INVESTMENT HOLDING GROUP Q.P.S.C.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
AND INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS
INVESTMENT HOLDING GROUP Q.P.S.C.
DOHA, STATE OF QATAR

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion
We have audited the consolidated financial statements of **Investment Holding Group Q.P.S.C.** (the "Parent", or the "Company") and its subsidiaries (together referred to as "Group") which comprise the consolidated statement of financial position as at 31 December 2020, 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 a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matter described in the "*Basis for Qualified Opinion" section of our report*, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion
- Referring to the details mentioned in note no. (32.1) to the consolidated financial statements, and taking into consideration the undertaking letter given by the Founders of the Company to undertake any losses that might result from non-collection of the amounts due from the main contractor of the Unincorporated Joint Operation up to the end of the year 2016. We are unable to determine provision required, if any, resulting from non-collection of the amounts due from the main contractor of that project (Unincorporated Join Operation) or from the liability to settle the whole amount of borrowings due to the bank resulted from the Unincorporated Joint Operation given that the other partner to the unincorporated joint operation has already been declared as under liquidation.

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 qualified opinion.

Emphasis of Matters
We draw attention to the following notes of the accompanying consolidated financial statements:

- Note no. (32.2) to the consolidated financial statements which describes the updated status of the liquidation proceedings of one of the Group's subsidiaries "Trelco Building Materials W.L.L." which was initiated by one of the Partners of that subsidiary, and on April 2020 the Court of Appeal has stopped the liquidation procedures. In the accompanying consolidated financial statements the Group continues to consolidate the subsidiary.

- Note no. (6) to the consolidated financial statements which describes the status of the negotiations by the Group's management with certain clients for the Group's subsidiaries on certain uncertified claims due to extension of time and variations orders.

- Note no. (12) to the consolidated financial statements which describes the study done by the management of the Group for test of Goodwill impairment as at December 31, 2020, considering the impact of (COVID 19) on 2020 performance.

Our opinion is not modified in respect of these matters.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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.

Key audit matters	How our audit addressed our key audit matters.
Valuation of Goodwill As referred Note (*12*) 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 2020. 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.	We 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. In addition, 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. 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matters (Continued)

Key audit matters	How our audit addressed our key audit matters
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 and 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 (3) and (22) to the accompanying consolidated financial statements for more information.	Our audit procedures included both testing of the Group's internal 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 Group'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.

Other Information

The Board of Directors are responsible for the other information. The other information comprises the information included in the annual report for 2020 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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 (IFRS) and 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.

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 the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the companies or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)
We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or 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 Group 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 Group, except for the matter discussed in Basis for qualified opinion section of our report, we have obtained all the information and explanations we considered necessary for the purposes of our audit. To the best of our knowledge and belief, 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 Group's Articles of Association having occurred during the year which might have had a material effect on the Group's consolidated financial position and its consolidated financial performance as at and for the year ended 31 December 2020.

Rödl & Partner - Qatar Branch
Certified Public Accountants

Doha, State of Qatar
March 15, 2021

رودل انـد بـارتنر
Rödl & Partner

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

INVESTMENT HOLDING GROUP Q.P.S.C.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020

	Notes	December 31, 2020	2019
		QR.	QR.
ASSETS			
Current assets			
Cash and bank balances	4	**39,936,850**	63,910,115
Accounts receivable and other debit balances	5	**192,820,557**	197,045,790
Contract assets	6	**236,278,069**	237,234,837
Due from related parties	7	**22,546,778**	25,149,286
Inventories	8	**56,576,105**	59,483,373
Total current assets		**548,158,359**	582,823,401
Non-current assets			
Retention receivables	9	**38,785,606**	36,887,620
Financial assets at fair value through profit or loss	10	**31,000,000**	31,000,000
Investment properties	11	**27,904,147**	22,816,776
Goodwill	12	**711,492,489**	711,492,489
Right-of-use assets	13	**2,853,361**	13,118,663
Property and equipment	14	**13,837,481**	17,170,935
Total non-current assets		**825,873,084**	832,486,483
TOTAL ASSETS		**1,374,031,443**	1,415,309,884
EQUITY AND LIABILITIES			
Equity			
Share capital	15	**830,000,000**	830,000,000
Legal reserve		**12,928,305**	11,851,341
Revaluation reserve		**14,398,000**	14,398,000
Other reserve	16	**(138,909,704)**	(152,508,123)
Retained earnings		**114,040,261**	92,336,622
Equity attributable to the shareholders of the Company		**832,456,862**	796,077,840
Non – controlling interests	28	**9,593,854**	22,313,139
TOTAL EQUITY		**842,050,716**	818,390,979

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

INVESTMENT HOLDING GROUP Q.P.S.C.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT DECEMBER 31, 2020

	Notes	December 31, 2020 QR.	2019 QR.
Liabilities			
Current liabilities			
Bank overdrafts	*4*	**9,396,089**	59,332,384
Borrowings	*17*	**214,826,749**	185,592,743
Lease liabilities	*13*	**1,780,648**	8,471,775
Due to related parties	*7*	**8,937,880**	36,901,164
Contract liabilities	*18*	**1,164,957**	4,058,883
Retention payables	*20*	**3,685,944**	2,827,340
Dividend payables		**3,466,308**	3,828,565
Accounts payable and accruals	*19*	**142,296,164**	180,831,853
Total current liabilities		**385,554,739**	481,844,707
Non-current liabilities			
Borrowings	*17*	**125,353,071**	87,795,993
Lease liabilities	*13*	**1,097,725**	4,795,993
Retention payables	*20*	**812,016**	614,634
Employees' end of service benefits	*21*	**19,163,176**	21,867,578
Total non-current liabilities		**146,425,988**	115,074,198
Total liabilities		**531,980,727**	596,918,905
TOTAL EQUITY AND LIABILITIES		**1,374,031,443**	1,415,309,884

The consolidated financial statements of the Group for the year ended December 31, 2020 were approved and authorized for issuance by the Board of Directors and signed on their behalf on March 15, 2021 by:

H.E. Ghanim Sultan H. Al-Kuwari
Chairman of the Board of Directors

Mr. Mohd Ghanim S. H. Al-Kuwari
Board Member

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

RÖdl & Partner - Qatar Branch
For Identification Purposes Only

INVESTMENT HOLDING GROUP Q.P.S.C.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Notes	2020 QR.	2019 QR.
		For the year ended December 31,	
Revenue	22	**321,332,316**	443,521,932
Direct costs	23	**(248,624,149)**	(335,614,874)
Gross profit		**72,708,167**	107,907,058
Other income	24	**25,094,621**	20,490,091
Dividend income from financial assets		**3,650,572**	3,859,972
Fair value gains of investment properties	11	**5,545,906**	7,159,630
General and administrative expenses	25	**(67,568,492)**	(69,169,696)
Finance costs	26	**(12,284,860)**	(15,666,912)
Net profit for the year		**27,145,914**	54,580,143
Net profit for the year attributable to:			
The shareholders of the Company		**23,364,721**	55,073,548
Non-controlling interests	28	**3,781,193**	(493,405)
Profit for the year		**27,145,914**	54,580,143
Basic earnings per share	27	**0.028**	0.066

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

RÖdl & Partner - Qatar Branch
For Identification Purposes Only

INVESTMENT HOLDING GROUP Q.P.S.C.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020

	Notes	For the year ended December 31, **2020** QR.	2019 QR.
Net profit for the year		**27,145,914**	54,580,143
Other comprehensive income:			
Items that will not be reclassified to profit or loss in subsequent years:			
Revaluation surplus arising from transfer of property and equipment to investment properties	*11*	**–**	14,398,000
Other comprehensive income for the year		**–**	14,398,000
Total comprehensive income for the year		**27,145,914**	68,978,143
Total comprehensive income attributable to:			
The shareholders of the Company		**23,364,721**	69,471,548
Non – controlling interests	*28*	**3,781,193**	(493,405)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**27,145,914**	68,978,143

The accompanying notes are 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, 2020

	Attributable to shareholders of the Company							
	Share capital	***Legal reserve***	***Revaluation reserve***	***Other reserve***	***Retained earnings***	***Total***	***Non-controlling interests***	***Total equity***
	QR.	***QR.***	***QR.***	***QR.***	***QR.***	***QR.***	***QR.***	***QR.***
Balance as at January 1, 2020	**830,000,000**	**11,851,341**	**14,398,000**	**(152,508,123)**	**92,336,622**	**796,077,840**	**22,313,139**	**818,390,979**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**23,364,721**	**23,364,721**	**3,781,193**	**27,145,914**
Transfer to legal reserve	**–**	**1,076,964**	**–**	**–**	**(1,076,964)**	**–**	**–**	**–**
Transfer to Social and Sport Activities Fund	**–**	**–**	**–**	**–**	**(584,118)**	**(584,118)**	**–**	**(584,118)**
Transfer of non-controlling interests ***(Note 16 and 1.2)***	**–**	**–**	**–**	**13,598,419**	**–**	**13,598,419**	**(16,500,478)**	**(2,902,059)**
Balance as at December 31, 2020	**830,000,000**	**12,928,305**	**14,398,000**	**(138,909,704)**	**114,040,261**	**832,456,862**	**9,593,854**	**842,050,716**

	Attributable to shareholders of the Company							
	Share capital	*Legal reserve*	*Revaluation reserve*	*Other reserve*	*Retained earnings*	*Total*	*Non-controlling interests*	*Total equity*
	QR.	*QR.*	*QR.*	*QR.*	*QR.*	*QR.*	*QR.*	*QR.*
Balance as at January 1, 2019	830,000,000	8,857,760	–	(152,508,123)	62,383,494	748,733,131	24,766,544	773,499,675
Profit for the year	–	–	–	–	55,073,548	55,073,548	(493,405)	54,580,143
Other comprehensive income for the year	–	–	14,398,000	–	–	14,398,000	–	14,398,000
Total comprehensive income for the year	–	–	14,398,000	–	55,073,548	69,471,548	(493,405)	68,978,143
Transfer to legal reserve for the year	–	2,993,581	–	–	(2,993,581)	–	–	–
Transfer to Social and Sport Activities Fund	–	–	–	–	(1,376,839)	(1,376,839)	–	(1,376,839)
Dividends distribution	–	–	–	–	(20,750,000)	(20,750,000)	(1,960,000)	(22,710,000)
Balance as at December 31, 2019	830,000,000	11,851,341	14,398,000	(152,508,123)	92,336,622	796,077,840	22,313,139	818,390,979

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

INVESTMENT HOLDING GROUP Q.P.S.C.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

		For the year ended December 31,	
	Notes	**2020**	2019
OPERATING ACTIVITIES		**QR.**	QR.
Net profit for the year		**27,145,914**	54,580,143
Adjustments for:			
Depreciation of property and equipment	*14*	**4,052,607**	5,214,691
Amortization of right-of-use assets	*13*	**7,816,499**	4,157,358
Gain on disposal of property and equipment		**(203,560)**	(530,991)
Fair value gain of investment properties	*11*	**(5,545,906)**	(7,159,630)
Employees' end of service benefits	*21*	**2,120,010**	3,881,006
Allowance for slow moving inventories	*8*	**742,910**	144,056
Reversal of allowance for slow moving inventories	*8*	**(3,597,400)**	–
Finance costs	*26*	**12,284,860**	15,666,912
Charge / (Reversal) of discounting of retention receivables	*9*	**825,970**	(75,635)
(Reversal) / Charge for allowance for impairment of retention receivables	*9*	**(113,440)**	40,447
Allowance for impairment of trade receivables	*5*	**510,372**	2,810,392
Reversal of allowance for impairment of trade receivables	*5*	**(3,720,846)**	(1,152,274)
Bad debts written off	*25*	**–**	896,896
Allowance for impairment of other debit balances	*5*	**162,358**	–
		42,480,348	78,473,371
Movements in working capital:			
Accounts receivable and other debit balances		**7,273,349**	(36,282,972)
Contract assets		**956,768**	(36,035,862)
Due from related parties		**(299,551)**	5,468,378
Inventories		**5,761,758**	19,035,330
Retention receivables		**(2,610,516)**	7,808,571
Due to related parties		**(27,963,284)**	(17,269,585)
Contract liabilities		**(2,893,926)**	(14,249,973)
Trade payable and other credit balances		**(39,119,807)**	(4,556,219)
Retention payables		**1,055,986**	(1,266,398)
Cash (used in) / generated from operations		**(15,358,875)**	1,124,641
Finance costs paid	*26*	**(11,810,230)**	(15,291,766)
Employees' end of service benefits paid	*21*	**(4,824,412)**	(7,206,832)
Net cash used in operating activities		**(31,993,517)**	(21,373,957)
INVESTING ACTIVITIES			
Proceeds from sale of property and equipment		**222,057**	632,947
Purchase of property and equipment	*14*	**(748,536)**	(1,377,008)
Acquisition of investment properties	*11*	**(122,784)**	(73,000)
Proceeds from disposal of investment properties		**592,205**	–
Net cash used in investing activities		**(57,058)**	(817,061)

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

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

	Notes	December 31, 2020 QR.	2019 QR.
FINANCING ACTIVITIES			
Dividends paid		**(362,257)**	(20,214,247)
Dividends paid to non-controlling interests		**–**	(1,960,000)
Net movement in right-of-use assets		**(26,662)**	–
Payment of lease liabilities	*13*	**(8,388,560)**	(4,383,399)
Net movement in borrowings		**66,791,084**	43,620,499
Net cash generated from financing activities		**58,013,605**	17,062,853
Net increase/(decrease) in cash and cash equivalents during the year		**25,963,030**	(5,128,165)
Cash and cash equivalents at the beginning of the year		**4,577,731**	9,705,896
Cash and cash equivalents at the end of the year	*4*	**30,540,761**	4,577,731

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

1. GENERAL INFORMATION

1.1 General Activities

Investment Holding Group Q.P.S.C (the "Company" or "Parent") was established on May 11, 2008 and registered in the State of Qatar under commercial registration no. 39127. On May 11, 2017, the legal status of the Company was converted from limited liability company to Qatari Public Shareholding Company.

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

The Company's official registered office and place of business is located at Qatar Tower, Majlis Al Taawon St. West Bay, P.O. Box No. 3988, Doha, State of Qatar.

These consolidated financial statements for the year ended December 31, 2020 include the assets, liabilities, and results of operations of the Company and its Subsidiaries and the share of joint operations (collectively referred to as the "Group"). The Company owns the following subsidiaries (the "Subsidiaries) as of December 31, 2020 and 2019:

	Percentage of ownership (%)		
Name of subsidiaries	**2020**	2019	**Principal activity**
Consolidated Engineering Systems Company W.L.L. (CESCO)	**100**	100	Mainly engaged in trading in fire alarms, security systems and related contracting activities.
Trelco Limited Company W.L.L. (TLC)	**100**	100	Mainly engaged in various trading activities.
Consolidated Supplies Company W.L.L. (CSC)	**100**	100	Mainly engaged in trading of electrical and construction materials.
Watermaster Qatar W.L.L. (WMQ) ***(Note 1.2)***	**100**	63.3	Mainly engaged in water treatment and contracting activities.
Construction Development Contracting & Trading Company W.L.L (CDCT) ***(Note 1.2)***	**100**	51	Mainly engaged in the contracting activities and trading in building materials.
Electro Mechanical Engineering Company W.L.L (EMEC)	**68.5**	68.5	Mainly engaged in installation and maintenance of electro mechanical works.
Debbas Enterprises Qatar W.L.L (DEQ)	**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 (TBMC)	**85**	85	Mainly engaged in trading of wood, steel and building materials.

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

1. GENERAL INFORMATION (CONTINUED)

1.2 Transfer of non-controlling interests

Watermaster Qatar W.L.L.
Effective on January 1, 2020, the foreign partner in Watermaster Qatar W.L.L., transferred its ownership interest equivalent to 36.7% to one of the Group's wholly-owned subsidiaries, Trelco Limited Company W.L.L. based on the agreement signed by both parties. The carrying value of non-controlling interest belongs to the foreign partner "Al Miyah Holding" as of January 1, 2020, was QR. 13,363,486.

Construction Development Contracting and Trading Company W.L.L.
Effective on May 1, 2020, a foreign individual partner in Construction Development Contracting and Trading Company W.L.L., transferred its ownership interest equivalent to 49% to one of the Group's wholly-owned subsidiaries, Trelco Limited Company W.L.L. based on the Agreement signed by both parties. The carrying value of non-controlling interest belongs to the foreign individual partner as of May 1, 2020, was QR. 3,136,992.

The Group's management is in the process of finalizing the legal requirements related to updating the commercial registrations for those subsidiaries. Based on the above transactions the Company exercises 100% control on those subsidiaries through its wholly-owned subsidiary, Trelco Limited Company W.L.L. The ownership structure of those subsidiaries is as follows:

	Watermaster Qatar W.L.L.		Construction Development Contracting and Trading Company W.L.L.	
	December 31,			
	2020	2019	**2020**	2019
Investment Holding Group Q.P.S.C.	**63.3%**	63.3%	**51%**	51%
Trelco Limited Company W.L.L.	**36.7%**	--	**49%**	--
Non-Controlling Interest	**--**	36.7%	**--**	49%
	100%	100%	**100%**	100%

1.3 Public offering process

Pursuant to resolution number 286 of His Excellency and in accordance to the approval received from Ministry of Economy and Commerce dated August 5, 2015, the Group's management formally applied an application to Qatar Stock Exchange to list the Company and trade publicly in the stock market. On the same date, the Company's reported share capital amounted to QR 914,086,370.

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.

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 and the Company legally became a Qatari Public Shareholding Company Q.P.S.C.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

Newly effective standard and amendments and improvements to standards

Several amendments apply for the first time from January 1, 2020, but do not have an impact on the consolidated financial statements of the Group. The Group has early adopted the amendments to IFRS 16 on, 'Covid-19-Related Rent Concessions'. The nature and effect of the changes as a result of adoption of this amendment is described below. Apart from this the Company has not early adopted any standard, interpretation or amendment that have been issued but are not yet effective.

- Amendments to IFRS 16 on, 'Covid-19-Related Rent Concessions'.
  The amendment is effective for annual reporting periods beginning on or after June 1, 2020 and the Group has early adopted this amendment in these consolidated financial statements.

As per the amendment lessee's are currently required to assess whether rent concessions are lease modifications and, if they are, apply specific accounting guidance. Accordingly, when the scope of a lease increases and the consideration changes commensurately, a separate lease exists and IFRS 16 requires that any modification be considered a new lease, and that any remaining prepayments and accruals are included in the accounting for this new lease. The amendment permits lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The amendment does not affect lessors.

Early adoption of this amendment did not result in any changes in any changes to previously reported net profit or equity of the Group.

Other amendments to standards that are effective as of January 1, 2020

- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 3 on 'Definition of a business'
- Amendments to IAS 1 and IAS 8 on 'Definition of Material'
- Amendments to IFRS 9, IAS 39 and IFRS 7 on 'Interest rate benchmark reform'

The adoption of the above did not result in any changes to previously reported net profit or net assets of the Group.

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

The below new and amended IFRS that are available for early adoption for financial year ended December 31, 2020 are not effective until a later period, and they have not been applied in preparing these consolidated financial statements.

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

Effective date	Description
January 1, 2021	• Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
January 1, 2022	• Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) • Annual Improvements to IFRS Standards 2018–2020 • Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) • Reference to the Conceptual Framework (Amendments to IFRS 3)
January 1, 2023	• IFRS 17 ''Insurance Contracts'' and amendments to IFRS 17 ''Insurance Contracts'' • Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
Effective date deferred indefinitely	• Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance
These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) 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 categorized 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 its subsidiaries as at 31st December 2020. 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.

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.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (Continued)

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 1.2)* 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.

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).
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.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies

Revenue from contracts with customers
The Group is in the business of sale of goods, 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 critical accounting judgments, estimates and assumptions relating to revenue from contracts with customers are provided in note 34.

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.

In determining the transaction price, the Group considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the customer (if any).

(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.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers (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.

(ii) 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.

3. BASIS OF PREPARATION AND SUMMARY OF 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.

Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

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.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, 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. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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.

Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

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

Subsequent measurement
For the purposes of subsequent measurement, financial assets are classified in four categories:

Financial assets at Amortized Cost
Financial assets at amortized 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.
The group's financial assets at amortised cost includes trade receivable, due from related parties and retention receivable etc.

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 recognized directly in the consolidated statement of profit or loss.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Impairment of financial instruments
The Group recognizes loss allowances for Expected Credit Losses (ECLs) on financial assets measured at amortised cost.

The Group considers a financial asset to be in default when:
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 360 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 360 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.

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.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Presentation of impairment (Continued)

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.

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

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.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand. 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.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

Goodwill
Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses refer to Note (12) to the consolidated financial statements.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 29.

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.

Leases
The Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

The Group as a lessee
At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist. At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contract assets and contract liabilities

Contract assets 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 contract liabilities. On the other hand, when the progress payments received / receivable exceed the cost-plus attributable profit, the excess is reflected as contract assets.

4. CASH AND CASH EQUIVALENTS

	December 31,	
	2020	2019
	QR.	QR.
Cash on hand	**467,358**	347,788
Cash in banks	**31,058,716**	54,659,928
Cash margins ***(Note 4.1)***	**8,410,776**	8,902,399
Total cash and bank balances	**39,936,850**	63,910,115
Less:		
Bank overdrafts ***(Note 4.2)***	**(9,396,089)**	(59,332,384)
Cash and cash equivalents	**30,540,761**	4,577,731

4.1 Cash margins

Cash margins are held with local commercial banks for the purpose of dividend payments and against payments for letter of credits to suppliers.

4.2 Bank overdrafts

Bank overdrafts are secured by the personal guarantee of the founders of the Company and the partners in its subsidiaries and bears interest at rate of 4.5% to 8.5% (2019: 4.5 % to 8.5%).

Balances with banks are assessed to have low credit risk of default since these banks are highly regulated by the central bank in the State of Qatar. Accordingly, Group's management estimates the loss allowance on balances with banks at the end of the reporting period at an amount equal to 12 months ECL. None of the balances with banks at the end of the reporting period are past due, and considering the historical default experience and the current credit ratings of the bank, Group's management has assessed there are no impairment indications, accordingly, allowance for impairment on these balances was not recognized.

5. ACCOUNTS RECEIVABLE AND OTHER DEBIT BALANCES

	December 31,	
	2020	2019
	QR.	QR.
Trade receivables - net ***(Note 5.1)***	**116,708,127**	127,481,878
Retention receivables- net ***(Note 9)***	**42,319,454**	42,393,097
Prepaid expenses	**2,502,007**	2,393,236
Other debit balances - net ***(Note 5.2)***	**31,290,969**	24,777,579
	192,820,557	197,045,790

5. ACCOUNTS RECEIVABLE AND OTHER DEBIT BALANCES (CONTINUED)

5.1 Trade receivables	**December 31,**	
	2020	2019
	QR.	QR.
Trade receivables	**126,333,917**	140,318,142
Less: Allowance for impairment of trade receivables	**(9,625,790)**	(12,836,264)
	116,708,127	127,481,878

Movement in the allowance for impairment of trade receivables	**December 31,**	
	2020	2019
	QR.	QR.
Balance as at the beginning of the year	**12,836,264**	11,178,146
Charged during the year ***(Note 25)***	**510,372**	2,810,392
Reversals during the year	**(3,720,846)**	(1,152,274)
Balance as at the end of the year	**9,625,790**	12,836,264

5.2 Other debit balances	**December 31,**	
	2020	2019
	QR.	QR.
Other debit balances	**33,192,705**	26,516,957
Less: Allowance for impairment of other debit balances	**(1,901,736)**	(1,739,378)
	31,290,969	24,777,579

Movement in allowance for impairment of other debit balances	**December 31,**	
	2020	2019
	QR.	QR.
Balance as at the beginning of the year	**1,739,378**	1,739,378
Charged during the year ***(Note 25)***	**162,358**	–
Balance as at the end of the year	**1,901,736**	1,739,378

6. CONTRACT ASSETS

	December 31,	
	2020	2019
	QR.	QR.
Contract cost incurred plus recognized profits	**1,053,030,696**	1,012,073,262
Less: Progress billings	**(816,752,627)**	(774,838,425)
	236,278,069	237,234,837

The contract assets balance as at December 31, 2020 includes the following amounts derived from subsidiaries:

a) Electro Mechanical Engineering Company W.L.L.

An amount of QR. 28,557,571 included in the contract assets balance as of December 31, 2020 represents the following:

- Claims due to extension of time and prolongation costs incurred by Group's subsidiary amounting to QR. 24,706,016. Based on the independent claim consultant report which indicates a high possibility of the recoverability of those balances, the Group's management is currently in negotiations with the client for approving those claims and certifying the interim bills to recover all outstanding balances.

- Variation orders amounting to QR. 15,096,479 equivalent to the actual cost incurred to execute additional work requested by the client based on Engineers Site Orders, however the client approved variation orders amounting to QR. 11,244,925 only. The Group's management is still in the negotiations process with the client to approve the remaining balance.

The partner of the subsidiary has undertaken that they will be responsible for any credit risk raised as a result of the negotiations with the client and contractor of this project.

6. CONTRACT ASSETS (CONTINUED)

b) Watermaster Qatar W.L.L.

Included in the contract assets balance as of December 31, 2020, an amount of QR. 22,344,376 which belongs to certain projects executed by Watermaster Qatar W.L.L., the balance represents uncertified interim bills raised to the clients of those projects. The Group's Management is still negotiating with the other clients for certifying and collecting the remaining balance. However, practical completion and maintenance certificates belonging to certain projects were received from the client after completing the initial stage of negotiation. Accordingly, the final account statement with the client will be finalized within the year 2021.

7. RELATED PARTIES

Related parties, as defined in International Accounting Standard 24: *Related Party Disclosures*, include associate companies, major shareholders, directors and other key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties.

7.1 Related Parties Transactions

	For the year ended December 31,	
	2020	2019
	QR.	QR.
Sales	**2,415,366**	3,067,176
Purchases	**2,352,707**	9,341,576
Sub – contract services	**–**	752,253
Others	**887,796**	1,176,525

7.2 Due from related parties

	December 31,	
	2020	2019
	QR.	QR.
Al Hodaifi Group W.L.L. and its subsidiaries	**15,993,621**	19,271,969
Others	**6,553,157**	5,877,317
	22,546,778	25,149,286

Included in the balance of due from Al Hodaifi Group W.L.L. and its subsidiaries are certain amounts due from the founders of the Group, those balances were confirmed by the founders and the Group's management believes that those balances are recoverable. The following table shows the movement of those balances till the reporting date:

	Amount
	QR.
Balances as at December 31, 2016	33,805,743
Net movements during the years (2017-2020)	(17,812,122)
Net balance as at December 31, 2020	15,993,621

7.3 Due to related parties

	December 31,	
	2020	2019
	QR.	QR.
Al Hodaifi Group W.L.L. and its subsidiaries	**3,671,910**	6,699,131
Others	**5,265,970**	30,202,033
	8,937,880	36,901,164

	For the year ended December 31,	
7.4 Compensation of key management personnel	**2020**	2019
	QR.	QR.
Short term benefits	**11,642,567**	13,424,827
Long-term benefits	**305,016**	380,258

8. INVENTORIES

	December 31,	
	2020	2019
	QR.	QR.
Trading inventories ***(Note 23.1)***	**48,132,725**	60,072,733
Raw materials	**9,589,863**	6,947,838
	57,722,588	67,020,571
Less: Allowance for slow-moving items	**(7,596,937)**	(11,290,790)
	50,125,651	55,729,781
Goods in transit ***(Note 23.1)***	**6,450,454**	3,753,592
	56,576,105	59,483,373

Movement in the allowance for slow-moving items

	December 31,	
	2020	2019
	QR.	QR.
Balance at the beginning of the year	**11,290,790**	11,146,734
Formed during the year ***(Notes 23, 25)***	**742,910**	144,056
Reversals during the year	**(3,597,400)**	–
Write offs during the year	**(839,363)**	–
Balance at the end of the year	**7,596,937**	11,290,790

9. RETENTION RECEIVABLES

	December 31,	
	2020	2019
	QR.	QR.
Retention receivables	**83,507,369**	82,622,436
Effect of discounting due to time value of money	**(656,667)**	(1,482,637)
Allowance for impairment of retention receivables	**(1,745,642)**	(1,859,082)
	81,105,060	79,280,717

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

Classification of retention receivables

	December 31,	
	2020	2019
	QR.	QR.
Current portion ***(Note 5)***	**42,319,454**	42,393,097
Non-current	**38,785,606**	36,887,620
	81,105,060	79,280,717

Movement in allowance for impairment of retention receivables

	December 31,	
	2020	2019
	QR.	QR.
Balance at the beginning of the year	**1,859,082**	1,818,635
Charged during the year ***(Note 25)***	**–**	40,447
Reversals during the year	**(113,440)**	–
Balance at the end of the year	**1,745,642**	1,859,082

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31,	
	2020	2019
	QR.	QR.
Balance at the beginning of the year	**31,000,000**	31,000,000
Change in fair value during the year	**–**	–
Balance at the end of the year	**31,000,000**	31,000,000

Financial assets at fair value through profit or loss represent investment in unquoted equity shares in the State of Qatar. Management believes that there is no significant change in the fair value of these shares. Accordingly, no changes in fair values were recognized in the consolidated statement of profit or loss during the year.

11. INVESTMENT PROPERTIES

	December 31,	
	2020	2019
	QR.	QR.
Balance at the beginning of the year	**22,816,776**	959,146
Additions during the year	**122,784**	73,000
Transfer from property and equipment ***(Note 14)***	**10,886**	227,000
Fair value gain on investment properties	**5,545,906**	7,159,630
Disposals during the year	**(592,205)**	–
Revaluation reserve recognized in other comprehensive income	**–**	14,398,000
Balance at the end of the year	**27,904,147**	22,816,776

Investment properties includes a building constructed on a piece of land leased from a third party. The building has been classified as investment properties using fair value model. The Group leases out these investment properties and has classified these leases as operating leases as they do not transfer substantially all risks and rewards incidental to ownership of the assets.

Investment properties include land held for capital appreciation and several apartments situated outside Qatar. These properties were acquired during 2019 as part of settlement agreements from one partner owning some shares in one of the Group's subsidiary. The properties were subsequently registered in the name of one of the main founders of the Group. However, the founder's rights toward these properties are held on consignment and bound by the terms and conditions of the mediation agreement signed on 2019.

Management decided to transfer a portion of its fully depreciated property and equipment to investment properties due to change in use. Prior to reclassification, the management obtained a valuation from independent valuer to determine the current market fair value of the assets being transferred at the time of change in use. Accordingly, an amount of QR 14,398,000 has been recognized in the consolidated statement of other comprehensive income, arising from the revaluation of property and equipment.

On December 31, 2020, the investment properties were valued at its fair value by independent external valuer. Gain from change in fair value amounting to QR 5,545,906 (2019: QR 5,314,000) was recognized in the consolidated statement of profit and loss.

Fair value of the investment properties is determined primarily based on valuations carried out by professionally qualified third-party valuation companies that are members of a professional valuer's association and have the appropriate qualifications and experience in valuing these types of investment properties. The valuation was mainly determined using the market comparable approach and discounted cash flow method in accordance with Royal Institution of Chartered Surveyors (RICS) valuation standards, adopting the IFRS basis of fair value and using the established principles and valuation techniques.

Discounted cash flow model considers the present value of net cash flows to be generated from the property considering the expected rental growth rate, void periods, occupancy rate and rent-free periods. The expected cash flows are discounted using risk adjusted discount rates. Among other factors the discount estimation considers the quality of a building and its location, tenant credit quality and lease terms.

12. GOODWILL

	December 31,	
	2020	2019
	QR.	QR.
Balance at the beginning of the year	**711,492,489**	711,492,489
Balance at the end of the year	**711,492,489**	711,492,489

As referred in Notes no. **(**1.3**)** and **(**15), the share capital of the Company was determined at QR 830 Million to reflect the Group's value as per the independent valuation 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, based on the approvals of H.E the Minister of Economy and Commerce, Ministry of Economy and Commerce, Qatar Market Authority and Qatar Stock Exchange. The same approach was followed in the prospectus for the initial public offering. Shareholders approved the same in their Constituent General Assembly. As a result, it became inevitable for the management to recognize during the year internally generated goodwill in the Company's books of accounts amounting to QR. 711,492,489.

On December 31, 2020, the Group's management conducted an internal valuation to assess and identify the projection of any indication of impairment of goodwill. The valuation was mainly based on the future financial data of the relevant Subsidiaries and considering the business environment in which these Subsidiaries operate. Based on this exercise, the Group's management concluded that there were no indications of impairment on carrying value of goodwill. Value-in-use calculation is determined by using future cash flow projections and key assumptions with average growth rate of 3% (2019: 3%) and average discount rate of 9.71% (2019: 10.2%).

13. LEASES (GROUP AS A LESSEE)

Right-of use assets

	December 31,	
	2020	2019
Cost	**QR**	QR
Balance as at the beginning of the year	**17,276,021**	–
Additions during the year	**2,550,364**	17,276,021
Disposals during the year	**(10,885,154)**	–
Balance as at the end of the year	**8,941,231**	17,276,021
Accumulated depreciation		
Balance as at the beginning of the year	**4,157,358**	–
Charged during the year ***(Note 25)***	**7,816,499**	4,157,358
Related to disposals	**(5,885,987)**	–
Balance as at the end of the year	**6,087,870**	4,157,358
Net book value as at the end of the year	**2,853,361**	13,118,663

Lease liabilities

	December 31,	
	2020	2019
	QR.	QR.
Balance as at the beginning of the year	**13,267,768**	–
Additions during the year	**2,550,364**	17,276,021
Interest on lease liabilities ***(Note 26)***	**474,630**	375,146
Payments made during the year	**(8,388,560)**	(4,383,399)
Derecognized during the year	**(5,025,829)**	–
Balance as at the end of the year	**2,878,373**	13,267,768

Presentation of lease liabilities:

	December 31,	
	2020	2019
	QR.	QR.
Non-current	**1,097,725**	4,795,993
Current	**1,780,648**	8,471,775
	2,878,373	13,267,768

14. PROPERTY AND EQUIPMENT

	Building and Construction	Leasehold improvements	Office Equipment	Furniture and Fixtures	Motor Vehicles	Tools and equipment	Machines	Computers	Total
Cost:	**QR.**	**QR.**	**QR.**	**QR.**	**QR.**	**QR.**	**QR.**	**QR.**	**QR.**
As at December 31, 2019	12,782,966	10,479,047	10,339,789	4,618,465	16,833,946	9,958,060	655,933	1,580,609	67,248,815
Additions	25,200	–	257,844	26,753	415,200	–	1,600	21,939	748,536
Disposals	–	–	–	–	(2,481,500)	(6,098)	–	–	(2,487,598)
Reclassifications ***(Note 14.1)***	(10,886)	–	–	–	–	–	–	–	(10,886)
As at December 31, 2020	**12,797,280**	**10,479,047**	**10,597,633**	**4,645,218**	**14,767,646**	**9,951,962**	**657,533**	**1,602,548**	**65,498,867**
Accumulated depreciation:									
As at December 31, 2019	6,724,612	5,288,109	9,082,763	3,987,802	14,222,915	8,666,722	629,342	1,475,615	50,077,880
Charge for the year	404,661	1,050,500	595,839	247,590	1,244,707	428,904	26,584	53,822	4,052,607
Related to disposals	–	–	–	–	(2,467,101)	(2,000)	–	–	(2,469,101)
As at December 31, 2020	**7,129,273**	**6,338,609**	**9,678,602**	**4,235,392**	**13,000,521**	**9,093,626**	**655,926**	**1,529,437**	**51,661,386**
Net book value:									
As at December 31, 2020	**5,668,007**	**4,140,438**	**919,031**	**409,826**	**1,767,125**	**858,336**	**1,607**	**73,111**	**13,837,481**
As at December 31, 2019	6,058,354	5,190,938	1,257,026	630,663	2,611,031	1,291,338	26,591	104,994	17,170,935

14. PROPERTY AND EQUIPMENT (CONTINUED)

	Building and Construction	Leasehold Improvements	Office Equipment	Furniture and Fixtures	Motor Vehicles	Tools and Equipment	Machines	Computers	Capital work in progress	Total
Cost:	QR.	QR.	QR.	QR.	QR.	QR.	QR.	QR.	QR.	QR.
As at December 31, 2018	16,607,949	11,002,204	10,047,775	4,561,273	18,066,531	9,340,179	655,933	1,499,206	623,940	72,404,990
Additions	137,500	29,974	380,924	57,192	–	690,015	–	81,403	–	1,377,008
Disposals	–	–	(88,910)	–	(1,232,585)	(72,134)	–	–	–	(1,393,629)
Transfers	454,000	169,940	–	–	–	–	–	–	(623,940)	–
Reclassification ***(Note 14.1)***	(4,416,483)	(723,071)	–	–	–	–	–	–	–	(5,139,554)
As at December 31, 2019	12,782,966	10,479,047	10,339,789	4,618,465	16,833,946	9,958,060	655,933	1,580,609	–	67,248,815
Accumulated depreciation:										
As at December 31, 2018	10,514,586	4,961,375	7,959,692	3,712,167	13,781,888	8,144,779	590,491	1,402,438	–	51,067,416
Charge for the year	399,509	1,049,805	1,211,981	275,635	1,571,656	594,077	38,851	73,177	–	5,214,691
Related to disposals	–	–	(88,910)	–	(1,130,629)	(72,134)	–	–	–	(1,291,673)
Reclassification ***(Note 14.1)***	(4,189,483)	(723,071)	–	–	–	–	–	–	–	(4,912,554)
As at December 31, 2019	6,724,612	5,288,109	9,082,763	3,987,802	14,222,915	8,666,722	629,342	1,475,615	–	50,077,880
Net book value:										
As at December 31, 2019	6,058,354	5,190,938	1,257,026	630,663	2,611,031	1,291,338	26,591	104,994	–	17,170,935
As at December 31, 2018	6,093,363	6,040,829	2,088,083	849,106	4,284,643	1,195,400	65,442	96,768	623,940	21,337,574

14. PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation of property and equipment presented in the consolidated statement of profit or loss as follows:

	December 31,	
	2020	2019
	QR.	QR.
Direct costs **(*Note 23*)**	**1,030,444**	1,668,433
General and administrative expenses **(*Note 25*)**	**3,022,163**	3,546,258
	4,052,607	5,214,691

***14.1 Reclassification*s**

During 2020, property and equipment with net book value of QR 10,886 (2019: QR 227,000) utilized as staff accommodation were transferred to investment properties due to change in use *(Note 11)*.

15. SHARE CAPITAL

	December 31,	
	2020	2019
	QR.	QR.
Authorized and issued		
830,000,000 ordinary shares of QR. 1 per share	**830,000,000**	830,000,000

Based on the decision of H.E Minister of Economy and Commerce and Shareholders' General Assembly meeting held on November 27, 2016, all shareholders agreed on the final value of the Group, which represents the revised capital of the Company amounting to QR. 830,000,000, accordingly 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. The Company's Commercial registration has been updated accordingly.

Share split

On April 16, 2019, the Extraordinary General Meeting of the Company approved to split the par value of the ordinary shares from QR. 10 per share to QR. 1 per share, as per the instructions of Qatar Financial Markets Authority. As a result, the Company's number of shares has increased from 83,000,000 shares to 830,000,000 shares. The listing of the new shares on Qatar Stock Exchange was effective immediately. Consequently, the weighted average number of shares has been retrospectively adjusted.

16. OTHER RESERVE

	December 31,	
	2020	2019
	QR.	QR.
Balance as at the beginning of the year	**152,508,123**	152,508,123
Effect of transfer of Non-Controlling interests **(*Note 16.1*)**	**(13,598,419)**	–
Balance as at the end of the year	**138,909,704**	152,508,123

16.1 Effect of transfer of Non-Controlling interests

As of the dates of transferring the ownership of Watermaster Qatar W.L.L. and Construction Development Contracting and Trading W.L.L. to one of the Group's wholly owned subsidiary Trelco Limited Company W.L.L. the book values of non-controlling interests have been transferred to other reserves, *refer to (Note 1.2)*.

17. BORROWINGS

	Current		Non-current	
	December 31,		December 31,	
	2020	2019	**2020**	2019
	QR.	QR.	**QR.**	QR.
Project financing *(Note a)*	**19,861,058**	16,295,575	**–**	–
Import loans *(Note b)*	**75,121,397**	84,715,588	**–**	–
Demand loans *(Note c)*	**18,569,942**	18,569,942	**–**	–
Term loans *(Note d)*	**23,178,049**	12,965,301	**50,353,071**	–
Musawama loans *(Note e)*	**16,666,667**	12,204,007	**75,000,000**	87,795,993
Murabaha loans	**61,371,136**	40,783,830	**–**	–
Vehicle loans	**58,500**	58,500	**–**	–
	214,826,749	185,592,743	**125,353,071**	87,795,993

a) *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 customers and bears an interest rate ranging from 5% to 6.75 % (2019: 5% to 6.75%). These loans are secured by personal guarantees of the founders of the Group.

b) *Import loans*
Import loans represent loans obtained from a local bank for the purchase of materials for the project and issuing letters of credit to sub-contractors. These loans bear an average interest rate of 5.25% to 5.75% (2019: 5% to 6.75%) annually and have maturities ranging from 180 to 270 days.

c) *Demand loans*
Demand loans represent loans obtained from a local bank to finance working capital requirements. These loans bear an average interest rate of 4.5% to 5.75% per annum (2019: 5% to 6.75%).

d) *Term loans*
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 founders 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 (2019: 5% to 6.75%).

During the year, the Group entered into an agreement with its banks to convert the bank overdrafts to term loan with interest rates ranging from 4.5% - 6.5%.

e) *Musawama loan*
On 8 October 2018, the Group obtained a Musawama facility from a local bank amounting to QR. 100,000,000 for financing its acquisition for the remaining shares of non-controlling interest in Consolidated Engineering System Company W.L.L.. The facility will be paid in semi-annual installments with a fixed profit rate of 6% for 6 years. During the year, the Group settled an arrangement with the bank to reschedule the amounts due in the year ended December 31, 2020.

Finance costs incurred related to the above borrowings recognized in the consolidated profit or loss during the year ended December 31, 2020 amounted to QR. 11,810,230 (2019: QR. 15,291,766) ***(Note 26)***.

18. CONTRACT LIABILITIES

	December 31,	
	2020	2019
	QR.	QR.
Progress billings	**611,586,271**	612,029,136
Less: Contract value at cost plus attributable profit	**(610,421,314)**	(607,970,253)
	1,164,957	4,058,883

19. ACCOUNTS PAYABLE AND ACCRUALS

	December 31,	
	2020	2019
	QR.	QR.
Trade and note payables	**74,037,814**	87,433,030
Advances from customers	**27,622,874**	35,879,102
Social and sport funds contribution ***(Note 19.1)***	**584,118**	1,376,839
Accruals and other credit balances	**40,051,358**	56,142,882
	142,296,164	180,831,853

19.1 Social and Sport Fund Contribution

Pursuant to the requirements of Law No.13 of 2008, the Group recognizes provision for the support of sports, social, cultural and charitable activities equal to 2.5% of the consolidated net profit attributable to the shareholders of the Company. The Group transferred from its retained earnings and accrued as at December 31, 2020 amounting to QR 584,118 (2019: QR 1,376,839).

20. RETENTION PAYABLES

	December 31,	
	2020	2019
	QR.	QR.
Current	**3,685,944**	2,827,340
Non-current	**812,016**	614,634
As at December 31	**4,497,960**	3,441,974

The retention payables shown above were not subjected to discounting as of December 31, 2020 and 2019 since management deems that the impact of time value of money on this liability is immaterial.

21. EMPLOYEES' END OF SERVICE BENEFITS

	December 31,	
	2020	2019
	QR.	QR.
Balance at the beginning of the year	**21,867,578**	25,193,404
Provisions provided during the year	**2,825,266**	3,881,006
Reversals during the year	**(705,256)**	–
Payments made during the year	**(4,824,412)**	(7,206,832)
Balance at the end of the year	**19,163,176**	21,867,578

22. REVENUE

The Group's revenue for the years ended December 31, 2020 and 2019 based on disaggregated data presented in the consolidated profit of loss is as follows:

	For the year ended December 31,	
	2020	2019
Disaggregation of revenue – over time	**QR.**	QR.
Contracting revenue	**187,061,040**	291,330,792
Maintenance revenue	**52,816,608**	57,425,045
	239,877,648	348,755,837
Disaggregation of revenue – at a point in time		
Trading revenue	**80,960,131**	94,030,601
Refilling and servicing revenue	**494,537**	735,494
	81,454,668	94,766,095
Total revenue from contracts with customers	**321,332,316**	443,521,932

23. DIRECT COSTS

	For the year ended December 31,	
	2020	2019
	QR.	QR.
Materials used	**93,000,651**	107,396,399
Salaries and related costs	**69,989,506**	94,939,061
Cost of goods sold ***(Note 23.1)***	**52,491,280**	67,578,607
Subcontractor costs	**16,759,108**	39,438,782
Finance costs	**2,952,368**	2,948,331
Freight and other charges	**2,718,104**	4,282,529
Site costs	**2,478,902**	2,401,064
Depreciation of property and equipment ***(Note 14)***	**1,030,444**	1,668,433
Allowance for slow moving items of inventory ***(Note 8)***	**692,910**	–
Rent	**164,250**	146,250
Miscellaneous	**6,346,626**	14,815,418
	248,624,149	335,614,874

23.1 Cost of goods sold

Cost of goods sold for the years ended December 31, 2020 and 2019 presented in the consolidated statement of profit or loss consists of the following:

	For the year ended December 31,	
	2020	2019
	QR.	QR.
Opening balance of trading inventories and goods in transit ***(Note 8)***	**63,826,325**	82,375,493
Purchases during the year	**51,028,838**	62,809,739
Reversal of allowance for slow moving items	**(839,363)**	–
Allowance for slow moving items ***(Note i)***	**(6,941,341)**	(13,780,300)
Goods available for sale	**107,074,459**	131,404,932
Closing balance of trading inventories and goods in transit ***(Note 8)***	**(54,583,179)**	(63,826,325)
	52,491,280	67,578,607

Note i:

Allowance for slow moving items, represent an allowance calculated in the previous years in the books for specific items of the inventory, those items are used in calculating cost of goods sold. Those items are assessed at each reporting period to identify the sufficiency of the allowance calculated.

24. OTHER INCOME

	For the year ended December 31,	
	2020	2019
	QR.	QR.
Rental income	**2,607,698**	4,876,800
Interest income	**690,297**	830,292
Gain from disposal of property and equipment	**203,560**	530,991
Miscellaneous	**21,593,066**	14,252,008
	25,094,621	20,490,091

25. GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended December 31,	
	2020	2019
	QR.	QR.
Salaries and related benefits	**29,500,701**	38,291,995
General expenses	**12,504,532**	365,411
Depreciation of right of use assets ***(Note 13)***	**7,816,499**	4,157,358
Professional and legal fees	**3,135,662**	2,344,059
Depreciation of property and equipment ***(Note 14)***	**3,022,163**	3,546,258
Rent for offices, stores and staff residence	**2,846,602**	4,460,951
Repairs and maintenance expense	**882,436**	1,045,200
Impairment of trade receivables ***(Note 5)***	**510,372**	2,810,392
Postage and communication	**414,659**	580,395
Traveling	**210,965**	586,508
Write off of obsolete inventories	**198,512**	–
Vehicles expense	**185,555**	125,642
Impairment of other debit balances ***(Note 5)***	**162,358**	–
Electricity and water	**113,879**	123,008
Immigration and visa	**58,377**	50,444
Allowance for slow-moving items ***(Note 8)***	**50,000**	–
Business development and commission	**38,366**	91,697
Management fees	**–**	2,634,408
Bad debts written off	**–**	896,896
Impairment of retention receivables ***(Note 9)***	**–**	40,447
Others	**5,916,854**	7,018,627
	67,568,492	69,169,696

26. FINANCE COSTS

	For the year ended December 31,	
	2020	2019
	QR.	QR.
Finance costs related to banks facilities ***(Note 17)***	**11,810,230**	15,291,766
Finance costs related to lease liabilities ***(Note 13)***	**474,630**	375,146
	12,284,860	15,666,912

27. BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year attributable to the shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the year. There are no dilutive potential ordinary shares, the diluted EPS equals to the basic EPS.

	For the year ended December 31,	
	2020	2019
Profit attributable to the shareholders of the Company (QR.)	**23,364,721**	55,073,548
Weighted average numbers of ordinary shares	**830,000,000**	830,000,000
Basic earnings per share (QR.)	**0.028**	0.066

28. NON-CONTROLLING INTERESTS

Name of subsidiary	**Proportion of ownership**	**Profit/(loss) allocated to non-controlling interests**	**Dividend distribution**	**Carrying value of non-controlling interests**
	QR.	**QR.**	**QR.**	**QR.**
December 31, 2020				
Construction Development Contracting and Trading Company W.L.L.	49.00%	**(820,146)**	**–**	**–**
Electro Mechanical Engineering Company W.L.L.	31.50%	**252,588**	**–**	**3,015,000**
Debbas Enterprises - Qatar W.L.L.	49.00%	**4,277,894**	**–**	**8,057,650**
Trelco Building Materials Company W.L.L.	15.00%	**70,857**	**–**	**(1,478,796)**
		3,781,193	**–**	**9,593,854**

Name of subsidiary	Proportion of ownership	Profit/(loss) allocated to non-controlling interests	Dividend distribution	Carrying value of non-controlling interests
	QR.	QR.	QR.	QR.
December 31, 2019				
Watermaster (Qatar) Company W.L.L.	36.70%	2,170,463	–	13,363,486
Construction Development Contracting and Trading Company W.L.L.	49.00%	(4,727,513)	(1,960,000)	3,957,138
Electro Mechanical Engineering Company W.L.L.	31.50%	814,360	–	2,762,412
Debbas Enterprises - Qatar W.L.L.	49.00%	1,968,574	–	3,779,756
Trelco Building Materials Company W.L.L.	15.00%	(719,289)	–	(1,549,653)
		(493,405)	(1,960,000)	22,313,139

28. NON-CONTROLLING INTERESTS (CONTINUED)

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

December 31, 2020	**Watermaster (Qatar) Company W.L.L.**	**Electro Mechanical Engineering Company W.L.L.**	**Construction Development Contracting and Trading Co. W.L.L. *(Note A)***	**Debbas Enterprises – Qatar W.L.L.**	**Trelco Building Materials Co. W.L.L.**
	QR.	**QR.**	**QR.**	**QR.**	**QR.**
Current assets	**–**	**102,948,251**	**27,816,957**	**173,898,017**	**36,488,247**
Non-current assets	**–**	**10,162,285**	**8,361,795**	**6,122,165**	**29,669**
Current liabilities	**–**	**83,764,668**	**33,377,031**	**158,293,739**	**46,508,316**
Non-current liabilities	**–**	**19,228,558**	**3,039,126**	**3,952,879**	**915,111**
Revenue	**–**	**52,574,961**	**7,573,322**	**69,449,735**	**17,831,054**
Profit/(Loss) for the year	**–**	**801,867**	**(1,673,767)**	**8,730,397**	**472,376**

December 31, 2019	Watermaster (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	76,302,654	91,746,185	43,558,887	185,687,953	22,797,300
Non-current assets	25,270,963	7,557,489	8,808,137	3,717,261	66,083
Current liabilities	56,333,441	87,184,813	47,226,353	174,944,533	33,126,907
Non-current liabilities	9,690,526	2,557,362	3,704,310	4,220,473	906,463
Revenue	64,641,054	53,523,184	78,977,987	87,312,221	7,364,291
Profit/(Loss) for the year	5,914,067	2,585,269	(9,647,986)	4,017,497	(4,795,259)

Note A: The balances presented in the table above related to Construction Development Contracting and Trading Co. W.L.L. represent the assets and liabilities as of April 30, 2020 and the results of operations for the period ended April 30, 2020, prior to the transfer of non-controlling interest on May 1, 2020.

28. NON-CONTROLLING INTERESTS (CONTINUED)

For the year ended December 31, 2020	**Watermaster (Qatar) Company W.L.L.**	**Electro Mechanical Engineering Company W.L.L.**	**Construction Development Contracting & Trading Co. W.L.L. *(Note A)***	**Debbas Enterprises – Qatar W.L.L.**	**Trelco Building Materials Co. W.L.L.**
	QR.	**QR.**	**QR.**	**QR.**	**QR.**
Net cash (used in)/generated by operating activities	**–**	**(14,851,391)**	**17,887,844**	**4,201,505**	**28,170,389**
Net cash used in investing activities	**–**	**(9,844)**	**(217,959)**	**–**	**(1,700)**
Net cash (used in)/generated from financing activities	**–**	**26,191,110**	**(16,791,706)**	**(9,918,510)**	**(207,900)**
Net increase/(decrease) in cash and cash equivalents	**–**	**11,329,875**	**878,179**	**(5,717,005)**	**27,960,789**

For the year ended December 31, 2019	Watermaster (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.
Net cash generated from/ (used in) operating activities	11,458,505	204,714	11,084,503	(27,549,084)	8,577,105
Net cash (used in)/generated from investing activities	(45,660)	(59,178)	(826,085)	(5,188)	110,000
Net cash (used in)/generated from financing activities	(6,272,932)	18,133,421	(425,883)	29,763,943	(1,824,873)
Net increase in cash and cash equivalents	5,139,913	18,278,957	9,832,535	2,209,671	6,862,232

Note A: The amounts presented in the table above for Construction Development Contracting and Trading Co. W.L.L. represents the cash flows of the Company for the period ended April 30, 2020, prior to the transfer of non-controlling interest on May 1, 2020.m

29. SEGMENT INFORMATION

Information reported 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 sales maintenance and services.
5. *Others:* This represents 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, these individual operating segments are aggregated into a single operating unit taking into account the following criteria:

- The nature of the services/products offered are similar.
- The methods used to distribute the goods/provide the 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 within Qatar. Accordingly, there are no distinctly identifiable geographical segments in the Group for the years ended 31 December 2020 and 2019.

29. SEGMENT INFORMATION (CONTINUED)

	Contracting	**Specialized Contracting**	**Trading**	**Water treatment & related maintenance**	**Others**	**Total**
	QR.	**QR.**	**QR.**	**QR.**	**QR.**	**QR.**
December 31, 2020						
Segment revenue	**10,522,009**	**209,027,318**	**38,777,520**	**65,165,494**	**–**	**323,492,341**
Finance costs	**283,957**	**3,864,258**	**1,038,535**	**906,405**	**6,191,705**	**12,284,860**
Depreciation	**1,472,080**	**1,440,161**	**341,841**	**7,635,861**	**979,163**	**11,869,106**
Segment results	**(6,092,660)**	**38,266,154**	**9,543,761**	**6,354,958**	**10,769,635**	**58,841,848**
Reportable segment assets	**25,766,188**	**404,515,366**	**181,497,837**	**92,656,381**	**1,128,176,569**	**1,832,612,341**
Reportable segment liabilities	**30,434,986**	**291,446,463**	**62,703,266**	**49,828,392**	**200,722,527**	**635,135,634**

	Contracting	Specialized Contracting	Trading	Water treatment & related maintenance	Others	Total
	QR.	QR.	QR.	QR.	QR.	QR.
December 31, 2019						
Segment revenue	78,977,987	282,073,029	24,709,525	64,641,054	–	450,401,595
Finance costs	217,420	6,081,761	2,412,130	851,296	6,104,305	15,666,912
Depreciation	1,869,730	1,752,039	587,903	4,123,975	1,038,402	9,372,049
Segment results	(9,647,986)	56,656,524	13,875,723	5,914,067	29,935,811	96,734,139
Reportable segment assets	52,367,024	420,863,481	156,233,781	101,573,617	1,068,537,712	1,799,575,615
Reportable segment liabilities	50,930,662	305,046,195	46,775,072	66,023,967	157,764,156	626,540,052

29. SEGMENT INFORMATION (CONTINUED)

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 are as follows:

	For the year ended and as at December 31,	
	2020	2019
	QR.	QR.
External revenue		
Total segment revenue	**323,492,341**	450,401,595
Elimination of inter-segment revenue	**(2,160,025)**	(6,879,663)
Consolidated revenue for the year	**321,332,316**	443,521,932
Profit or loss		
Total profit or loss for reportable segments	**58,841,848**	96,734,139
Elimination of inter-segment profits	**(31,695,934)**	(42,153,996)
Consolidated profit for the year	**27,145,914**	54,580,143
Assets		
Total assets for reportable segments	**1,832,612,341**	1,799,575,615
Elimination of inter-segment assets	**(458,580,898)**	(384,265,731)
	1,374,031,443	1,415,309,884
Liabilities		
Total liabilities for reportable segments	**635,135,634**	626,540,052
Elimination of inter-segment liabilities	**(103,154,907)**	(29,621,147)
	531,980,727	596,918,905

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 and equipment and financial instruments attributable to the parent Company.
- All liabilities are allocated to reportable segments other than the Employees' end of service benefits and financial liabilities attributable to the parent Company.

30. INTEREST IN JOINT OPERATIONS

The Group had entered into an unincorporated joint arrangement through its subsidiary Debbas Enterprises Qatar Q.L.L. with ETA Star Engineering and Contracting W.L.L. on February 2011 (ETA Star Engineering and Contracting W.L.L. & Debbas Enterprises Qatar W.L.L. Joint Operation "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. However, one of the shareholders, ETA Star Engineering and Contracting W.L.L. is under liquidation.

	2020	2019
Debbas Enterprise-Qatar W. L. L.	**50%**	50%
ETA Star Engineering and Contracting W.L.L.	**50%**	50%

30. INTEREST IN JOINT OPERATION (CONTINUED)

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 years ended December 31, 2020 and 2019:

Extracts from the financial statements of Joint Operations are as follows	December 31,	
	2020	2019
	QR.	QR.
Total assets	**215,554,625**	215,553,992
Total liabilities	**224,325,752**	226,896,536
Net income/ (loss)	**2,571,417**	(9,154,709)

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

	December 31,	
	2020	2019
	QR.	QR.
Total assets	**107,777,312**	107,776,997
Total liabilities	**112,162,876**	113,448,269
Net income/(loss)	**1,285,709**	(4,577,355)
Contingent liabilities	**148,500,000**	148,500,000

31. CONTINGENCIES AND COMMITMENTS

	December 31,	
	2020	2019
	QR.	QR.
Letter of guarantees	**66,950,957**	76,506,437
Performance bonds	**60,742,336**	60,889,580
Letters of credit	**9,380,038**	83,554,868
Advance payment guarantee	**7,469,125**	11,616,449
Tender bonds	**2,065,943**	2,430,000
Other guarantees	**293,267**	1,276,501

32. LEGAL CASES

32.1 Debbas Enterprises – Qatar – W.L.L

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 2019 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.

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32. LEGAL CASES (CONTINUED)

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 2019 amounted to QR. 148,463,224, of which the Group’s share is QR. 74,231,611. The Group and other related parties have provided corporate and personal guarantees to the local 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 letter 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.

c) The court appointed a committee of experts and they are reviewing the file and obtaining from each party to the dispute the supporting documents confirming its defense.

On October 2018, the local bank filed lawsuit No. 2926/ 2018 against EDJV, the Group, and others requesting to pay an amount of QR. 178,529,133 plus accrued interest to cover the outstanding loan balance, noting that the other party in the joint venture ETA Star Engineering and Contracting is under liquidation.

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 based on the available information that the claim filed by the Subcontractor against the Client, the 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’s management does not expect any material contingent liabilities to arise from the above lawsuits that need to be disclosed in the consolidated financial statements for the year ended December 31, 2020 and 2019.

In accordance with a decision issued by the court, the file of this case was attached to the case referred to in paragraphs (a) and (b) above.

During the year ended December 31, 2020, the experts collected the related data for the above cases and they are in the process of completing their reports, however, the experts expected to submit those reports to the court during 2021.

32. LEGAL CASES (CONTINUED)

32.2 Trelco Building Material – W.L.L

In January 24, 2019 the partner in Trelco Building Materials Company W.L.L (TBMC) named Ala'a Ayoub filed a case No 38/2019 before the Court of First Instance to liquidate the company as the accumulated losses exceeded 50% of its share capital.

TBMC and IHG defense before the Court of First Instance refuted the claim of Ala'a to dissolve and liquidate TBMC only on the grounds of a Criminal Case filed by TBMC and IHG against Ala'a Ayoub; however, it missed to state many important facts during that time which could have deviated the court from approving the dissolution and liquidation of TBMC and keep TBMC into continuity, such facts are without limitation:

- Despite the losses incurred by TBMC, IHG being the major partner given the full financial and operational support to TBMC in order to preserve TBMC and avoid it to be dissolved and liquidated.
- IHG replaced the previous management of TBMC (Ala'a Ayoub) by a new capable and professional manager.
- During the year of 2019 TBMC managed to reduce the overdraft balance with one of the local banks with an amount of QR. 9,169,691.
- IHG supported TBMC for the import of goods and products to sustain TBMC's operations through opening letters of credit for the amount of QR. 4,479,791.64. Accordingly, TBMC achieved a reasonable profit margin between 20 to 25% by selling the imported products into the local market, and managed to increase significantly its cashflow generated from operation.

The Court of First Instance issued a judgement dated September 9, 2019 stipulating the dissolution and liquidation of TBMC and appointed the liquidator Jaber Al Hadfa.

On October 27, 2019, TBMC filed the appeal No 90006/2019T before the Court of Appeal to annul the liquidation judgment. A petition before the court of appeal filed in the file No 90006/2019 to stop the liquidation procedures up to the final judgement. A separate petition No 123/2020 also filed on the same before the court of appeal.

On February 23, 2020 a letter was issued by IHG to the liquidator to stop the liquidation procedures up to the final judgement issued in to the appeal No 90006/2019.

On February 24, 2020, the Court of Appeal has issued a formal decision to stop the liquidation procedure up to the final judgement. Despite the aforementioned, the liquidator is still authorized to sign on behalf TBMC.

Therefore, IHG has assigned the liquidator to follow up TBMC's management. The case is still pending before the Court of Appeal, and IHG presented all documents proving the improvement in the financial position of TBMC in addition to its confirmation that it is ready to pay all TBMC debts and inject the needed amount by increasing its capital. Based on that, a decision was issued by the Court of Appeal to appoint an accounting expert to verify the foregoing, and sessions are currently being held with the expert to implement the court's decision.

33. FINANCIAL RISK MANAGEMENT

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

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

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (Continued)

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.

The tables below detail the credit quality of the Group's financial assets:

	December 31,	
	2020	2019
	QR.	QR.
Trade receivables and other debit balances	**147,999,096**	152,259,457
Due from related parties	**22,546,778**	25,149,286
Contract assets	**236,278,069**	237,234,837
Retention receivables	**81,105,060**	79,280,717
Cash in banks	**39,469,492**	63,562,327
	527,398,495	557,486,624

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 2020 and 2019.

31 December 2020

Aging	**Gross carrying amount**	**Allowance for impairment**
0- 30 days	44,940,220	251,322
30 - 60 days	8,385,338	2,104
61 - 90 days	4,899,190	10,792
91 - 180 days	14,346,682	367,296
181 - 365 days	13,291,639	482,814
Above 365 days	40,470,848	8,511,462
	126,333,917	**9,625,790**

	Gross carrying amount	**Allowance for impairment**
Other debit balances	**33,192,705**	**1,901,736**

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (Continued)

December 31, 2019

Aging	Gross carrying amount	Allowance for impairment
Current	40,323	2,712
0- 30 days	32,088,788	276,150
30 - 60 days	33,814,746	62,796
61 - 90 days	4,143,657	50,829
91 - 180 days	24,954,267	462,750
181 - 365 days	22,358,768	688,166
Above 365 days	22,917,593	11,292,861
	140,318,142	**12,836,264**

	Gross carrying amount	Allowance for impairment
Other debit balances	26,516,957	1,739,378

The movements in the allowance for expected credit losses is disclosed in Note 5.

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

	December 31,	
	2020	2019
	QR.	QR.
Cash in banks	**39,469,492**	63,562,327

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 immaterial.

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			
	Gross carrying	Total	1-12 months	1-5 years	More than 5 years
31 December 2020	**QR.**	**QR.**	**QR.**	**QR.**	**QR.**
Non-derivative financial liabilities					
Bank overdrafts and borrowings	**349,575,909**	**349,575,909**	**224,222,838**	**125,353,071**	**–**
Trade and other payables	**142,296,164**	**142,296,164**	**142,296,164**	**–**	**–**
Due to related parties	**8,937,880**	**8,937,880**	**8,937,880**	**–**	**–**
	500,809,953	**500,809,953**	**375,456,882**	**125,353,071**	**–**

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (Continued)

		Contractual cash flows			
	Gross carrying	Total	1-12 months	1-5 years	More than 5 years
31 December 2019	QR.	QR.	QR.	QR.	QR.
Non-derivative financial liabilities					
Bank overdrafts and borrowings	332,721,120	332,721,120	241,054,453	83,333,330	8,333,337
Trade and other payables	180,831,853	180,831,853	180,831,853	–	–
Due to related parties	36,901,164	36,901,164	36,901,164	–	–
	550,454,137	550,454,137	458,787,470	83,333,330	8,333,337

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.

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.

34. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES

In the application of the Group's accounting policies, which are described in note 2, 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. 12, 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.

34. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES (CONTINUED)

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.

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.

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 30)*.

34. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES (CONTINUED)

Critical judgments policies (Continued)

Determining the timing of satisfaction of construction services
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.

Referring to Note 3, 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.

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.

Legal cases
Note 32 describes a number of legal proceedings for and against the Group. Management has chosen not to make a provision for any claims against the Group as the eventual outcome of the legal actions are uncertain and we do not believe will have any financial impact.

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 uncertainties

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 2 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.2. These calculations require the use of significant estimates and assumptions about the future as disclosed in Note no. 12, which could impact the goodwill revaluation and the conclusion that no goodwill impairment is required.

34. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES (CONTINUED)

Key sources of estimation uncertainties (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 included under changes in fair value changes in the consolidated statement of profit or loss.

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.

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.

Depreciation of right-of-use assets
Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset’s useful life. Management reviews annually the useful lives of these assets. Future depreciation charge could be materially adjusted where management believes the useful lives differ from previous estimates. No such adjustments were considered necessary at the end of the current year.

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, 2020 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 confident at least the amounts recognized in the books are fully recoverable.

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

Determining whether a contract is, or contains, a lease – Group as lessee
The Group determines whether a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The right to control the use of an identified asset, is assessed by considering whether the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use and has the right to direct the use the identified asset throughout the period of use.

34. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES (CONTINUED)

Key sources of estimation uncertainties (Continued)

Determining the lease term –Group as lessee
In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

The following factors are normally the most relevant:
- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

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

Impact of COVID -19
In March 2020, COVID-19 was declared a pandemic by WHO (World Health Organization) and is causing disruptions to business and economic activities across the globe. The local government system in Qatar has announced various measures to support businesses to mitigate possible adverse impact due to the pandemic. The Group continues to monitor the situation and the Group's management have taken measures to continue the operations with minimal disruptions and also have risk management plans in place to manage potential disruptions in the future.

Due to the prevailing uncertain situation, the Group management have revisited its judgements, estimates and risk management objectives and have considered the potential impacts of the current volatility in determining the reported amounts of the Company's financial and non-financial assets as at December 31, 2020.

Going concern
Management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. The Group has been profitable, and it had positive net asset (equity), 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 consolidated financial statements continue to be prepared on a going concern basis.

The Group continues to monitor the situation closely and the Group's management have taken measures to manage potential business disruptions from COVID -19 that may have on the Group's operations and financial performance in 2020 and in the future.

35. IMPACT OF COVID-19

The Corona-virus outbreak since early 2020 have brought about additional uncertainties in certain segments of Group's operating environment. The Group has been closely monitoring the impact of the developments on those segments and will keep its contingency measures under review as the situation evolves. As far as those segments are concerned, the outbreak may cause cancellation of contracts, waiver of maintenance services revenue for certain period and delay in collection from the customers having potential impact as per the directives of governments. As the situation is fast evolving, the effect of the outbreak is subject to significant levels of uncertainty, with the full range of possible effects cannot be estimated.

36. COMPARATIVE FIGURES

Certain amounts in the comparative figures of the consolidated financial statements and notes to the consolidated financial statements have been reclassified to conform to the current year's presentation and did not have any impact on prior year's net income.