,564,919 |

Investment properties included a building constructed on a piece of land leased from a third party for 10 years. The building has been classified as investment properties using fair value model. The fair value amount is reduced over the period of the lease since the land and building will be transferred to the third party (land lord) at the end of the contract term. Management is of the opinion that the closing balance of the investment properties approximates the fair value of the investment properties at the reporting date. The reduction in the fair value is classified under changes in fair value in the consolidated statement of profit or loss.

## 14. GOODWILL

As referred in Note 1, the share capital of the Company was determined at QR. 830 Million to reflect its Company's value as per evaluation and not as per book value of partners' equity as at December 31, 2016, due to legal considerations represented by determining the company's share capital at QR. 830 Million by H.E the Minister of Economy and Commerce and the later approvals by the Ministry of Economy and Commerce and the approvals of Qatar Market Authority and Qatar Stock Exchange on the share capital as well as the Initial Public Offer in which the Prospectus took the same approach. Then the shareholders' approved the same in their Constituent General Assembly. As a result of all these, it became inevitable for the management to recognise during the year internally generated goodwill in the Company's books of accounts amounting to QR. 711,492,489.

As on 31 December 2018, the Group management conducted an internal evaluation to assess and identify the projection of any indication of impairment on goodwill. The evaluation was mainly based on the future financial data of the relevant subsidiaries and taking into account the business environment in which these subsidiaries operate. Based on this exercise, the Group management concluded that there were no indications of impairment on carrying value of goodwill.

Value-in-use calculations is determined using future cash flow projections. The key assumptions used for value-in-use calculations are average growth rate of 2.5% and average discount rate of 10.3%

## 15. PROPERTY AND EQUIPMENT

| | Furniture and fixtures | Building and construction | Motor vehicle | Leasehold improve-ment | Office equipment | Tools and equipment | Machine | Computer | Capital work in progress | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cost:** | QR. | QR. | QR. | QR. | QR. | QR. | QR. | QR. | QR. | QR. |
| At December 31, 2017 | 4,734,845 | 12,495,363 | 15,953,861 | 11,002,204 | 9,680,540 | 9,152,438 | 655,933 | 1,441,498 | -- | 65,116,682 |
| Additions | 125,179 | 27,423 | 2,174,670 | -- | 434,262 | 239,086 | -- | 57,706 | 4,915,936 | 7,974,262 |
| Disposals | (298,751) | (206,831) | (52,000) | -- | (67,027) | (61,345) | -- | -- | -- | (685,954) |
| Transfer | -- | 4,291,994 | -- | -- | -- | -- | -- | -- | (4,291,994) | -- |
| Reclassification | -- | -- | (10,000) | -- | -- | 10,000 | -- | -- | -- | -- |
| At December 31, 2018 | 4,561,273 | 16,607,949 | 18,066,531 | 11,002,204 | 10,047,775 | 9,340,179 | 655,933 | 1,499,206 | 623,942 | 72,404,990 |
| **Accumulated depreciation** | | | | | | | | | | |
| At December 31, 2017 | 3,478,626 | 9,970,780 | 11,977,696 | 3,941,381 | 7,001,182 | 7,223,026 | 544,973 | 1,334,576 | -- | 45,472,240 |
| Charge for the year | 349,982 | 565,298 | 1,840,593 | 1,019,994 | 992,071 | 983,097 | 45,518 | 67,862 | -- | 5,864,415 |
| Related to disposals | (99,881) | (21,492) | (36,401) | | (50,121) | (61,344) | | | | (269,239) |
| Reclassification | (16,560) | -- | -- | -- | 16,560 | -- | -- | -- | -- | -- |
| At December 31, 2018 | 3,712,167 | 10,514,586 | 13,781,888 | 4,961,375 | 7,959,692 | 8,144,779 | 590,491 | 1,402,438 | -- | 51,067,416 |
| **Net Book Value:** | | | | | | | | | | |
| At December 31, 2018 | 849,106 | 6,093,363 | 4,284,643 | 6,040,829 | 2,088,083 | 1,195,400 | 65,442 | 96,766 | 623,942 | 21,337,574 |
| At December 31, 2017 | 1,256,219 | 2,524,583 | 3,976,165 | 7,060,823 | 2,679,358 | 1,929,412 | 110,960 | 106,922 | -- | 19,644,442 |

## 15. PROPERTY AND EQUIPMENT (CONTINUED)

| | Furniture and fixtures | Building and construction | Motor vehicle | Leasehold improve-ment | Office equipment | Tools and equipment | Machine | Computer | Capital work in progress | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Cost: | QR. | QR. | QR. | QR. | QR. | QR. | QR. | QR. | QR. | QR. |
| At December 31, 2016 | 4,499,658 | 12,402,239 | 16,431,247 | 9,684,376 | 9,169,530 | 8,229,125 | 655,933 | 1,404,077 | 1,025,612 | 63,501,797 |
| Additions | 320,512 | 93,124 | 665,500 | 121,633 | 522,755 | 923,313 | | 77,219 | 170,583 | 2,894,639 |
| Disposals | (71,000) | -- | (1,142,886) | -- | -- | -- | -- | (39,798) | -- | (1,253,684) |
| Transfer | -- | -- | -- | 1,196,195 | -- | -- | -- | -- | (1,196,195) | -- |
| Adjustment | 3,250 | -- | -- | -- | (5,447) | -- | -- | -- | -- | (2,197) |
| write-off | (17,575) | -- | -- | -- | (6,298) | -- | -- | -- | -- | (23,873) |
| At December 31, 2017 | 4,734,845 | 12,495,363 | 15,953,861 | 11,002,204 | 9,680,540 | 9,152,438 | 655,933 | 1,441,498 | -- | 65,116,682 |
| Accumulated depreciation | | | | | | | | | | |
| At December 31, 2016 | 3,128,013 | 9,383,893 | 11,336,960 | 2,920,376 | 6,034,697 | 6,192,979 | 495,869 | 1,230,793 | -- | 40,723,580 |
| Charge for the year | 438,813 | 586,887 | 1,779,725 | 1,021,005 | 973,158 | 1,030,047 | 49,104 | 142,787 | -- | 6,021,526 |
| Related to disposals | (71,000) | -- | (1,138,989) | -- | -- | -- | -- | (39,004) | -- | (1,248,993) |
| related to write-off | (17,575) | -- | -- | -- | (6,298) | -- | -- | -- | -- | (23,873) |
| Adjustment | 375 | -- | -- | -- | (375) | -- | -- | -- | -- | -- |
| At December 31, 2017 | 3,478,626 | 9,970,780 | 11,977,696 | 3,941,381 | 7,001,182 | 7,223,026 | 544,973 | 1,334,576 | -- | 45,472,240 |
| Net Book Value: | | | | | | | | | | |
| At December 31, 2017 | 1,256,219 | 2,524,583 | 3,976,165 | 7,060,823 | 2,679,358 | 1,929,412 | 110,960 | 106,922 | -- | 19,644,442 |
| At December 31, 2016 | 1,371,645 | 3,018,346 | 5,094,287 | 6,764,000 | 3,134,833 | 2,036,146 | 160,064 | 173,284 | 1,025,612 | 22,778,217 |

## 15. PROPERTY AND EQUIPMENT (CONTINUED)

**(B)** The management allocated depreciation of property and equipment as following:

| | December 31, | |
|---|---|---|
| | **2018** | 2017 |
| | **QR.** | QR. |
| General and administrative expenses - Note 26 | **3,799,412** | 4,069,094 |
| Direct Cost – Note 24 | **1,948,659** | 1,952,432 |
| Capitalized to Building* | **116,344** | -- |
| | **5,864,415** | 6,021,526 |

* Building represents the labour accommodation constructed by The Group under the leased land.

## 16. BANK LOANS AND BORROWINGS

| | December 31, | |
|---|---|---|
| ***16. (a) Bank overdrafts*** | **2018** | 2017 |
| | **QR.** | QR. |
| Balance at the end of the year | **70,246,568** | 70,479,292 |

These overdrafts are secured by the personal guarantee of the partners of the Group and bear interest rate ranging from 4.5% to 8.5% (2017: 4.5 % to 8.5%).

| ***16. (b) Borrowings*** | Current | | Non-current | |
|---|---|---|---|---|
| | December 31, | | December 31, | |
| | **2018** | 2017 | **2018** | 2017 |
| | **QR.** | QR. | **QR.** | QR. |
| Project financing (1) | **12,680,188** | 14,128,496 | **--** | -- |
| Import loan (2) | **54,690,163** | 55,903,920 | **--** | -- |
| Demand loan (3) | **18,562,947** | 17,725,158 | **--** | -- |
| Term loan (4) | **17,063,054** | 10,148,716 | **--** | 1,269,387 |
| Musawama loan (5) | **12,204,007** | -- | **87,795,993** | -- |
| Murabaha loan | **26,689,553** | 28,922,695 | **--** | -- |
| Vehicle loan | **82,332** | 108,333 | **--** | -- |
| | **141,972,244** | 126,937,318 | **87,795,993** | 1,269,387 |

(1) Project financing

The Group entered into loans that are utilized to finance its existing projects. These loans are settled within 4 to 10 months from the progress payments paid by the client and bear an interest rate ranging from 5% to 6.75 % (2017: 5% to 6%). The non-current portion refers to the project cash loans to finance the project cash expenses which are maturing on varying dates 3 months after the project completion dates with interest rate of 6%. These loans are secured by personal guarantees of the partners of the Group.

(2) Import loan

Import loans represent loans obtained from a local bank for the purchase of materials for the project and issuing letters of credit for sub-contractors. These loans bear an average interest rate of 5% to 6.75% (2017: 5% to 6.75%) annually and have maturities ranging from 180 to 270 days.

## 16. BANK LOANS AND BORROWINGS (CONTINUED)

(3) Demand loan

Demand loans represent loans obtained from a local bank to finance working capital requirements. These loans bear an average interest rate of 5% to 6.75% per annum (2017: 5% to 6.75%).

(4) Term loan

The Group entered into agreements with the local banks for the construction of labor camp and warehouse. These loans are secured by personal guarantees of the partners of the Group and corporate guarantee of the Group. Term loans have different maturity dates and bears interest rate of 5% to 6.75% annually (2017: 5% to 6.75%).

(5) Musawama loan

On 8 October 2018, the company has obtained a Musawama facility from a local bank amounted to QR. 100,000,000 for financing its acquisition for the remaining shares of non-controlling interest in consolidated system engineering company. The facility will be paid in semi-annual installments with a fixed profit rate of 6%. For 6 years.

## 17. GROSS AMOUNTS DUE TO CUSTOMERS ON CONTRACT WORK

| | December 31, | |
|---|---|---|
| | **2018** | 2017 |
| | **QR.** | QR. |
| Progress billings | **624,974,215** | 585,782,012 |
| Less: Contract value at cost plus attributable profit | **(606,665,359)** | (558,596,573) |
| | **18,308,856** | 27,185,439 |

## 18. ACCOUNTS PAYABLE AND ACCRUALS

| | December 31, | |
|---|---|---|
| | **2018** | 2017 |
| | **QR.** | QR. |
| Trade and notes payable | **68,853,230** | 80,186,420 |
| Advances from customers | **40,636,432** | 19,248,179 |
| Social and Sport Fund Contribution* | **1,459,059** | 1,017,799 |
| Accruals and other credit balances | **73,923,701** | 64,754,726 |
| | **184,872,422** | 165,207,124 |

*** Social and Sport Fund Contribution**

In accordance with Law No.13 of 2008, the Group has taken a provision for the support of sports, social, cultural and charitable activities for an amount equivalent of 2.5% of the net profit of the Group. As per the instruction issued during the year 2010 by the Ministry of Economy and Finance, this social contribution has been transferred from retained earnings of the Group at December 31, 2018 amounted of QR. 1,459,059 (2017: QR. 1,017,799).

## 19. RETENTIONS PAYABLE

| | December 31, | |
|---|---|---|
| | **2018** | 2017 |
| | **QR.** | QR. |
| Gross retentions payable | **1,881,032** | 1,285,286 |
| **Balance as at December 31,** | **1,881,032** | 1,285,286 |

Non-current retentions payable as of December 31, 2018 have not been discounted because the effect is considered immaterial.

## 20. EMPLOYEES' END OF SERVICE BENEFITS

| | December 31, | |
|---|---|---|
| | **2018** | 2017 |
| | **QR.** | QR. |
| At January 1, | **30,138,760** | 29,614,741 |
| Provided during the year | **5,629,619** | 4,948,934 |
| Reversed during the year | **(3,298,389)** | -- |
| Paid during the year | **(7,276,586)** | (4,424,915) |
| **At December 31,** | **25,193,404** | 30,138,760 |

## 21. SHARE CAPITAL

The Shareholders decided in their General Assembly meeting held on the October 16, 2016, to revise the capital structure of the Company by offering 60% of the revised number of shares for public subscription.

Based on the decision of H.E Minister of Economy and Commerce and Shareholders' General Assembly meeting held on the November 27, 2016, all the shareholders agreed on the final value of the Company, which represents the revised capital of the Company amounting to QR. 830,000,000 divided into 83 million shares of QR 10 per share, the final value was based on evaluation reports issued by independent valuers, and the shareholders agreed to offer 49,800,000 shares for public subscription representing 60% of the Company's revised capital.

The Company has amended its Articles of Association and obtained approval from the Ministry of Economy and Commerce on December 5, 2016 and the same was authenticated by the Ministry of Justice on December 7, 2016, as well as, during the year, the Company's Commercial registration has been indicated.

During the Constituent Assembly held on May 5, 2017 the Chairman of the assembly presented all procedures performed to transfer the Company from Limited liability company to Qatari Public Shareholding Company with share capital of QR. 830,000,000; and added that the cost of this conversion was QR. 17,000,000. Shareholders discussed the results of the public offering; and noted that only 24,756,800 shares were subscribed representing 29.83% of the total revised share capital.

The shareholding pattern of the Company after the initial public offer is as follows;

| Description | No. of shares | Shares nominal value | Share value in Qatari riyal | % from share capital |
|---|---|---|---|---|
| Founders | 58,243,200 | QR 10 | 582,432,000 | 70.17% |
| New shareholders | 24,756,800 | QR 10 | 247,568,000 | 29.83% |
| **Total company share capital** | **83,000,000** | **QR 10** | **830,000,000** | **100%** |

## 22. LEGAL RESERVE

Legal reserve is computed in accordance with the provisions of the Qatar Commercial Companies' Law and the Company's Articles of Association at 10% of the net profit for the year. Transfers to the reserve are made until it equals at least 50% of the paid up capital. The reserve is not available for distribution except in circumstances specified in the Qatar Commercial Companies' Law.

## 23. REVENUE

| | For the year ended December 31, | |
|---|---|---|
| | **2018** | 2017 |
| | **QR.** | QR. |
| Trading revenue | **126,643,032** | 171,222,037 |
| Contracting revenue | **299,655,935** | 298,009,469 |
| | **426,298,967** | 469,231,506 |

### (a) Disaggregated revenue information

| | For the year ended December 31, | |
|---|---|---|
| | **2018** | 2017 |
| **Type of goods and services** | **QR.** | QR. |
| Contracting revenue (as per POC) | **274,724,244** | 304,032,332 |
| Trading revenue (Fire alarm devices, cctv system and service) | **96,174,693** | 96,828,089 |
| Trading revenue (other items) | **29,677,600** | 42,772,730 |
| Maintenance service | **24,931,691** | 24,550,938 |
| Refilling and servicing revenue | **790,739** | 1,047,417 |
| | **426,298,967** | 469,231,506 |

| **Timing of goods and services** | For the year ended December 31, | |
|---|---|---|
| | **2018** | 2017 |
| | **QR.** | QR. |
| Goods transferred point in time | **126,643,032** | 171,222,037 |
| Services transferred over time | **299,655,935** | 298,009,469 |
| | **426,298,967** | 469,231,506 |

### (b) Contract balances

| | December 31, | |
|---|---|---|
| | **2018** | 2017 |
| | **QR.** | QR. |
| Trade receivables – Note - 7 (a) | **113,949,069** | 126,788,393 |
| Contract assets – Note - 8 | **201,198,975** | 198,745,047 |
| Contract liabilities – Note - 17 | **18,308,856** | 27,185,439 |

## 24. DIRECT COST

| | For the year ended December 31, | |
|---|---|---|
| | **2018** | 2017 |
| | **QR.** | QR. |
| Cost of goods sold (***Note i***) | **81,926,845** | 128,536,300 |
| Materials | **80,481,742** | 73,779,547 |
| Salary, wages and related costs | **83,953,836** | 77,555,491 |
| Subcontractors cost | **26,992,106** | 27,730,472 |
| Depreciation of property and equipment Note – 15 (b) | **1,948,659** | 1,952,432 |
| Rent | **3,123,661** | 1,949,182 |
| Site cost | **3,859,289** | 2,428,598 |
| Finance cost | **1,633,257** | 2,318,164 |
| Freight and other charges | **2,511,410** | 2,329,132 |
| Provision for maintenance cost | **41,318** | 793,000 |
| Subcontractors back charges | **--** | 401,243 |
| Miscellaneous | **14,921,488** | 10,293,324 |
| | **301,393,611** | 330,066,885 |

***Note i**: Movement in the cost of goods sold:*

| | | For the year ended December 31, | |
|---|---|---|---|
| | | **2018** | 2017 |
| | | **QR.** | QR. |
| Opening of trading inventories balance | Note – (10) | **62,444,272** | 56,676,448 |
| Purchases during the year | | **95,496,753** | 134,304,124 |
| Ending of trading inventories balance | Note – (10) | **(76,014,180)** | (62,444,272) |
| | | **81,926,845** | 128,536,300 |

## 25. OTHER INCOME

| | For the year ended December 31, | |
|---|---|---|
| | **2018** | 2017 |
| | **QR.** | QR. |
| Rental income | **6,208,064** | 9,625,527 |
| Recovery of expenses | **3,716,187** | 3,053,205 |
| Interest income | **1,166,798** | 545,896 |
| Reversal of provision for maintenance cost | **141,953** | 1,582,529 |
| Service income | **831,709** | 1,072,743 |
| Miscellaneous | **3,801,103** | 5,190,371 |
| | **15,865,814** | 21,070,271 |

## 26. GENERAL AND ADMINISTRATIVE EXPENSES

| | For the year ended December 31, | |
|---|---|---|
| | **2018** | 2017 |
| | **QR.** | QR. |
| Salaries and fringe benefits | 50,613,799 | 44,156,660 |
| Provision of expenses | 6,000,000 | -- |
| Offices, stores and staff residence rent | 9,581,671 | 12,401,060 |
| Depreciation of property and equipment Note – 15 (b) | 3,799,412 | 4,069,094 |
| Allowance for obsolete and slow moving items (Note - 10) | 7,842,063 | -- |
| Management fees | 3,994,794 | 4,320,401 |
| Professional and legal fees | 2,740,098 | 1,891,613 |
| Bad debts - written off | -- | 378,956 |
| Traveling | 449,102 | 2,287,668 |
| Repairs and maintenance | 879,332 | 1,508,870 |
| Loss on sale of damaged items | -- | 1,489,072 |
| Translation exchange losses | 543,651 | 216,634 |
| General office expenses | 345,496 | 461,095 |
| Expected credit losses on trade receivables Note – 7 (c) | 762,643 | -- |
| Expected credit losses on other debit balances Note – 7 (b) | 48,717 | -- |
| Provision for retention receivable Note - 11 (c) | 169,380 | 1,649,255 |
| loss from disposal of property and equipment | 322,085 | -- |
| Postage and communication | 833,246 | 547,721 |
| Business development and commissions expenses | 668,648 | 404,543 |
| Electricity and water | 673,363 | 457,463 |
| Immigration and visa charges | 104,220 | 98,010 |
| Vehicles expense | 517,062 | 332,876 |
| Loss on revaluation of investment properties at fair value | 605,773 | 605,773 |
| Miscellaneous | 7,811,722 | 8,616,606 |
| | **99,306,277** | 85,893,370 |

## 27. BASIC EARNINGS PER SHARE

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

| | December 31, | |
|---|---|---|
| | **2018** | 2017 |
| | **QR.** | QR. |
| Profit attributable to the owners of the parent company | **58,362,357** | 40,711,941 |
| Weighted average numbers of ordinary Shares | **83,000,000** | 83,000,000 |
| **Total basic earnings per share** | **0.70** | 0.49 |

## 28. DIVIDEND DISTRIBUTION

In the subsequent period, the Board of Directors meeting held on 19 March 2019, have proposed a cash dividend of QR. 0.25 per share, totaling QR. 20,750,000 for the year ended December 31, 2018, which is subject to the approval of the equity holders at general assembly meeting of the Company.

Annual general assembly meeting of the company that was held on April 3, 2018, Approved distribution of QR. 0.25 per share amounted to QR. 20,750,000 as cash dividend from the year 2017 Net Profit.

## 29. NON-CONTROLLING INTERESTS

| Name of subsidiary | Proportion of ownership | Effect of IFRS 9 at January 1, 2018 | Effect of IFRS 15 at January 1, 2018 | Profit allocated to non-controlling interests | Dividend distribution | Effect of acquisition by parent on remaining share | Accumulated non-controlling interest Balance |
|---|---|---|---|---|---|---|---|
| As at DECEMBER 31, 2018 | | QR. | QR. | QR. | QR. | QR. | QR. |
| Consolidated Engineering Systems Company - W.L.L. | -- | -- | 486,442 | -- | (12,090,066) | (42,305,651) | -- |
| Water master (Qatar) Company - W.L.L. | 36.70% | (512,688) | -- | 3,790,865 | (2,727,806) | -- | 11,193,023 |
| Electro Mechanical Engineering - Company W.L.L. | 31.50% | (276,310) | -- | 306,204 | -- | -- | 1,948,052 |
| Construction Development Contracting & Trading Co. W.L.L. | 49% | (534,360) | -- | 1,974,898 | (1,960,000) | -- | 10,644,651 |
| Debbas Enterprises - Qatar W.L.L. | 49% | (9,965) | -- | (1,748,832) | -- | -- | 1,811,182 |
| Trelco Building Materials Co. W.L.L. | 15% | (100,787) | -- | (649,284) | -- | -- | (830,364) |
| Consolidated Supplies Company - W.L.L. | -- | -- | -- | -- | (5,488,000) | 834,743 | -- |
| | | (1,434,110) | 486,442 | 3,673,851 | (22,265,872) | (41,470,908) | 24,766,544 |

## 29. NON-CONTROLLING INTERESTS (CONTINUED)

| Name of subsidiary | Proportion of ownership | Profit allocated to non-controlling interests | Dividend distribution | Accumulated non-controlling interest Balance |
|---|---|---|---|---|
| As at DECEMBER 31, 2017 | QR. | QR. | QR. | QR. |
| Consolidated Engineering Systems Company W.L.L. | 39.60% | 21,403,420 | (6,622,517) | 53,909,275 |
| Water master (Qatar) Company W.L.L. | 36.70% | 4,600,814 | -- | 10,642,652 |
| Electro Mechanical Engineering Company W.L.L. | 31.50% | (769,254) | -- | 1,918,158 |
| Construction Development Contracting & Trading Co. W.L.L. | 49% | 4,327,688 | -- | 11,164,113 |
| Debbas Enterprises - Qatar W.L.L. | 49% | 446,971 | -- | 3,569,979 |
| Trelco Building Materials Co. W.L.L. | 15% | 93,998 | -- | (80,293) |
| Consolidated Supplies Company W.L.L. | 24.50% | (467,471) | -- | 4,653,257 |
| | | 29,636,166 | (6,622,517) | 85,777,141 |

## 29. NON-CONTROLLING INTERESTS (CONTINUED)

Summarised financial information in respect of the Group's subsidiaries that have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations:

| *December 31, 2018* | Water master (Qatar) Company W.L.L. | Electro Mechanical Engineering Company W.L.L. | Construction Development Contracting & Trading Co. W.L.L. | Debbas Enterprises – Qatar W.L.L. | Trelco Building Materials Co. W.L.L. |
|---|---|---|---|---|---|
| | QR. | QR. | QR. | QR. | QR. |
| Current assets | 85,655,054 | 84,286,749 | 44,214,317 | 128,929,342 | 35,027,351 |
| Non-current assets | 14,047,439 | 5,133,694 | 12,608,231 | 12,608,744 | 221,179 |
| Current liabilities | 62,560,247 | 79,350,971 | 37,092,937 | 131,479,857 | 41,109,590 |
| Non-current liabilities | 7,006,663 | 3,071,301 | 4,603,993 | 3,810,373 | 942,069 |
| Revenue | 87,503,175 | 53,813,642 | 76,428,969 | 33,443,926 | 8,746,527 |
| Profit/(Loss) for the year | 10,329,332 | 972,076 | 4,030,405 | (3,569,044) | (4,328,560) |

| *December 31, 2018* | Water master (Qatar) Company W.L.L. | Electro Mechanical Engineering Company W.L.L. | Construction Development Contracting & Trading Co. W.L.L. | Debase Enterprises – Qatar W.L.L. | Telco Building Materials Co. W.L.L. |
|---|---|---|---|---|---|
| | QR. | QR. | QR. | QR. | QR. |
| Net cash generated from/ (used in) operating activities | 6,611,668 | 8,381,166 | 8,052,781 | (7,817,659) | 351,652 |
| Net cash (used in)/generated from investing activities | (1,800,176) | (94,182) | (4,877,217) | (223,221) | -- |
| Net cash (used in)/generated from financing activities | (4,429,530) | (5,365,849) | (2,005,498) | 3,937,021 | -- |
| Net increase/ (decrease) in cash and cash equivalents | 381,962 | 2,921,135 | 1,170,066 | (4,103,859) | 351,652 |

## 29. NON-CONTROLLING INTERESTS (CONTINUED)

| *December 31, 2017* | Consolidated Engineering Systems Company W.L.L. | Water master (Qatar) Company W.L.L. | Electro Mechanical Engineering Company W.L.L. | Construction Development Contracting & Trading Co. W.L.L. | Debbas Enterprises – Qatar W.L.L. | Trelco Building Materials Co. W.L.L. | Consolidated Supplies Company W.L.L. |
|---|---|---|---|---|---|---|---|
| | QR. | QR. | QR. | QR. | QR. | QR. | QR. |
| Current assets | 166,024,912 | 76,421,242 | 79,983,019 | 46,981,957 | 123,254,559 | 36,554,237 | 26,740,883 |
| Non-current assets | 16,468,549 | 10,038,976 | 7,967,096 | 18,734,267 | 11,592,261 | 334,460 | 3,531,479 |
| Current liabilities | 55,695,569 | 58,473,172 | 78,028,690 | 45,203,405 | 123,030,187 | 38,279,871 | 9,185,484 |
| Non-current liabilities | 8,940,070 | 6,044,956 | 3,018,155 | 4,088,587 | 3,084,146 | 402,540 | 1,174,092 |
| Revenue | 143,547,323 | 91,614,570 | 64,779,462 | 78,556,339 | 46,913,665 | 20,175,089 | 17,639,197 |
| Profit/(Loss) for the year | 54,049,041 | 12,536,278 | (2,442,076) | 8,832,016 | 912,186 | 626,654 | 24,582,020 |

| *December 31, 2017* | Consolidated Engineering Systems Company W.L.L. | Water master (Qatar) Company W.L.L. | Electro Mechanical Engineering Company W.L.L. | Construction Development Contracting & Trading Co. W.L.L. | Debbas Enterprises – Qatar W.L.L. | Trelco Building Materials Co. W.L.L. | Consolidated Supplies Company W.L.L. |
|---|---|---|---|---|---|---|---|
| | QR. | QR. | QR. | QR. | QR. | QR. | QR. |
| Net cash generated from/ (used in) operating activities | 44,794,883 | 1,968,158 | (9,403,802) | 1,400,916 | 841,600 | (1,585,515) | (3,105,811) |
| Net cash (used in)/generated from investing activities | (531,814) | (335,481) | (91,949) | (1,595,873) | (17,592) | (74,450) | 26,263,844 |
| Net cash (used in)/generated from financing activities | (40,223,762) | (2,808,913) | 9,907,988 | 4,465,933 | 10,777,173 | -- | (22,359,147) |
| Net increase/ (decrease) in cash and cash equivalents | 4,039,307 | (1,176,236) | 412,237 | 4,270,976 | 11,601,181 | (1,659,965) | 798,886 |

## 30. SEGMENT INFORMATION

Information reported to the Chief Executive Officer (CEO) for the purpose of resource allocation and assessment of segment performance focuses on the types of services being provided. The Group has four reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services and are managed separately because they require separate business strategies. For each of the strategic business units, the Group reviews internal management reports on a regular basis. The following summary describes the operations in each of the Group's reportable segments:

1. Contracting: This includes construction activities.
2. Specialized contracting: This includes Mechanical, Electrical and Plumbing in addition to Security Systems.
3. Trading: This includes trading in food, Chemical, Electrical, security and Safety systems and Building Materials.
4. Water treatment & related maintenance: This includes contracting for wellness and pools, water features and water treatment and after sale maintenance and services.
5. Others: This represent the balances pertaining to the company.

The Trading and Specialized Trading Segments include different subsidiaries operating within the State of Qatar which are also considered as operating segments by the Group. For the purpose of the Consolidated Financial Statements presentation purposes, these individual operating segments are aggregated into a single operating segment taking into account the following criteria:

- The nature of the services/products offered are similar
- The methods used to distribute their goods/ provide their services are similar

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit, as included in the internal management reports that are reviewed by the Management. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

### Geographical segments

The Group has not diversified its activities outside of the State of Qatar; therefore, majority of the Group assets are located in Qatar. Accordingly, there are no distinctly identifiable geographical segments in the Group for the year ended 31 December 2018.

## 30. SEGMENT INFORMATION (CONTINUED)

| **December 31, 2018** | **Contracting** | **Specialized Contracting** | **Trading** | **Water treatment & related maintenance** | **Others** | **Total** |
|---|---|---|---|---|---|---|
| | **QR.** | **QR.** | **QR.** | **QR.** | **QR.** | **QR.** |
| **Segment revenue** | **76,428,969** | **135,723,791** | **127,158,866** | **87,503,175** | **--** | **426,814,801** |
| **Finance Cost** | **411,171** | **6,448,462** | **2,670,230** | **996,813** | **1,416,667** | **11,943,343** |
| **Depreciation** | **1,882,664** | **982,528** | **823,364** | **1,760,101** | **415,758** | **5,864,415** |
| **Segment results** | **4,030,405** | **47,417,915** | **51,646,623** | **10,329,332** | **81,608,575** | **195,032,850** |
| **Reportable Segment Assets** | **56,822,548** | **360,782,029** | **129,514,512** | **99,702,493** | **1,060,717,222** | **1,707,538,804** |
| **Reportable Segment Liabilities** | **41,696,930** | **263,557,350** | **60,247,038** | **69,566,910** | **157,670,419** | **592,738,647** |

| December 31, 2017 | Contracting | Specialized Contracting | Trading | Water treatment & related maintenance | Others | Total |
|---|---|---|---|---|---|---|
| | QR. | QR. | QR. | QR. | QR. | QR. |
| Segment revenue | 78,556,339 | 127,838,560 | 171,222,037 | 91,614,570 | -- | 469,231,506 |
| Finance cost | 1,081,822 | 5,091,895 | 2,019,362 | 912,991 | 5,150 | 9,111,220 |
| Depreciation | 1,899,930 | 1,319,214 | 813,526 | 1,653,081 | 335,775 | 6,021,526 |
| Segment results | 8,832,016 | 52,519,151 | 35,981,713 | 12,536,278 | 6,969,015 | 116,838,173 |
| Reportable Segment Assets | 65,716,224 | 405,290,396 | 105,547,894 | 86,460,218 | 859,962,912 | 1,522,977,644 |
| Reportable Segment Liabilities | 49,291,992 | 271,796,817 | 51,728,226 | 64,518,128 | 16,100,430 | 453,435,593 |

## 30. SEGMENT INFORMATION (CONTINUED)

The accounting policies of the reportable segments are the same as described in Note 4. Segment profit represents the profit before tax earned by each segment without allocation of administrative costs, director's salaries, and gain on disposal of interest in investments, other gains and losses as well as finance costs. This is the measure reported to the Board of Directors for the purpose of resource allocation and assessment of segment performance.

Reconciliations of reportable segment profit or loss, assets and liabilities and other material items.

| | December 31, | |
|---|---|---|
| | **2018** | 2017 |
| | **QR.** | QR. |
| **External Revenue** | | |
| Total Segment revenue | **426,814,801** | 469,231,506 |
| Elimination of inter-segment revenue | **(515,834)** | -- |
| Consolidated revenue for the year | **426,298,967** | 469,231,506 |
| **Profit or loss** | | |
| Total profit or loss for reportable segments | **195,032,850** | 116,838,173 |
| Elimination of inter-segment profits | **(132,996,642)** | (46,490,066) |
| Consolidated profit for the year | **62,036,208** | 70,348,107 |
| **Assets** | | |
| Total assets for reportable segments | **1,707,538,804** | 1,522,977,644 |
| Elimination of inter-segment assets | **(337,445,431)** | (125,188,621) |
| | **1,370,093,373** | 1,397,789,023 |
| **Liabilities** | | |
| Total liabilities for reportable segments | **592,738,647** | 453,435,593 |
| Elimination of inter-segment liabilities | **3,855,051** | (11,117,853) |
| | **596,593,698** | 442,317,740 |

For the purpose of monitoring segment performance and allocating resources between the segments.

- All assets are allocated to reportable segments other than the investment in associate, asset held for sale and property, plant and equipment and financial instruments attributable to the parent Company.
- All liabilities are allocated to reportable segments other than the provision for employees' end of service benefits and financial liabilities attributable to the parent Company.

There are no single customers contributed 10% or more to the Group's revenue for both 2018 and 2017.

## 31. INTEREST IN JOINT OPERATION

The Group had entered into an unincorporated joint arrangement with ETA Star Engineering and Contracting W.L.L. on November 02, 2010 (ETA Star Engineering and Contracting W.L.L. & Debbas Enterprises Qatar W.L.L. Joint Operation) for the execution of a project awarded by Six Construct- Midmac JV to carry out mechanical, electrical and plumbing work of Doha Convention Center in the State of Qatar.

Recently, one of the partners has going under liquidation process.

| | **2018** | 2017 |
|---|---|---|
| Debbas Enterprise-Qatar W. L. L. | 50% | 50% |
| ETA Star Engineering and Contracting W.L.L. | 50% | 50% |

Following is the extract from the financial statements of the Joint Operation, which represents 100% of the assets, liabilities and results of operations for the year ended December 31:

| Extracts of financial statements of Joint Operations | **December 31,** | |
|---|---|---|
| | **2018** | 2017 |
| | **QR.** | QR. |
| Total Assets | **215,509,548** | 221,428,877 |
| Total Liabilities | **217,697,382** | 209,235,244 |
| Revenue | **--** | 21,401,086 |
| Net (Loss)/ Profit | **(14,381,467)** | 81,541 |

Following is the Group share of assets, liabilities, revenue and net profit in the Joint Operation for the year ended December 31:

| | **December 31,** | |
|---|---|---|
| | **2018** | 2017 |
| | **QR.** | QR. |
| Total Assets | **54,954,935** | 56,464,364 |
| Total Liabilities | **55,512,832** | 53,354,987 |
| Revenue | **--** | 5,457,277 |
| Net Profit | **(3,667,274)** | 20,793 |
| Cash and Bank balances | **--** | 14 |
| Depreciation expenses | **--** | 15,373 |
| Due to related parties | **12,886,370** | 12,610,746 |
| Contingent liabilities | **10,965,000** | 10,965,000 |

## 32. CONTINGENCIES AND COMMITMENTS

| | December 31, | |
|---|---|---|
| | **2018** | 2017 |
| | **QR.** | QR. |
| Letter of guarantees | **61,338,278** | 51,458,945 |
| Performance Bonds | **78,531,548** | 57,017,242 |
| Letters of credit | **25,610,236** | 29,275,133 |
| Advance payment guarantee | **15,435,610** | 17,596,944 |
| Tender bonds | **15,980,000** | 7,184,500 |
| Other Guarantee | **--** | 1,903,764 |

## 33. LEGAL CASES

(a) One of the Group's subsidiaries, Debbas Enterprises Qatar W.L.L has entered into a Joint Venture (EDJV) (ETA Star Engineering and Contracting W.L.L. (Under liquidation)/ Debbas Enterprises Qatar W.L.L.) in February 2011 to carry out the electromechanical works of Doha Exhibition and Convention Center for the main contractor Midmac Contracting/Six Construct JV (SMJV), with a total contract value of QR. 430,000,000 to be executed within 22 months.

Over several years, EDJV received and completed many site orders outside the main scope of work valued at QR. 163,820,000 (Group's share QR. 81,910,000), which contributed in extending the Project till June 2015, with some remaining minor works to be executed within the maintenance period. The gross amounts due from SMJV as of 31 December 2018 are QR. 194,717,264 (Group's share QR. 97,358,632), and the retention receivable is amounted to QR. 19,788,405 (Group's share QR. 9,894,202).

On 16 April 2016, EDJV received a Taking-Over-Certificate back dated to 11 June 2015, based on which EDJV submitted its final invoice on 15 May 2016. On 21 January 2017 SMJV replied with its assessment of the final account with net due payables of QR. 23,419,531.

Failing to solve the dispute amicably, EDJV filed lawsuit No. 568/2018 on January 2018 against SMJV and Qatari Diar "the Client" requesting them to pay an amount of QR. 625,861,657 being the remaining costs of the original contract, the additional works carried out based on the site instructions, extensions of time, and compensation for the opportunity costs.

(b) EDJV has obtained credit facility from a local bank in 2011 to finance this project and the total outstanding balance including accrued interest as of 31 December 2018 amounted to QR. 141,522,179, of which the Group's share is QR. 70,761,089. The Group and other related parties have provided corporate and personal guarantees to Ahli Bank against the credit facilities as following:

- Personal guarantee from IHG's chairman amounted to QR. 43,000,000.
- Corporate guarantee from Debbas Enterprises – Qatar, W.L.L amounted to QR. 276,000,000.
- Corporate guarantee from ETA Star Engineering and Trading – W.L.L (Under liquidation) amounted to QR. 233,000,000.

Additionally, the founders' committee of IHG has given an undertaking to personally guarantee to pay the recognized cumulative revenue to 31 December 2016 form the unapproved variation orders amounting to QR. 77,775,000 and a written commitment from Debbas Holding – S.A.L against their portion of the bank debt.

**33. LEGAL CASES (CONTINUED)**

On October 2018, Ahli bank filed lawsuit No. 2926/ 2018 against EDJV, the Group, and others requesting to pay an amount of QR. 178,529,133 to cover the outstanding loan balance.

Referring to the above cases, in January 2019, the court hearing the lawsuit no. 568/2018 transferred the case to the court hearing the lawsuit 2926/2018 in order for the two lawsuits to move in parallel due to their interdependency.

Based on studying the project's documents, the reports and assessments done by two external independent experts, and the management assessment, the Group's external legal advisor believe that the claim filed by Subcontractor against Client, Main Contractor and others, stands a reasonable chance of success and that the counterclaim will largely be defeated, nevertheless, the ultimate outcome of the lawsuit is subject to the court's final decision; therefore, the Group do not expect any material contingent liabilities to arise from the above lawsuits that need to be disclosed in the Consolidated Financial Statements as of 31 December 2018.

**34. FINANCIAL RISK MANAGEMENT**

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these consolidated financial statements.

Management has the overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analysed the risks faced by the Group and to monitor risks. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

***Credit risk***

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

| | **December 31,** | |
|---|---|---|
| | **2018** | 2017 |
| | **QR.** | QR. |
| Trade receivables and other debit balances | **130,685,121** | 144,076,679 |
| Due from related parties | **30,910,519** | 32,750,201 |
| Gross amount due from customers on contract work | **201,198,975** | 198,745,047 |
| Retention due from customers | **81,654,509** | 77,290,003 |
| Cash at bank | **79,007,153** | 135,923,672 |
| | **523,456,277** | 588,785,602 |

## 34. FINANCIAL RISK MANAGEMENT (CONTINUED)

***Trade receivables and contract assets***

The Group limits its exposure to credit risk from trade receivables by:

- evaluating the creditworthiness of each counter-party prior to entering into contracts;
- establishing sale limits for each customer, which are reviewed regularly;
- establishing maximum payment periods for each customer, which are reviewed regularly; and
- Periodically reviewing the collectability of its trade receivables for identification of any impaired amounts.

*Measurement of ECLs*

The table below provides information about exposure to credit risk and ECL for trade and other debit balances as at 31 December 2018.

| Aging | Weighted average loss rate | Gross carrying amount | Loss allowance |
|---|---|---|---|
| Current | 0.25% | 42,123,705 | 106,357 |
| 0- 30 days | 0.46% | 9,951,584 | 46,068 |
| 30 - 60 days | 0.60% | 12,709,947 | 76,269 |
| 61 - 90 days | 0.76% | 8,246,886 | 62,292 |
| 91 - 180 days | 2.22% | 7,556,161 | 167,949 |
| 181 - 365 days | 5.47% | 13,476,071 | 737,068 |
| Above 365 days | 50.20% | 19,884,715 | 9,982,143 |
| | | **113,949,069** | **11,178,146** |

| | Weighted average loss rate | Gross carrying amount | Loss allowance |
|---|---|---|---|
| Other debit balances | 5.87% | **29,653,576** | **1,739,378** |

As a result of the above, management believes that there is no significant credit risk on its trade receivables as presented on the consolidated statement of financial position.

The movements in the allowance for expected credit losses is disclosed in Note 7.

***Cash at bank***

The Group's cash at bank is held with banks that are independently rated by credit rating agencies.

| | December 31, | |
|---|---|---|
| | **2018** | 2017 |
| | **QR.** | QR. |
| Cash at bank | **79,007,153** | 135,923,672 |

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

**34. FINANCIAL RISK MANAGEMENT (CONTINUED)**

***Liquidity risk***

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

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

| | | **Contractual cash flows** | | | |
|---|---|---|---|---|---|
| **31-Dec-18** | **Gross carrying Amounts** | **Total** | **1-12 months** | **1-5 years** | **More than 5 years** |
| **Non-derivative financial liabilities** | **QR.** | **QR.** | **QR.** | **QR.** | **QR.** |
| **Bank loan and overdraft** | **300,014,805** | **(300,014,805)** | **(212,218,812)** | **(83,629,324)** | **(4,166,669)** |
| **Trade and other payables** | **184,872,422** | **(184,872,422)** | **(184,872,422)** | **--** | **--** |
| **Due to related parties** | **63,030,367** | **(63,030,367)** | **(63,030,367)** | **--** | **--** |
| | **547,917,594** | **(547,917,594)** | **(460,121,601)** | **(83,629,324)** | **(4,166,669)** |

| | | Contractual cash flows | | | |
|---|---|---|---|---|---|
| 31-Dec-17 | Gross carrying Amounts | Total | 1-12 months | 1-5 years | More than 5 years |
| Non-derivative financial liabilities | QR. | QR. | QR. | QR. | QR. |
| Bank loan and overdraft | 198,685,997 | (198,685,997) | (197,416,610) | (1,269,387) | -- |
| Trade and other payables | 165,207,124 | (165,207,124) | (165,207,124) | -- | -- |
| Due to related parties | 16,812,364 | (16,812,364) | (16,812,364) | -- | -- |
| | 380,705,485 | (380,705,485) | (379,436,098) | (1,269,387) | -- |

## 34. FINANCIAL RISK MANAGEMENT (CONTINUED)

***Market risk***

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

***Currency risk***

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Group's functional currency. The Group is not exposed to significant foreign exchange risk as it primarily transacts in Qatari Riyal, which is the Group's functional currency. Transactions in AED, KWD, USD, OMR, SAR, and BHR bear no foreign currency risk as these currencies are pegged with the Qatari Riyals. Other foreign exchange transactions or balances are insignificant.

***Interest rate risk***

Interest rate risk arises when the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the Group has no interest bearing assets or liabilities linked to variable interest rates, the Group's income, expenses and cash flows are independent of changes in variable interest rates.

## 35. COMPARATIVE FIGURES

Certain figures have been reclassified in the consolidated statement in financial position as of prior year to conform to the presentation in the current year's consolidated financial statements. Such reclassifications didn't have any effect on the net profit, net assets or equity of the comparative year.

## 36. EVENTS AFTER THE REPORTING PERIOD

The consolidated financial statements are adjusted to reflect events that occurred between the consolidated statement of financial position date and the date when the consolidated financial statements are authorised for issue, provided they give evidence of conditions that existed at the consolidated statement of financial position date. There were no subsequent events which required either adjustments or disclosures in the consolidated financial statements except for the proposed dividend (Note 28) and the mandatory share split which requires the Company to split its shares of 83,000,000 shares currently at QR. 10 per share to QR. 1 per share and the Company will seek approval of the shareholders in the extra-ordinary general assembly to implement it.

## 37. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by board of directors and authorized for issuance on March 19, 2019.