**Mannai Corporation Q.P.S.C.**

**Consolidated financial statements**

**31 December 2020**

**Mannai Corporation Q.P.S.C.**

**Consolidated financial statements**
**As at and for the year ended 31 December 2020**

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## DIRECTORS' REPORT

All of the Mannai group businesses were affected by the consequences of the COVID pandemic in 2020 due to the periods of lockdown, supply disruption, store closures and the necessary restrictions to keep people safe.

Our customers of course were impacted in the same way, leading to a drop in purchasing and subdued consumer sentiment.

Conditions were much the same across each of our main areas of operations in Qatar, the GCC area, and Europe.

Not surprisingly, it was a challenging year for our business. Nevertheless, Group total revenues grew by 7 percent to QR 12.4 Billion in 2020. The increase in revenue was mainly driven by the acquisition in May 2020 of IECISA, a leading IT services provider in Spain, by our French subsidiary GFI Informatique.

Our jewellery business in the GCC, Damas, experienced a 35% drop in sales, mainly due to the closure of nearly all of its 200 stores during the periods of lockdown in the first half of the year.

In Qatar, sales were down by 13% compared to 2019, mainly due to delay in execution of projects in IT and a drop in car sales caused by supply chain delays for new models.

However, business in the fourth quarter of 2020 across the Group was remarkably strong enabling the group to report a Net Profit of QR 14.31 Million for the year.

### PERFORMANCE OVERALL

- Group Turnover QR 12.4 Billion
- Revenue Growth 7%
- EBITDA QR 984 Million
- EBIT QR 533 Million
- Net Profit QR 14.31 Million
- Earnings Per Share QR 0.03

### ORGANISATION CHANGES

There were important changes made in the organisation structure during 2020.

As announced at the last AGM, and as planned, Mr. Alekh Grewal retired from the Mannai Board, and later as Group CEO, then in July took up a new role as Managing Director of Mannai's International Businesses.

At the same time, Mr. Michael Deeter moved from his role as COO of Damas in Dubai to take up a new appointment in Doha as CEO of Mannai's Qatar operations.

New management was introduced into Damas in Dubai with the appointment of Mr. Luc Perramond as Chairman and CEO, and the business of this important jewellery brand and store network is being restructured under his leadership.

Following the previously mentioned acquisition in May of IECISA, a leading IT services provider in Spain, by our French subsidiary, GFI Informatique, GFI changed its name to INETUM as a single brand across all its operations. INETUM is now spread across 26 countries employing 27,000 consultants.

**FUTURE OUTLOOK**

In terms of future outlook, the effects of COVID-19 on our businesses are beginning to reduce and conditions are gradually improving.

In Qatar, we aim to win our share of local project opportunities in 2021. Our IT businesses in Qatar and Europe are also very well placed to benefit from the growing digitalisation of business and companies as new ways of working evolve.

Our strong results for the Group in the fourth quarter of 2020 gives encouragement for the way ahead in 2021.

Keith Higley
Director

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# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Mannai Corporation Q.P.S.C.

## Report on the Audit of the Consolidated Financial Statements

*Qualified opinion*

We have audited the consolidated financial statements of Mannai Corporation Q.P.S.C. ("the Company"), and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information, as set out on pages 8 to 71.

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 aspects, the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

*Basis for qualified opinion*

The Group was unable to conclude the annual impairment testing in accordance with IAS 36 "Impairment of Assets ("IAS 36") in respect of goodwill and other intangible assets carried at QR 1,200,342 thousand as at 31 December 2020 (31 December 2019: QR 1,200,342 thousand) allocated to one of its Cash Generating Units (CGU) forming part of the Jewellery Trading operating segment (refer note 6(a)). The same matter caused us to qualify our audit opinion on the consolidated financial statements relating to previous year as well. The said CGU has incurred losses during the current and prior year and witnessed drop in activities due to current economic situation and uncertainties posed by COVID-19. A completion of annual impairment testing in accordance with IAS 36 might have resulted in reduction in carrying values of goodwill and other intangible assets, and consequently, recognition of an impairment loss in the profit or loss. Accordingly, we were not able to determine whether any adjustments might be necessary to the amounts shown in the consolidated financial statements for the carrying values of goodwill and other intangible assets, net profit, total comprehensive income, equity, and the related disclosures as at and for the year ended 31 December 2020 (including the relevant comparative financial information as at and for the year ended 31 December 2019).

KPMG, Qatar Branch is registered with the Ministry of Economy and Commerce, State of Qatar as a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

**INDEPENDENT AUDITOR'S REPORT (Continued)**

Mannai Corporation Q.P.S.C.

**Report on the Audit of the Consolidated Financial Statements (continued)**

*Basis for qualified opinion (continued)*

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the Group's consolidated financial statements in the State of Qatar, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

*Other matter*

Our audit opinion on the consolidated financial statements as of and for the year ended 31 December 2019 dated 27 February 2020 was further qualified because the Group did not complete the impairment exercise pertaining to one of its associate companies with a carrying value of QR 1,128,092 thousand as at 31 December 2019. The Group has restated its consolidated financial statements as of and for the year ended 31 December 2019, upon completing such impairment exercise and recording related impairment loss related to the said associate company.

*Key audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our qualified opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section we have determined the matters described below to be the key audit matters to be communicated in our report.

| Description of key audit matter | How the matter was addressed in our audit |
|---|---|
| **Carrying value of goodwill related to one of the subsidiaries, Inetum (formerly known as "Gfi Informatique"), its related CGUs and the investment in one of the associates, Axlom Limited – refer to note 12 and note 13 to the consolidated financial statements**<br><br>We focused on this area because:<br><br>• the Group recognised goodwill with indefinite useful lives ("intangibles") amounting to QR 4,140 million (2019: QR 2,760 million) arising due to obtaining control of one or more businesses. The goodwill has been allocated to Inetum and its related CGUs. | Our audit procedures in this area included, among others:<br><br>• obtaining the approved business plans for each subject CGUs and the investment in the subject associate company;<br><br>• Involving our valuation specialists to assist us in:<br><br>- evaluating the appropriateness of the discount rates applied, which included comparing the weighted- average cost of capital with sector averages for the relevant markets in which the CGUs and the associate company operate; |

## INDEPENDENT AUDITOR'S REPORT (Continued)

Mannai Corporation Q.P.S.C.

**Report on the Audit of the Consolidated Financial Statements (continued)**

*Key audit matters (continued)*

| Description of key audit matter | How the matter was addressed in our audit |
|---|---|
| **Carrying value of goodwill related to one of the subsidiaries, Inetum (formerly known as "Gfi Informatique"), its related CGUs and the investment in one of the associates, Axiom Limited – refer to note 12 and note 13 to the consolidated financial statements (continued)**<br>• the Group also carries material investment in one of the associate companies amounting to QR 825 million (2019: QR 844 million). A share of loss and an impairment loss of QR 284 million collectively was recognised on this investment during the year by restatement of comparative figures (refer note 35)<br>• The annual impairment testing of goodwill, and the impairment testing of one of the investment in associate companies in accordance with IAS 36, is considered to be a key audit matter due to the complexity of the accounting requirements and the significant judgment required in determining the assumptions to be used to estimate the recoverable amount. The recoverable amount of the Cash Generating Units (CGUs) and the investment in one of the associate companies, which is based on the higher of the value in use or fair value less costs to sell, has been derived from discounted forecast cash flow models. These models use several key assumptions, including estimates of future sales volume and prices, operating costs, terminal value growth rates and the weighted – average cost of capital (discount rate).<br>Accordingly, we have considered above as key audit matters. | - evaluating the appropriateness of the assumptions applied to key inputs such as sales volume and prices, operating costs, inflation and long-term growth rate in sales, which included comparing these inputs with externally derived data as well as our own assessments based on our knowledge of the client and the industry;<br>- performing our own sensitivity analysis which included assessing the effect of reasonably possible reductions in growth rates and forecast cash flows to evaluate the impact of the currently estimated headroom for the CGUs and investment in associate company; and<br>- evaluating the adequacy of the financial statements' disclosures, including disclosures of key assumptions, judgement, estimates and sensitivities, and the restatement of the comparative figures. |
| **Revenue recognition and impairment of financial and contract assets – refer to notes 5(C), 5(L), 8, 24 and 33 to the consolidated financial statements**<br>We focused on these areas because:<br>• the Group generates revenue of QR 12,388 million (2019: QR 11,586 million) from the diversified revenue streams mainly from: | Our audit procedures in these areas included, among others:<br>- evaluating the appropriateness of the selection of accounting policies for the new contracts entered during the year based on the requirements of IFRS 15 and our understanding of the different sources of revenue of the Group; |

Mannai Corporation Q.P.S.C.

**Report on the Audit of the Consolidated Financial Statements (continued)**

*Key audit matters (continued)*

<table>
<tr><th>Description of key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>
Revenue recognition and impairment of financial and contract assets – refer to notes 5(C), 5(L), 8, 24 and 33 to the consolidated financial statements (continued)<br><br>
- information technology and related services ("IT contracts"), and<br>
- luxury goods and automotive.<br><br>
• the Group makes significant assumptions / judgements to measure and recognise revenue in particular identification of performance obligations, allocation of transaction price, estimating costs to complete, timing of revenue recognition and corresponding receivables from contract assets.<br><br>
• the Group's financial and contract assets subject to credit risk were QR 4,524 million as at 31 December 2020 (2019: QR 3,593 million), hence, a material portion of the consolidated statement of financial position.<br><br>
• Expected credit loss assessment for financial and contract assets involves:<br><br>
- complex accounting requirements, including assumptions, estimates and judgements underlying the determination of impairment;<br><br>
- susceptibility to management bias when making judgements to determine expected credit loss outcomes; and<br><br>
- complex disclosure requirements<br><br>
Accordingly, we have considered above as key audit matters.
</td><td>
- assessing the appropriateness of management's revenue recognition under IFRS 15 across significant revenue streams for a sample of new contracts entered during the year;<br><br>
- assessing the appropriateness of the key inputs and assumptions used by the management to allocate contract revenue over performance obligations for a sample of new contracts entered during the year;<br><br>
- assessing the appropriateness of assumptions and judgements made to measure and assess the transaction price and its allocation over performance obligations for a sample of new contracts entered during the year based on our experience and industry practice;<br><br>
- challenging the reasonableness of estimates made regarding the cost of completion, profit margins for each contract based on our experience and industry benchmarks;<br><br>
- assessing whether the Group's policies and processes for making these estimates are appropriate and are applied consistently to all contracts of a similar nature;<br><br>
- evaluating the reasonableness of management's key judgements and estimates made in calculation of expected credit loss;<br><br>
- evaluating the completeness, accuracy and relevance of data used in the expected credit loss calculation; and<br><br>
- evaluating the adequacy of the financial statement disclosures including key assumptions and judgements.
</td></tr>
</table>

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**INDEPENDENT AUDITOR'S REPORT (Continued)**

Mannai Corporation Q.P.S.C.

**Report on the Audit of the Consolidated Financial Statements (continued)**

*Key audit matters (continued)*

| Description of key audit matter | How the matter was addressed in our audit |
|---|---|
| **Existence and valuation of inventories – refer to note 5(G) and note 9 to the consolidated financial statements**<br><br>We focused on this area because:<br><br>• the consolidated financial statements include inventories of QR 1,655 million (2019: QR 1,366 million). This represents 9.78% (2019: 10.39%) of the Group's total assets, hence, a material portion of the consolidated financial position.<br><br>• inventories mainly comprise luxury goods (gold and jewelleries), automotive and IT equipment. Inventories are located in multiple locations.<br><br>• valuation of inventories, in particular gold and jewelleries require significant management judgment and estimates<br><br>Accordingly, we have considered this to be a key audit matter. | Our audit procedures in this area included, among others:<br><br>- understanding the processes and identifying the relevant controls including automated controls;<br><br>- testing existence and operating effectiveness of internal controls, including the automated controls, on samples of transactions based on the frequencies of the controls;<br><br>- evaluating the appropriateness of methodology used by the Group in estimating the net realisable values for sample of inventories;<br><br>- observing the inventory counts performed by the management for locations selected on sample basis;<br><br>- evaluated estimates used by the management in assessing provision against slow and/or non-moving inventories; and<br><br>- evaluating the adequacy of the financial statement disclosures, including disclosures in relation to key assumptions and estimates used in the valuation of inventories. |

*Other information*

The Board of Directors is responsible for the other information. The other information comprises the information included in the Company's Annual Report of 2020 but does not include the Company's consolidated financial statements and our auditor's report thereon. Prior to date of this auditor's report, we obtained the report of the Board of Directors which forms part of the Annual Report, and the remaining sections of the Annual Report are expected to be made available to us after the date of this auditor's report.

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

**INDEPENDENT AUDITOR'S REPORT (Continued)**

Mannai Corporation Q.P.S.C.

**Report on the Audit of the Consolidated Financial Statements (continued)**

*Other information (continued)*

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and when it becomes available, 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.

When we read the Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter with the Board of Directors.

*Responsibilities of the Board of Directors for the consolidated financial statements*

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

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

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

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

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional scepticism 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 risk, 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 omission, misrepresentations, or the override of internal control.

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**INDEPENDENT AUDITOR'S REPORT (Continued)**

Mannai Corporation Q.P.S.C.

**Report on the Audit of the Consolidated Financial Statements (continued)**

*Auditor's responsibilities for the audit of the consolidated financial statements (continued)*

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

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

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

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

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

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

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

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

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**INDEPENDENT AUDITOR'S REPORT (Continued)**

Mannai Corporation Q.P.S.C.

**Report on the Audit of the Consolidated Financial Statements (continued)**

**Report on other legal and regulatory requirements**

Except for the possible effects of the matters described in the "Basis for qualified opinion" paragraph above:

- we have obtained all the information and explanations we considered necessary for the purposes of our audit;
- the Company has maintained proper accounting records and its consolidated financial statements are in agreement therewith;
- we have read the report of the Board of Directors to be included in the Annual Report and the consolidated financial information contained therein is in agreement with the books and records of the Company;
- we are not aware of any violations of the applicable provisions of the Qatar Commercial Companies' Law No. 11 of 2015 or the terms of the Company's Articles of Association and any amendments thereto, having occurred during the year which might have had a material effect on the Company's consolidated financial position or performance as at and for the year ended 31 December 2020. Furthermore, the physical count of the Company's inventories was carried out in accordance with the established principles.

17 March 2021
Doha
State of Qatar

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License No. 120153

**Mannai Corporation Q.P.S.C.**

**Consolidated statement of financial position**
**As at 31 December 2020**

In Thousands of Qatari Riyals

| | Notes | 2020 | 2019 *(Restated*)* |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Bank balances and cash | 7 | **1,143,110** | 375,065 |
| Accounts receivable and prepayments | 8 | **4,919,527** | 3,827,672 |
| Inventories | 9 | **1,654,930** | 1,366,476 |
| Amounts due from related parties | 30(b) | **40,169** | 46,453 |
| **Total current assets** | | **7,757,736** | 5,615,666 |
| **Non-current assets** | | | |
| Accounts receivable and prepayments | 8 | **304,298** | 283,218 |
| Financial assets - equity instruments | 10 | **15,069** | 9,336 |
| Investment in joint venture companies | 11 | **19,956** | 20,275 |
| Investment in associate companies | 12 | **970,506** | 992,996 |
| Goodwill and other intangible assets | 13 | **6,063,351** | 4,597,875 |
| Property, plant and equipment | 14 | **917,885** | 872,752 |
| Investment properties | 15 | **9,940** | 11,746 |
| Deferred tax assets | 16 | **184,079** | 80,896 |
| Right-of-use assets | 18 | **623,599** | 605,241 |
| Amounts due from related parties | 30(b) | **46,534** | 62,362 |
| **Total non-current assets** | | **9,155,217** | 7,536,697 |
| **Total assets** | | **16,912,953** | 13,152,363 |
| **Liabilities and equity** | | | |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Bank overdrafts | 7 | **280,613** | 282,805 |
| Interest bearing loans and borrowings | 17 | **2,001,117** | 1,873,607 |
| Lease liabilities | 18 | **192,929** | 184,992 |
| Accounts payable and accruals | 19 | **5,419,966** | 3,427,400 |
| Amounts due to related parties | 30(b) | **2,945** | 3,543 |
| **Total current liabilities** | | **7,897,570** | 5,772,347 |

**Refer note 35*

**The consolidated statement of financial position continues on next page.**

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The accompanying notes from 1 to 37 are an integral part of these consolidated financial statements.

**Mannai Corporation Q.P.S.C.**

**Consolidated statement of financial position (continued)**
**As at 31 December 2020**

In Thousands of Qatari Riyals

| | Notes | 2020 | 2019 *(Restated*)* |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 16 | **8,568** | 3,812 |
| Interest bearing loans and borrowings | 17 | **5,706,770** | 4,159,223 |
| Lease liabilities | 18 | **445,289** | 442,838 |
| Accounts payable and accruals | 19 | **90,654** | 42,645 |
| Employees' end of service benefits | 20 | **429,552** | 394,837 |
| **Total non-current liabilities** | | **6,680,833** | 5,043,355 |
| **Total liabilities** | | **14,578,403** | 10,815,702 |
| **Equity** | | | |
| Share capital | 21 | **456,192** | 456,192 |
| Legal reserve | 22(a) | **1,083,456** | 1,083,456 |
| Acquisition reserve | 22(b) | **(999,488)** | (999,488) |
| Other reserve | 22(c) | **(64,782)** | (63,332) |
| Foreign currency translation reserve | 22(d) | **(39,476)** | (116,994) |
| Proposed dividends | 23 | **4,562** | 91,238 |
| Fair value reserve | | **(32,990)** | (32,990) |
| Retained earnings | | **1,925,720** | 1,916,328 |
| **Equity attributable to shareholders of the Company** | | **2,333,194** | 2,334,410 |
| Non-controlling interests | | **1,356** | 2,251 |
| **Total equity** | | **2,334,550** | 2,336,661 |
| **Total liabilities and equity** | | **16,912,953** | 13,152,363 |

These consolidated financial statements were approved by the Board of Directors and authorised for issue on their behalf by the following on 17 March 2021.

**Ali Yousef Kamal**
Director

**Khaled Sultan Al Rabban**
Director

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**Refer note 35*

The accompanying notes from 1 to 37 are an integral part of these consolidated financial statements.

**Mannai Corporation Q.P.S.C.**

**Consolidated statement of income**
**For the year ended 31 December 2020**

In Thousands of Qatari Riyals

| | Notes | 2020 | 2019 *(Restated*)* |
|---|---|---|---|
| Revenue | 24 | **12,388,482** | 11,585,656 |
| Direct costs | | **(9,740,366)** | (9,079,504) |
| **Gross profit** | | **2,648,116** | 2,506,152 |
| Share of results and impairment losses from joint ventures and associate companies | 11,12 | **8,393** | (227,104) |
| Other income | 26 | **63,659** | 96,352 |
| General and administrative expenses | 27 | **(1,251,482)** | (1,130,662) |
| Selling and distribution expenses | 28 | **(413,606)** | (471,386) |
| (Impairment) / reversal of impairment of financial and contract assets -net | 8 | **(70,921)** | 23,609 |
| **Profit before interest, tax, depreciation and amortisation** | | **984,159** | 796,961 |
| Finance costs | | **(389,733)** | (405,210) |
| Depreciation and amortisation | 13,14,15,18(a) | **(450,836)** | (371,262) |
| **Profit before tax** | | **143,590** | 20,489 |
| Income tax | 16 | **(129,142)** | (101,328) |
| **Net profit / (loss) for the year** | | **14,448** | (80,839) |
| **Attributable to:** | | | |
| Shareholders of the Company | | **14,312** | (81,848) |
| Non-controlling interests | | **136** | 1,009 |
| | | **14,448** | (80,839) |
| *Earnings per share:* | | | |
| Basic and diluted earnings per share attributable to shareholders of the Company (QR) | 21, 29 | **0.03** | (0.18) |

**Refer note 35*

The accompanying notes from 1 to 37 are an integral part of these consolidated financial statements.

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**Mannai Corporation Q.P.S.C.**

**Consolidated statement of comprehensive income**
**For the year ended 31 December 2020**

| | 2020 | 2019 *(Restated*)* |
|---|---|---|
| In Thousands of Qatari Riyals | | |
| **Net profit / (loss) for the year** | **14,448** | (80,839) |
| **Other comprehensive income** | | |
| ***Items that will not be reclassified to profit or loss:*** | | |
| Financial assets - equity instruments – net change in fair value | - | (1,807) |
| Changes in actuarial differences – net of related taxes | **(2,944)** | (31,443) |
| | **(2,944)** | (33,250) |
| ***Items that are or may be reclassified subsequently to profit or loss:*** | | |
| Change in fair value of derivative financial liabilities | **(3,578)** | (1,904) |
| Valuation of share-based payments | **8,939** | 1,956 |
| Foreign currency translation adjustment | **77,658** | 4,657 |
| **Total other comprehensive income for the year** | **80,075** | (28,541) |
| **Total comprehensive income for the year** | **94,523** | (109,380) |
| **Attributable to:** | | |
| Shareholders of the Company | **94,247** | (110,466) |
| Non-controlling interests | **276** | 1,086 |
| | **94,523** | (109,380) |

**Refer note 35*

The accompanying notes from 1 to 37 are an integral part of these consolidated financial statements.

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## Consolidated statement of changes in equity
## For the year ended 31 December 2020

In Thousands of Qatari Riyals

| | Share capital | Legal reserve | Acquisition reserve | Other reserve | Foreign currency translation reserve | Proposed dividends | Fair value reserve | Retained earnings | Equity attributable to shareholders of the Company | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 January 2019 (Restated) (1) | 456,192 | 1,083,456 | (999,488) | (35,083) | (121,574) | 91,238 | (31,183) | 2,122,064 | 2,565,622 | 2,479 | 2,568,101 |
| Adjustment on application of IFRS 16 (net of tax) | - | - | - | - | - | - | - | (27,586) | (27,586) | - | (27,586) |
| Adjusted balance – 1 January 2019 | 456,192 | 1,083,456 | (999,488) | (35,083) | (121,574) | 91,238 | (31,183) | 2,094,478 | 2,538,036 | 2,479 | 2,540,515 |
| Total comprehensive income for the year (Restated) (2) | - | - | - | (31,391) | 4,580 | - | (1,807) | (81,848) | (110,466) | 1,086 | (109,380) |
| Dividends paid (Note 23) | - | - | - | - | - | (91,238) | - | - | (91,238) | - | (91,238) |
| Proposed dividend (Note 23) | - | - | - | - | - | 91,238 | - | (91,238) | - | - | - |
| Social and sports contribution for 2019 | - | - | - | - | - | - | - | (5,064) | (5,064) | - | (5,064) |
| Other adjustments | - | - | - | (3,591) | - | - | - | | (3,591) | - | (3,591) |
| Change in consolidation scope | - | - | - | 6,733 | - | - | - | - | 6,733 | (1,314) | 5,419 |
| At 31 December 2019 | 456,192 | 1,083,456 | (999,488) | (63,332) | (116,994) | 91,238 | (32,990) | 1,916,328 | 2,334,410 | 2,251 | 2,336,661 |
| Balance – 31 December 2019 / 1 January 2020 | 456,192 | 1,083,456 | (999,488) | (63,332) | (116,994) | 91,238 | (32,990) | 1,916,328 | 2,334,410 | 2,251 | 2,336,661 |
| Total comprehensive income for the year | - | - | - | 2,417 | 77,518 | - | - | 14,312 | 94,247 | 276 | 94,523 |
| Dividends paid (Note 23) | - | - | - | - | - | (91,238) | - | - | (91,238) | - | (91,238) |
| Proposed dividend (Note 23) | - | - | - | - | - | 4,562 | - | (4,562) | - | - | - |
| Social and sports contribution for 2020 | - | - | - | - | - | - | - | (358) | (358) | - | (358) |
| Other adjustments | - | - | - | (3,867) | - | - | - | - | (3,867) | - | (3,867) |
| Change in consolidation scope | - | - | - | - | - | - | - | - | - | (1,171) | (1,171) |
| **At 31 December 2020** | **456,192** | **1,083,456** | **(999,488)** | **(64,782)** | **(39,476)** | **4,562** | **(32,990)** | **1,925,720** | **2,333,194** | **1,356** | **2,334,550** |

(1) Restated: Opening restatement pertains to finalisation of the provisional fair values of the assets and liabilities on acquisition of one of the foreign subsidiaries as disclosed in the annual consolidated financial statements for the year ended 31 December 2019 in accordance with the requirements of IFRS 3 'Business Combinations', and the restatement of foreign currency translation reserve by QR 36.7 million to account for the share of currency translation difference related to one of the associate companies of the Group.

(2) Refer note 35

The accompanying notes from 1 to 37 are an integral part of these consolidated financial statements.

**Mannai Corporation Q.P.S.C.**

**Consolidated statement of cash flows**
**For the year ended 31 December 2020**

In Thousands of Qatari Riyals

| | Notes | 2020 | 2019 *(Restated*)* |
|---|---|---|---|
| **Operating activities** | | | |
| Profit before tax | | **143,590** | 20,489 |
| *Adjustments for:* | | | |
| Impairment loss / (reversal) on financial and contract assets -net | 8 | **70,921** | (23,609) |
| Provision for slow moving inventories, net of write-back | 9 | **10,191** | 20,230 |
| Share of results and impairment losses from joint ventures and associate companies | 11,12 | **(8,393)** | 227,104 |
| Depreciation and amortisation | 13,14,15, 18(a) | **450,836** | 371,262 |
| Provision for employees' end of service benefits | 20(a), 20(b) | **45,361** | 44,011 |
| Write back of provisions / liabilities no longer required | 26 | **(974)** | (12,582) |
| Gain on sale of property, plant and equipment | | **(701)** | (789) |
| Write-off of property, plant and equipment | | **7,254** | 14,240 |
| Gain on sale of investment properties | 26 | **(349)** | (16,593) |
| Gain on sale of intangible assets | 26 | **(6,081)** | - |
| Gain on derecognition / modification of right of use assets and lease liabilities | | **(4,083)** | - |
| Rent concessions | 18(b) | **(11,917)** | - |
| Finance income | | **(4,640)** | (7,063) |
| Finance costs | | **389,733** | 405,210 |
| **Operating profit before working capital changes** | | **1,080,748** | 1,041,910 |
| *Working capital changes:* | | | |
| Accounts receivables and prepayments | | **(568,544)** | 144,344 |
| Inventories | | **(144,870)** | 276,879 |
| Amounts due from / to related parties | | **26,154** | (10,398) |
| Accounts payable and accruals | | **688,593** | (263,920) |
| **Cash generated from operations** | | **1,082,081** | 1,188,815 |
| Finance costs paid | | **(351,737)** | (372,732) |
| Employees' end of service benefits paid | 20(a), 20(b) | **(40,440)** | (31,177) |
| Social and sports contribution paid | | **(4,833)** | (5,346) |
| **Net cash generated from operating activities** | | **685,071** | 779,560 |
| **Investing activities** | | | |
| Dividend received from associates and joint venture companies | 12 | **44,825** | 44,917 |
| Acquisition of financial assets - equity investments | 10(b) | **(5,641)** | - |
| Additions to goodwill and other intangible assets | 13 | **(125,703)** | (115,328) |
| Additions to property, plant and equipment | 14 | **(134,301)** | (194,114) |
| Proceeds from sale of property, plant and equipment | | **24,334** | 29,228 |
| *Carried forward to next page* | | **(196,486)** | (235,297) |

**The consolidated statement of cash flows continues on next page.**

The accompanying notes from 1 to 37 are an integral part of these consolidated financial statements.

**Consolidated statement of cash flows (continued)**
**For the year ended 31 December 2020**

In Thousands of Qatari Riyals

| | Notes | 2020 | 2019 *(Restated)** |
|---|---|---|---|
| *Carry forward from last page* | | **(196,486)** | (235,297) |
| Proceeds from sale of investment properties | | **963** | 76,731 |
| Proceeds from sale of other intangible assets | | **7,390** | 14,151 |
| Acquisition of a subsidiary, net of cash acquired | | **(958,118)** | (128,510) |
| Contingent consideration paid for prior year's acquisitions | | **(120,895)** | - |
| **Net cash used in investing activities** | | **(1,267,146)** | (272,925) |
| | | | |
| **Financing activities** | | | |
| Net movements in interest bearing loans and borrowings | | **1,675,057** | (92,740) |
| Payment of lease liabilities | 18(b) | **(238,785)** | (216,703) |
| Dividends paid | 23 | **(91,238)** | (91,238) |
| **Net cash generated from / (used in) financing activities** | | **1,345,034** | (400,681) |
| | | | |
| **Net change in cash and cash equivalents** | | **762,959** | 105,954 |
| Cash and cash equivalents at the beginning of the year | | **88,632** | (16,664) |
| Effect of movements in exchange rates on cash held | | **8,308** | (658) |
| **Cash and cash equivalents at the end of the year** | 7 | **859,899** | 88,632 |

**Refer note 35*

The accompanying notes from 1 to 37 are an integral part of these consolidated financial statements.

## 1 Reporting entity

Mannai Corporation Q.P.S.C. (the "Company") is registered as a Qatari Shareholding Company in the State of Qatar with the Ministry of Economy and Commerce under Commercial Registration Number 12. The registered office of the Company is situated in Doha, State of Qatar. The Company is listed on the Qatar Stock Exchange.

The Company's parent is Qatar Investment & Projects Development Holding Company WLL.

The core activities of the Company and its subsidiaries (together referred to as the "Group") include information and communication technology, automotive and heavy equipment distribution and service, geotechnical, geological, environmental and material testing services, engineering services to the oil and gas sector, logistics and warehousing, office systems, medical equipment, building materials, travel and cargo services, home appliances and electronics, trading and representation, facilities maintenance and management services and trading in gold and gold jewellery, diamond jewellery, pearls, watches, silver and precious stones on wholesale and retail basis.

During the year, the name of one of the foreign subsidiaries of the Group, Gfi Informatique, was changed to Inetum and resulted in a change in names of all the associated subsidiaries.

The consolidated financial statements include the financial statements of the Company and its controlled subsidiaries. Set out below is a list of local, and foreign material subsidiaries of the Group.

| | | | **Group's effective shareholding percentage** | |
|---|---|---|---|---|
| **Name of subsidiaries** | **Principal activities** | **Country of incorporation** | **2020** | 2019 |
| Mannai Trading Company W.L.L. | Trading and services | Qatar | **100** | 100 |
| Manweir L.L.C. | Engineering | Qatar | **100** | 100 |
| Gulf Laboratories Company W.L.L. | Geotechnical services | Qatar | **100** | 100 |
| Space Travel W.L.L. | Travel | Qatar | **100** | 100 |
| Space Cargo L.L.C. | Travel | Qatar | **100** | 100 |
| Qatar Logistics W.L.L. | Logistics | Qatar | **100** | 100 |
| Technical Services Company W.L.L. | Representations | Qatar | **100** | 100 |
| Mansoft Qatar W.L.L. | Information technology | Qatar | **100** | 100 |
| Mannai Security Services W.L.L. | Security services | Qatar | **100** | 100 |
| Mannai Auto Rent W.L.L. | Car rental services | Qatar | **100** | 100 |
| Best Holidays Online | Travel | Qatar | **100** | n/a |
| Mannai Air Travel W.L.L. | Travel | Qatar | **100** | 100 |
| Mannai Holidays and Inbound Tourism W.L.L. | Travel | Qatar | **100** | 100 |
| Inetum (Formerly known as Gfi Informatique SA) | Holding company | France | **100** | 100 |
| Inetum Realdolmen Belgium (Formerly known as Realdolmen NV) | Services ICT | Belgium | **100** | 100 |
| Inetum Polska Sp Zoo (Formerly known as IMPAQ Sp. Z.o.o) | Services ICT | East of Europe | **100** | 100 |
| Inetum Software France (Formerly known as Gfi Progiciels SAS) | Software | France | **100** | 100 |

**1 Reporting entity (continued)**

| Name of subsidiaries | Principal activities | Country of incorporation | Group's effective shareholding percentage | |
|---|---|---|---|---|
| | | | **2020** | 2019 |
| Inetum Midmarket Solutions France (Formerly known as Edigitalis) | Consulting and outsourcing | France | **100** | 100 |
| Inetum Modernisation Solutions (Formerly known as Metaware Technologies SA) | Applications Services | France | **100** | 100 |
| Inetum Business Solutions France (Formerly known as Gfi Informatique Entreprise Solutions SAS) | Software | France | **100** | 100 |
| Addstones-Vanilla SAS | Consulting, Applications services and Business solutions | France | **100** | 100 |
| Gfi Business-Transformation SAS | Consulting | France | **100** | 100 |
| Cynapsys France | Services ICT | France | **100** | 100 |
| Business Document SAS | Software | France | **100** | 100 |
| Gfi Conseil et Intégration de Solutions SASU | Consulting | France | **100** | 100 |
| Roff France | Consulting | France | **100** | 100 |
| Inetum Luxembourg (Formerly known as Gfi Infrastructure Services S.A. (ex-Computacenter)) | Consulting, Applications services and Business solutions | Luxembourg | **100** | 100 |
| Inetum Mexico (Formerly known as Iecisa Mexico) | Services ICT | Mexico | **100** | - |
| Inetum Holding Mexico (Formerly known as Gfi Informatica Mexico SA de CV) | Services ICT | Mexico | **100** | 100 |
| Inetum Servicios Mexico 2 (Formerly known as Gesfor Mexico, S.A de C.V) | Services ICT | Mexico | **100** | 100 |
| Inetum Maroc (Formerly known as Gfi Informatique Maroc) | Services ICT | Morocco | **100** | 100 |
| Inetum Consulting Maroc (Formerly known as Capital Consulting) | Consulting services | Morocco | **70** | 70 |
| Inetum Business Solutions Maroc (Formerly known as Value Pass) | Services ICT | Morocco | **100** | 100 |
| Inetum Peru (Formerly known as Hundred) | Outsourcing services and IT projects | Peru | **100** | 100 |
| Inetum CLSW Software Portugal (Formerly known as I2S Informatica) | Software | Portugal | **100** | 100 |
| Inetum Tech Portugal (en mars 2021) (Formerly known as Gfi Portugal - Tecnologias de Informaçao, SA) | Consulting, Applications services and Business solutions | Portugal | **100** | 100 |
| Inetum Holding Business Solutions Portugal (Formerly known as Roff Consultores Independetes SA) | SAP | Portugal | **100** | 100 |

## 1 Reporting entity (continued)

| Name of subsidiaries | Principal activities | Country of incorporation | Group's effective shareholding percentage 2020 | 2019 |
|---|---|---|---|---|
| I2S Brokers | Software | Portugal | **100** | 100 |
| Inetum Romania (Formerly known as Vauban) | Services ICT | Romania | **100** | 100 |
| Inetum Espana (Formerly known as Informatica El Corte Ingles SA (IECISA)) | Services ICT | Spain | **100** | - |
| Inetum Norte (Formerly known as Grupo Corporativo Gfi Norte) | Application services | Spain | **100** | 100 |
| Savac Consultores SL | Software | Spain | **100** | 100 |
| Grupo Corporativo Gfi Informatica SA | Consulting, Applications services and Business solutions | Spain | **100** | 100 |
| Inetum Suisse S.A. (Formerly known as Gfi International) | Application services | Switzerland | **100** | 100 |
| IMPAQ AG | Consulting services | Switzerland | **100** | 100 |
| Inetum Holding Tunisie (Formerly known as Cynapsys Inc) | Consulting and outsourcing | Tunisia | **100** | 100 |
| Efron Consulting Inc | Applications and infrastructures services | USA | **100** | 100 |
| Damas L.L.C. | Jewellery trading | UAE | **100** | 100 |
| Damas Jewellery L.L.C (formerly Gem Universe L.L.C.) | Jewellery trading | Oman | **100** | 100 |
| Damas Company W.L.L. | Jewellery trading | Bahrain | **100** | 100 |
| Damas Jewellery Kuwait Company W.L.L. | Jewellery trading | Kuwait | **100** | 100 |
| Damas Saudi Arabia Company Limited | Jewellery trading | KSA | **100** | 100 |
| Damas Jewellery L.L.C. | Jewellery trading | UAE | **100** | 100 |
| Damas Jewellery D.M.C.C. | Jewellery trading | UAE | **100** | 100 |
| Damas Jewellery Manufacturing Company L.L.C. | Jewellery trading | UAE | **100** | 100 |
| Premium Investments International L.L.C. | Jewellery trading | UAE | **100** | 100 |

## 2 Basis of preparation

### a) 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 the applicable provisions of Qatar Commercial Companies' Law No 11 of 2015.

## 2 Basis of preparation (continued)

### b) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for financial assets – equity instruments and certain fixed assets that are measured at fair value. Details of the Group's accounting policies are included in Note 5.

## 3 Functional and presentation currency

These consolidated financial statements are presented in Qatari Riyals, which is the Company's functional and presentation currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

## 4 Application of new and revised international financial reporting standards (IFRS)

### 4.1 New standards, amendments and interpretations effective from 1 January 2020

The table below lists the recent changes to International Financial Reporting Standards ("IFRS" or "standards") that are required to be applied by an entity with an annual reporting period beginning on or after 1 January 2020:

- Amendments to References to Conceptual Framework in IFRS Standards
- Amendments to IFRS 3 "Business Combinations" of definition of business
- Amendments to IFRS 9 "Financial Instruments", of Interest Rate Benchmark Reform
- Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" of definition of material.

The new and amended standards listed above do not have any or material effect on the Group's consolidated financial statements.

### 4.2 New standards, amendments and interpretations issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below.

| Effective date | New standards or amendments |
|---|---|
| 1 June 2020 | Amendments to IFRS 16 "Leases" on COVID-19-Related Rent Concessions |
| 1 January 2021 | Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) |
| 1 January 2022 | - Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)<br>- Annual Improvements to IFRS Standards 2018–2020<br>- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)<br>- Reference to the Conceptual Framework (Amendments to IFRS 3) |
| 1 January 2023 | - Classification of Liabilities as Current or Non-current (Amendments to IAS 1)<br>- IFRS 17 Insurance Contracts |
| Available for optional adoption/ effective date deferred indefinitely | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) |

## 4 Application of new and revised international financial reporting standards (IFRS) (continued)

### 4.2 New standards, amendments and interpretations issued but not yet effective (continued)

Management does not expect that the adoption of the above new and amended standards will have a significant impact on the Group's consolidated financial statements, except for the early adoption of 'Amendments to IFRS 16 "Leases" on COVID-19 related rent concessions' as explained below.

**Amendments to IFRS 16: COVID-19-Related Rent Concessions**

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

a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

b) The reduction in lease payments affects only payments originally due on or before 30 June 2021; and

c) There is no substantive change to other terms and conditions of the lease.

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

The Group has elected to utilise the practical expedient for all rent concessions that meet the above criteria. The practical expedient has been applied retrospectively, accordingly it has been applied to all rent concessions that satisfy the criteria, which in the case of the Group, occurred from April 2020 to December 2020.

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

The effect of applying the practical expedient is disclosed in Note 18.

## 5 Significant accounting policies

The consolidated financial statements comprise the financial statements of Mannai Corporation Q.P.S.C. and its subsidiaries (together referred to as the "Group"). The accounting policies set out below have been applied consistently to all the periods presented in these consolidated financial statements, and have been applied consistently by the Group entities, where necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies in line with those used by the Group.

### A. Basis of consolidation

#### *i. Business combinations*

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

## 5 Significant accounting policies (continued)

### A. Basis of consolidation (continued)

#### *i. Business combinations (continued)*

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

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in the statement of income.

Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed off. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (12 months after the acquisition) to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

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

#### *ii. Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial information of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

#### *iii. Non-controlling interests ("NCI")*

NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

#### *iv. Loss of control*

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

#### *v. Interests in associate and joint venture companies*

The Group's interests in equity-accounted investees comprise interests in associates and joint ventures.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

## 5 Significant accounting policies (continued)

### A. Basis of consolidation (continued)

#### *v. Interests in associate and joint venture companies (continued)*

Interests in associates and the joint venture are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

#### *vi. Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### B. Foreign currency

#### *i. Foreign currency transactions*

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

However, foreign currency differences arising from the translation of financial assets – equity instruments are recognised in OCI.

#### *ii. Foreign operations*

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Qatari Riyals at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Qatari Riyals at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed off in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes off part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes off only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

## 5 Significant accounting policies (continued)

### C. Revenue

Revenue is recognised upon the transfer of promised products or services to customers in an amount that reflects the consideration that the Group expects to receive in exchange for those products or services. The amount of revenue recognised is adjusted for any rebates. For allocating the transaction prices, the Group has measured the revenue in respect of each performance obligation of a contract at its standalone selling price. The price that is regularly charged for an item is the best evidence of its standalone selling price.

#### *i. Information and Communication Technology (ICT Projects or ICT)*

*Sale of ICT equipment*

The customers take control of the items at the time of delivery of goods. Invoices are generated and revenue is recognised at that point in time.

*Sale of software and software support*

Revenue is recognised when such sales of software and software support provide the customer with a right to use the software and the relevant support ,and control is transferred to the customer at a point in time which is (a) upon installation when the Company is required to install the software or the software support or (b) upon software or software support license authorisation when installation service is not required.

For software development and related services, where the license and implementation is required to be substantially customised as part of implementation service, the entire arrangement fee for the license and implementation is considered to be a single performance obligation, the performance obligation is satisfied over time as and when the services are rendered since the customer generally obtains control of the work as it progresses and the revenue is recognised using the percentage of completion method as the implementation is completed.

*Networking ICT projects and related services*

Revenue is recognised over time using percentage-of-completion method (POC method) of accounting with contract cost incurred determining the degree of completion of the performance obligation. Transfer of control of the service is assessed based on the service performed.

Revenue from fixed price contracts where the performance obligations are satisfied over time and where there is no uncertainty as to measurement or collectability of consideration is recognised by reference to the stages of completion. Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. When the contact outcome cannot be measure reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Revenue from contracts on time and material basis is recognised as services are performed. Product maintenance revenue is recognised over the period of the contract.

Contract assets are recognised when there is excess of revenue earned over billings on contracts. Contract assets are classified as unbilled receivables (only act of invoicing is pending) when there is unconditional right to receive cash, and only passage of time is required, as per contractual terms. Unearned and deferred revenue ("contract liability") is recognised when there is billings in excess of revenues. The Group presents a single contract asset or liability representing the net position of the contract as a whole.

**5 Significant accounting policies (continued)**

**C. Revenue (continued)**

***i. Information and Communication Technology (ICT Projects or ICT) (continued)***

The billing schedules agreed with customers include periodic performance-based payments and/or milestone based progress payments. Invoices are payable within contractually agreed credit period.

In accordance with IAS 37, the Group recognises an onerous contract provision when the unavoidable costs of meeting the obligations under a contract exceed the economic benefits to be received.

Contracts are subject to modification to account for changes in contract specification and requirements. The Group reviews modification to contract in conjunction with the original contract, on the basis of which the transaction price could be allocated to a new performance obligation or transaction price of an existing obligation could undergo a change. In the event transaction price is revised for existing obligation, a cumulative adjustment is accounted for.

***ii. Sale of goods***

Customers obtain control of products when the goods are delivered to and have been accepted by the customers. Invoices are generated and revenue is recognised at that point in time. Some contracts permit the customer to return an item.

Revenue from sale of goods is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Therefore, the amount of revenue recognised is adjusted for expected returns, which are estimated based on the historical data for specific type of products.

***iii. Rendering of services (other than those that forms part of ICT projects and services)***

Revenue is recognised over time as those services are provided since the customer consumes the benefits as and when services are rendered by the Group. Invoices are usually issued upon completion of the job. Revenue from these services is recognised over time based on the stage of completion of the projects which is determined based on the input method. The related costs are recognised in profit or loss when they are incurred.

***iv. Commission income from agency services***

The Group earns commission income from airline tickets and hotel booking services. Customers obtain benefit when the services are rendered to and have been accepted by the customers. Invoices are generated and revenue is recognised on a net basis at that point in time. For contracts that permit the customer to revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

**D. Employee benefits**

***i. Short-term employee benefits***

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

***ii. Defined contribution plans***

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

## 5 Significant accounting policies (continued)

### D. Employee benefits (continued)

***iii. Defined benefit plans***

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any planned assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. The projected unit credit sees each period of service as giving rise to an additional unit of benefit entitlement applying the plan's vesting formula, taking into account the linearization effect when the rights do not vest uniformly over subsequent vesting periods.

Future payments corresponding to the benefits granted to employees are determined using various assumptions (rate of increase in salaries, retirement age, mortality, etc.) and these defined benefit obligations are then discounted to their present value using market yields on high quality corporate bonds as the discount rate.

When assumptions are revised, this results in actuarial differences that are recognised in the period in which they arise, not to profit or loss but directly to equity.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

***iv. Termination benefits***

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

***v. Qatari nationals (Defined contribution plans)***

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

***vi. Expatriate employees (Defined benefit plan)***

With respect to the expatriate employees in Qatar, the Company provides for employees' end of service benefits determined in accordance with the requirements of Qatar Labour Law No. 14 of 2004. These unfunded charges are made by the Company on the basis of employees' salaries and the number of years of service at the statement of financial position date.

### E. Finance income and finance costs

Interest income or expense is recognised using the effective interest method. Interest received under instalment credit sale agreement and bank deposits is accounted for on a time proportion basis taking into account the principal outstanding and interest rate applicable.

## 5. Significant accounting policies (continued)

### F. Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI. Interest and penalties related to income taxes, including uncertain tax treatments, are accounted for under *IAS 37 Provisions, Contingent Liabilities and Contingent Assets.*

#### *i. Current tax*

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any, and is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

#### *ii. Deferred tax*

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

Deferred tax assets and liabilities are not discounted to their present value and are therefore reported at the nominal value.

## 5. Significant accounting policies (continued)

### G. Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition as follows:

| | |
|---|---|
| Merchandises, spare and tools, and industrial supplies | - purchase cost on a weighted average cost basis |
| Vehicles | - purchase cost on specific identification basis |
| Work-in-progress | - cost of direct materials, labour and other direct costs |
| Diamond jewellery, pearl jewellery, watches and precious stones* | - purchase cost on specific identification basis |
| Gold and gold jewellery* | - purchase cost on a weighted average cost basis |
| Others | - purchase cost on a weighted average cost basis |

*Making charges related to inventory of own and unfixed gold jewellery is included in inventories.

Net realisable value represents the estimated selling price less all cost expected to be incurred for completion, sale and/or disposal.

### H Property, plant and equipment

#### *i. Recognition and measurement*

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses. The cost of certain items of property, plant and equipment at 1 January 2005 (the Group's date of transition to IFRS) was determined with reference to its fair value at that date.

Capital work-in-progress is stated at cost. When the asset is ready for intended use, it is transferred from capital work-in-progress to the appropriate category under property, plant and equipment and depreciated in accordance with the Group's policies.

#### *ii. Derecognition*

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

An item of property, plant and equipment is transferred to inventories at net book values when its value is expected to recover through sale.

#### *iii. Subsequent expenditure*

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

#### *iv. Depreciation*

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land and capital work-in-progress are not depreciated.

## 5. Significant accounting policies (continued)

### H Property, plant and equipment (continued)

#### *iv. Depreciation (continued)*

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

| | |
|---|---|
| Buildings | 10-50 years |
| Plant, machinery and equipment | 03-20 years |
| Furniture and equipment | 01-06 years |
| Motor vehicles | 03-05 years |
| Assets on hire | 01-05 years |

Maintenance, repairs and minor improvements are charged to the statement of income as and when incurred. Major improvements and replacements are capitalised.

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

#### *v. Reclassification to investment property*

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified accordingly. Any gain arising on this remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in OCI and presented in the revaluation reserve. Any loss is recognised in profit or loss.

### I. Intangible assets and goodwill

#### *i. Recognition and measurement*

| | |
|---|---|
| Goodwill | Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses. |
| Research and development | Expenditure on research activities is recognised in profit or loss as incurred.<br><br>Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses. |
| Other intangible Assets | Other intangible assets, including customer relationships, brands, patents and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses. |

## 5. Significant accounting policies (continued)

### I. Intangible assets and goodwill (continued)

#### *ii. Subsequent expenditure*

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and impairment losses, on the same basis as intangible assets that are acquired separately.

#### *ii. Amortisation*

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss. Goodwill is not amortised.

The useful lives of goodwill, brand and trade name are for indefinite period whilst the estimated useful lives of other intangible assets for current and comparative periods are as follows:

| | |
|---|---|
| Customer relationship | 02-21 years |
| Order backlog | 03 years |
| Other intangible assets | 04 years |

### J. Investment property

Investment property comprises property held for capital appreciation, rental yields or both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is carried at cost less accumulated depreciation and impairment losses, if any. Land held for undetermined use is classified as investment property and is not depreciated.

When the development of investment property commences, it is transferred to capital work-in-progress until development is complete, at which time it is transferred to the respective category, and depreciated on the straight-line method, at the rate calculated to reduce the cost of the asset to its estimated residual value over its expected useful life, as follows:

| | |
|---|---|
| Building | 20 years |

Any expenditure that results in the maintenance of property to an acceptable standard or specification is treated as repairs and maintenance and is expensed in the period in which it is incurred.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

**5. Significant accounting policies (continued)**

**K. Financial instruments**

***Recognition and initial measurement***

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

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

On initial recognition, a financial asset is classified at:

- *amortised cost* – if it meets both of the following conditions and is not designated as at FVTPL:
  - it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
  - its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

- *Fair Value Through Other Comprehensive Income (FVOCI)* - if it meets both of the following conditions and is not designated as at FVTPL:
  - it is held within a business model whose objective achieved by both collecting contractual cash flows and selling financial assets; and
  - its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

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

On initial recognition, the Group may irrecoverably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Group carries out non-recourse factor of part of its receivables. Based on the negotiated contract, the factoring company takes care of the recovery of the assigned receivables. Therefore, the receivables are not maintained in the "Trade receivables".

The Group has classified on initial recognition its accounts and other receivables, due from related parties and its cash at bank at amortised cost. The Group does not hold any other financial assets.

*Financial assets – Business model assessment*

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

**5. Significant accounting policies (continued)**

**K. Financial instruments (continued)**

*Financial assets – Business model assessment (continued)*

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual cash flows or realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Group's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

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

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

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

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

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

*Financial assets - Subsequent measurement and gains and losses*

- *Financial assets at amortised cost* - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

- *Financial assets at Fair Value Through Profit or Loss (FVTPL)* -These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. The Group does not hold such assets.

**5. Significant accounting policies (continued)**

**K. Financial instruments (continued)**

*Financial assets - Subsequent measurement and gains and losses (continued)*

- *Debt instruments at Fair Value Through Other Comprehensive Income (FVOCI)* - These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

- *Equity investments at Fair Value Through Other Comprehensive Income (FVOCI)* - These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

**L. Impairment**

***Non-derivative financial assets***

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

Loss allowances for accounts and other receivables and contract assets are always measured at an amount equal to lifetime ECLs.

The Group considers a financial asset to be in default when:
- customer is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 365 days past due.

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

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

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

*Measurement of ECLs*
ECLs are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. The Group uses a provision matrix to calculate Expected Credit Loss (ECLs) for its financial and contract assets (excluding equity investments). The provision rates for accounts receivable and contract assets are based on days past due for the Group's various customer segments that have similar loss pattern. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

**5. Significant accounting policies (continued)**

**L. Impairment (continued)**

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

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

- significant financial difficulty of the customer or issuer; or
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise; or
- it is probable that the customer will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

*Presentation of allowance for ECL in the statement of financial position*
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

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

***Non-financial assets***

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

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

The recoverable amount of an asset or 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 CGU.

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

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

## 5. Significant accounting policies (continued)

### L. Impairment (continued)

***Non-financial assets (continued)***

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

### M. Provisions

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

### N. Leases

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

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
    - the Group has the right to operate the asset; or
    - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

*Group as a lessee*

At commencement or on modification of a contract that contains a lease component, the Group allocated the consideration in the contract to each lease component on the basis of its relative standalone prices. The Group recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost which comprises the initial amount of lease liability adjusted for any lease payment made at or before the commencement date , plus any initial incurred and an estimate of the costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received.

The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right of use reflects that the Group will exercise a purchase option. In that case, the right of use will be depreciated over the useful life of the underlying asset which is determined on the same basis as that of property and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurement of the lease liability.

**5. Significant accounting policies (continued)**

**N. Leases (continued)**

*Group as a lessee (continued)*

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot readily be determined, the Group 's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The Group determines it's incremental borrowing rate by obtaining interest rates from various financing sources and makes certain adjustments to reflect the terms of the lease and the asset leased.

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

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

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

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

*Short term leases and leases of low-value assets*

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

*COVID-19-related rent concessions*

The Group has applied COVID-19-Related Rent Concessions – Amendment to IFRS 16. The Group applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The Group applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances. For rent concessions in leases to which the Group chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the Group assesses whether there is a lease modification.

*Group as a lessor*

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative standalone prices. When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or operating lease.

## 5. Significant accounting policies (continued)

### N. Leases (continued)

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

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

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

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

## 6. Critical judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 5, 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 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 and key sources of estimation in applying accounting policies

The following are the critical judgments and key sources of estimation, 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:

***(a)*** *Impairment of non-financial assets*
The Group is required to undertake an annual test for impairment of indefinite lived assets and, for finite lived assets, to test for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment testing is an area involving management judgment, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters, including management's expectations of:

- growth in earnings before financing income/costs, tax, depreciation and amortisation, calculated as adjusted operating profit before depreciation and amortisation;
- timing and quantum of future capital expenditure;
- long term growth rates range during discrete period and terminal period; and
- the selection of discount rates to reflect the risks involved.

## 6. Critical judgments and key sources of estimation uncertainty (continued)

*(a) Impairment of non-financial assets (continued)*

The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

In the case of goodwill and intangible assets with indefinite lives, at a minimum, such assets are subject to an annual impairment test and more frequently whenever there is an indication that such asset may be impaired. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and to choose a suitable discount rate in order to calculate the present value of those.

*'Goodwill and other intangibles' impairment assessment for Damas UAE*
As of the reporting date, management is still in process of completing annual impairment testing over goodwill (QR 530.3 million) and trade name (QR 670 million) allocated to Damas UAE totalling to QR 1,200.3 million, in accordance with IAS 36 "Impairment of assets". The COVID-19 related uncertainties on the operating environment and associated economic conditions applicable to the jewellery trading operating segment was more profound than the other businesses of the Group. As at the end of the reporting period, the operating environment of this segment remained uncertain and the Group was unable to apply reliable assumptions and source external benchmarks to develop forecasts to determine the recoverable amount for its Damas UAE business as a cash generating unit, due to which the assessment of impairment, if any, could not be concluded. The management expects to perform a more relevant and reliable assessment of the recoverable amount of this cash generating unit when more stable operating and financial forecasts can be reasonably determined for this cash generating unit.

*(b) Provision for expected credit losses of financial and contract assets excluding equity investments*
The "expected credit loss" (ECL) impairment model requires forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. It also requires management to assign probability of default to various categories of financial assets measured at amortised cost (loans receivable, trade and other receivables, receivables from related parties, and cash at bank). Probability of default constitutes a key input in measuring an ECL and entails considerable judgement; it is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. The magnitude of the loss in case there is a default is also an estimate of the loss arising on default; it is based on the difference between the contractual cash flows due and those that the Group would expect to receive.

*(c) Impairment of inventories*
Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts, this estimation is performed on an individual basis. Inventories which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

*(d) Determination of right of use asset and lease liability*
Extension and termination options are included in several leases across various classes of right-of-use asset across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. In cases where lease contracts have indefinite term or are subject to auto renewal, lease term is determined considering the business case and reasonably certain renewal of lease. The present value of the lease payments is determined using the discount rate representing the incremental borrowing rate that a lessee would have to pay to borrow over a similar term, and with a similar security, the fund necessary to obtain an asset of a similar value to the right-to-use asset in a similar economic environment. Estimates and judgements are involved in determination of incremental borrowing rate.

## 6. Critical judgments and key sources of estimation uncertainty (continued)

*(d) Determination of right of use asset and lease liability (continued)*
The Group accounts and identifies assets as a portfolio based on its similar characteristics and has applied the requirements of IFRS 16 on estimates and assumptions that reflect the size and composition of that portfolio.

*(e) Fair value of financial assets - equity investments*
Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

*(f) Useful lives of property, plant and equipment, investment property and intangible assets*
The Group's management determines the estimated useful lives of its property, plant and equipment, investment property and intangible assets for calculating depreciation / amortisation. This estimate is determined after considering the expected usage of the asset, physical wear and tear, technical or commercial obsolescence.

*(g) Provision and contingent liabilities*
The Group's management determines provision on best estimate of the expenditure required to settle the present obligation as a result of the past event at the reporting date.

The Group's management measures contingent liabilities as a possible obligation depending on whether some uncertain future event occurs or a present obligation, but payment is not probable, or the amount cannot be measured reliably.

*(h) Business combinations*
The recognition of business combinations requires the excess of the purchase price of acquisitions over the net book value of assets acquired to be allocated to the assets and liabilities of the acquired entity.

The Group makes judgments and estimates in relation to the fair value allocation of the purchase price. If any unallocated portion is positive it is recognised as goodwill and if negative, it is recognised in the consolidated statement of income. The Group also makes significant judgments in relation to determination of smallest CGUs and allocation of the residual goodwill to each CGU.

*(i) Revenue from contract with customers*
The Group makes judgments in determining the performance obligations that exist in contract with the customers. Judgments are also applied in determining timing of transfer of control at a point in time or over time.

Where the standalone selling price is applicable, management uses estimates to determine it based on the cost-plus mark-up depending on the nature of goods and services to be provided to different customers.

*(j) Classification of associates, joint ventures and subsidiaries*
The appropriate classification of certain investments as subsidiaries, associates and joint ventures requires significant analysis and management judgment as to whether the Group exercises control, significant influence or joint control over these investments. This may involve consideration of a number of factors, including ownership and voting rights, the extent of Board representation, contractual arrangements and indicators of de fact control.

Changes to these indicators and management's assessment of the power to control or influence may have a material impact on the classification of such investments and the Group's consolidated financial position, revenue and results.

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## 7. Cash and cash equivalents

| | 2020 | 2019 |
|---|---|---|
| Bank balances and cash (1) | **1,143,110** | 375,065 |
| Less: Fixed and margin deposits under lien (refer note 17(b)) | **(2,598)** | (3,628) |
| | **1,140,512** | 371,437 |
| Less: Bank overdrafts | **(280,613)** | (282,805) |
| **Cash and cash equivalents in the statement of cash flows** | **859,899** | 88,632 |

(1) The bank balances and cash amounting to QR 1,080.0 million (2019: QR 311.7 million) arises from the Group's foreign subsidiaries.

(2) The Group carries out non-recourse factor of part of its receivables. Based on the negotiated contract, the factoring company takes care of the recovery of the assigned receivables. As at 31 December 2020, one of the foreign subsidiaries of the Group, has, via factoring contracts, financing lines based on the amount of trade receivables sold. These financing lines, capped at 150 million euros, were fully used as of 31 December 2020. Consequently, on the basis of the factoring contracts subscribed, the Group benefited from an amount of QR 664.5 million recognised in the consolidated statement of financial position under "Cash and cash equivalents".

## 8. Accounts receivable and prepayments

| | 2020 | 2019 |
|---|---|---|
| Trade accounts receivable | **1,963,876** | 1,741,976 |
| Receivables transferred to factoring companies* | **389,926** | 67,465 |
| Advances to suppliers | **68,815** | 49,957 |
| Notes receivable | **195,897** | 192,864 |
| Prepayments | **137,838** | 136,926 |
| Deposits | **19,298** | 19,458 |
| Contract assets | **1,974,538** | 1,590,544 |
| Tax and social security receivables | **464,691** | 270,055 |
| Others | **244,784** | 153,950 |
| | **5,459,663** | 4,223,195 |
| Less: Allowance for impairment of accounts and other receivables and contract assets | **(235,838)** | (112,305) |
| | **5,223,825** | 4,110,890 |

*One of the Group's foreign subsidiaries, Inetum (formerly known as Gfi Informatique), factors part of its accounts receivable. Depending on the type of contract, the factoring company may be responsible for collecting the accounts receivable. Inetum and its subsidiaries have drawing rights limited to a certain fraction of the receivables assigned.

Presented in the consolidated statement of financial position as follows:

| | 2020 | 2019 |
|---|---|---|
| Current | **4,919,527** | 3,827,672 |
| Non-current | **304,298** | 283,218 |
| | **5,223,825** | 4,110,890 |

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## 8. Accounts receivable and prepayments (continued)

The movement in allowance for impairment of accounts and other receivables and contract assets is as follows:

| | **2020** | 2019 |
|---|---|---|
| At 1 January | **112,305** | 133,167 |
| Acquired through business combination | **53,017** | 6,079 |
| Provision during the year | **70,921** | 799 |
| Written off during the year | **(219)** | (1,040) |
| Write back during the year | **-** | (24,408) |
| Exchange difference on translation of foreign currency | **(186)** | (2,292) |
| At 31 December | **235,838** | 112,305 |

## 9. Inventories

| | **2020** | 2019 |
|---|---|---|
| Gold and other jewellery (i) | **981,580** | 1,011,977 |
| Work-in-progress | **143,826** | 26,253 |
| Merchandises, spares and tools | **381,128** | 356,907 |
| Vehicles and heavy equipment | **264,902** | 102,963 |
| Industrial supplies | **15,852** | 14,791 |
| Others | **5,041** | 4,061 |
| | **1,792,329** | 1,516,952 |
| Less: Provision for obsolete and slow-moving inventories | **(137,399)** | (150,476) |
| | **1,654,930** | 1,366,476 |

(i) The Group in the normal course of business borrows gold on an unfixed basis which it converts into gold jewellery or trades as bullion. This jewellery and bullion are further used as stock in trade and is sold to various customers on a fixed or unfixed basis. The Group reduces the exposure to gold price by borrowing gold on an unfixed basis. These are then sold as manufactured jewellery or bullion, at which point, the price will be fixed at the spot rate on the sale date. The Group provides gold on an unfixed basis to various consignment ventures, debtors, associates and joint ventures without any margin and to certain parties against cash margin.

Movements in the provision for obsolete and slow-moving inventories are as follows:

| | **2020** | 2019 |
|---|---|---|
| At 1 January | **150,476** | 130,369 |
| Acquired through business combination | **3,838** | - |
| Provision during the year | **11,656** | 36,437 |
| Write back during the year | **(1,465)** | (16,207) |
| Write off during the year | **(26,378)** | - |
| Reclassification | **(1,215)** | - |
| Exchange difference on translation of foreign currency | **487** | (123) |
| At 31 December | **137,399** | 150,476 |

**As at and for the year ended 31 December 2020** In Thousands of Qatari Riyals

## 10. Financial assets – equity instruments

| | **2020** | 2019 |
|---|---|---|
| Financial assets at fair value through other comprehensive income (a) | **8,392** | 8,391 |
| Financial assets at fair value through profit or loss (b) | **6,677** | 945 |
| | **15,069** | 9,336 |

**(a) Financial assets at fair value through other comprehensive income**

| | **2020** | 2019 |
|---|---|---|
| At 1 January | **8,391** | 10,199 |
| Net change in fair value | **-** | (1,807) |
| Exchange difference on translation of foreign currency | **1** | (1) |
| At 31 December | **8,392** | 8,391 |

**(b) Financial assets at fair value through profit or loss**

| | **2020** | 2019 |
|---|---|---|
| At 1 January | **945** | 982 |
| Additions | **5,641** | - |
| Exchange difference on translation of foreign currency | **91** | (37) |
| At 31 December | **6,677** | 945 |

## 11. Investment in joint venture companies

The Group has investments in the following joint venture companies:

| *Name* | *Country of incorporation* | *Ownership interest* **2020** | *Ownership interest* 2019 |
|---|---|---|---|
| Engie Cofely Mannai Facility Management W.L.L. (i) | Qatar | **51%** | 51% |
| Saint-Gobain Pam and Mannai L.L.C. (ii) | Qatar | **51%** | 51% |
| Roberto Coin Middle East L.L.C. (iii) | UAE | **51%** | 51% |
| Deepu Jewellery DMCC*# | UAE | **51%** | 51% |

Principal activities of the Group's joint ventures are as follows:

(i) Engie Cofely Mannai Facility Management W.L.L. (previously known as Cofely Besix Mannai Facility Management W.L.L.) is engaged in facilities and asset management business.

(ii) Saint-Gobain Pam and Mannai L.L.C. is engaged in distribution of ductile iron pipes, fittings and valves.

(iii) Roberto Coin Middle East L.L.C. is engaged in trading in gold and gold jewellery, diamond jewellery, pearls, watches, silver and precious stones

* *Dormant entities*
\# *Under liquidation*

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## 11. Investment in joint venture companies (continued)

Although the Group holds 51% equity in majority of the above entities, decisions need unanimous consent of both parties and as such the investments are classified as joint ventures. Reconciliation of carrying amounts during the current year and comparative year are as follows:

| | **2020** | 2019 |
|---|---|---|
| At 1 January | **20,275** | 18,088 |
| Share of results from joint ventures | **(319)** | 2,187 |
| At 31 December | **19,956** | 20,275 |

## 12. Investment in associate companies

The Group holds investments in the following associate companies:

| *Name* | *Country of incorporation* | *Ownership interest* | |
|---|---|---|---|
| | | **2020** | 2019 |
| Axiom Limited (a) | UAE | **35%** | 35% |
| Daiso (Japan) Value Stores L.L.C. | UAE | **51%** | 51% |
| LTC International General Trading Co. | Kuwait | **35%** | 35% |
| LTC International Qatar L.L.C. | Qatar | **50%** | 50% |
| Daiso Trading W.L.L. | Bahrain | **35%** | 35% |
| Al Mana Jewellery Co. - Damas W.L.L. | Qatar | **49%** | 49% |
| Al Baraka Jewellery W.L.L.* | Bahrain | **33.33%** | 33.33% |
| TCO Damas Associates L.L.C. | UAE | **51%** | 51% |
| Retail World Trading Co. LLC | KSA | **50%** | 50% |
| Metamorph Real Estate W.L.L.*# | Kuwait | **30%** | 30% |

** Dormant entities*
*# Under liquidation*

The reconciliations of carrying amount during the current and comparative year are as follows:

| | **2020** | 2019 *(Restated)** |
|---|---|---|
| At 1 January | **992,996** | 1,230,512 |
| Addition during the year (1) | **13,602** | - |
| Dividends received | **(44,825)** | (44,917) |
| Share of results from associate companies (2) | **8,712** | (57,529) |
| Impairment loss (3) | **-** | (171,762) |
| Share of OCI from associate companies | **-** | 36,715 |
| Exchange difference on translation of foreign currency | **21** | (23) |
| At 31 December | **970,506** | 992,996 |

**Refer note 35*

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## 12. Investment in associate companies (continued)

(1) During the current year, the shareholders of LTC International Qatar LLC ("associate") passed a resolution to convert the loan receivable from the associate amounting to QR 13.6 million into share capital. The management of the Group is in process of completing the legal formalities.

(2) In connection with the pending impairment testing exercise pertaining to the year 2019, for underlying associate companies of Axiom Limited, UAE, a loss of QR 112.6 million was recorded as Group's share of results from associate companies, accordingly the last year's annual consolidated financial statements have been restated to this effect.

(3) In connection with the pending impairment testing exercise pertaining to the year 2019, for one of the Group's associate companies, Axiom Limited, UAE, the carrying amount after impairment of underlying associates, was determined to be higher than its recoverable amount, hence, accordingly the last year's annual consolidated financial statements were restated to this effect. The recoverable amount based on value-in-use calculation was subjected to sensitivities for certain key assumptions due to the growth forecast and instability in the economic environment. A change in two key assumptions i.e. discount rate of 9.5% (2018: 9.0%) and terminal growth rate of 1.5% (2018: 3.0%) over the prior years caused the carrying amount to exceed the recoverable amount. As part of impairment exercise, certain growth assumptions were also revisited due to current economic situation and risk profile of geography in which the associate company operates. Hence, an impairment loss of QR 171.8 million was recorded. Management will continue to review the future outlook of the investment and any adverse or favourable change in key assumptions may result in further impairment loss or reversal of impairment loss.

(4) The opening carrying value of investment in associate companies as at 1 January 2019 was restated by QR 36.7 million to account for the currency translation difference pertaining to one of the associate companies of the Group.

### a) Axiom Limited

Axiom Limited is engaged in import, retail and wholesale of various brands of mobile phones and related accessories and provision of related services.

The Group holds 35% equity in Axiom Limited which is engaged in import, retail and wholesale of various brands of mobile phones and related accessories and provision of related services, mainly in UAE and KSA markets.

Below is Axiom Limited's summarised financial information:

| | **2020** | 2019 *(Restated)* |
|---|---|---|
| Current assets | **935,103** | 1,072,526 |
| Non-current assets | **307,983** | 340,858 |
| Current liabilities | **(1,023,983)** | (1,135,623) |
| Non-current liabilities | **(80,797)** | (87,565) |
| Net assets | **138,306** | 190,196 |
| Proportion of Company's interest in associate's net assets | **48,407** | 66,569 |

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## 12. Investment in associate companies (continued)

### a) Axiom Limited (continued)

| | **2020** | 2019 *(Restated)* |
|---|---|---|
| Revenue | **4,424,344** | 6,309,857 |
| Loss for the year | **(52,501)** | (280,731) |
| Total comprehensive income for the year | **(52,501)** | (284,822) |
| The Group's share of loss | **(18,375)** | (98,256) |
| The Group's share of total comprehensive income | **(18,375)** | (99,688) |

Reconciliation of the above summarised financial information to the carrying amount of the interest in Axiom Limited recognised in the consolidated financial statements:

| | **2020** | 2019 *(Restated)* |
|---|---|---|
| Net assets of the associate | **138,306** | 190,196 |
| Proportion of the Group's ownership interest | **35%** | 35% |
| Share of net assets before goodwill | **48,407** | 66,569 |
| Goodwill | **741,496** | 741,496 |
| Less: impairment | **(171,762)** | (171,762) |
| Goodwill, net of impairment | **569,734** | 569,734 |
| Other intangible assets identified | **170,000** | 170,000 |
| Other adjustments* | **37,161** | 37,374 |
| Carrying amount of the Group's interest | **825,302** | 843,677 |

*Other adjustments include purchase price allocation adjustment at acquisition date and minor exchange difference.

The carrying value of Axiom Limited of QR 825,302 as at 31 December 2020 (2019: QR 843,677) is tested for impairment. The recoverable amount of this associate is determined based on a value in use calculation which uses discounted cash flow projections based on business plan and various scenarios of forecasts approved by the management covering a five-year period after which a terminal growth rate (TGR) into perpetuity of 1.5% from 2026 (2019: 1.5% from 2025) is considered. The present value of future cashflows are discounted using a weighted average cost of capital (WACC) of 9.5% per annum (2019: 9.5% per annum).

The associate's management has prepared Axiom's business plan which is approved by the Group's Board of Directors. The average budgeted growth rate is assumed to be 4.3% (2019: 5%) over the forecast period. The growth rate is based on Board of Directors' strategy and is considered achievable by management considering the nature of the industry, Axiom's positioning and the general growth in the economic activity witnessed in the countries where it operates.

Any change in key assumptions on which the recoverable amount is based may cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

**12. Investment in associate companies (continued)**

**b) Other associates**

Although, the Group holds 50% or more equity in Daiso (Japan) Value Stores L.L.C., LTC International Qatar L.L.C. and TCO Damas Associates L.L.C., the Group does not have the power to govern the financial and operating activities of these investees and thus, does not have control or joint control in these entities. All other associates are engaged in trading of gold and gold jewellery, diamond jewellery, pearls, watches, silver and precious stones.

*(Notes to the consolidated financial statements are continued on next page)*

As at and for the year ended 31 December 2020 In Thousands of Qatari Riyals

## 13. Goodwill and other intangible assets

| | Goodwill | Trade name | Distribution rights | Other intangible assets | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 January 2019 | 3,211,456 | 670,000 | 24,339 | 1,106,983 | 5,012,778 |
| Arising from business combination – net | 194,724 | - | - | 29,405 | 224,129 |
| Additions | - | - | - | 115,328 | 115,328 |
| Adjustments | 10,113 | - | - | 347 | 10,460 |
| Disposal | - | - | - | (153) | (153) |
| Exchange difference on translation of foreign currency | (33,981) | - | - | (25,730) | (59,711) |
| At 31 December 2019 | 3,382,312 | 670,000 | 24,339 | 1,226,180 | 5,302,831 |
| Arising from business combination (1) | 1,053,883 | - | - | 211,150 | 1,265,033 |
| Additions | - | - | - | 125,703 | 125,703 |
| Adjustments | 24,797 | - | - | (1,357) | 23,440 |
| Disposal | - | - | - | (2,143) | (2,143) |
| Exchange difference on translation of foreign currency | 310,241 | - | - | 125,977 | 436,218 |
| **At 31 December 2020** | **4,771,233** | **670,000** | **24,339** | **1,685,510** | **7,151,082** |
| **Impairment/ amortisation** | | | | | |
| At 1 January 2019 | 92,749 | - | 24,339 | 498,190 | 615,278 |
| Arising from business combination – net | - | - | - | 21,886 | 21,886 |
| Charge for the year | - | - | - | 82,176 | 82,176 |
| Relating to disposal | - | - | - | (153) | (153) |
| Exchange difference on translation of foreign currency | (1,267) | - | - | (12,964) | (14,231) |
| At 31 December 2019 | 91,482 | | 24,339 | 589,135 | 704,956 |
| Arising from business combination | - | - | - | 178,326 | 178,326 |
| Charge for the year | - | - | - | 108,722 | 108,722 |
| Relating to disposal | - | - | - | (834) | (834) |
| Exchange difference on translation of foreign currency | 9,319 | - | - | 87,242 | 96,561 |
| **At 31 December 2020** | **100,801** | - | **24,339** | **962,591** | **1,087,731** |
| **Net carrying amounts** | | | | | |
| **At 31 December 2020** | **4,670,432** | **670,000** | - | **722,919** | **6,063,351** |
| At 31 December 2019 | 3,290,830 | 670,000 | - | 637,045 | 4,597,875 |

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## 13. Goodwill and other intangible assets (continued)

### Acquisition of subsidiaries

(1) During the year, the Group has acquired IECISA, a Company situated in Spain, through one of its subsidiaries in France namely Inetum (formerly known as "Gfi Informatique SA"). Upon this acquisition, a provisional goodwill of QR 1,053.9 million was recognised at the Group level This provisional goodwill is subject to finalization of fair values in accordance with IFRS 3.

### a) Consideration transferred

The following table summarises the acquisition-date fair value of each major class of consideration transferred.

| | 2020 |
|---|---|
| Cash paid | 1,035,540 |
| Cash acquired | (77,422) |
| Net consideration transferred | 958,118 |

### b) Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

| | Fair value at the acquisition date |
|---|---|
| Provisional fair value of the net identifiable assets acquired | 1,107,042 |
| Provisional fair value of the net identifiable liabilities assumed | (1,065,985) |
| Provisional fair value of total net identifiable assets acquired | 41,057 |

### c) Provisional goodwill on acquisition

Provisional goodwill arising from the acquisition has been recognised as follows.

| | 2020 |
|---|---|
| Total consideration transferred | 1,035,540 |
| Non-controlling interest | - |
| Sub-total | 1,035,540 |
| Add: Contingent consideration | 59,400 |
| Less: Provisional fair value of net identifiable assets | (41,057) |
| Provisional goodwill on the date of acquisition | 1,053,883 |

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## 13. Goodwill and other intangible assets (continued)

### Acquisition of subsidiaries (continued)

Residual goodwill being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets and liabilities. It is recognised under "Goodwill" and allocated to each cash-generating unit likely to benefit from the business combination. Subsequently, this goodwill is valued at cost less any impairment losses in accordance with the method described in the paragraph "Impairment testing of goodwill".

### Impairment testing of goodwill

| Cash generating units | **Carrying value of goodwill 2020** | Carrying value of goodwill 2019 |
|---|---|---|
| Inetum France | **1,514,059** | 1,423,931 |
| Inetum Spain | **1,379,487** | 199,047 |
| Inetum Portugal | **176,264** | 153,354 |
| Inetum Benelux | **640,258** | 574,249 |
| Inetum Switzerland | **30,959** | 29,204 |
| Inetum East of Europe | **142,947** | 132,476 |
| Inetum Latin America | **172,845** | 161,048 |
| Inetum Africa | **83,271** | 87,179 |
| Damas UAE | **530,342** | 530,342 |
| | **4,670,432** | 3,290,830 |

The change in goodwill mainly corresponds to the provisional goodwill recognised on acquisition of IECISA amounting to QR 1,053.9 million. The provisional goodwill was fully allocated to the Spain CGU. CGUs are identified on the basis of the geographical segments. The provisional goodwill is subject to purchase price allocation under IFRS 3 which will be completed in 2021. The Group has 11 CGUs (2019: 12 CGUs), of which 2 CGUs are in France and 2 CGUs are in Spain. During the year, "Poland CGU" and "Rest of the world CGU" were merged as "East of Europe" CGU.

France bears 32% (2019: 43%) of the Group's goodwill. This amounted to QR 1,514.1 million as at 31 December 2020 and includes QR 1,210.7 million for the "Service Business" CGU and QR 303.4 million for the "Software Business" CGU.

### Key assumptions used in value in use calculations

The principal assumptions used in the projections relate to revenue, margins, WACC, terminal growth rates and working capital. The assumptions are constructed based upon historic experience and management's best estimate of future trends and performance and take into account anticipated efficiency improvements over the forecasted period.

*Discount rates*
Discount rates reflect management's estimate of the risks specific to each unit. Discount rates are based on a weighted average cost of capital for each CGU.

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## 13. Goodwill and other intangible assets (continued)

*Growth rate estimates*
For the periods beyond that covered by the projections, long-term growth rates are based on management's best estimates of the growth rates relevant to the ICT industry. Business projections are based on operating budgets set by management for the 2021 financial year. For 2022 to 2025, the growth rates used were between 3% and 8% for all Inetum CGUs.

| | (Expressed in percentage) | | | |
|---|---|---|---|---|
| | **Discount rate** | | **Terminal value growth rate** | |
| **Cash generating units** | **2020** | 2019 | **2020** | 2019 |
| Inetum France | **9.5%** | 8.5% | **2.0%** | 2.0% |
| Inetum Spain | **10.1%** | 9.8% | **2.0%** | 2.0% |
| Inetum Portugal | **10.2%** | 10.8% | **2.0%** | 2.0% |
| Inetum Benelux | **9.6%** | 8.9% | **2.0%** | 2.0% |
| Inetum Switzerland | **9.5%** | 9.0% | **2.0%** | 2.0% |
| Inetum East of Europe | **10.0%** | - | **2.0%** | - |
| Inetum Poland* | - | 10.1% | - | 2.0% |
| Inetum Latin America | **12.0%** | 11.4% | **2.0%** | 2.0% |
| Inetum Africa | **12.2%** | 11.7% | **2.0%** | 2.0% |
| Damas UAE** | - | - | - | - |

*During the year, "Poland CGU" was merged with the "Rest of the world CGU" to be called as "East of Europe" CGU.

**As of the reporting date, management is still in process of completing annual impairment testing over goodwill (QR 530.3 million) and trade name (QR 670 million) allocated to Damas UAE totalling to QR 1,200.3 million, in accordance with IAS 36 "Impairment of assets", as management was unable to apply reliable assumptions and benchmarks due to COVID-19 and current economic conditions (refer note 6(a)).

**Sensitivity testing and goodwill impairment losses for each CGUs (excluding Damas)**

At year-end, the Group's assessment of the reasonably possible change in key assumptions corresponded to the brackets of values used in the sensitivity tests which are presented below:

- 0.5% increase in discount rate
- 0.5% decrease in growth rate to infinity (terminal growth rate)
- 0.5% decrease in margin over 2021 to 2025 cash periods
- 0.5% decrease in revenue growth rate over 2021 to 2025 cash periods
- 10% decrease in working capital assumptions

Sensitivity testing also uses the combined decrease of several of these assumptions, depending on their sensitivity.

At 31 December 2020, the results of the sensitivity tests show that no reasonably possible change in key assumptions brought the recoverable value of these CGUs below their net carrying amounts, except for 'Software Business' and Africa CGUs, where decrease of 0.5% in the terminal growth rate and 0.5% decrease in revenue growth rate will bring the recoverable amount below the net carrying amount for these CGUs respectively.

In Thousands of Qatari Riyals

## 14. Property, plant and equipment

| | Land and buildings | Plant and machinery | Furniture and equipment | Motor vehicles | Assets on hire | Capital work-in-progress | Total |
|---|---|---|---|---|---|---|---|
| **Cost/revaluation** | | | | | | | |
| At 1 January 2020 | **758,027** | **212,057** | **556,134** | **49,239** | **73,372** | **78,678** | **1,727,507** |
| Acquired through business combination | - | 60,851 | 135,768 | - | - | - | 196,619 |
| Additions | 21,848 | 21,857 | 45,955 | 8,737 | 27,189 | 8,715 | 134,301 |
| Disposals/other adjustments | (9,191) | (3,441) | (9,513) | (9,912) | (33,829) | (715) | (66,601) |
| Impairment | - | (3,588) | (147) | - | - | - | (3,735) |
| Write-offs | - | (158) | (30,050) | - | - | - | (30,208) |
| Reclassifications | 58,471 | - | 11,789 | 180 | (180) | (70,260) | - |
| Exchange difference on translation of foreign currency | 24,956 | 16,429 | 52,989 | (223) | - | 121 | 94,272 |
| **At 31 December 2020** | **854,111** | **304,007** | **762,925** | **48,021** | **66,552** | **16,539** | **2,052,155** |
| **Accumulated depreciation** | | | | | | | |
| At 1 January 2020 | **223,516** | **167,816** | **401,084** | **29,940** | **32,399** | - | **854,755** |
| Acquired through business combination | - | 49,368 | 114,747 | - | - | - | 164,115 |
| Depreciation charge for the year | 22,934 | 13,807 | 54,537 | 4,574 | 12,396 | - | 108,248 |
| Relating to disposals /other adjustments | (9,023) | (2,477) | (8,780) | (5,557) | (17,131) | - | (42,968) |
| Write-offs | - | (143) | (26,546) | - | - | - | (26,689) |
| Exchange difference on translation of foreign currency | 18,371 | 14,183 | 44,310 | 130 | (185) | - | 76,809 |
| **At 31 December 2020** | **255,798** | **242,554** | **579,352** | **29,087** | **27,479** | - | **1,134,270** |
| Net carrying amount | | | | | | | |
| **At 31 December 2020** | **598,313** | **61,453** | **183,573** | **18,934** | **39,073** | **16,539** | **917,885** |

In Thousands of Qatari Riyals

## 14. Property, plant and equipment (continued)

| | Land and buildings | Plant and machinery | Furniture and equipment | Motor vehicles | Assets on hire | Capital work-in-progress | Total |
|---|---|---|---|---|---|---|---|
| Cost/revaluation | | | | | | | |
| At 1 January 2019 | 523,570 | 207,196 | 535,501 | 53,391 | 113,049 | 181,053 | 1,613,760 |
| Acquired through business combination | 44,288 | 3,318 | 9,061 | - | - | - | 56,667 |
| Additions | 2,111 | 10,085 | 55,328 | 9,662 | 15,395 | 101,533 | 194,114 |
| Transfer in / (out) | 189,791 | (55) | 13,952 | 31 | (29) | (203,690) | - |
| Impairment | - | (3) | (13,093) | - | - | - | (13,096) |
| Write-offs | - | (124) | (18,899) | - | - | - | (19,023) |
| Disposals /other adjustments | (181) | (6,686) | (11,942) | (12,186) | (55,028) | (181) | (86,204) |
| Exchange difference on translation of foreign currency | (1,552) | (1,674) | (13,774) | (1,659) | (15) | (37) | (18,711) |
| At 31 December 2019 | 758,027 | 212,057 | 556,134 | 49,239 | 73,372 | 78,678 | 1,727,507 |
| Accumulated depreciation | | | | | | | |
| At 1 January 2019 | 211,198 | 161,480 | 391,220 | 33,967 | 47,618 | 31 | 845,514 |
| Acquired through business combination | 493 | 2,656 | 6,909 | - | - | - | 10,058 |
| Depreciation charge for the year | 12,930 | 11,932 | 45,613 | 5,119 | 16,444 | - | 92,038 |
| Write-offs | - | (110) | (17,769) | - | - | - | (17,879) |
| Relating to disposals /other adjustments | - | (6,682) | (11,869) | (7,566) | (31,648) | - | (57,765) |
| Exchange difference on translation of foreign currency | (1,105) | (1,460) | (13,020) | (1,580) | (15) | (31) | (17,211) |
| At 31 December 2019 | 223,516 | 167,816 | 401,084 | 29,940 | 32,399 | - | 854,755 |
| Net carrying amount | | | | | | | |
| At 31 December 2019 | 534,511 | 44,241 | 155,050 | 19,299 | 40,973 | 78,678 | 872,752 |

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## 14. Property, plant and equipment (continued)

### i. Capital work-in-progress

Capital work-in-progress mainly includes the ongoing cost of new head complex project.

### ii. Change in useful life of building

During the previous year, the Group re-assessed the useful life of buildings. Based on this review, the estimated useful life was revised from 20 years to 25 years to better reflect the expected pattern of consumption of future economic benefits embodied therein. There were no revisions made to the useful life, in the current year.

## 15. Investment properties

| | **2020** | 2019 |
|---|---|---|
| **Cost** | | |
| At 1 January | **22,074** | 82,213 |
| Disposals (refer note (b) below) | **(1,300)** | (61,010) |
| Exchange difference on translation of foreign currency | **-** | 871 |
| At 31 December | **20,774** | 22,074 |
| **Accumulated depreciation/impairment** | | |
| At 1 January | **10,328** | 20,342 |
| Charge for the year | **1,194** | 2,869 |
| Disposals (refer note (b) below) | **(686)** | (13,764) |
| Exchange difference on translation of foreign currency | **(2)** | 881 |
| At 31 December | **10,834** | 10,328 |
| **Carrying amount as at 31 December** | **9,940** | 11,746 |

### a) Valuation

The group's investment properties are stated at historical cost, less any accumulated depreciation and accumulated impairment losses. The fair value measurements of the group's land and buildings as at 31 December 2020 was performed internally using the market comparable approach or investment value approach that derives value based on expected rental yields. The valuation approach is based on an individual assessment for each property type. Based on this it was concluded that the carrying value of investment properties was not significantly different from the fair value. The fair value measurement for all investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

### b) Disposal of investment properties

During the year, the Group has sold investment properties in United Arab Emirates having book values of QR 0.6 million (2019: QR 47.5 million) at a consideration of QR 0.9 million (2019: QR 64.3 million). Accordingly, gain on sale of investment properties of QR 0.3 million (2019: QR 16.6 million) has been recognised, which is included in 'other income' in the consolidated statement of income.

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## 16. Income tax expense

**Accounting treatment of French Business Value Added Tax (CVAE)**

The CVAE, which according to the Group's analysis complies with the definition of an income tax asset as set forth in IAS 12, is recorded under income tax.

For the year ended 31 December 2020, the CVAE amounts to QR 46.0 million (2019: QR 47.7 million).

### 16.1 Reconciliation of theoretical and actual income tax expense

**Income tax expense from subsidiaries**

| | **2020** | 2019 |
|---|---|---|
| Inetum (formerly known as Gfi Informatique) (i) | **126,907** | 100,520 |
| Other subsidiaries | **2,235** | 808 |
| | **129,142** | 101,328 |

(i) The reconciliation between the tax expense and the product of the accounting profit multiplied by the applicable tax rate is as follows:

| | **2020** | 2019 |
|---|---|---|
| Profit before corporation tax | **227,876** | 276,836 |
| Tax rate | **28%** | 31% |
| Theoretical tax | **63,805** | 85,819 |
| Adjustments* | **63,102** | 14,701 |
| Income tax expense | **126,907** | 100,520 |
| Of which: Current tax | **92,544** | 80,365 |
| Deferred taxes | **34,363** | 20,155 |
| | **126,907** | 100,520 |

*Adjustments include impact of tax losses not recognised as deferred tax assets, permanent tax differences, impact of CVAE, tax savings from non-taxable income and other tax related adjustments.

As at and for the year ended 31 December 2020 In Thousands of Qatari Riyals

## 16. Income tax expense (continued)

### 16.2 Deferred taxes

At 31 December 2020, the sources of deferred taxes were as follows:

| | 2020 | 2019 |
|---|---|---|
| *Net deferred tax – French companies* | | |
| Temporary differences arising from tax declarations | 1,090 | 534 |
| Temporary differences arising from consolidation adjustments | 31,194 | 31,820 |
| | 32,284 | 32,354 |
| *Net deferred tax – other foreign companies* | | |
| Tax timing differences | 24,951 | 15,178 |
| Tax loss carry-forwards recognised | 62,565 | 81,209 |
| Customer relationships | (39,475) | (38,530) |
| Assets developed internally and related taxation | 44,442 | (2,977) |
| Others | 50,744 | (10,150) |
| | 143,227 | 44,730 |
| Net deferred tax – foreign companies | 175,511 | 77,084 |
| Presented in the consolidated statement of financial position as: | | |
| Deferred tax assets | 184,079 | 80,896 |
| Deferred tax liabilities | (8,568) | (3,812) |
| | 175,511 | 77,084 |

## 17. Interest bearing loans and borrowings

| | 2020 | 2019 |
|---|---|---|
| Working capital facilities and others (a) | 1,817,113 | 1,726,103 |
| Term loans (b) | 5,056,221 | 3,944,341 |
| Liabilities to bondholders (c) | 834,553 | 362,386 |
| | 7,707,887 | 6,032,830 |

Presented in the consolidated statement of financial position as follows:

| | 2020 | 2019 |
|---|---|---|
| Current | 2,001,117 | 1,873,607 |
| Non-current | 5,706,770 | 4,159,223 |
| | 7,707,887 | 6,032,830 |

*Notes:*

(a) During the year, the Group obtained short term loans from commercial banks mainly to finance working capital requirements. These loans carry interest at commercial rates and have a varying maturity between 6 to 12 months.

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## 17. Interest bearing loans and borrowings (continued)

(b) This represents term loan facilities obtained from commercial banks. These loans carry interest at commercial rates and are to be repaid at quarterly or semi-annual basis. Some of these interest-bearing loans and borrowings are secured by:

- Fixed deposits amounting to QR 2.6 million (2019: QR 3.6 million) (Note 7)
- Negative pledge on all the assets owned by the Group
- Corporate cross guarantees

(c) On 20 May 2020 and 23 December 2020, one of the foreign subsidiaries of the Group, issued two bond loans with nominal values of QR 177.2 million and QR 265.8 million respectively. The interest rates of both the bond loans are 4% until 20 May 2021 and after that interest rates will be based on leverage ratios with a maximum cap of 3.75%. The maturity of both the bond loans is 20 May 2027.

(d) In addition to the above loans, one of the Group's foreign subsidiaries has outstanding gold loans as at 31 December 2020 received from bullion banks on an unfixed basis aggregating to 2,642 Kgs of gold (2019: 5,497 Kgs). As at 31 December 2020, the aggregate bank borrowings including the above unfixed gold loans amount to QR 896.8 million (2019: QR 1,280.0 million). These gold loans are covered by way of stand-by-letters of credit issued in favor of these bullion banks which are presented as part of the Group's contingencies and commitments disclosure in note 31.

## 18. Leases

The Group leases several assets which includes office buildings, showrooms, warehouses, properties (for accommodation) and vehicles. The average lease term is 2 to 5 years with an option to renew the lease after that date. Lease payments are renegotiated on regular basis to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices. For certain leases, the Group is restricted from entering into any sub-lease arrangements. The lease agreements do not impose any covenants, but leased assets may not be used a security for borrowing purposes.

The office buildings, showrooms, warehouses leases were entered into many years ago as combined leases of land and buildings. Previously, these leases were classified as operating leases under IAS 17.

The Group leases properties for staff accommodation. Majority of these leases are short-term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases. Further, the Group leases vehicles and equipment on short-term basis where it does not recognise right of use assets and lease liabilities.

Information about leases for which the Group is a lessee is presented below.

***a) Right-of-use assets***

| | **2020** | 2019 |
|---|---|---|
| At 1 January | **605,241** | - |
| Initial application of IFRS 16 | **-** | 672,294 |
| Amortisation charge for the year | **(232,672)** | (194,179) |
| Additions to right-of-use assets during the year | **61,503** | 106,957 |
| Derecognition to right-of-use assets during the year | **(24,951)** | - |
| Impact from modifications of leases (i) | **76,652** | - |
| Net additions due to business combinations | **100,711** | 19,011 |
| Exchange difference on translation of foreign currency | **37,115** | 1,158 |
| At 31 December | **623,599** | 605,241 |

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## 18. Leases (continued)

### *b) Lease liabilities*

| | **2020** | 2019 |
|---|---|---|
| At 1 January | **627,830** | - |
| Initial application of IFRS 16 | **-** | 693,297 |
| Additions during the year | **61,503** | 109,635 |
| Derecognition during the year | **(27,120)** | - |
| Additions due to business combinations | **99,400** | 19,843 |
| Impact from modification of leases (i) | **74,738** | - |
| Lease concessions related to Covid-19 (ii) | **(11,917)** | - |
| Interest expense | **20,801** | 21,553 |
| Repayment of lease payments | **(238,785)** | (216,703) |
| Exchange difference on translation of foreign currency | **31,768** | 205 |
| | **638,218** | 627,830 |

Presented in the consolidated statement of financial position as follows:

| | **2020** | 2019 |
|---|---|---|
| Current | **192,929** | 184,992 |
| Non-current | **445,289** | 442,838 |
| | **638,218** | 627,830 |

*Note (i):*

The Group and the respective lessors, in case of certain leases, have agreed to amend the lease considerations while the other terms being unchanged. At the effective date of the modification, the Group remeasured the lease liability based on the remaining lease term, revised lease rates, and the Group incremental borrowing rate. On the respective modification dates, the Group has recognised the difference between the carrying amount of the modified lease liability and the lease liability immediately before the modification as an adjustment to the right-of-use assets.

*Note (ii):*

As a consequence of the COVID -19 pandemic, the Group received lease concessions from certain landlords. There are no other changes to the terms and conditions of the lease agreements. The Group decided to apply practical expedient as per IFRS 16 and elected not to assess whether a COVID-19 related lease concession from the landlord is a lease modification. Accordingly, the forgiven lease payments amounting to QR 11.9 million for the year ended 31 December 2020, were recognised as a negative variable lease expense in the profit or loss.

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## 18. Leases (continued)

### *c) Amounts recognised in profit or loss*

| | 2020 | 2019 |
|---|---|---|
| Interest on lease liabilities | 20,801 | 21,553 |
| Amortisation of right of use assets | 232,672 | 194,179 |
| | 253,473 | 215,732 |

## 19. Accounts payable and accruals

| | 2020 | 2019 |
|---|---|---|
| Trade accounts payable | 1,861,980 | 1,088,800 |
| Accrued expenses and others | 1,528,949 | 1,021,526 |
| Tax and social security payable | 1,524,178 | 1,098,671 |
| Advances from customers | 583,811 | 253,574 |
| Derivative financial liability | 7,521 | 3,943 |
| Dividend payable | 4,181 | 3,531 |
| | 5,510,620 | 3,470,045 |
| Presented in the consolidated financial statements as: | | |
| Current portion | 5,419,966 | 3,427,400 |
| Non-current portion | 90,654 | 42,645 |
| | 5,510,620 | 3,470,045 |

## 20. Employees' end of service benefits

| | 2020 | 2019 |
|---|---|---|
| Employees' end of service benefits (a) | 126,961 | 129,670 |
| Retirement benefit plans (b) | 302,591 | 265,167 |
| At 31 December | 429,552 | 394,837 |

### (a) Employees' end of service benefits

Movement in the provision recognised in the consolidated statement of financial position are as follows:

| | 2020 | 2019 |
|---|---|---|
| At 1 January | 129,670 | 124,395 |
| Provided during the year | 21,606 | 23,689 |
| End of service benefits paid | (24,292) | (18,395) |
| Exchange difference on translation of foreign currency | (23) | (19) |
| At 31 December | 126,961 | 129,670 |

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## 20. Employees' end of service benefits (continued)

### (b) Retirement benefit plans

The total value of the Group's total post-employment indemnities payable in France changed as follows:

| | **2020** | 2019 |
|---|---|---|
| Provision for retirement indemnities at 1 January | **265,167** | 211,826 |
| Additions due to business combinations | **-** | 5,517 |
| Cost of services rendered during the year | **23,755** | 20,322 |
| Amount paid for severance / retirement in the year | **(16,148)** | (12,782) |
| Changes in actuarial differences | **2,944** | 45,525 |
| Exchange difference on translation of foreign currency | **26,873** | (5,241) |
| | **302,591** | 265,167 |

The legal and conventional indemnities are provisioned for each of the salaried employees of the Group present according to their theoretical seniority on the date of their retirement, according to IAS 19 revised.

These commitments are based on the assumption that in all cases employees will leave at their own initiative. The calculation of the commitments includes:

- An attendance coefficient based on turnover by age bracket; the average in 2020 was 12% (2019:12%);
- a wage increase rate of 1.30% (2019: 2.25%-3.00%). This is relatively low and can be explained by the health crisis.
- 2014-2016 INSEE mortality tables by gender.
- The life of the plan is estimated at 12.4 years, the discount rate used is 0.54% (2019: 0.77%).
- Average rate of social charges applied: 47%.

As regards to sensitivity, a drop in this discount rate of 25 basis point would generate a 3% increase in the commitment.

## 21. Share capital

| | **2020** | 2019 |
|---|---|---|
| Authorised, issued and fully paid shares of QR 1 each | **456,192** | 456,192 |

As per the instructions from the Qatar Financial Markets Authority, the Company's Extraordinary General Assembly on 27 March 2019 approved a 10 for 1 share split i.e. 10 new shares with a par value of QAR 1 each were exchanged for 1 old share with a par value of QAR 10 each. This has led to an increase in the number of authorised shares from 45,619,200 to 456,192,000 and issued, subscribed and paid up shares from 45,619,200 to 456,192,000. The listing of the new shares on Qatar Exchange was effective from 18 June 2019.

## 22. Reserves

### (a) Legal reserve

As required by Qatar Commercial Companies Law, 10% of the profit for the year is required to be transferred to a legal reserve, until such reserve equals 50% of the issued share capital. The Group has resolved to cease such annual transfers as the legal reserve has reached the minimum required level. Further, during 2012, an amount of QR 933.4 million, being the net share premium amount arising out of the rights issue was transferred to legal reserve in accordance with requirements of the above law. The reserve is not generally available for distribution except in the circumstances stipulated in the above law.

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## 22. Reserves (continued)

### (b) Acquisition reserve

In case of acquisitions or disposal of subsidiaries without change in control, the difference between the decrease/increase in the non-controlling interests and the consideration paid or received is recognised as 'acquisition reserve' directly in equity attributed to the shareholders of the Company.

### (c) Other reserve

This includes revaluation reserve amounting to QR 4.6 million (2019: QR 4.6 million), changes in actuarial differences – net of related tax amounting to QR 52.9 million (2019: QR 50.0 million), and other consolidation related adjustments amounting to QR 7.3 million (2019: QR 8.7 million).

### (d) Foreign currency translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

## 23. Proposed dividends

The Board of Directors has proposed a total cash dividend of QR 0.01 per share aggregating to QR 4.56 million for the year 2020, which is subject to the approval of the shareholders at the Annual General Assembly (2019: QR 0.2 per share totalling to QR 91.24 million). During the year, the dividend paid amounted to QR 91.24 million (2019: QR 91.24 million).

## 24. Revenue

| | **2020** | 2019 |
|---|---|---|
| Revenue from contracts with customers | **12,388,482** | 11,585,656 |

### A. Disaggregation of revenue from contracts with customers

Revenue from contracts with customers disaggregated by major products and service lines, and primary geographical markets is listed in notes 25(a) and 25(b) respectively. The ten top customers of the Group represent nearly 11.3% of the consolidated turnover for 2020. None of these ten customers alone represents more than 10% of the turnover of the Group.

### B. Contract balances

The following table provides information about contract assets and contract liabilities from contracts with customers.

| | **2020** | 2019 |
|---|---|---|
| Contract assets | **1,950,780** | 1,590,544 |
| Contract liabilities | **(659,600)** | (334,554) |

## 24. Revenue (continued)

### B. Contract balances (continued)

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The amount of contract assets during the year ended 31 December 2020 was impacted by an impairment charge of QR 13.3 million. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

The contract liabilities primarily relate to the advance consideration received from customers. As at 31 December 2020, the amount is QR 659.6 million (2019: QR 334.5 million). This will be recognised as revenue when the obligation to transfer goods or services are fulfilled, which is expected to occur over the future.

## 25. Segment information

The Group classified the reporting segment based on its product and services as follows:

- Information technology
- Auto group
- Energy and industrial markets
- Geotechnical services
- Logistics
- Travel
- Engineering
- Jewellery trading
- Telecom retail
- Others

Management monitors the operating results of the operating segments to make decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Segment assets and liabilities comprise operating assets and liabilities which are directly handled by the operating segment and income or expenses that are attributed in line with the assets and liabilities allocated. The following table summarises the performance of the operating segments:

In Thousands of Qatari Riyals

## 25. Segment information (continued)

### (a) By operating segments

| 31 December 2020 | Information technology | Auto Group | E&I markets | Geotechnical services | Logistics | Travel | Engineering | Jewellery Trading | Telecom Retail | Others | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Revenue | 10,538,041 | 603,836 | 209,220 | 42,719 | 22,584 | 11,960 | 74,444 | 797,561 | - | 88,117 | 12,388,482 |
| Gross profit | 2,190,746 | 125,016 | 38,637 | 12,488 | 12,728 | 9,559 | 11,528 | 196,480 | - | 50,934 | 2,648,116 |
| EBITDA | 869,438 | 69,251 | 21,647 | 1,694 | 8,712 | (2,115) | 2,681 | 7,129 | (18,376) | 24,098 | 984,159 |
| Net profit / (loss) | 170,060 | 30,334 | 17,094 | (3,298) | 8,144 | (10,475) | (4,296) | (96,019) | (18,376) | (78,720) | 14,448 |
| Finance costs | (250,503) | (18,269) | (2,158) | (1,164) | (76) | (1,562) | (2,976) | (36,166) | - | (76,854) | (389,733) |
| Depreciation and amortisation | (320,563) | (20,522) | (2,392) | (3,828) | (481) | (6,793) | (3,999) | (66,754) | - | (25,504) | (450,836) |
| Segment assets | 10,929,541 | 641,986 | 110,155 | 40,716 | 24,137 | 26,819 | 72,729 | 1,459,559 | 825,302 | 2,782,009 | 16,912,953 |
| Segment liabilities | 8,658,545 | 210,295 | 45,052 | 26,059 | 10,172 | 8,097 | 71,614 | 585,234 | - | 4,963,335 | 14,578,403 |
| *Other information* | | | | | | | | | | | |
| Share of results from joint venture and associate companies | - | - | - | - | - | - | - | 28,951 | (18,376) | (2,182) | 8,393 |
| Investments in joint venture and associate companies | - | - | - | - | - | - | - | 149,109 | 825,302 | 16,051 | 990,462 |

In Thousands of Qatari Riyals

## 25. Segment information (continued)

### (a) By operating segments (continued)

| 31 December 2019 | Information technology | Auto Group | E&I markets | Geotechnical services | Logistics | Travel | Engineering | Jewellery Trading | Telecom Retail | Others | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Revenue | 9,178,738 | 703,679 | 196,067 | 42,118 | 23,359 | 33,763 | 71,096 | 1,223,205 | - | 113,631 | 11,585,656 |
| Gross profit | 1,952,900 | 159,811 | 38,952 | 11,241 | 13,018 | 28,814 | 10,255 | 234,346 | - | 56,815 | 2,506,152 |
| EBITDA *(Restated)** | 872,314 | 99,461 | 21,413 | 2,770 | 8,422 | 15,537 | 7,473 | (21,286) | (270,017) | 60,874 | 796,961 |
| Net profit / (loss) *(Restated)** | 281,623 | 53,906 | 16,793 | (2,489) | 7,625 | 9,467 | 92 | (132,725) | (270,017) | (45,114) | (80,839) |
| Finance costs | (242,261) | (20,395) | (2,334) | (1,328) | (229) | (1,579) | (2,785) | (42,576) | - | (91,723) | (405,210) |
| Depreciation and amortisation | (247,396) | (25,160) | (2,286) | (3,931) | (568) | (4,491) | (4,596) | (68,569) | - | (14,265) | (371,262) |
| Segment assets *(Restated)** | 7,062,137 | 555,551 | 89,825 | 39,921 | 22,312 | 52,601 | 71,488 | 1,571,602 | 843,678 | 2,843,248 | 13,152,363 |
| Segment liabilities | 4,970,674 | 87,845 | 54,442 | 21,966 | 11,492 | 21,174 | 66,077 | 604,861 | - | 4,977,171 | 10,815,702 |
| *Other information (Restated)** | | | | | | | | | | | |
| Share of results from joint venture and associate companies | - | - | - | - | - | - | - | 41,533 | (270,017) | 1,380 | (227,104) |
| Investments in joint venture and associate companies | - | - | - | - | - | - | - | 151,360 | 843,678 | 18,233 | 1,013,271 |

**Refer note 35*

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**25. Segment information (continued)**

**(b) By geography**

| 31 December 2020 | Qatar | Other GCC countries | Europe | Others | Total |
|---|---|---|---|---|---|
| Revenue | 3,286,853 | 797,561 | 8,248,705 | 55,363 | 12,388,482 |
| Gross profit | 591,920 | 196,480 | 1,852,194 | 7,522 | 2,648,116 |
| EBITDA | 358,983 | (11,247) | 630,495 | 5,928 | 984,159 |
| Net profit / (loss) | 24,640 | (110,931) | 96,709 | 4,030 | 14,448 |
| Finance costs | (244,187) | (32,702) | (112,825) | (19) | (389,733) |
| Depreciation and amortisation | (89,676) | (66,754) | (294,055) | (351) | (450,836) |
| Segment assets | 5,335,535 | 2,286,158 | 9,259,556 | 31,704 | 16,912,953 |
| Segment liabilities | 6,337,197 | 587,449 | 7,646,293 | 7,464 | 14,578,403 |
| *Other information* | | | | | |
| Share of results from joint venture and associate companies | (2,182) | 10,575 | - | - | 8,393 |
| Investment in joint venture and associate companies | 16,051 | 974,411 | - | - | 990,462 |

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## 25. Segment information (continued)

### (b) By geography (continued)

| 31 December 2019 | Qatar | Other GCC countries | Europe | Others | Total |
|---|---|---|---|---|---|
| Revenue | 3,786,131 | 1,223,205 | 6,522,596 | 53,724 | 11,585,656 |
| Gross profit | 712,180 | 234,346 | 1,551,270 | 8,356 | 2,506,152 |
| EBITDA *(Restated)** | 511,166 | (291,302) | 568,790 | 8,307 | 796,961 |
| Net profit / (loss) *(Restated)** | 128,458 | (396,533) | 179,891 | 7,345 | (80,839) |
| Finance costs | (303,228) | (36,369) | (65,542) | (71) | (405,210) |
| Depreciation and amortisation | (79,480) | (68,569) | (222,838) | (375) | (371,262) |
| Segment assets *(Restated)** | 5,165,136 | 2,416,573 | 5,537,723 | 32,931 | 13,152,363 |
| Segment liabilities | 6,095,582 | 607,071 | 4,105,487 | 7,562 | 10,815,702 |
| *Other information (Restated)** | | | | | |
| Share of results from joint venture and associate companies | 1,380 | (228,484) | - | - | (227,104) |
| Investment in joint venture and associate companies | 18,233 | 995,038 | - | - | 1,013,271 |

**Refer note 35*

Note: Segment assets include goodwill and other intangibles of QR 4,140.1 million allocated to Inetum (formerly known as Gfi Informatique) and QR 1,200.3 million allocated to Damas UAE.

## 26. Other income

| | **2020** | 2019 |
|---|---|---|
| Gain on sale of intangible assets | **6,081** | - |
| Write back of provisions / liabilities no longer required | **974** | 12,582 |
| Reversal of impairment loss / collections from written off other receivables | **1,102** | 8,010 |
| Gain on sale of investment properties (note 15(b)) | **349** | 16,593 |
| Foreign exchange gain | **6,175** | 3,486 |
| Miscellaneous income | **48,978** | 55,681 |
| | **63,659** | 96,352 |

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## 27. General and administrative expenses

| | **2020** | 2019 |
|---|---|---|
| Staff costs | **614,676** | 602,614 |
| Legal and professional fees | **148,430** | 133,045 |
| Tax and levies | **74,967** | 59,740 |
| Short term and low value lease rentals | **30,899** | 23,196 |
| Repairs and maintenance expenses | **107,307** | 86,344 |
| Communication expenses | **47,626** | 44,289 |
| Travelling expenses | **15,677** | 31,979 |
| Directors' remuneration | **-** | 5,593 |
| Insurance expenses | **23,513** | 19,079 |
| Bank charges | **13,613** | 10,974 |
| Printing and stationery expenses | **14,565** | 16,642 |
| Utility charges | **13,536** | 15,467 |
| Other administrative expenses and allowances | **146,673** | 81,700 |
| | **1,251,482** | 1,130,662 |

## 28. Selling and distribution expenses

| | **2020** | 2019 |
|---|---|---|
| Staff costs | **345,420** | 343,467 |
| Short term and low value lease rentals | **10,780** | 38,483 |
| Advertisement and other promotion expenses | **57,406** | 89,436 |
| | **413,606** | 471,386 |

## 29. Earnings per share

Basic earnings per share is calculated by dividing the profit / (loss) for the year by the weighted average number of ordinary shares outstanding during the year.

| | **2020** | 2019 *(Restated)** |
|---|---|---|
| Profit / (loss) for the year attributable to the shareholders of the Company | **14,312** | (81,848) |
| Weighted average number of shares outstanding during the year (refer note 21) | **456,192,000** | 456,192,000 |
| Basic and diluted earnings per share (QR) (attributable to the shareholders of the Company) | **0.03** | (0.18) |

**Refer note 35*

## 30. Related party disclosures

Related parties represent associated companies, major shareholders, directors and key management personnel of the Group and entities in which they are principal owners. Pricing policies and terms of these transactions are approved by the Group's management.

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## 30. Related party disclosures (continued)

### (a) Related party transactions

Transactions with related parties included in the consolidated statement of income are as follows:

| Nature | Relationship | 2020 | 2019 |
|---|---|---|---|
| **Sales** | Affiliates | **63,037** | 101,239 |
| **Purchases** | Affiliates | **2,216** | 2,843 |

### (b) Related party balances

| | 2020 | 2019 |
|---|---|---|
| **Due from related parties** | | |
| Receivable from joint venture companies and associates | **40,169** | 46,453 |
| Long term loans to joint venture companies and associates | **46,534** | 62,362 |
| | **86,703** | 108,815 |
| Presented in the statement of financial position as follows: | | |
| Current | **40,169** | 46,453 |
| Non-current | **46,534** | 62,362 |
| | **86,703** | 108,815 |
| **Due to related parties** | | |
| Payable to joint venture companies and associates | **2,945** | 3,543 |
| | **2,945** | 3,543 |

Long term loans to joint venture companies and associates are unsecured and carry interest as per the contractual arrangements between the respective counterparties. Th non-current portion of these loans are not expected to be recalled within a period of twelve months from the reporting date.

Outstanding balances at 31 December 2020 and 2019 arose in the normal course of business.

### (c) Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arms-length transactions. Outstanding balances at the reporting date are unsecured, interest free and the settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

### (d) Compensation of key management personnel

The remuneration of key management personnel during the year is as follows:

| | 2020 | 2019 |
|---|---|---|
| Short term benefits | **11,832** | 13,881 |
| Post-employment benefits | **632** | 955 |
| | **12,464** | 14,836 |
| Directors' remuneration | - | 5,593 |

## 31. Contingencies and commitments

### (a) Contingent liabilities and litigations

i) Contract with one of the customers of the Group's subsidiary was terminated on 15 June 2019, after the customer expressed his willingness to suspend and redesign the project because of low financial results and financial difficulties. The changes wanted by the customer would modify the initial contract, thus the subsidiary sent a termination letter to the customer including a termination fee of QR 70.9 million (EUR 16 million). Subsequent to this, the subsidiary filed a legal case against the customer claiming for QR 87.7 million (EUR 19.8 million) (consisting of termination fees and damages and interests). The customer also filed a counter claim amounting to QR 53.2 million (EUR 12.0 million). On 10 September 2020, the customer was declared bankrupt and the receivables amounting to QR 61.2 million (EUR 13.9 million) was fully provided for. The case is still on-going to recover the claimed amount from the customer. The subsidiary has assigned lawyers to handle this case, and it believes that the risk related to customer claims is limited, hence, no provision has been set up regarding these claims in the consolidated financial statements.

ii) In 2017, one of the subsidiaries of the Group, entered into agreement with a consultant for provision of licensing and maintenance of a customised IT solution service to a French insurance broker. During the contract period, the consultant unilaterally withdrew from the project by descoping its IT teams and stopped any future payments to the subsidiary. Following the consultant's decision, the subsidiary stopped its service delivery in November 2017. The consultant had filed a legal case against the subsidiary first time on May 2018 which was rejected and a second time on 12 July 2018 at Paris Court claiming an amount of QR 176.2 million from the subsidiary. The mediation process is ongoing. Due to the significant uncertainty of the outcome, QR 8.9 million have been provided for by the subsidiary's management. The remaining unprovided receivable balance amounts to QR 6.2 million.

iii) A dispute is ongoing with one of the Group's joint venture's customer ("the customer") for recovery of receivable balances amounting to QR 12.1 million. The customer has stopped making payments to the joint venture citing performance issues against the contract which has delayed the receipt of funds against the carried-out work. The joint venture has filed a legal case, whereby it has claimed a cumulative amount of QR 12.1 million in respect of outstanding receivables. The customer has made a counterclaim of QR 10.0 million against the joint venture for non-performance under the contract.

Based on a report of the court appointed expert, the joint venture has discharged its obligation under the contract with the customer except the allegation from the customer for some breaches for which, the joint venture is contesting and is under consideration. The case is pending before the Court of First Instance and position against the case is still developing as of the date of authorisation of these financial statements. Based on the opinion of legal advisor, legal proceedings so far and the merits of the case, the management of the joint venture is reasonably confident of being successful in its claim for recovery of the outstanding amounts and accordingly no additional provision has been recorded for any potential loss arising from this case as at 31 December 2020.

iv) Management makes estimates and judgments concerning the future position of the on-going contracts, which includes but are not limited to the provisions, arbitrations and claims of particular relevance. For this reporting period, management has estimated that the Group will not incur any liquidated damage charge due to delays in completion of certain contracts. Management has already applied for extension of time on these on-going contracts wherever required and is confident that the extension will be awarded to the Group. Estimates and assumptions are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances.

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## 31. Contingencies and commitments (continued)

### (a) Contingent liabilities and litigations (continued)

v) Under the bank facilities agreement, cross guarantees exist between certain Group companies, which could be enforced by the financiers, if the borrowers were to be in default of the finance agreement. Each member of the Group is therefore irrevocably, unconditionally and jointly and severally liable as principal obligor. The amount of Group facilities outstanding is as follows:

| | **2020** | 2019 |
|---|---|---|
| Letters of guarantees | **1,260,356** | 891,757 |
| Letters of credit | **32,603** | 27,190 |
| Stand-by letters of credit | **762,300** | 1,011,862 |
| | **2,055,259** | 1,930,809 |

The stand-by letters of credit are provided by commercial banks in favour of the suppliers of gold who have loaned gold on an unfixed basis to the Group (refer note 17 (d)).

### (b) Commitments

*Capital commitments*

| | **2020** | 2019 |
|---|---|---|
| Capital work in progress – contracted but not provided for | **16,618** | 9,880 |

### (c) Contingent liabilities and commitments related to joint ventures and associates

| | **2020** | 2019 |
|---|---|---|
| *Contingent liabilities* | | |
| - Guarantees | **31,350** | 34,559 |
| - Letters of credit | **51,876** | 58,955 |
| | **83,226** | 93,514 |

Certain operating lease commitments relating to previously held interest in an associate have been reclassified due to conversion of associate to subsidiary during the year, hence, they are not comparable.

## 32. Financial instruments

Financial instruments represent any contractual agreement that creates a financial asset, financial liability or an equity instrument. The Group's principal financial liabilities comprise interest bearing loans and borrowings, bank overdrafts, accounts payable, amounts due to related parties and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's financial assets comprise bank balances and cash, accounts and retention receivable, investments at fair value through profit or loss, investments through OCI, amounts due from related parties and certain other receivables that arise directly from its operation.

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## 32. Financial instruments (continued)

### Fair value measurements

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

*Level 1:* quoted prices (unadjusted) in active markets for identical assets or liabilities.

*Level 2:* inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

*Level 3:* inputs for the asset or liability that are not based on observable market data (unobservable inputs)

| **Derivative and non-derivative financial assets / (financial liabilities)** | **Classification** | **As at 31 December 2020** | | **Fair value Hierarchy** |
|---|---|---|---|---|
| | | **Carrying value** | **Fair value** | |
| | | **QR'000** | **QR'000** | |
| Bank balances and cash[1] | Amortised cost | **1,143,110** | | |
| Accounts and other receivables[1] | Amortised cost | **2,568,997** | | |
| Financial assets at fair value through other comprehensive income | FVOCI | **8,392** | **8,392** | **Level 3** |
| Financial assets at fair value through profit or loss | FVTPL | **6,677** | **6,677** | **Level 3** |
| Amount due from related parties[1] | Amortised cost | **86,703** | | |
| Bank overdrafts[1] | Other financial liabilities | **(280,613)** | | |
| Interest bearing loans and borrowings | Other financial liabilities | **(7,707,887)** | **(7,707,887)** | **Level 2** |
| Accounts payable and accruals[1] (excluding derivative financial liabilities) | Other financial liabilities | **(1,866,161)** | | |
| Derivative financial liabilities | FVOCI | **(7,521)** | **(7,521)** | **Level 2** |
| Amount due to related parties[1] | Other financial liabilities | **(2,945)** | | |

**As at and for the year ended 31 December 2020** In Thousands of Qatari Riyals

**32. Financial instruments**

**Fair value measurements (continued)**

| Derivative and non-derivative financial assets / (financial liabilities) | Classification | As at 31 December 2019 Carrying value QR'000 | Fair value QR'000 | Fair value Hierarchy |
|---|---|---|---|---|
| Bank balances and cash[1] | Amortised cost | 375,065 | | |
| Accounts and other receivables[1] | Amortised cost | 2,021,763 | | |
| Financial assets at fair value through other comprehensive income | FVOCI | 8,391 | 8,391 | Level 3 |
| Financial assets at fair value through profit or loss | FVTPL | 992 | 992 | Level 3 |
| Amount due from related parties[1] | Amortised cost | 108,815 | | |
| Bank overdrafts[1] | Other financial liabilities | (282,805) | | |
| Interest bearing loans and borrowings | Other financial liabilities | (6,032,830) | (6,082,660) | Level 2 |
| Accounts payable and accruals[1] (excluding derivative financial liabilities) | Other financial liabilities | (1,092,331) | | |
| Derivative financial liabilities | FVOCI | (3,943) | (3,943) | Level 2 |
| Amount due to related parties[1] | Other financial liabilities | (3,543) | | |

There is no in or out movement from Level 3 fair value measurements. The investments classified under Level 3 category have been fair-valued based on information available for each investment.

[1] These financial assets and financial liabilities are carried at amortised cost. The fair values of these financial assets and financial liabilities are not materially different from their carrying values in the consolidated statement of financial position, as these assets and liabilities are either of short-term maturities or are re-priced frequently based on market movement in interest rates.

**Reconciliation of Level 3 fair values**

| | **Equity instruments** | | |
|---|---|---|---|
| | **FVOCI** | **FVTPL** | **Total** |
| Balance at 1 January 2020 | **8,391** | **945** | **9,336** |
| Additions | **-** | **5,641** | **5,641** |
| Net changes in fair value | **1** | **91** | **92** |
| Balance at 31 December 2020 | **8,392** | **6,677** | **15,069** |

| | Equity instruments | | |
|---|---|---|---|
| | FVOCI | FVTPL | Total |
| Balance at 1 January 2019 | 10,199 | 982 | 11,181 |
| Net changes in fair value | (1,808) | (37) | (1,845) |
| Balance at 31 December 2019 | 8,391 | 945 | 9,336 |

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## 32. Financial instruments (continued)

### Fair value measurements (continued)

### Fair value sensitivity analysis

The following table shows the sensitivity of fair values to 10% increase or decrease as at 31 December:

| | **2020** | 2019 |
|---|---|---|
| Basis points | **+/-1,000** | +/-1,000 |
| Effect on equity (QR '000) | **+/-1,507** | +/- 934 |

## 33. Financial risk management

The Group is exposed to credit risk, liquidity risk and market risks such as currency risk, price risk and interest rate risk. The Group monitors and manages the risks relating to its operations through internal risk reports. The major risks are discussed below.

### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk.

### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank balances (call deposits), bank overdraft and interest-bearing loans and borrowings, which bear floating interest rate.

The following summary sets out the Group's exposure to interest rate risk as of 31 December:

| | **2020** | 2019 |
|---|---|---|
| Bank deposits and call accounts | **14,125** | 15,749 |
| Bank overdraft | **(280,613)** | (282,805) |
| Interest bearing loans and borrowings | **(7,707,887)** | (6,032,830) |
| | **(7,974,375)** | (6,299,886) |

The Group is exposed to interest rate risk as it maintains and borrows funds at floating interest rates. The following table demonstrates the sensitivity of the Group's profit to reasonably possible changes in interest rates, with all other variables held constant. The sensitivity of the profit is the effect of the assumed changes in interest rate on the Group's profit for one year, based on the floating rate financial assets and financial liabilities held at 31 December:

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## 33. Financial risk management (continued)

### Market risk (continued)

### Interest rate risk (continued)

| | **2020** | 2019 |
|---|---|---|
| Basis points | **+/- 25** | +/- 25 |
| Effect on profit for the year (QR '000) | **19,936** | +/- 15,750 |

### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties. Credit risk on bank balances is limited as they are placed with banks having good credit rating. The Group's exposure to counterparties is continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by management. The credit terms for accounts receivable are 30 to 180 days.

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

| | **2020** | 2019 |
|---|---|---|
| Bank balances | **1,138,309** | 369,046 |
| Accounts receivable and others (excluding contract assets) | **2,549,699** | 2,002,305 |
| Contract assets | **1,974,538** | 1,590,544 |
| Amounts due from related parties | **86,703** | 108,815 |
| | **5,749,249** | 4,070,710 |

*Bank balances*

The Group held bank balances of QR 1,138,309 thousand at 31 December 2020 (2019: QR 369,046 thousand). The balances are held with banks, which are rated Aa3- to A3, based on Moody's ratings.

Impairment on bank balances has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its bank balances have low credit risk based on the external credit ratings of the banks. As at reporting date, none of the bank balances were credit impaired. Expected credit loss on non-credit impaired balance was immaterial, hence no provision was recognised in these consolidated financial statements.

*Amounts due from related parties*

As at reporting date, none of the amounts dues from related parties were credit impaired. Expected credit loss on non-credit impaired balance was immaterial, hence no provision was recognised in these consolidated financial statements.

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## 33. Financial risk management (continued)

### Credit risk (continued)

*Accounts receivables and others*
The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.

The Group limits its exposure to credit risk from accounts receivable by:

- evaluating the creditworthiness of each counter-party prior to entering into contracts;
- 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.

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

As a result of the above, management believes that there is no significant credit risk, except for the financial and contract assets for which impairment has been already recognised by the management.

The movement in the provision for impairment of accounts receivable and contract assets is disclosed in Note 8.

The Group uses an allowance matrix to measure the ECLs of accounts receivable and contract assets.

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

The following table provides information about the exposure to credit risk and ECLs for accounts receivable (including factored receivables), notes receivables and contracts assets as at reporting date.

| | **Weighted average loss rate** | **Gross carrying amount** | **Loss allowance** | **Credit impaired** |
|---|---|---|---|---|
| **31 December 2020** | | | | |
| Current (not past due) | 0.69% | 3,407,990 | 23,689 | No |
| 1-90 days past due | 3.91% | 480,167 | 18,785 | No |
| 91–180 days past due | 17.31% | 199,473 | 34,525 | No |
| 181–365 days past due | 18.21% | 132,185 | 24,069 | No |
| More than 365 days past due | 20.34% | 212,974 | 43,322 | Yes |
| Individual credit impaired balances | 100.00% | 91,448 | 91,448 | Yes |
| | | **4,524,237** | **235,838** | |

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## 33. Financial risk management (continued)

### Credit risk (continued)

*Accounts receivables and others (continued)*

| | Weighted average loss rate | Gross carrying amount | Loss allowance | Credit impaired |
|---|---|---|---|---|
| 31 December 2019 | | | | |
| Current (not past due) | 0.56% | 2,792,700 | 15,550 | No |
| 1-90 days past due | 3.26% | 432,612 | 14,092 | No |
| 91–180 days past due | 16.58% | 115,301 | 19,116 | No |
| 181–365 days past due | 18.42% | 108,219 | 19,938 | No |
| More than 365 days past due | 18.54% | 123,257 | 22,849 | Yes |
| Individual credit impaired balances | 100.00% | 20,760 | 20,760 | Yes |
| | | 3,592,849 | 112,305 | |

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

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

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

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

Accounts receivables do not bear interest.

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

### Foreign currency risk

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The foreign currency exposure is minimal since the Group deals mostly in Qatari Riyal and US Dollars. Balances in other GCC currencies, with the exception of Kuwaiti Dinar, do not expose the Group to significant currency risk since they are pegged to the US Dollar. The following table details the Group's sensitivity to an increase or decrease in Qatari Riyal against the relevant foreign currencies.

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## 33. Financial risk management (continued)

### Foreign currency risk (continued)

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and the impact of a change in the exchange rates are as follows:

| **Net Exposure (Liability)** | **2020** | 2019 |
|---|---|---|
| EURO | **5,101** | 8,533 |
| GBP | **16,952** | 5,283 |
| Other currencies | **140,614** | 215,705 |
| | **162,667** | 229,521 |

| | *Increase/ decrease in Euro, GBP and other rates to the QR* | *Effect on profit before tax* |
|---|---|---|
| **2020** | **+/- 3%** | **+/- 4,880** |
| 2019 | +/- 3% | +/- 6,886 |

### Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its obligations as they fall due. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's operations and reputation.

The Group limits its liquidity risk by ensuring bank facilities are available. The Group's terms of sale require amounts to be paid within 30-180 days of the date of sale.

The table below summarises the maturities of the Group's derivative and non-derivative financial liabilities at 31 December, based on contractual payment dates and current market interest rates.

| | **Less than 1 year** | **More than 1 year** | **Total** |
|---|---|---|---|
| **At 31 December 2020** | | | |
| Accounts payable and accruals | 4,836,155 | 90,654 | 4,926,809 |
| Amounts due to related parties | 2,945 | - | 2,945 |
| Interest bearing loans and borrowings | 2,001,117 | 5,706,770 | 7,707,887 |
| Lease liabilities | 192,929 | 445,289 | 638,218 |
| Bank overdrafts | 280,613 | - | 280,613 |
| **Total** | **7,313,759** | **6,242,713** | **13,556,472** |

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## 33. Financial risk management (continued)

### Liquidity risk (continued)

| At 31 December 2019 | Less than 1 year | More than 1 year | Total |
|---|---|---|---|
| Accounts payable and accruals | 3,173,826 | 42,645 | 3,216,471 |
| Amounts due to related parties | 3,543 | - | 3,543 |
| Interest bearing loans and borrowings | 1,873,607 | 4,159,223 | 6,032,830 |
| Lease liabilities | 184,992 | 442,838 | 627,830 |
| Bank overdrafts | 282,805 | - | 282,805 |
| Total | 5,518,773 | 4,644,706 | 10,163,479 |

### Capital management

The Group manages its capital structure to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of debt and equity balances. The Group's overall strategy remains unchanged from 2018. The Group monitors its capital using a gearing ratio which is net debt divided by total equity. The Group includes within the net debt, interest bearing loans and borrowings (included in Note 17) and bank overdraft less bank balances and cash.

*Gearing ratio*
The gearing ratio at 31 December is as follows:

| | **2020** | 2019 *(Restated)* |
|---|---|---|
| Debt (including bank overdrafts) | **7,988,500** | 6,315,635 |
| Bank balances and cash | **(1,143,110)** | (375,065) |
| Net debt | **6,845,390** | 5,940,570 |
| | | |
| Total equity | **2,334,550** | 2,336,661 |
| Add: acquisition reserve | **999,488** | 999,488 |
| | **3,334,038** | 3,336,149 |
| | | |
| **Gearing ratio** | **2.05:1** | 1.78:1 |

## 34. Impact of COVID-19

The coronavirus ("COVID-19") outbreak at the beginning of 2020 has brought about a deceleration of the economic activity in the State of Qatar. The spread of coronavirus globally has led the World Health Organization to classify it as a pandemic on 11 March 2020. The fiscal and monetary authorities, both domestic and international, have announced various support measures across the globe to counter possible adverse implications.

The Group will continue to closely monitor as the situation progresses and has activated its business continuity planning and other risk management practices to manage the potential business operations disruption and financial performance in 2020.

## 34. Impact of COVID-19 (continued)

COVID-19 has brought about uncertainties in the global economic environment. In light of the current situation, the Group has considered whether any adjustments and changes in judgments, estimates, and risk management are required to be considered and reported in the consolidated financial statements. The Group's business operations remain largely unaffected by the current situation. Below are the key assumptions about the future and other key sources of estimation that may have a significant risk of causing a material adjustment to the consolidated financial statements:

***a) Revenue***

Due to on-going pandemic, the operations in Auto, Travel and Jewellery businesses were majorly impacted due to disruption in supply chain and drop in demand which has resulted in decline in the Group's revenue during the current period. Further, the customers in Banking, Financial Services and Insurance have re-prioritised their discretionary spend in immediate future to conserve resources and have assessed the impact that they would have due to dependence of revenues from the impacted verticals which has resulted in decline in information technology (ICT) revenue from these customers. However, the decline in ICT was comparably lower as compared to other revenue streams. The impact assessment of COVID-19 is a continuing process given the uncertainties associated with its nature and duration. The Group has taken steps to assess the cost budgets required to complete its performance obligations in respect of fixed price contracts and incorporated the impact of likely delays / increased cost in meetings its obligations.

***b) Impairment of non-financial assets***

The Group has performed an assessment of indicators of impairment for its investment in CGUs considering the impact of COVID-19 in contrast with the actual results for the year ended 31 December 2020. As at the reporting date, there was a shortage of market evidence for comparison purposes, therefore, less weight has been given to recent market evidence and assumptions while carrying out the assessment of indicators of impairment. The current response to COVID-19 means that the impairment assessment is faced with an unprecedented set of circumstances on which to base a judgment. The impairment tests across all CGUs are therefore reported on the basis of COVID-19 uncertainty. Moreover, there has been no change in the methodology used for impairment assessments as a result of COVID-19.

The Group has considered any impairment indicators and any significant uncertainties impacting its property, plant and equipment, and right-of-use assets, especially arising from any changes in lease term. The Group has terminated some lease arrangements and closed down some of its retail stores resulting in a reduction in lease liabilities and right-of-use assets (refer note 18).

**c) *Expected Credit Losses ("ECL") and impairment of financial assets at amortised costs***

The uncertainties caused by COVID-19, and the volatility in expected GDP growths have required the Group to update the inputs and assumptions used for the determination of expected credit losses ("ECLs") as at 31 December 2020. ECLs were estimated based on a range of forecast economic conditions as at that date and considering that the situation is fast evolving, the Group has considered the impact of higher volatility in the forward-looking macro-economic factors, when determining the severity and likelihood of economic scenarios for ECL determination.

**d) *Impairment of inventories***

The Group has considered impact of COVID-19 on the impairment of inventories due to general business disruptions and closure of certain outlets due to government directives which has resulted in the increase in inventory levels. The Group has assessed the adequacy of the net realizable value of inventories based on the current market conditions, which will be continued to be monitored as the situation evolves.

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## 34. Impact of COVID-19 (continued)

**e) *Going concern***

The Group has performed an assessment of whether it is a going concern in the light of current economic conditions and all available information about future risks and uncertainties. The impact of COVID-19 may continue to evolve, but at the present time the Group has sufficient resources to continue in operational existence and its going concern position remains largely unaffected and unchanged from 31 December 2019. As a result, these consolidated financial statements have been appropriately prepared on a going concern basis. Further, the Group has assessed the impact of any operational disruptions, including any contractual challenges and changes in business or commercial relationships with customers and suppliers, to determine if there is any potential increase in contingent liabilities and commitments. Details of contingent liabilities are disclosed in note 31.

## 35. Restatement

In 2019, the Group was unable to conclude impairment testing in accordance with IAS 36 for carrying value of one of its associate companies, Axiom Limited ("Axiom") (" the impairment exercise"), as the impairment testing of the underlying associate companies of Axiom was also pending last year. Upon conclusion of the impairment exercise at the Axiom level in July 2020, the Group concluded its own impairment exercise during the year that has resulted in recording of total impairment loss amounting to QR 284.4 million, of which QR 112.6 million relates to the Group's share of impairment loss including a loss of QR 38.2 million on reclassification of foreign currency translation to the profit or loss in underlying associate companies of Axiom, and remaining QR 171.8 million loss against the net carrying value of investment in Axiom at the Group level. IAS 8 'Accounting policies, changes in accounting estimates and errors' requires to correct material prior period matters or adjustments retrospectively in the period / year to which the matter relates, since, the pending impairment exercise in connection with Axiom was pending from 2019, the management has restated the consolidated financial statements for 2019 in accordance with IAS 8 requirements to reflect the completion of pending impairment exercise of 2019.

Summary of the effects of the above restatement on the previously reported figures are as follows:

| | Previously reported figures | Restatement | Restated figures |
|---|---|---|---|
| **At 31 December 2019** | | | |
| **Consolidated statement of financial position** | | | |
| Investment in associate companies | 1,277,410 | (284,414) | 992,996 |
| **Consolidated statement of income** | | | |
| Share of results and impairment losses from joint ventures and associate companies | 57,310 | (284,414) | (227,104) |
| Net profit / (loss) for the year | 203,575 | (284,414) | (80,839) |
| Earnings per share | 0.44 | (0.62) | (0.18) |
| **Consolidated statement of comprehensive income** | | | |
| Foreign currency translation adjustment | (32,058) | 36,715 | 4,657 |

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## 35. Restatement (continued)

All other related changes in the comparative amounts in the consolidated statements of comprehensive income, changes in equity, cash flows and notes to the consolidated financial statements, are restated to reflect the above restatement.

## 36. Comparative information

Due to consolidation of IESCA during the year (refer note 13), the comparative information is not comparable.

Corresponding figures for 2019 have been reclassified in order to conform to the presentation for the current year. Such reclassifications were made to improve the quality of presentation and do not affect previously reported profit or shareholder's equity. Details of material reclassifications are as follows;

| | Previously reported figures | Reclassification | Reclassified figures |
|---|---|---|---|
| **At 31 December 2019** | | | |
| **Consolidated statement of financial position** | | | |
| **Non-current liabilities** | | | |
| Interest bearing loans and borrowings | 3,796,837 | 362,386 | 4,159,223 |
| Accounts payable and accruals | 405,031 | (362,386) | 42,645 |

## 37. Events after the reporting date

There are no material events subsequent to the reporting date, which have a bearing on the understanding of these consolidated financial statements.