Barwa Real Estate Company Q.P.S.C.

Consolidated Financial Statements

31 December 2020

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Building The Future

BARWA
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Building The Future

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INDEPENDENT AUDITOR'S REPORT

The Shareholders of
Barwa Real Estate Company Q.P.S.C.
Doha, Qatar.

Report on the Audit of the Consolidated Financial Statements

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matters	*How the matter was addressed in our audit*
Valuation of investment properties	
The Group owns investment properties which are measured at fair value in the financial statements. Changes in fair value are presented in the consolidated statement of profit or loss. Note 12 to the consolidated financial statements discloses, inter alia, that the Group's investment properties are carried at QR. 28.1 billion (2019: QR. 26.5 billion) as at December 31, 2020 and a fair value gain of QR. 786 million (2019: QR. 1.1 billion) was recognized in the consolidated statement of profit or loss. The investment property portfolio includes completed investment properties and properties under construction. The methodology applied in determining the fair value of the investment properties is disclosed in note 12 of the consolidated financial statements. The valuation of investment properties is inherently judgmental due to, amongst other factors, the individual nature of each property, its location and key unobservable data for that particular property. The valuations were carried out by third party experts (the "Valuers") appointed by the directors. In addition, there are wider challenges currently facing the real estate markets following the COVID-19 pandemic. Due to the estimation uncertainty related to the impact of COVID-19 and guidance from the Royal Institute of Chartered Surveyors ("RICS"), the Valuer included a 'material valuation uncertainty' statement in their valuation reports highlighting the impact COVID-19 is having on real estate markets. We focused on this area due to the significance of the balance at year end and the existence of significant judgments and estimates in arriving at the value of the properties and therefore we considered this to be a key audit matter.	Our audit procedures to address the key audit matter include but are not limited to the following: • We evaluated the design and implementation and tested the operating effectiveness of the key controls over the methods, assumptions and data used in estimation of the fair value of the investment properties; • We assessed the competence and capabilities of the Valuers and assessed their terms of engagement with the Group to determine if the scope of their work was sufficient; • We considered the impact of the 'material valuation uncertainty' statement in the expert's valuation reports and assessed the additional disclosures made as a result of this matter in note 12. • We utilized our internal specialists to assess, for selected properties, whether the valuation approach and methods used are in accordance with the established standards regulating valuation of properties and whether these methods are suitable for use in determining the fair value of these properties Further, we reviewed the appropriateness of assumptions and data used in the valuation, for example, comparable data, discount rate, capitalization rate, growth rate and capital expenditure, where applicable; • We tested, on a sample basis, the accuracy of the standing data provided by the Group to the Valuers; • We reperformed the mathematical accuracy of the valuations on a sample basis. • We agreed the results of the valuation performed by the Valuers to the amount reported in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Other Information

Management is responsible for the other information. The other information comprises the Director's report, but does not include the consolidated financial statements and our auditor's report thereon. The Director's report is expected to be made available to us after the date of this auditor's report.

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

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

When we read the Director's report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT (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 internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosure 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 represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulations precludes public 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 communications.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Report on Other Legal and Regulatory Requirements

Further, as required by the Qatar Commercial Companies' Law, we report the following:

- The Company has maintained proper books of account and the consolidated financial statements are in agreement therewith;
- We obtained all the information and explanations which we considered necessary for our audit; and
- To the best of our knowledge and belief and according to the information given to us, no contraventions of the applicable provisions of Qatar Commercial Companies Law and the Company's Articles of Associations were committed during the year which would materially affect the Group's financial position or its financial performance.

Doha – Qatar
February 15, 2021

For **Deloitte & Touche**
Qatar Branch

Midhat Salha
Partner
License No. 257
QFMA Auditor License No. 120156

Barwa Real Estate Company Q.P.S.C.
Consolidated financial statements
As at 31 December 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2020 QR'000	2019 QR'000
ASSETS			
Cash and bank balances	4	**746,157**	1,254,716
Financial assets at fair value through profit or loss	5	**35,792**	30,619
Receivables and prepayments	6	**602,122**	529,728
Trading properties	7	**1,440,108**	1,509,248
Finance lease receivables	8	**32,427**	103,770
Due from related parties	9	**153,086**	208,184
Financial assets at fair value through other comprehensive income	10	**170,032**	131,928
Advances for projects and investments	11	**525,492**	140,502
Investment properties	12	**28,158,282**	26,598,318
Property, plant and equipment	13	**675,175**	726,420
Right-of-use assets	14	**18,680**	49,562
Investments in associates	15	**455,493**	529,947
Intangible assets	16	**132,411**	132,411
Deferred tax assets	17	**9,787**	2,297
TOTAL ASSETS		**33,155,044**	31,947,650
LIABILITIES AND EQUITY			
LIABILITIES			
Payables and other liabilities	18	**1,834,249**	1,671,610
Provisions	19	**42,800**	61,014
End of service benefits	20	**114,453**	101,494
Due to related parties	9	**192,620**	314,174
Lease liabilities	21	**354,553**	330,080
Obligations under Islamic finance contracts	22	**10,082,855**	9,406,049
Deferred tax liabilities	17	**20,963**	1,752
TOTAL LIABILITIES		**12,642,493**	11,886,173
EQUITY			
Share capital	23	**3,891,246**	3,891,246
Legal reserve	24	**1,952,704**	1,952,417
General reserve	25	**4,639,231**	4,639,231
Other reserves	26	**(340,191)**	(401,298)
Retained earnings		**10,186,699**	9,781,402
Total equity attributable to equity holders of the Parent		**20,329,689**	19,862,998
Non-controlling interests		**182,862**	198,479
Total equity		**20,512,551**	20,061,477
TOTAL LIABILITIES AND EQUITY		**33,155,044**	31,947,650

These consolidated financial statements were prepared by the Company and authorised for issuance by the Board of Directors on 15 February 2021 and signed on their behalf by:

H.E. Salah Bin Ghanem Al Ali
Chairman

Abdulla Bin Jobara Al-Romaihi
Group Chief Executive Officer

DELOITTE & TOUCHE
Doha - Qatar
15 FEB 2021
Signed for Identification Purposes Only

The attached explanatory notes 1 to 50 form an integral part of these consolidated financial statements

Barwa Real Estate Company Q.P.S.C.
Consolidated financial statements
For the year ended 31 December 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	2020 QR'000	2019 QR'000
Rental income	28.1	1,334,131	1,179,581
Rental operation expenses	27	(290,007)	(283,249)
Net rental income		1,044,124	896,332
Finance lease income	8	10,857	20,101
Net rental and finance lease income		1,054,981	916,433
Income from consultancy and other services	28.2	302,817	356,244
Consulting operation and other services expenses	29	(266,737)	(282,728)
Net consulting and other service income		36,080	73,516
Profit on sale of property	30	8,577	3,344
Net fair value gain on investment properties	12	786,413	1,127,428
Share of results of associates	15	(70,887)	63,949
Gain / (loss) on financial assets at fair value through profit or loss		1,557	(1,262)
General and administrative expenses	31	(219,691)	(243,302)
Net impairment losses	32	(125,674)	(95,143)
Other income	33	127,225	28,962
Operating profit before finance cost, depreciation, amortisation and income tax		1,598,581	1,873,925
Finance income	34	8,524	38,839
Finance cost	34	(308,401)	(347,336)
Net finance cost		(299,877)	(308,497)
Profit before depreciation, amortisation and income tax		1,298,704	1,565,428
Depreciation	13	(25,974)	(14,592)
Amortisation of right-of-use assets	14	(30,887)	(30,934)
Profit before income tax and zakat		1,241,843	1,519,902
Tax and zakat expense	17	(27,142)	(14,762)
Profit for the year		1,214,701	1,505,140
Attributable to:			
Equity holders of the Parent		1,214,188	1,502,763
Non-controlling interests		513	2,377
		1,214,701	1,505,140
Basic and diluted earnings per share *(attributable to equity holders of the Parent expressed in QR per share)*	35	0.31	0.39

This statement has been prepared by the Company

Barwa Real Estate Company Q.P.S.C.
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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2020 QR'000	2019 QR'000
Profit for the year	1,214,701	1,505,140
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	32,094	36,499
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Net change in the fair value of financial assets at fair value through other comprehensive income	29,991	(8,551)
Other reserves	(950)	-
Other comprehensive income for the year	61,135	27,948
Total comprehensive income for the year	1,275,836	1,533,088
Attributable to:		
Equity holders of the Parent	1,275,295	1,528,364
Non-controlling interests	541	4,724
	1,275,836	1,533,088

This statement has been prepared by the Company

Barwa Real Estate Company Q.P.S.C.
Consolidated financial statements
For the year ended 31 December 2020

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Parent							
	Share capital	Legal reserve	General reserve	Other reseves	Retained earnings	Total	Non-controlling interest	Total
	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000
Balance at 31 December 2019	3,891,246	1,952,417	4,639,231	(401,298)	9,781,402	19,862,998	198,479	20,061,477
Profit for the year	-	-	-	-	1,214,188	1,214,188	513	1,214,701
Other comprehensive income for the year	-	-	-	61,107	-	61,107	28	61,135
Total comprehensive income for the year	-	-	-	61,107	1,214,188	1,275,295	541	1,275,836
Transfer to Legal Reserve	-	287	-	-	(287)	-	-	-
Conribution to the Social and Sports Fund (Note 38)	-	-	-	-	(30,355)	(30,355)	-	(30,355)
Transactions with shareholders in their capacity as owners:								
Dividends for 2019 (Note 37)	-	-	-	-	(778,249)	(778,249)	-	(778,249)
Dividend paid to non-controlling interest of subsidiaries	-	-	-	-	-	-	(16,158)	(16,158)
Balance at 31 December 2020	3,891,246	1,952,704	4,639,231	(340,191)	10,186,699	20,329,689	182,862	20,512,551

Barwa Real Estate Company Q.P.S.C.
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Parent							
	Share capital	Legal reserve	General reserve	Other reseves	Retained earnings	Total	Non-controlling interest	Total
	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000
Balance at 31 December 2018	3,891,246	1,793,489	4,639,231	(430,274)	9,451,322	19,345,014	205,073	19,550,087
Profit for the year	-	-	-	-	1,502,763	1,502,763	2,377	1,505,140
Other comprehensive income for the year	-	-	-	25,601	-	25,601	2,347	27,948
Total comprehensive income for the year	-	-	-	25,601	1,502,763	1,528,364	4,724	1,533,088
Transfer of loss on disposal of equity investments at fair value through other comprehensive income to retained earnings	-	-	-	3,375	(3,375)	-	-	-
Transfer to Legal Reserve	-	158,928	-	-	(158,928)	-	-	-
Conribution to the Social and Sports Fund (Note 38)	-	-	-	-	(37,569)	(37,569)	-	(37,569)
	-							
Transactions with shareholders in their capacity as owners:								
Dividends for 2018 (Note 37)	-	-	-	-	(972,811)	(972,811)	-	(972,811)
Dividend paid to non-controlling interest of subsidiaries	-	-	-	-	-	-	(11,318)	(11,318)
Balance at 31 December 2019	3,891,246	1,952,417	4,639,231	(401,298)	9,781,402	19,862,998	198,479	20,061,477

Barwa Real Estate Company Q.P.S.C.
Consolidated financial statements
For the year ended 31 December 2020

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	31 December 2020 QR'000	31 December 2019 QR'000
OPERATING ACTIVITIES			
Profit for the year		1,214,701	1,505,140
Adjustments for:			
Finance cost	34	267,233	302,028
Unwinding of deferred finance cost	34	41,168	45,308
Finance income	34	(8,524)	(38,839)
Net fair value gain on investment properties	12	(786,413)	(1,127,428)
Depreciation	(1)	69,561	65,115
Amortisation of right-of-use assets	14	30,887	30,934
Share of results of associates	15	70,887	(63,949)
Provision for end of service benefit	20	31,334	33,674
Provision for income tax	17	9,754	9,379
Net impairment losses	32	125,674	95,143
Finance lease income	8	(10,857)	(20,101)
Other income	33	(127,225)	(28,554)
Operating gain before working capital changes		928,180	807,850
Changes in working capital:			
Change in receivables and prepayments		(124,499)	(103,351)
Change in trading properties		43,538	28,096
Change in finance lease receivables		44,680	127,266
Change in amounts due from / due to related parties		(72,609)	12,162
Change in provisions		10,274	10,000
Change in payables and accruals		(187,387)	(718,303)
Cash flows from operations		642,177	163,720
End of service benefit paid	20	(18,436)	(41,999)
Income tax paid		(7,758)	-
Payment for construction services		-	(268)
NET CASH GENERATED FROM OPERATING ACTIVITIES		615,983	121,453
INVESTING ACTIVITIES			
Finance income received		9,490	56,055
Dividends received from associates		4,000	30,608
Proceeds from disposal of an associate		-	1,995
Payments for purchase of investment properties		(134,718)	(250,139)
Proceeds from sale of financial assets at fair value through other comprehensive income		-	6,599
Advances paid for purchase of projects and investments		(439,073)	(35,845)
Payments for purchase of property, plant and equipment	13	(14,323)	(10,231)
Proceeds from sale of property, plant and equipment		82	26
Dividend income received		2,958	6,578
Net payments for financial assets at fair value through profit or loss		(2,511)	(3,157)
Net movement in short term deposits maturing after three months	4	201,136	338,802
NET CASH (USED IN) / FROM INVESTING ACTIVITIES		(372,959)	141,291

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	Notes	2020 QR'000	2019 QR'000
FINANCING ACTIVITIES			
Finance cost paid		(354,373)	(495,536)
Proceeds from obligations under Islamic finance contracts	22	1,962,170	2,000,000
Payments for obligations under Islamic finance contracts	22	(1,346,330)	(517,724)
Payment to non-controlling interest		-	(11,318)
Dividend paid to non-controlling interest		(16,158)	-
Dividends paid		(764,178)	(964,681)
Repayment of lease liabilities	21	(41,984)	(47,888)
Change in restricted bank balances	4	5,831	140,294
NET CASH (USED IN) / FROM FINANCING ACTIVITIES		(555,022)	103,147
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(311,998)	365,891
Net foreign exchange difference		9,871	20,447
Cash and cash equivalents at 1 January	4	718,181	331,843
CASH AND CASH EQUIVALENTS AT 31 December	4	416,054	718,181

Notes:

(i) Depreciation for the year ended 31 December 2020 includes an amount of QR 43,587 thousand charged to consulting operation and other services expenses (note 29) in the consolidated statement of profit or loss (2019 - QR 50,523 thousand).

(ii) The above consolidated statement of cash flows should be read in conjunction with note 39.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

Barwa Real Estate Company Q.P.S.C. ("the Company" or "the Parent") was incorporated pursuant to the provision of Article 68 of the Qatar Commercial Companies Law No. 5 of 2002 as Qatari Shareholding Company under Commercial Registration No. 31901 dated 27 December 2005. The term of the Company is 100 years starting from the date of declaration in the Commercial Register. The Company is a listed entity on the Qatar Exchange.

The Company's registered office address is P.O. Box 27777, Doha, State of Qatar.

The principal activities of the Company and its subsidiaries (together, "the Group") include investment in all types of real estate including acquiring, reclamation, dividing, developing and reselling of land and to establish agricultural, industrial, commercial projects on land, or lease those land, and also buying, selling and leasing buildings or projects. It also administers and operates real estate investments in and outside the State of Qatar. The Group is engaged in the business of developing domestic and international real estate projects, investing, hotels ownership and management, projects consulting and others.

Qatar Companies Law No. 11 of 2015 (Companies Law) which is applicable to the Group has come into effect from 16 September 2015. The Company and its subsidiaries' amended articles of association have been approved by the Ministry of Commerce and Industry (MOCI).

2 SIGNIFICANT CHANGES IN THE CURRENT REPORTING YEAR

The consolidated financial position and performance of the group was particularly affected by the following events and transactions during the reporting year:

- Receipt of additional bank borrowings amounting to QR 1.9 Billion (Statement Cash flow).
- Start of construction related work of two new projects located in Al Wakra area.
- The Group has been awarded a tender from "Ashghal" to develop eight schools under a PPP Development Program. Under this project, The Group will develop and maintain eight schools across Qatar for a period of 25 years. Final arrangements in respect of the executed contract, signing the construction package and the related financing arrangements were still in progress at 31 December 2020.

3 SEGMENT INFORMATION

The group has three reportable segments, as described below, which are the group's strategic divisions. The strategic divisions offer different businesses and are managed separately because they require different expertise. For each of the strategic divisions, the group's top management (the chief operating decision maker) reviews internal management reports on a regular basis. The real estate segment develops, sells and lease condominiums, villas and plots of land. Business services segment provides business support services and other services.

The operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results, which are considered as a measure of the individual segment's profit or losses.

Barwa Real Estate Company Q.P.S.C.
Consolidated financial statements
For the year ended 31 December 2020

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 SEGMENT INFORMATION (continued)

Operating segments
The operating segments are presented as follows:

For the year ended 31 December 2020	*Real estate QR'000*	*Business services QR'000*	*Other services QR'000*	*Eliminations QR'000*		*Total QR'000*
Revenues and gains						
External parties						
- Profit on sale of property	8,577	-	-	-		8,577
- Rental income	1,334,131	-	-	-	(ii)	1,334,131
- Income from consultancy and other related services	-	189,242	113,575	-		302,817
- Finance lease income	10,857	-	-	-		10,857
- Net fair value gain on investment properties	786,413	-	-	-		786,413
- Others	-	-	128,782	-		128,782
Internal segments	118,933	126,959	-	(245,892)	(i)	-
Total revenues and gains	2,258,911	316,201	242,357	(245,892)		2,571,577
Segment profit	1,527,667	47,118	273,942	(37,140)		1,811,587
- Share of results of associates	-	-	(70,887)	-		(70,887)
-Net finance cost	(296,813)	(3,064)	-	-		(299,877)
-Impairment losses	(107,369)	(14,048)	(4,257)	-		(125,674)
-Depreciation and amortisation	(22,904)	(3,119)	(74,425)	-		(100,448)
Profit for the year	1,100,581	26,887	124,373	(37,140)		1,214,701

For the year ended 31 December 2019	*Real estate QR'000*	*Business services QR'000*	*Other services QR'000*	*Eliminations QR'000*		*Total QR'000*
Revenues and gains						
External parties						
- Profit on sale of property & construction services	3,344	-	-	-		3,344
- Rental income	1,179,581	-	-	-	(ii)	1,179,581
- Income from consultancy and other services	-	164,304	191,940	-		356,244
- Finance lease income	20,101	-	-	-		20,101
- Net fair value gain on investment properties	1,142,600	(15,172)	-	-		1,127,428
- Others	-	-	27,700	-		27,700
Inter segments	100,395	100,094	-	(200,489)	(i)	-
Total revenues and gains	2,446,021	249,226	219,640	(200,489)		2,714,398
Segment profit	1,766,068	20,152	144,155	(20,429)		1,909,946
- Share of results of associates	-	-	63,949	-		63,949
-Net finance cost	(308,423)	(74)	-	-		(308,497)
-Impairment losses	(81,153)	(2,582)	(11,408)	-		(95,143)
-Depreciation and amortisation	(43,103)	(2,423)	(50,523)	-		(96,049)
Profit for the year	1,364,208	15,188	146,173	(20,429)		1,505,140

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 SEGMENT INFORMATION (continued)

Operating segments (continued)

Note:
(i) Inter-segment revenues are eliminated at consolidation level.
(ii) Rental income include income from ancillary and other related services of QR 74,319 thousand (2019: QR 74,626 thousand)

The following table presents segment assets and liabilities of the group's operating segments as at 31 December 2020 and 2019:

At 31 December 2020	*Real estate QR'000*	*Business services QR'000*	*Other services QR'000*	*Eliminations QR'000*	*Total QR'000*
Current assets	2,667,835	397,605	181,973	-	3,247,413
Non-current assets	29,440,379	504,891	675,031	(712,670)	29,907,631
Total assets	32,108,214	902,496	857,004	(712,670)	33,155,044
Current liabilities	(3,571,848)	(267,160)	(47,704)	-	(3,886,712)
Non-current liabilities	(8,612,622)	(249,911)	(455,869)	562,621	(8,755,781)
Total liabilities	(12,184,470)	(517,071)	(503,573)	562,621	(12,642,493)
Investment in associates	-	-	455,493	-	455,493
Capital expenditures	782,902 (i)	-	-	-	782,902

At 31 December 2019	*Real estate QR'000*	*Business services QR'000*	*Other services QR'000*	*Eliminations QR'000*	*Total QR'000*
Current assets	3,080,171	324,734	178,476	-	3,583,381
Non-current assets	27,596,319	379,531	740,557	(352,138)	28,364,269
Total assets	30,676,490	704,265	919,033	(352,138)	31,947,650
Current liabilities	(2,505,481)	(163,748)	(29,226)	-	(2,698,455)
Non-current liabilities	(8,884,639)	(200,644)	(469,477)	367,042	(9,187,718)
Total liabilities	(11,390,120)	(364,392)	(498,703)	367,042	(11,886,173)
Investment in associates	-	-	529,947	-	529,947
Capital expenditures	447,347 (i)	-	-	-	447,347

Note:
(i) Capital expenditure consists of additions and capitalized finance cost to trading properties (Note 7), investment properties (Note 12) and property, plant and equipment (Note 13).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 SEGMENT INFORMATION (continued)

The Group's revenue from external parties and information about its segment of non- current assets by geographical location are detailed below:

	Revenue from external parties		*Non-current assets*	
	December 31, 2020 QR'000	December 31, 2019 QR'000	December 31, 2020 QR'000	December 31, 2019 QR'000
State of Qatar	2,551,884	2,600,947	28,847,197	27,293,615
Other GCC countries	18,302	110,309	641,232	678,230
Europe & North Africa	1,391	3,142	419,202	392,424
	2,571,577	2,714,398	29,907,631	28,364,269

Accounting policy:

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

4 CASH AND BANK BALANCES

	2020 QR'000	*2019 QR'000*
Cash on hand	298	304
Short term deposits	200,061	814,807
Current accounts	183,694	141,731
Call accounts	202,461	132,935
Restricted bank balances (iii)	152,315	164,269
Margin bank accounts	9,578	3,455
	748,407	1,257,501
Allowance for impairment	(2,250)	(2,785)
Total cash and bank balances	746,157	1,254,716
Short term deposits maturing after 3 months	(170,460)	(371,596)
Restricted bank balances and margin accounts	(161,893)	(167,724)
Reversal of non-cash provision	2,250	2,785
Cash and cash equivalents	416,054	718,181

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CASH AND BANK BALANCES (continued)

Notes:

i. Cash and cash equivalents include fixed deposits with maturity dates from one to three months amounting to QR 29,601 thousand (2019: QR 443,211 thousand).

ii. Short term deposits are made for varying periods depending on cash requirements of the group with original maturity period equal to or less than twelve months at commercial market profit rates.

iii. Restricted bank balances are restricted mainly to cover certain bank guarantees issued by the Group and the settlement of dividends yet unclaimed by the parent's shareholders.

Balances with banks are assessed to have low credit risk of default since these banks are highly regulated by the central banks of the respective countries. Accordingly, management of the Group estimates the loss allowance on balances with banks at the end of the reporting period at an amount equal to 12 month ECL. None of the balances with banks at the end of the reporting period are past due, and taking into account the historical default experience and the current credit ratings of the bank.

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

2020	1 January 2020	Net Inflows / (Outflows) from Financing activities	New leases	Other changes	31 December 2020
	QR'000	QR'000	QR'000	QR'000	QR'000
Obligations from Islamic financing contracts	9,406,049	615,840	-	60,966	10,082,855
Lease liabilities	330,080	(31,241)	68,106	(12,392)	354,553

2019	1 January 2019	Net Inflows / (Outflows) from Financing activities	New leases	Other changes	31 December 2019
	QR'000	QR'000	QR'000	QR'000	QR'000
Obligations from Islamic financing contracts	7,925,280	1,482,276	-	(1,507)	9,406,049
Lease liabilities	362,152	(28,837)	49,691	(52,926)	330,080

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CASH AND BANK BALANCES (continued)

Accounting Policy:

Cash and cash equivalents
For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash and bank balances and bank deposits with original maturities of three months or less, unrestricted balances held with banks, and highly liquid financial assets with original maturities of three months or less, which are subject to insignificant risk of changes in their fair value.

5 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

	2020 *QR'000*	*2019* *QR'000*
Investments in equity securities:		
Quoted	35,792	30,619

Accounting Policy:

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL.

Dividend income is recognised in the consolidated statement of profit or loss in the period in which the investee declares dividends.

The gain or loss on disposal of financial assets carried at FVTPL are recognised as a difference between the sale proceeds and carrying value of the financial assets as on the transaction date and recoginsed in the consolidated statement of profit or loss. Any change in fair value due to movement in market price of the equity securities is recognised in the consolidated statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 RECEIVABLES AND PREPAYMENTS

Receivables and prepayments are segregated between non-current and current portion as follows:

2020	*Non-current QR'000*	*Current QR'000*	*Total QR'000*
Trade receivables	-	442,491	442,491
Prepaid expenses	-	9,907	9,907
Accrued income	129,796	85,296	215,092
Refundable deposits	7,771	10,943	18,714
Staff receivables	-	16,192	16,192
Accrued profit on Islamic financial deposits	-	4,966	4,966
Other receivables	13,031	96,764	109,795
Allowance for impairment of trade receivables	-	(185,244)	(185,244)
Allowance for impairment of other receivables	(199)	(29,592)	(29,791)
	150,399	451,723	602,122
2019			
Trade receivables	-	362,125	362,125
Prepaid expenses	-	10,024	10,024
Accrued income	138,251	29,448	167,699
Refundable deposits	8,341	11,913	20,254
Staff receivables	-	14,197	14,197
Accrued profit on Islamic financial deposits	-	5,931	5,931
Other receivables	-	66,759	66,759
Allowance for impairment of trade receivables	-	(87,820)	(87,820)
Allowance for impairment of other receivables	(199)	(29,242)	(29,441)
	146,393	383,335	529,728

As at 31 December 2020, trade receivables amounting to QR 185,244 thousand (2019: QR 87,820 thousand) were impaired and fully provided for. Movements in the allowance for impairment of trade receivables is as follows:

	2020 QR'000	*2019 QR'000*
At 1 January	87,820	75,308
Allowance charge for the year	113,840	15,922
Reversal of Provision	(16,516)	(3,410)
Translation adjustment	100	-
At 31 December	185,244	87,820

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 RECEIVABLES AND PREPAYMENTS (continued)

The impairment allowance as at 31 December 2020 and 31 December 2019 were determined as follows for trade receivables. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer segments:

31 December 2020	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
Expected loss rate	2.43%	2.49%	37.56%	54.62%	
Gross carrying amount (QR'000)	64,914	28,512	45,237	303,828	442,491
Impairment allowance (QR'000)	(1,580)	(711)	(16,993)	(165,960)	(185,244)

31 December 2019	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
Expected loss rate	3.37%	7.86%	29.11%	27.24%	
Gross carrying amount (QR'000)	35,403	14,246	20,953	291,523	362,125
Impairment allowance (QR'000)	(1,194)	(1,120)	(6,100)	(79,406)	(87,820)

At 31 December, the aging of unimpaired trade receivables is as follows:

		Past due but not impaired				
	Total QR'000	*0 – 30 days QR'000*	*31- 60 days QR'000*	*61- 90 days QR'000*	*91- 120 days QR'000*	*121- 365 days QR'000*
2020	257,247	63,334	27,801	20,581	7,663	137,868
2019	274,305	34,209	13,126	9,678	5,175	212,117

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable.

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtor operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 RECEIVABLES AND PREPAYMENTS (continued)

Accounting policy:

Trade and other receivables

Trade and other receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are generally due for settlement within 30 days and therefore are all classified as current.

7 TRADING PROPERTIES

	2020 *QR'000*	*2019* *QR'000*
Properties available for sale (A)	201,304	114,470
Properties under development (B)	1,238,804	1,394,778
	1,440,108	1,509,248

(A) Movements of properties available for sale during the year were as follows:

	2020 *QR'000*	*2019* *QR'000*
At 1 January	114,470	150,573
Cost of properties sold	(50,440)	(36,656)
Transferred from Trading properties – properties under development	137,274	553
At 31 December	201,304	114,470

(B) Movements in the properties under development during the year were as follows:

	2020 *QR'000*	*2019* *QR'000*
At 1 January	1,394,778	1,421,966
Additions	8,130	6,454
Capitalised finance cost (i) and (Note 34)	1,706	89,789
Transferred to investment properties (Note 12)	(4,567)	(126,802)
Transferred to Trading properties – properties available for sale	(137,274)	(553)
Net (impairment) / reversal of impairment (ii) and (Note 32)	(29,684)	4,171
Foreign exchange adjustments	5,715	(247)
At 31 December	1,238,804	1,394,778

Properties under development mainly include 2 plots of land under development in the state of Qatar and the kingdom of Saudi Arabia.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 TRADING PROPERTIES (continued)

Notes:

(i) Capitalized finance cost is calculated based on the actual qualifying expenditures related to the properties under development. Finance cost is capitalised using the group's weighted average finance cost.

(ii) The group carried an estimate of net realizable value of its trading properties at year end. Independent accredited property appraisers were engaged to provide relevant commercial and marketing inputs to this process and to advise on current market trends in areas such as achievable market prices. The exercise revealed that the fair values less costs to sell being the net realizable value were higher than the carrying amount of the trading properties at 31 December 2020 and 31 December 2019 except for the properties for which a write down to net realizable value has been made.

Accounting policies:

a) Recognition and classification of trading properties (inventories)

Trading properties are real estate properties (including non-developed plots of land) that are readily available for sale and those properties under development for sale which are in construction phase. These are held for sale in the ordinary course of business rather than to be held for rental or capital appreciation, are carried at the lower of cost and net realizable value. The group may decide to lease out some units to increase the possibility of selling the properties rather than to earn rental income on a continuing basis and the property is not held for capital appreciation. The group account for these properties as trading properties and not investment properties as the properties continue to be held exclusively with the view to subsequent disposal in the ordinary course of business. Net realizable value is the estimated selling price in the ordinary course of business, based on market prices at the reporting date and discounted for time factor if material, less the estimated costs of completion and the estimated costs necessary to make the sale.

Cost include:

- Freehold and leasehold rights for land
- Amounts paid to contractors for construction
- Borrowing costs, planning & design costs, costs of site preparation, professional fees, property transfer taxes, construction overhead and other related costs.

Non refundable commission paid to sales or working agents on the sale of real estate units are expensed when incurred.

Cost of trading properties recognised in the consolidated statement of profit or loss is determined with references to specific costs incurred on the property sold and an allocation of any relative size of the property sold.

b) Sale of trading property

A property is regarded as sold when the control has been transferred to the buyer, which is normally on unconditional exchange of contracts. For conditional exchanges, sales are recognised only when all the significant conditions are satisfied.

7 TRADING PROPERTIES (continued)

Accounting policies: (continued)

c) Sales of property under development

Where property is under development and agreement has been reached to sell such property when construction is complete, the management considers whether the contract comprises:

- A contract to construct a property

Or

- A contract for the sale of a completed property

Critical accounting judgments and estimates:

Where a contract is judged to be for the construction of a property and based on the nature of these contracts, revenue is recognised over time as construction progresses.

Where the contract is judged to be for the sale of a completed property, revenue is recognised at point in timewhen the control over the real estate has been transferred to the buyer. If, however, the legal terms of the contract are such that the construction represents the continuous transfer of work in progress to the purchaser, the percentage-of-completion method of revenue recognition is applied and revenue is recognised as work progresses. Continuous transfer of work in progress is applied when:

- The buyer controls the work in progress, typically when the land on which the development takes place is owned by the final customer

And

- Control over the work in progress in its present state is transferred to the buyer as construction progresses, typically, when the buyer cannot put the incomplete property back to the group.

In such situations, the percentage of work completed is measured based on the costs incurred up until the end of the reporting period as a proportion of total costs expected to be incurred.

Revenue recognition

Revenue from sale of trading properties is recognised when control over the property is transferred to the buyer, the associated costs can be estimated reliably, and there is no continuing management involvement to the degree usually associated with ownership or effective control over the trading properties sold. In instances where the consideration is to be received over a longer term, the discounted value of the consideration is considered for revenue recognition.

Classification of property

The group determines whether a property is classified as investment property or trading property. Trading property comprises property that is held for sale in the ordinary course of business. Principally, these are residential and commercial properties that the group develops and intends to sell before or on completion of construction.

Estimation of net realizable value for trading properties

Trading properties are stated at the lower of cost and net realizable value (NRV). NRV for completed trading properties are assessed with reference to market conditions and prices existing at the reporting date and is determined by the group having taken suitable external advice and in the light of recent market transactions. NRV for properties under development for which the development is not considered significant yet, is estimated at fair value less cost to sell, with the fair value estimated using the comparable data approach. The most significant inputs represent the market rate per square meter of land and estimated development cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 FINANCE LEASE RECEIVABLES

	2020 QR'000	2019 QR'000
Non-current portion:		
Finance leases - gross receivables	1,790	35,783
Unearned finance income	(82)	(1,650)
Impairment allowance	(725)	(2,319)
Net non-current portion of finance lease receivables	983	31,814
Current portion:		
Finance leases - gross receivables	33,993	85,955
Unearned finance income	(1,567)	(10,856)
Impairment allowance	(982)	(3,143)
Net current portion of finance lease receivables	31,444	71,956
Net investment in finance leases	32,427	103,770

Contractual maturities of finance lease receivables are as follows:

Gross receivables from finance leases:		
Year 1	33,993	85,955
Year 2	1,790	35,783
Year 3	-	-
Year 4	-	-
Year 5	-	-
later than 5 years	-	-
	35,783	121,738
Unearned finance income	(1,649)	(12,506)
Impairment allowance	(1,707)	(5,462)
Net investment in finance leases	32,427	103,770

Movements in finance lease receivables during the year were as follows:

	2020 QR'000	2019 QR'000
At 1 January	103,770	166,886
Installments due and collected during the year	(44,680)	(127,266)
Transferred (to) / from trade receivables	(41,275)	41,228
Finance lease income	10,857	20,101
Net reversal of Impairment	3,755	2,821
At 31 December	32,427	103,770

The above balances relate to the Group's 100% owned subsidiary Qatar Real Estate Investment Company P.J.S.C. ("Al Aqaria"). The minimum lease receipts are discounted at the incremental borrowing rate. Income from finance leases is recognized based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the finance leases.

As at 31 December 2020, 87% (2019: 93%) of the total finance lease receivables balance is due from a single customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 FINANCE LEASE RECEIVABLES (continued)

The Company estimates the loss allowance on finance lease receivables at the end of the reporting period at an amount equal to lifetime ECL. None of the finance lease receivables at the end of the reporting period is past due, and taking into account the historical default experience and the future prospects of the industries in which the lessees operate, the company considers that adequate loss allowance has been made against finance lease receivables.

There have been no changes in the estimation techniques or significant assumptions made during the current year in assessing the loss allowance for finance lease receivables.

Accounting policy:

Finance lease income

Income from finance lease in which the group is the lessor is recognized based on a pattern reflecting a constant periodic rate of return on the group's net investment in the finance lease.

Group as a lessor

Leases where the group transfer substantially all the risks and benefits incidental to the ownership of the leased item are classified as finance leases and are presented as receivables at an amount equal to the net investment in the lease. Net investment in the lease is the gross investment in the lease discounted at the profit rate implicit in the lease. Income from finance leases in which the group is a lessor is recognised based on a pattern reflecting a constant periodic rate of return on the group's net investment in the finance lease. Contingent rents are recognised as revenue in the period in which they are earned.

9 RELATED PARTY DISCLOSURES

Qatari Diar Real Estate Investment Co. ("QD") incorporated in the State of Qatar is the main shareholder of the company which owns 45% of the company's shares including one preferred share that carries preferred rights over the financial and operating policies. The remaining 55% of the shares are traded on Qatar Stock Exchange and widely held.

Related parties comprise of the main shareholder, associates of the group and entities over which they have the ability to control, jointly control or exercise significant influence in making financial and operating decisions in addition to key management personnel of the company.

Related party transactions
Transactions with related parties during the year were as follows:

	2020 *QR'000*	*2019* *QR'000*
Income from consultancy and other services - Main shareholder	58,726	65,702
Rental income - Main shareholder	2,275	8,842

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 RELATED PARTY DISCLOSURES (continued)

Related party balances

Balances with related parties included in the consolidated statement of financial position are as follows:

	Due from related parties		*Due to related parties*	
	2020 QR'000	*2019 QR'000*	*2020 QR'000*	*2019 QR'000*
Qatari Diar Real Estate Investment Company Q.S.C. and associated companies	152,889	203,848	186,801	290,308
Associate companies	197	3,872	4,422	20,010
Other related parties	-	464	1,397	3,856
	153,086	208,184	192,620	314,174

Current and non-current portions of due from and due to related parties are as follows:

	Due from related parties		*Due to related parties*	
	2020 QR'000	*2019 QR'000*	*2020 QR'000*	*2019 QR'000*
Non-current	-	-	579	579
Current	153,086	208,184	192,041	313,595
	153,086	208,184	192,620	314,174

Movements in the allowance for impairment of due from related parties are as follows:

	2020 QR'000	*2019 QR'000*
At 1 January	88,468	77,868
Net impairment losses (Note 32)	15,105	10,600
At 31 December	103,573	88,468

For the years ended 31 December 2020 and 2019, the group carried out an impairment testing for due from related parties. The group recognized an additional impairment of QR 15,105 thousand during the year (2019: QR 10,600 thousand) (Note 32). In the opinion of the management, based on recent available information, there is no evidence of further impairment in the value of due from related parties. This assessment is undertaken in each financial year through examining the financial position of the related parties and the market in which the related parties operate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 RELATED PARTY DISCLOSURES (continued)

Compensation of directors and other key management personnel

The remuneration of directors and other members of key management of the parent during the year was as follows:

	2020 *QR'000*	*2019* *QR'000*
Short term benefits (ii)	16,143	18,488
End of service benefits	1,869	1,915
	18,012	20,403

Notes:

(i) All outstanding balances at the year-end are unsecured, free of finance cost and the settlement occurs in cash and no guarantees provided or received for outstanding balances at reporting date.

(ii) Short term benefits includes a proposed board of directors' remuneration amounting to QR 8,500 thousand for the year 2020 subject to the approval of the company's Annual General Assembly (2019: QR 8,500 thousand, approved by the shareholders of the Company at the Annual General Meeting held on 15 April 2020).

10 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVTOCI)

Financial assets at fair value through other comprehensive income are analyzed as follows

	2020 *QR'000*	*2019* *QR'000*
Investments in equity securities :		
Quoted	112,810	82,131
Unquoted	57,222	49,797
	170,032	131,928

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

Accounting Policies:

The policy applicable to the year ended 31 December 2020 is disclosed in note 48

Fair value of unquoted equity and debt investments

If the market for a financial asset is not active or not available, the group establishes fair value by using valuation techniques which include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models refined to reflect the issuer's specific circumstances. This valuation requires the group to make estimates about expected future cash flows and discount rates that are subject to uncertainty.

Reconciliation of level 3 fair value measurement of unlisted equity instruments classified at fair value through other comprehensive income:

	2020 QR'000	2019 QR'000
Balance at January 1,	49,797	55,355
Total gains or losses:		
– In profit or loss	-	-
– In other comprehensive income	7,425	(5,558)
Balance at December 31,	57,222	49,797

Some of the Group's financial assets 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 are determined.

Financial assets	Valuation Technique and key input	Significant unobservable inputs	Relationship and sensitivity of unobservable inputs to fair value
Investment in unlisted shares	Market Approach In this approach, comparable sets of publicly-traded companies in Qatar/GCC were identified and the average ratios between their Price and Book Value (P/B Multiples) were ascertained. These multiples were then applied to the Equity (Book) Value of the investee companies to arrive at the Fair Value of the Group's ownership in them.	Adjustments were made for factors such as control premium, business outlook and continuity, discounts for lack of marketability & illiquidity, transaction costs, etc.	The adjustments made to arrive at the Fair Value are adequate and in line with generally acceptable practices and methodologies

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 ADVANCES FOR PROJECTS AND INVESTMENTS

	2020 *QR'000*	*2019* *QR'000*
Advances for purchase of properties	28,228	28,228
Advances against exchange of land (i)	1,836,459	1,836,459
Advances to contractors and suppliers	640,622	255,763
	2,505,309	2,120,450
Less: allowance for impairment of advances	(1,979,817)	(1,979,948)
	525,492	140,502

The movement of allowance for impairment of advances is stated as under:

	2020 *QR'000*	*2019* *QR'000*
Balance as at Jan 1,	1,979,948	1,979,948
Charge during the year	-	-
Reclassification to receivables	(131)	-
Balance as at 31 December	1,979,817	1,979,948

Notes:

(i) During the year 2008, the Government of Qatar took over a piece of land located in Al-Khour district which was owned by the group and other related parties. The Government committed to provide another plot of land located in Salwa district in exchange of the withdrawn land. The group paid the above advances to a related party, in order for the group to fully own the new land that will be received from the Government. Since 2008, the group management has been working with the Government authorities to identify the plot of land that shall be transferred to the group. However, all the efforts during this period have not resulted in any conclusive direction of when and where the land will be received and therefore during the year 2012, the group management, on a conservative basis decided to make a full provision against these advances as doubtful of recovery. The group will continue to pursue the matter with the Government for an amicable settlement.

Accounting policy:

Advances against exchange of land
Advances for land are carried at amounts paid, and recognized as advance payments at the time of payment. It will be reclassified as a land once the Group settles the whole purchase price of the land and registers in the Group's name.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 INVESTMENT PROPERTIES

	2020 QR'000	2019 QR'000
At 1 January	26,598,318	18,261,969
Additions during the year	595,296	287,583
Capitalised finance cost (Note 34)	81,738	53,290
Right-of-Use Assets (adoption of IFRS 16)	-	290,285
Right-of-Use Assets - Additions during the year	68,106	-
Right-of-Use Assets - lease modification	7,634	-
Transfer from trading properties - properties under development (Note 7.B)	4,567	126,802
Transfer from property, plant and equipment (Note 13)	-	5,539
Transfer from advance for purchase of property (i)	-	4,832,246
Transfer from intangible assets (Note 16)	-	1,605,364
Net fair value gain	786,413	1,127,428
Foreign exchange adjustment	16,210	7,812
At 31 December	28,158,282	26,598,318

(i) Advances for purchase of properties of QR 4,832,246 thousand paid on account of the purchase of a plot of land in Lusail District with an area of 3,475,863 sqm have been transferred to investment properties during 2019. The land has been handed over to the group in 2019.

As a result of the COVID-19 outbreak and the wide ranging impacts on businesses globally as well as locally in the State of Qatar, the Group's external Valuers have taken into account latest guidelines from RICS and reported the Group's investment property valuations on the basis of 'material valuation uncertainty'. Management have evaluated the basis, and meaning, of such preparation. Although uncertainty is present within the wider real estate market, with varying impacts being observed, Management considers that the existing investment property portfolio of the group to be less impacted by such adverse events due to inherent characteristics of the portfolio including diversification across asset categories, geographic spread locally and the nature of partially secured future cashflow in relation to the income generating portfolio of assets. Management understands the basis of such preparation, which primarily intends to highlight future uncertainty and a higher degree of caution. Management have considered this in respect of key sources of estimation uncertainty and have concluded based upon the Group's investment property portfolio inherent characteristics and trends observed, relative to the wider real estate market in the State of Qatar, that the events of COVID-19 do not give rise to new course of key estimation uncertainty, nor do they impact the potential sensitivity level of a reasonable and possible change that may occur within the next 12 months.

Notes:

(i) Investment properties are primarily located in the State of Qatar, representing 98.13% of the carrying value of investment properties as at 31 december 2020 (2019: 98.29%) with few properties located in Kingdom of Bahrain, Republic of Cyprus, United Kingdom and the Kingdom of Saudi Arabia.

(ii) Investment properties are stated at fair value, which has been determined based on valuations performed by accredited independent valuers as at 31 December 2020. Those valuers are accredited independent valuers with a recognised and relevant professional qualifications and with recent experience in the location and category of those investment properties being valued. In arriving at estimated market values, the valuers have used their market knowledge and professional judgement and not only relied on historical transactional comparable. In the absence of current prices in an active market, the valuations are based on the aggregate of the estimated cash flows expected to be received from renting the property. A yield that reflects the specific risks inherent in the net cash flows is applied to the net annual cash flows to arrive at the property valuation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 INVESTMENT PROPERTIES (continued)

(iii) The group has no restrictions on the realisability of its investment properties.

(iv) Fair value hierarchy disclosures for investment properties have been provided in note 43.

(v) Capitalised finance cost is calculated based on the actual qualifying expenditures related to the projects under development, that is part of the investment properties.

(vi) Included in investment properties are certain properties with a fair value of QR 8,380,638 thousand at 31 December 2020 (31 December 2019: QR 8,988,190 thousand) for which the transfer of the title deeds is in progress. The consolidated financial statements have been prepared on the basis that the beneficial interest of these investment properties resides with the group.

(vii) Description of valuation techniques used by the group and key inputs to valuation of the most significant investment properties are as follows:

Type of properties	*Valuation technique*	*Significant unobservable inputs*	*Range (weighted average)* 2020	2019
Commercial properties	DCF method	Estimated rental value per sqm per month	QR 20-293	QR 20-250
		Rent growth p.a.	0%-0%	0%-2.5%
		Long-term vacancy rate	0%-15%	0%-25%
		Discount rate	6.90% - 7.30%	7.50% - 7.90%
		Market cap	7.30%	7.50%
Residential properties	DCF method	rental value per unit per month:		
		Labour accommodation / Residential (non-premium) rental value per room/unit	QR 350 – 7,500	QR 350 – 8,115
		Residential (Premium) - rental value per unit	QR 9,000- 22,250	QR 9,000-22,250
		Rent growth p.a.	0%-0%	0%-2.5%
		Long-term vacancy rate	0%-25%	0%-30%
		Discount rate	5.95% - 7.30%	7.30% - 7.90%
		Market cap	7.30%	7.50%
Land Bank	Direct comparison	Estimated land value per sqm	QR 960 – 11,044	QR 1,050 – 13,090

Discounted Cash Flow Method (DCF): The most commonly used technique for assessing Market Value within the income approach is discounted cash-flow. This is a financial modelling technique based on explicit assumptions regarding the prospective cash-flow to a property or business and the costs associated with being able to generate the income. A market-derived discount rate is applied to estimated cash flows to establish a present value of the income stream. This Net Present Value ("NPV") is an indication of market value.

Direct Comparison Approach: This approach involves a comparison of the subject property to similar properties that have actually been sold in arms'-length transactions or are offered for sale. This approach demonstrates what buyers have historically been willing to pay (and sellers willing to accept) for similar properties in an open and competitive market and is particularly useful in estimating the value of the land and properties that are typically traded on a unit basis. Generally, the opinion on value is based on evidence of open market transactions in similar property with adjustments of the comparable to differentiate the differences between the subject property and the comparable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 INVESTMENT PROPERTIES (continued)

(viii) Operating leases in which the Group is a lessor, relate to investment properties owned by the Group with lease term of between 1 to 18 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. Minimum lease collections under operating leases of investment properties not recognised in the consolidated financial statements are receivable as follows:

	2020 QR'000	*2019 QR'000*
Within 1 year	714,851	1,007,011
Between 1 and 5 years	1,705,689	1,562,091
More than 5 years	2,053,702	2,350,507
Total	4,474,242	4,919,609

There has been no change to the valuation technique during the year. Details of the Group's investment properties and information about the fair value hierarchy as at the end of the reporting period are as follows:

December 31, 2020	*Fair Value QR'000*	*Level 2 QR'000*	*Level 3 QR'000*
Vacant land	8,073,156	-	8,073,156
Completed properties	17,935,892	-	17,935,892
Under construction properties	2,149,234	-	2,149,234
	28,158,282	-	28,158,282

December 31, 2019	*Fair Value QR'000*	*Level 2 QR'000*	*Level 3 QR'000*
Vacant lands	8,664,130	-	8,664,130
Completed properties	16,521,456	-	16,521,456
Under construction properties	1,412,732	-	1,412,732
	26,598,318	-	26,598,318

For all investment property that is measured at fair value, the current use of the property is considered the highest and best use. In Addition, there were no changes in valuation techniques during the year.
As at 31 December 2020, property with an aggregate value of QR.10,012,690 thousand (2019: QR.7,306,165 thousand) is held under lease agreements. Future lease payments are presented in Note 21.
For right-of-use assets that are classified as investment property, the Group expects to make use of the full lease terms which typically vary between 1 and 99 years.

The fair value of investment properties disclosed in the consolidated financial statements represent the value of the properties estimated by the independent valuers adjusted for assets or liabilities separately recognized in the consolidated statement of financial position, in accordance with International Financial Reporting Standards.

12 INVESTMENT PROPERTIES (continued)

Accounting policy

Recognition of investment properties

Investment property comprises completed property and property under construction or re-development that is held to earn rentals or for capital appreciation or both rather than for sale in the ordinary course of business or for use in administratve function. Property held under a lease contract is classified as investment property when the definition of an investment property is met.

Investment property is measured initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair values are included in the consolidated statement of profit or loss in the year in which they arise.

Investment property is derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment property are recognised in the consolidated statement of profit or loss in the year of retirement or disposal.

Gains or losses on the disposal of investment property are determined as the difference between net disposal proceeds and the carrying value of the asset.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sell.

For a transfer from investment property carried at fair value to owner-occupied property or trading properties, the property's deemed cost for subsequent accounting in accordance with IAS 16 “Property, plant and equipment” or IAS 2 “Inventories” shall be its fair value at the date of change in use.

For a transfer from trading properties to investment property that will be carried at fair value, any difference results between the fair value of the property at that date and its previous carrying amount shall be recognized in the consolidated statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 INVESTMENT PROPERTIES (continued)

Critical accounting judgments and estimates:

Classification of property

The group determines whether a property is classified as investment property or trading property. Investment property comprises land and buildings (principally residential, commercial and showrooms) which are not occupied substantially for use by, or in the operations of the group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.

For a property that is partially used in the operations of the Group, the Group accounts for the portion used by the Group companies as property and equipment, based on the proportion of the square area of that portion. In management's judgement, different portions of such property can be sold separately or leased out separately under a finance lease arrangement.

Valuation of investment property

Investment properties are stated at fair value. The group used external independent valuers to determine the fair value of the investment properties in addition to the properties that are being valued by the management. The independent valuers uses the market situations, estimated yield and expected future cash flows and the recent real estate transactions with similar characteristics and location of properties for the valuation of investment properties.

Sensitivity analysis

At 31 December 2020, if discount rate for investment properties (valued using discounted cash flow method) had been higher/lower by 1% with all other variables held constant, the calculated fair valuation gains (losses) on investment properties for the year would have been QR 2,044,124 thousand lower and QR 2,412,942 thousand higher mainly as a result of lower/higher (higher/lower) fair value gain (loss) on investment properties.

At 31 December 2020, if market capitalization for investment properties (valued using discounted cash flow method) had been higher/lower by 1% with all other variables held constant, the calculated fair valuation gains (losses) on investment properties for the year would have been QR 766,104 thousand lower and QR 1,009,312 thousand higher mainly as a result of lower/higher (higher/lower) fair value gain (loss) on investment properties.

At 31 December 2020, if price per square foot for investment properties (valued using market approach) had been higher/lower by 1% with all other variables held constant, the calculated fair valuation gains (losses) on investment properties for the year would have been QR 84,715 thousand lower/higher (higher/lower) mainly as a result of higher/lower fair value gain (loss) on investment properties.

At 31 December 2020, if rental rates for investment properties (valued using discounted cash flow method) had been higher/lower by 1% with all other variables held constant, the calculated fair valuation gains (losses) on investment properties for the year would have been QR 229,424 thousand lower/higher (higher/lower) mainly as a result of higher/lower fair value gain (loss) on investment properties.

Fair value of the investment properties is also sensitive to the following inputs:

- Occupancy rates;
- Operating expenses and
- Other key estimates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Furniture and fixtures	Leasehold improvements	Cooling plants	Other fixed assets	Total
	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000
Cost							
At 1 January 2019	175,561	404,808	221,113	119,784	234,658	120,725	1,276,649
Additions	-	-	*5,233*	*859*	*102*	*4,037*	*10,231*
Reclassifications	301	-	-	(158)	-	(143)	-
Transfer to investment properties (note 12)	-	(7,474)	-	-	-	(135)	(7,609)
Foreign exchange adjustment	463	306	92	27	-	13	901
Write off	-	-	(254)	-	-	(11,399)	(11,653)
At 31 December 2019	176,325	397,640	226,184	120,512	234,760	113,098	1,268,519
Accumulated depreciation							
At 1 January 2019	-	67,131	178,005	88,458	58,487	93,533	485,614
Charge for the year	-	9,080	203	1,175	-	4,134	14,592
Charged in operating expenses (note 29)	-	6,388	14,417	14,667	9,383	5,668	50,523
Impairment (Note 32)	-	-	-	3,712	-	1,140	4,852
Transfer to investment properties (note 12)	-	(2,070)	-	-	-	-	(2,070)
Foreign exchange adjustment	-	127	85	19	-	10	241
Write off	-	-	(254)	-	-	(11,399)	(11,653)
At 31 December 2019	-	80,656	192,456	108,031	67,870	93,086	542,099
Net Book Value at 31 December 2019	176,325	316,984	33,728	12,481	166,890	20,012	726,420
Cost							
At 1 January 2020	176,325	397,640	226,184	120,512	234,760	113,098	1,268,519
Additions	-	-	2,245	1,270	2,228	8,580	14,323
Disposals	-	-	(64)	-	-	(69)	(133)
Foreign exchange adjustment	3,326	1,371	403	(36)	-	(1)	5,063
At 31 December 2020	179,651	399,011	228,768	121,746	236,988	121,608	1,287,772
Accumulated depreciation							
At 1 January 2020	-	80,656	192,456	108,031	67,870	93,086	542,099
Charge for the year	-	17,600	2,660	800	-	4,914	25,974
Charged in operating expenses (note 29)	-	6,389	14,300	7,823	9,380	5,695	43,587
Disposals	-	-	(64)	-	-	(69)	(133)
Impairment loss (note 32)	-	-	-	-	-	761	761
Foreign exchange adjustment	-	301	37	(25)	-	(4)	309
At 31 December 2020	-	104,946	209,389	116,629	77,250	104,383	612,597
Net Book Value at 31 December 2020	179,651	294,065	19,379	5,117	159,738	17,225	675,175

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 PROPERTY, PLANT AND EQUIPMENT (continued)

Accounting policies:

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of related equipment.

Depreciation is recognised in the consolidated statement of profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. 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 is not depreciated.

The estimated useful lives of the depreciable assets are as follows:

Buildings	20-33 years
Furniture and fixtures	3-7 years
Motor vehicles	5 years
Computers software and hardware	3-5 years
Office equipment	3 years
Leasehold improvements	3 years
Cooling plants	25 years

The assets' useful lives and residual values are reviewed and adjusted as appropriate at each reporting date.

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

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalized and the carrying amount of the component that is replaced is written off. Other subsequent expenditures are capitalized only when they increase the future economic benefits of the related item of property, plant and equipment. All other expenditures are recognized in the consolidated statement of profit or loss as incurred. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the consolidated statement of profit or loss in the year the asset is derecognized. Gains and losses on disposals are determined by comparing proceeds with carrying amount.

Critical accounting judgments and estimates:

Useful lives of property, plant and equipment

The group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset, physical wear and tear as well as technical and commercial obsolescence.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 RIGHT-OF-USE ASSETS

The Company leases several buildings . The remaining lease term is 1 year.

	Buildings
	QR'000
Cost	
At 1 January 2019	80,449
Additions	-
Translation adjustments	47
At 31 December 2019	80,496
Accumulated amortisation	
At 1 January 2019	-
Charge for the year	(30,934)
At 31 December 2019	(30,934)
Net Book Value at 31 December 2019	49,562
Cost	
At 1 January 2020	80,496
Additions	-
Translation adjustments	5
At 31 December 2020	80,501
Accumulated amortisation	
At 1 January 2020	(30,934)
Charge for the year	(30,887)
At 31 December 2020	(61,821)
Net Book Value at 31 December 2020	18,680

Amounts recognised in consolidated statement of profit or loss during the year is summarized as follows:

	2020	*2019*
	QR'000	*QR'000*
Amortisation of right-of-use assets	30,887	30,934

At December 31, 2020, the Group is committed to QR. Nil (2019: Nil) for short-term leases.

The Group had total cash outflows for leases of QR. 21,142 thousand in 2020 (QR. 41,880 thousand in 2019). Apart from the right of use assets and lease liabilities accounted for under IAS40, the Group also had non-cash additions to right-of-use assets and lease liabilities of QR. nil in 2020 (QR.Nil in 2019).

Critical accounting judgments and estimates

Determining the lease term with renewal options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). No potential future cash outflows due to non-existence of an extension option.

14 RIGHT-OF-USE ASSETS (continued)

Critical accounting judgments and estimates (continued)

• Property lease classification – the Group as lessor

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

• Amortisation of right of use assets

Right-of-use assets are amortised over the lease term of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is amortised over the useful life of the underlying asset. The amortisation starts at the commencement date of the lease.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Discounting of lease payments
The lease payments are discounted using the Group's incremental borrowing rate ("IBR").

15 INVESTMENTS IN ASSOCIATES

The group has the following investments in associates:

	Nature of operation	Country of incorporation	Ownership% 2020	Ownership% 2019
Al Imtiaz Investment Company (K.S.C)	Investment	Kuwait	24.4%	24.4%
Emdad Equipment Leasing Company	Leasing	Qatar	22.08%	22.08%
Al Damaan Islamic Insurance Company	Insurance	Qatar	20%	20%
Smeet Investment Company W.L.L.	Manufacturing	Qatar	47.37%	47.37%
Tanween Company W.L.L.	Consultancy services	Qatar	40%	40%
Bait Al Mashura Financial Consulting Co.	Consultancy services	Qatar	20%	20%
Panceltica Holding Limited (i)	RE Development	UK	26%	26%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 INVESTMENTS IN ASSOCIATES (continued)

The following table illustrates the summarised financial information of the group's investment in associates:

	2020 *QR'000*	*2019* *QR'000*
Total group's share of the associates' statement of financial position:		
Total assets	1,702,877	1,719,173
Total liabilities	(982,219)	(910,801)
Upstream profit	(232,498)	(232,498)
Impairment losses	(32,667)	(45,927)
Group share of net assets of associates	455,493	529,947
Carrying amount of the investments	455,493	529,947
Group's share of associates' revenues and results:		
Revenues	333,253	534,119
Results	(70,887)	63,949

Reconciliation of the summarized financial information presented to the carrying amount of its interest in associates are as follows:

At 31 December 2020 Name of investee	Total assets QR'000	Total liabilities QR'000	Equity attributable to owners of the Company QR'000	Non-controlling interests QR'000	% of ownership	Carrying value of the investments QR'000
Al Imtiaz Investment Co. (K.S.C)	4,409,826	2,059,517	2,350,309	405,157	24.4%	573,475
Al Damaan Islamic Insurance Co.	626,467	223,718	402,749	-	20%	80,550
Smeet Investment Company W.L.L.	803,281	774,409	28,872	-	47.37%	13,676
Tanween Company W.L.L.	300,633	169,473	131,160	5,280	40%	52,464
Bait Al Mashura Financial Consulting Co.	4,100	1,529	2,571	-	20%	493
Total						720,658
Less: Upstream profit						(232,498)
Less: Impairment losses						(32,667)
Group share of net assets of associates						455,493

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 INVESTMENTS IN ASSOCIATES (continued)

At 31 December 2019

Name of investee	Total assets QR'000	Total liabilities QR'000	Equity attributable to owners of the Company QR'000	Non-controlling interests QR'000	% of ownership	Carrying value of the investments QR'000
Al Imtiaz Investment Co. (K.S.C)	4,558,824	1,953,923	2,604,901	450,781	24.40%	635,596
Emdad Equipment Leasing Company	69,941	35,385	34,556	-	22.08%	7,630
Al Damaan Islamic Insurance Co.	558,353	181,258	377,095	-	20%	75,419
Smeet Investment Company W.L.L.	844,067	775,211	68,856	-	47.37%	32,617
Tanween Company W.L.L.	203,606	42,923	160,683	5,322	40%	64,273
Bait Al Mashura Financial Consulting Co.	5,943	3,605	2,338	-	20%	467
Total						816,002
Less: Upstream profit						(232,498)
Less: Impairment losses						(53,557)
Group share of net assets of associates						529,947

(i) Based on impairment testing carried out by the management, the entire investment value of Panceltica Holding Limited and Emdad Equipment Leasing Company amounting to QR 200,935 and QR 7,630 thousand respectively was impaired during prior year(s).

Financial information relating to associates' revenues and Group's share of results of associates are as follows:

At 31 December 2020

Name of investee	Revenue QR'000	Profit / (loss) for the year QR'000	Dividend received from the associates during the year QR'000	Share of results QR'000
Al Imtiaz Investment Company (K.S.C)	138,430	(198,653)	-	(48,471)
Al Damaan Islamic Insurance Company	80,502	41,240	(4,000)	8,248
Smeet Investment Company W.L.L	587,973	(39,987)	-	(18,941)
Tanween Company W.L.L.	9,524	(29,375)	-	(11,748)
Bait Al Mashura Financial Consulting Co.	5,218	124	-	25
Group's share of associates' results				(70,887)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 INVESTMENTS IN ASSOCIATES (continued)

At 31 December 2019

Name of investee	Revenue QR'000	Profit / (loss) for the year QR'000	Dividend received from the associates during the year QR'000	Share of results QR'000
Al Imtiaz Investment Company (K.S.C)	780,467	237,898	-	58,047
Al Damaan Islamic Insurance Company	74,641	41,799	-	8,360
Smeet Investment Company W.L.L	609,338	19,299	-	11,005
Tanween Company W.L.L.	97,689	(33,757)	-	(13,503)
Bait Al Mashura Financial Consulting Co.	6,216	199	-	40
Group's share of associates' results				63,949

Reconciliation of the above summarized financial information to the carrying amount of the interest in Associates recognised in the consolidated financial statements are as under:

At 31 December 2020

Name of investee	Net assets of associate QR'000	Proportion of the Group's ownership interest in the associate QR'000	Goodwill QR'000	Other adjustments QR'000	Carrying amount of the Group's interest in the associate QR'000
Al Imtiaz Investment Co. (K.S.C)	2,350,309	573,475	-	(232,498)	340,977
Al Damaan Islamic Insurance Co.	402,749	80,550	-	-	80,550
Smeet Investment Company W.L.L.	28,872	13,676	-	(676)	13,000
Tanween Company W.L.L.	131,160	52,464	-	(31,991)	20,473
Bait Al Mashura Financial Consulting Co.	2,571	493	-	-	493
					455,493

At 31 December 2019

Name of investee	Net assets of associate QR'000	Proportion of the Group's ownership interest in the associate QR'000	Goodwill QR'000	Other adjustments QR'000	Carrying amount of the Group's interest in the associate QR'000
Al Imtiaz Investment Co. (K.S.C)	2,604,901	635,596	-	(232,498)	403,098
Emdad Equipment Leasing Company	34,556	7,630		(7,630)	-
Al Damaan Islamic Insurance Co.	377,095	75,419	-	-	75,419
Smeet Investment Company W.L.L.	68,856	32,616	-	(5,660)	26,956
Tanween Company W.L.L.	160,683	64,273	-	(40,267)	24,006
Bait Al Mashura Financial Consulting Co.	2,338	468	-	-	468
					529,947

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 INVESTMENTS IN ASSOCIATES (continued)

Accounting policy:

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

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

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

When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Profits and losses resulting from upstream and downstream transactions between the group and its associates are recognised in the group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates are changed if necessary to ensure consistency with the policies adopted by the group.

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

Dilution gains and losses arising in investments in associates are recognised in the consolidated statement of profit or loss.

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 facto control.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 INTANGIBLE ASSETS

	Goodwill (A)		*Service Concession Arrangement (B)*		*TOTAL*	
	2020 QR'000	*2019 QR'000*	*2020 QR'000*	*2019 QR'000*	*2020 QR'000*	*2019 QR'000*
At 1 January	132,411	210,180	-	1,605,096	132,411	1,815,276
Additions	-	-	-	268	-	268
Profit recognized	-	-	-	-	-	-
Impairment loss (Note 32)	-	(77,769)	-	-	-	(77,769)
Transfer to Investment Properties (Note 12)	-	-	-	(1,605,364)	-	(1,605,364)
At 31 December	132,411	132,411	-	-	132,411	132,411

(A) Goodwill

95% of the Goodwill is allocated to one of the Group's subsidiaries as a cash generating unit. the group performed its annual impairment test as at 31 December 2020 and 2019. To assess whether goodwill is impaired, the carrying amount of the real estate CGU is compared to its recoverable amount determined on a value in use basis.

Key assumptions used in value in use calculations

The recoverable amount of the real estate CGU has been determined based on a value in use calculation using free cash flow to equity projections from financial budgets approved by senior management covering a five-year period. The cash flows have been discounted by a WACC of 7.3% (2019: 7.9%). All cash flows beyond the five year period have an assumed growth rate of 2% (2019: 2%) for the CGU for the purpose of goodwill impairment testing; The strategic business plan assumes certain economic conditions and business performance, which are considered appropriate as they are consistent with current market expectations of the future. As a result of this analysis, no impairment allowances have been recognised against goodwill as at 31 December 2020 (2019: QR 77 million).

Sensitivity to changes in assumptions

Management considered alternative methods including comparable valuations using market multiples. Under these scenarios the recoverable amount of the CGU would continue to exceed its carrying value at 31 december 2020. The benchmarks of the CGU were updated to reflect the return variability projected by senior management in the five-year period.

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 basis point increase in discount rate
- 0.5 basis point decrease in growth rate to infinity
- 0.5 basis point decrease in margin over 2020 to 2024 cash periods
- 10% decrease in working capital assumptions

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 INTANGIBLE ASSETS (continued)

(B) Service Concession Arrangement

- On 14 December 2017, the Group entered into an agreement with the Ministry of Municipality and Environment (MME) to develop a labour residential project on a land leased from the MME with a total area of 1,179,114 square meters. Based on the agreement, the Group is committed to build and operate the project during the lease term of 27 years.

- The terms of the service arrangement require the Group to construct a Labour Housing Project, a bus parking area and related infrastructure and maintain and operate the property to a specified standard with a right to collect rental income at a capped rental rate. No other performance obligations have been identified. The MME has the right to unilaterally terminate the agreement for the public interest. The land along with the project will be transferred back to the MME at the end of the lease.

- During 2019 and based on changes in the facts and circumstances relating to the arrangement, the transaction ceased to meet the recognition criteria of "Service Concession Arrangement" under IFRIC 12. Accordingly the management transferred the previously recognized intangible asset to investment properties under IAS 40 (Note 12).

Accounting policies

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 TAX AND ZAKAT EXPENSES

Income tax and zakat expense are analysed as follows:

	2020 QR'000	2019 QR'000
Income tax (i)	(21,901)	(9,379)
Zakat expense (ii)	(3,542)	(4,001)
Other taxes	(1,699)	(1,382)
	(27,142)	(14,762)

Note (i):
The income tax represents amounts recognised by subsidiary companies. The major components of the income tax expense for the years ended 31 December 2020 and 2019 are:

	2020 QR'000	2019 QR'000
Current income tax		
Current income tax charge	(9,754)	(9,379)
Deferred income tax		
Relating to origination and reversal of temporary differences	(12,147)	-
Income tax expense reported in the consolidated statement of profit or loss	(21,901)	(9,379)

As per the newly issued tax law in 2019, the net profits of local Barwa Real Estate subsidiaries are subject to income taxes in the State of Qatar to the extent of the non-GCC nationals' shareholding in the Parent's listed shares. Listed companies are non-taxable. For the purpose of determining the taxable results for the year, the accounting profit of the companies were adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense. The adjustments are based on the current understanding of the existing laws, regulations and practices of each subsidiary jurisdiction. In view of the operations of the group being subject to various tax jurisdictions and regulations, it is not practical to provide a detailed reconciliation between accounting and taxable profits together with the details of the effective tax rates.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are generally recognised for all deductible temporary differences to the extent that future taxable profits will be available against which those deductible temporary differences can be utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 TAX AND ZAKAT EXPENSES (continued)

Reflected in the consolidated statement of financial position as follows:

	2020 *QR'000*	*2019* *QR'000*
Deferred tax assets	9,787	2,297
Deferred tax liabilities	(20,963)	(1,752)
	(11,176)	545

Note (ii):
Zakat expense has been charged on one of the group's subsidiaries in the Kingdom of Saudi Arabia.

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior period.

	Fair valuation of investment properties *QR'000*
At Jan 01, 2019	556
Charge to profit or loss	-
Exchange differences	(11)
At Jan 01, 2020	545
Charge to profit or loss	(12,147)
Exchange differences	426
At 31 December 2020	(11,176)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 TAX AND ZAKAT EXPENSES (continued)

Accounting policy:

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of profit or loss, except to the extent that it relates to items recognised in the consolidated statement of other comprehensive income or directly in equity. In this case, the tax is also recognised in the consolidated statement of other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the consolidated statement of financial position date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements of the respective entity. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 PAYABLES AND OTHER LIABILITIES

Payables and other liabilities are classified into non-current and current portion as follows:

	Non-current QR'000	*Current* QR'000	*Total* QR'000
2020			
Contractors and suppliers	-	618,952	618,952
Clients advances and unearned income	-	62,929	62,929
Retention payable	76,332	48,846	125,178
Contribution to social and sports fund (Note 38)	-	30,355	30,355
Accrued expenses	-	290,307	290,307
Accrued finance cost	-	36,082	36,082
Other payables	314,021	356,425	670,446
	390,353	1,443,896	1,834,249

	Non-current QR'000	*Current* QR'000	*Total* QR'000
2019			
Contractors and suppliers	-	403,482	403,482
Clients advances and unearned income	-	68,753	68,753
Retention payable	98,973	16,598	115,571
Contribution to social and sports fund (Note 38)	-	37,569	37,569
Accrued expenses	-	256,642	256,642
Accrued finance cost	-	48,203	48,203
Other payables	381,619	359,771	741,390
	480,592	1,191,018	1,671,610

Accounting policy:

Liabilities are recognised for amounts to be paid in the future for services received or when the risks and rewards associated with goods are transferred to the Group, whether billed by the supplier or not.

Trade payables are initially recognised at fair value and subsequently measured at amortised cost using effective profit rate method.

Contribution to social and sports fund

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 PROVISIONS

	2020 QR'000	2019 QR'000
Provision for litigations	31,800	27,114
Provision for claims	11,000	33,900
At 31 December	42,800	61,014

	2020 QR'000	2019 QR'000
At 1 January	61,014	51,014
Provided during the year	44,668	10,000
Reversal during the year	(46,743)	-
Utilised during the year	(16,139)	-
At 31 December	42,800	61,014

Accounting policy:

A provision is recognised if, as a result of a past event, the group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in provision due to passage of time is recognised as net finance costs. Provisions are not recognized for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any item in the same class of obligation may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assesments of the time of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as finance cost.

20 END OF SERVICE BENEFITS

	2020 QR'000	2019 QR'000
At 1 January	101,494	109,814
Provided during the year	31,334	33,674
End of service benefits paid	(18,436)	(41,999)
Translation adjustment	61	5
At 31 December	114,453	101,494

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 END OF SERVICE BENEFITS (continued)

End of service benefits

The group operates defined benefit and defined contribution retirement plans

Defined contribution plan

With respect to its national employees and citizens of GCC states, as well as other employees in certain locations outside Qatar, the group makes contributions to the General Pension Fund Authority and similar authorities of other countries, calculated as a percentage of the employees' salaries. The group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or reduction in the future payment is available.

21 LEASE LIABILITIES

	2020 QR'000	2019 QR'000
Balance as at 1 January / 1st time adoption	330,080	362,152
Additions	68,106	49,691
Modification	5,551	(49,026)
Unwinding of deferred finance cost (Note 34)	14,415	14,633
Payments	(31,241)	(28,837)
Prepaid	(10,743)	(10,746)
Transfer to accrued lease payable	(22,877)	(4,540)
Other adjustment	-	(3,549)
Translation adjustment	1,262	302
Balance as at 31 December	354,553	330,080

Lease liabilities are further analysed as follows:

	2020	2019
Current	53,242	62,518
Non-current	301,311	267,562
Balance as at 31 December	354,553	330,080

	2020 QR'000	2019 QR'000
Maturity analysis:		
Year 1	66,806	74,912
Year 2	35,634	66,821
Year 3	36,406	35,753
Year 4	31,553	28,469
Year 5	17,254	25,697
Later than 5 years	472,694	264,198
	660,347	495,850
Deferred finance cost	(305,794)	(165,770)
	354,553	330,080

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 LEASE LIABILITIES (continued)

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored by the Group's treasury function.

During the year ended December 31, 2020, an existing land lease contract for a plot of land located in Al Khor area has been modified. The impact of the modification has been reflected in the consolidated financial statements as of December 31, 2020.

During the year, the Group agreed with the Ministry of Municipality and Environment to lease two plots of land in Al Wakra, State of Qatar, for a period of 50 years. Under the lease terms, the Group will build labor and families accommodations and operate those for the duration of the lease. While the key terms of the contract have been agreed in substance by the parties, the lease contracts are expected to be formally signed shortly. In connection with this transaction, the Group has recognized the investment properties under development with the associated fair value gain reflected in the statement of profit or loss.

22 OBLIGATIONS UNDER ISLAMIC FINANCE CONTRACTS

	2020 *QR'000*	*2019* *QR'000*
At 1 January	9,406,049	7,925,280
Additional facilities obtained	1,962,170	2,000,000
Accrued finance cost	55,160	-
Repayments	(1,346,330)	(517,724)
Deferred finance charges	5,937	(1,551)
Foreign exchange adjustment	(131)	44
	10,082,855	9,406,049

	2020 *QR'000*	*2019* *QR'000*
Un-secured facilities	10,105,478	9,434,609
Deferred finance charges	(22,623)	(28,560)
	10,082,855	9,406,049
The above balance is analyzed as follows:		
Non-current portion	7,929,405	8,332,020
Current portion	2,153,450	1,074,029
	10,082,855	9,406,049

As of December 31, 2020, the Group does not have any borrowings at FVTPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 OBLIGATIONS UNDER ISLAMIC FINANCE CONTRACTS (continued)

Following is a summary of the terms of the borrowings at year end:

Currency	Original currency	Maturity	Profit	Profit rate	*2020* QR'000	*2019* QR'000
USD	US 1,776 million	2021-2026	Floating	Libor + margin	6,466,875	6,978,609
QAR	QR 3,638 million	2026-2028	Floating	QMRL +/- margin	3,638,603	2,456,000
					10,105,478	9,434,609

During the year, and as a result of the various market efforts to mitigate the impact of the COVID 19 pandemic, the Group successfully negotiated insignificant changes in the repayment schedule of certain borrowings. The Group concluded that none of these changes represent a substantial modification of borrowings under IFRS 9.

The Group has not breached any loan covenant during 2020 and 2019.

The above facilities have been obtained for the purpose of financing long term projects and working capital requirements of the group. The facilities carry profits at rates comparable to commercial rates prevailing in the market for facilities with the same terms and conditions like the group's facilities.

Accounting policies:

Obligations under Islamic financing contracts are recognized initially at fair value of the consideration received, less directly attributable transaction costs. Subsequent to initial recognition, those obligations are measured at amortized cost using the effective profit rate method.

Gains or losses are recognized in the consolidated statement of profit or loss when the liabilities are derecognized as well as through the amortization process. Finance cost and other related charges are recognized as an expense when incurred.

Fees paid on the establishment of Islamic facilities are recognised as transaction costs of the financing to the extent that it is probable some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as prepayment for liquidity services and amortised over the period of the facility to which it relates.

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognised in profit or loss as the modification gain or loss within other gains and losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 OBLIGATIONS UNDER ISLAMIC FINANCE CONTRACTS (continued)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from a different lender or same lender but on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

23 SHARE CAPITAL

	2020 No of shares (Thousands)	*2019 No of shares (Thousands)*
Authorised shares:		
Ordinary shares of QR 1 each (i)	3,891,246	3,891,246

	No of shares (Thousands)	*QR'000*
Ordinary shares issued and fully paid up:		
At 1 January 2019	3,891,246	3,891,246
At 31 December 2019 (i)	3,891,246	3,891,246
At 31 December 2020	3,891,246	3,891,246

(i) Share split

Please refer to note 35 (i) for more details about the implementation of the share split with effect from 1 July 2019.

All shares have equal rights except for one preferred share which is held by Qatari Diar Real Estate Investment Company Q.S.C. that carries preferred rights over the financial and operating policies of the Company.

Accounting policies:

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased (treasury shares), the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity until the shares are cancelled or reissued. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented separately in the equity.

24 LEGAL RESERVE

In accordance with the requirements of the Qatar Commercial Companies Law No. 11 of 2015 and the Articles of Association of the Parent and it's subsidiaries, an amount equal to 10% of the net profit for the year should be transferred to a legal reserve each year until this reserve is equal to 50% of the paid up share capital. The reserve is not available for distribution except in the circumstances stipulated in the above law and the Articles of Association of the Parent and it's subsidiaries. In accordance with their article of associations, and statutory laws requirements, the group companies are transferring a specific percentage from their annual net profit to the legal reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 GENERAL RESERVE

In accordance with the parent's articles of association, the premium on issue of share capital is added to general reserve. In addition, residual annual profits, after the required transfer to legal reserve (Note 24), can be appropriated and transferred to general reserve based on the general assembly meeting's approval.

	2020 QR'000	2019 QR'000
Balance at 1 January	4,639,231	4,639,231
Movement during the year	-	-
At 31 December	4,639,231	4,639,231

26 OTHER RESERVES

	2020 QR'000	2019 QR'000
Fair value reserve (i)	(149,790)	(179,781)
Translation reserve	(189,451)	(221,517)
Other reserve	(950)	-
At 31 December	(340,191)	(401,298)

(i) Fair value reserve:
The fair value reserve comprises the cumulative net change in the fair value of financial assets at fair value through other comprehensive income.

	2020 QR'000	2019 QR'000
Balance at 1 January	(179,781)	(174,606)
Movement during the year	29,991	(5,175)
At 31 December	(149,790)	(179,781)

27 RENTAL OPERATION EXPENSES

	2020 QR'000	2019 QR'000
Staff costs	16,369	22,105
Rent expenses	848	15,915
Maintenance and utilities expense	187,924	210,896
Property management expense	68,973	21,065
Facility management expense	1,006	5,706
Other expenses	14,887	7,562
	290,007	283,249

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 RENTAL INCOME AND INCOME FROM CONSULTANCY AND OTHER SERVICES

28.1 RENTAL INCOME

	2020 QR'000	*2019 QR'000*
Gross rental income	1,331,477	1,120,514
tenant incentives "net"	2,654	59,067
Net rental income	1,334,131	1,179,581

Rental income include income from ancillary and other related services of QR 74,319 thousand (2019: QR 74,626 thousand)

28.2 INCOME FROM CONSULTANCY AND OTHER SERVICES

	2020 QR'000	*2019 QR'000*
Income from consultancy services (i)	159,147	139,956
Revenue from hotel operation	56,166	133,481
Revenue from cooling services	56,076	56,459
Secondment income (i)	31,428	26,348
	302,817	356,244

(I) Income from consultancy and other services are further analyzed as follows :

	2020 QR'000	*2019 QR'000*
Point-in time revenue	13,698	5,811
Over time revenue		
Consultancy revenue	103,980	114,878
Property management Revenue	19,859	20,702
Facility management revenue	53,038	24,913
Revenue from hotel operation	56,166	133,481
Revenue from cooling services	56,076	56,459
	302,817	356,244

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 RENTAL INCOME AND INCOME FROM CONSULTANCY AND OTHER SERVICES (continued)

28.2 INCOME FROM CONSULTANCY AND OTHER SERVICES (continued)

Accounting policies:

Consultancy income

The Group renders project management services and advisory services to other companies; income is recognised in the accounting period in which the services are rendered by reference to the stage of completion of the specific transaction and assessed on the basis of the actual services (measured by hours using time sheets) provided on agreed rates.

Services revenues

Revenues from services rendered are recognized in the consolidated statement of profit or loss by reference to the stage of completion of the specific transaction and assessed on the basis of the actual service provided as proportion of the total services to be provided. Revenue earned but not invoiced at year end is accrued and included in accrued income.

Secondment income

The Group provides employees and manpower to the other companies, and the income is recognised in the accounting period in which the employees attend and join the other companies, it is measured by the time sheets that is approved by the other companies based on agreed rates with the Group .

Management considers recognizing revenue over time, if one of the following criteria is met, otherwise revenue will be recognized at a point in time:

a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
c) the Group's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

For performance obligations satisfied at a point in time, the Group considers the general requirements of control (i.e. direct the use of asset and obtain substantially all benefits) and the following non-exhaustive list of indicators of transfer of control:

- Entity has present right to payment
- Customer has legal title
- Entity has transferred legal possession
- Customer has significant risk and rewards
- Customer has accepted the asset in making their judgment, the directors considered the detailed criteria for the recognition of revenue set out in IFRS 15 and, in particular, whether the Group had transferred control of the services to the customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 CONSULTING OPERATION AND OTHER SERVICES EXPENSES

	2020 *QR'000*	*2019* *QR'000*
Staff costs	78,738	81,042
Hotel operation costs	59,241	87,910
Maintenance and utilities expense	69,596	52,655
Depreciation (Note 13)	43,587	50,523
Other expenses	15,575	10,598
	266,737	282,728

30 PROFIT ON SALE OF PROPERTY

	2020 *QR'000*	*2019* *QR'000*
Profit on sale of property	8,577	-
Profit from sale of land	-	3,344
	8,577	3,344

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 GENERAL AND ADMINISTRATIVE EXPENSES

	2020 *QR'000*	*2019* *QR'000*
Staff costs	166,690	184,084
Social contributions	3,001	4,335
Professional fee expenses	14,807	15,510
Provision expenses	9,605	10,000
Utilities expenses	4,437	5,255
Advertising and promotion expenses	369	3,531
Board of Directors remuneration and others (i)	10,610	10,610
Repair and maintenance expense	5,798	5,752
Travel expenses	25	376
Rent expenses	288	290
Government fees	1,969	2,278
Other expenses	2,092	1,281
	219,691	243,302

Note:

(i) The Directors' remuneration and others includes a proposed amount of QR 8,500 thousand subject to the approval of the company's Annual General Assembly (2019: QR 8,500 thousand, approved by the shareholders of the Company at the Annual General Meeting held on 15 April 2020).

32 NET IMPAIRMENT LOSSES

	2020 *QR'000*	*2019* *QR'000*
Impairment losses :		
Cash and bank balances	(312)	(726)
Receivables	(114,190)	(21,494)
Trading properties (Note 7)	(29,684)	(47,209)
Investment in associates	(83,287)	(18,950)
Due from related parties (Note 9)	(15,105)	(10,843)
Intangible assets (goodwill) (Note 16)	-	(77,769)
Property,plant and equipment (Note 13)	(761)	(4,852)
Reversal of impairment:		
Cash and bank balances	847	882
Receivables	16,516	16,274
Trading properties (Note 7)	-	51,380
Investment in associates	96,547	15,100
Due from related parties (Note 9)	-	243
Finance lease receivables (Note 8)	3,755	2,821
Net impairment losses	(125,674)	(95,143)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 OTHER INCOME

	2020 QR'000	2019 QR'000
Income from reversal of provisions for litigations & others	17,654	1,725
Dividend income	3,020	6,627
Gain on disposal of property, plant and equipment	82	27
Others	106,469	20,583
	127,225	28,962

Accounting policy:

Dividend income
Dividend income is recognized when the right to receive the dividend is established.

34 NET FINANCE COST

	2020 QR'000	2019 QR'000
Finance cost		
Finance cost on Islamic finance contracts	(347,804)	(435,737)
Less: capitalized finance cost (Note 7.B & 12)	83,444	143,079
	(264,360)	(292,658)
Unwinding of deferred finance cost	(26,753)	(30,675)
Finance cost - lease liability (IFRS 16) (Note 21)	(14,415)	(14,633)
Net foreign exchange loss	(2,873)	(9,370)
Finance cost for the year	(308,401)	(347,336)
Finance income		
Income from Murabaha and Islamic deposits	7,870	37,790
Net gain on debt restructure	654	1,049
Finance income for the year	8,524	38,839
Net finance cost for the year	(299,877)	(308,497)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 NET FINANCE COST (continued)

Accounting policy:

Finance income
Finance income from banks' deposits is recognized on a time apportionment basis using the effective profit rate method.

Finance costs
Finance costs are costs that the group incurs in connection with the borrowing of funds. The group capitalizes financing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. A qualifying asset for finance cost capitalization is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. The group recognizes other borrowing costs as an expense in the period incurred.

The group begins capitalizing financing costs as part of the cost of a qualifying asset on the commencement date. The commencement date for capitalization is the date when the group first meets all of the following conditions:

(a) incurs expenditures for the asset;
(b) incurs borrowing costs; and
(c) undertakes activities that are necessary to prepare the asset for its intended use or sale.

To the extent that the group borrows funds specifically for the purpose of obtaining a qualifying asset, the group determines the amount of financing costs eligible for capitalization as the actual financing costs incurred on that financing during the period less any investment income on the temporary investment of those financings, if any.

The financing costs applicable to the financing of the group that are outstanding during the period, are capitalized by applying a capitalization rate to the expenditures on that asset.

The amount of financing costs that the group capitalizes during the period is not to exceed the amount of financing costs it incurred during that period. The group suspends capitalization of borrowing costs during extended periods in which it suspends active development of a qualifying asset, and ceases capitalizing borrowing costs when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 BASIC AND DILUTED EARNINGS PER SHARE

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

There were no potentially diluted shares outstanding at any time during the year and, therefore, the diluted earnings per share is equal to the basic earnings per share.

The following reflects the profit and share data used in the basic and diluted earnings per share computations:

	2020	*2019*
Net profit attributable to equity holders of the Parent for basic earnings (in QR'000)	1,214,188	1,502,763
Ordinary shares issued and fully paid (thousand shares) (i)	3,891,246	3,891,246
Weighted average number of shares outstanding during the year (thousand shares)	3,891,246	3,891,246
Basic and diluted earnings per share (QR)	0.31	0.39

(i) Share split

During the Extraordinary General Meeting convened on 28 March 2019, the shareholders of the Parent approved amending the par value of the ordinary shares from QR 10 per share to QR 1 per share, in line with the instructions issued by the Qatar Financial Markets Authority.

The share split has been implemented on 1 July 2019 and this has led to an increase in the number of authorised, issued and fully paid shares from 389,124,637 shares to 3,891,246,369 ordinary shares and one preferred share.

Accounting policy:

The group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees, if any.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 COMPONENTS OF OTHER COMPREHENSIVE INCOME

	2020 QR'000	2019 QR'000
Fair value reserves	29,991	(8,551)
Translation reserves	32,094	36,499
Other reserve	(950)	-
	61,135	27,948

37 DIVIDENDS

Dividends paid and proposed

	2020 QR'000	2019 QR'000
Declared, accrued and paid during the year:		
Final dividend for the year 2019, 20% of nominal value per share (2019 : final dividend for the year 2018, 25% of nominal value per share)	778,249	972,811

The shareholders of the Parent Company approved at the Annual General Meeting held on 15 April 2020 a cash dividend of 20% of nominal value per share, amounting to total of QR 778,249 thousand from the profit of 2019 (2019: cash dividend of 25% of nominal value per share; amounting to QR 972,811 thousand from the profit of 2018).

The proposed dividend for 2020 of 12.5% of nominal value per share will be submitted for formal approval at the Annual General Assembly Meeting.

Accounting policy:
The Company recognises a liability to make cash distributions to equity holders of the Parent when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the Qatar Commercial Companies Law No. 11 of 2015, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

38 CONTRIBUTION TO THE SOCIAL AND SPORTS FUND

During the year, the group appropriated an amount of QR 30,355 thousand (2019: QR 37,569 thousand) representing 2.5% of the consolidated net profit for the year attributable to Equity holders of the Parent as a contribution to the Social and Sports Fund.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39 CASH FLOW INFORMATION

39.1 Non-cash investing and financing activities are summarized as follows:

Description	*2020*	*2019*
	QR'000	*QR'000*
Transfers from trading properties to investment properties	4,567	126,802
Transfer of advances to investment properties (note 11)	-	4,832,246
Transfer from intangible assets to investment properties (note 16)	-	1,605,364

39.2 Net debt reconciliation :

Net debt analysis :	*2020*	*2019*
	QR'000	*QR'000*
Cash and cash equivalents	416,054	718,182
Short term deposits maturing after 3 months	170,460	371,596
Liquid investments	35,792	30,619
Borrowing – repayable within one year	(2,153,450)	(1,074,029)
Borrowing – repayable after one year	(7,929,405)	(8,332,020)
Net debt	(9,460,549)	(8,285,652)

Cash, deposit and liquid investments	622,306	1,120,397
Gross debt – variable finance cost rates	(10,082,855)	(9,406,049)
Net debt	(9,460,549)	(8,285,652)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40 COMPARATIVE INFORMATION

The comparative figures for the year ended 31 December 2019 have been reclassified in order to conform with the presentation for the current year. Such reclassifications have been made by the Group to improve the quality of information presented and did not have any impact on the previously reported equity and profits. Below is a summary of significant reclassifications made during the year:

	Previous presentation at 31 December 2019	Reclassifications	Current presentation
	QR'000	QR'000	QR'000
Consolidated statement of Financial Position:			
Investment properties	26,577,670	20,648	26,598,318
Right-of-use assets	72,677	(23,115)	49,562
Lease liabilities	(332,547)	2,467	(330,080)
Consolidated statement of Profit or loss:			
Net fair value gain on investment properties	1,131,425	(3,997)	1,127,428
Amortisation of right-of-use assets	(34,931)	3,997	(30,934)

41 CONTINGENT LIABILITIES

The group had the following contingent liabilities from which it is anticipated that no material liabilities will arise.

	2020	*2019*
	QR'000	*QR'000*
Bank guarantees	114,746	141,257

Litigations and claims

During the year, various legal cases were filed against the group. According to the group's Legal Counsel's best estimates, no material liabilities will arise as a result of these cases and accordingly no provisions have been made against them, except for what has been provided for in the consolidated financial statements in note 19.

42 COMMITMENTS

	2020	*2019*
	QR'000	*QR'000*
Contractual commitments with contractors and suppliers for properties under development	3,473,747	329,087
Commitments for purchase of investments and properties	8,587	8,587

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Fair values

Set out below is a comparison by class of the carrying amounts and fair value of the group's financial assets and financial liabilities that are carried in the consolidated financial statements:

	Carrying amounts		*Fair values*	
	2020	*2019*	*2020*	*2019*
	QR'000	*QR'000*	*QR'000*	*QR'000*
Financial assets				
At Amortised cost				
Bank balances (excluding cash)	748,109	1,257,197	748,109	1,257,197
Receivables	592,215	519,704	592,215	519,704
Finance lease receivables	32,427	103,770	32,427	103,770
Due from related parties	153,086	208,184	153,086	208,184
At fair value				
Financial assets at fair value through other comprehensive income	170,032	131,928	170,032	131,928
Financial assets at fair value through profit or loss	35,792	30,619	35,792	30,619
Financial liabilities				
At amortized cost				
Payables and other liabilities	(1,771,320)	(1,602,856)	(1,771,320)	(1,602,856)
Due to related parties	(192,620)	(314,174)	(192,620)	(314,174)
Obligations under Islamic finance contracts	(10,082,855)	(9,406,049)	(10,082,855)	(9,406,049)
Lease liabilities	(354,553)	(330,080)	(354,553)	(330,080)

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- The fair values of bank balances, receivables, due from related parties, payables and other liabilities and due to related parties approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Finance lease receivables are evaluated by the group based on parameters such as profit rates and individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these finance lease receivables. At the end of the reporting year, the carrying amounts of such finance lease receivables, net of allowances, approximate their fair values.
- The fair value of the quoted financial assets at fair value through other comprehensive income is derived from quoted market prices in active markets.
- The fair value of unquoted financial assets at fair value through other comprehensive income are carried at fair value.
- The fair value of obligations under Islamic finance contracts approximates its carrying amount as these facilities are repriced periodicaly to reflect market rates through revolving Murabaha finance mechanism.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Fair value measurement

The following table provides the fair value measurement hierarchy of the group's assets and liabilities.

Quantitative disclosures fair value measurement hierarchy for assets as at 31 December 2020 are as follows:

	Date of valuation	Total QR'000	*Fair value measurement using* Quoted prices in active markets Level 1 QR'000	Significant observable inputs Level 2 QR'000	Significant unobservable inputs Level 3 QR'000
Assets measured at fair value:					
Investment properties (Note 12)	31 Dec 2020	28,158,282	-	-	28,158,282
Financial assets at fair value through other comprehensive income (Note 10):					
Quoted equity shares	31 Dec 2020	112,810	112,810	-	-
Unquoted equity shares	31 Dec 2020	57,222	-	-	57,222
Financial assets at fair value through profit or loss (Note 5):					
Quoted equity shares	31 Dec 2020	35,792	35,792	-	-

Quantitative disclosures fair value measurement hierarchy for assets as at 31 December 2019 are as follows:

	Date of valuation	Total QR'000	*Fair value measurement using* Quoted prices in active markets Level 1 QR'000	Significant observable inputs Level 2 QR'000	Significant unobservable inputs Level 3 QR'000
Assets measured at fair value:					
Investment properties (Note 12)	31 Dec 2019	26,598,318	-	-	26,598,318
Financial assets at fair value through other comprehensive income (Note 10):					
Quoted equity shares	31 Dec 2019	82,131	82,131	-	-
Unquoted equity shares	31 Dec 2019	49,797	-	-	49,797
Financial assets at fair value through profit or loss (Note 5):					
Quoted equity shares	31 Dec 2019	30,619	30,619	-	-

There have been no transfers between Level 1 and Level 2 during 2020 (2019: no transfers), and no transfers into and out of Level 3 fair value measurements (2019: no transfers).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Business model assessment

Classification and measurement of financial assets depends on the results of the Solely Payments of Principal and Finance Income (SPPFI) and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

44 BASIS OF PREPARATION AND CONSOLIDATION

The principle accounting policies applied in the preparation of these consolidated financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

44.1 Basis of preparation

The consolidated financial statements of the group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and applicable requirements of Qatar Commercial Companies' Law No. 11 of 2015, as amended.

The consolidated financial statements have been prepared under the historical cost convention, except for investment properties, financial assets at fair value through profit or loss and Financial assets at fair value through other comprehensive income which have been measured at fair value.

The consolidated financial statements are presented in Qatari Riyals, which is the Group's functional and presentational currency and all values are rounded to the nearest thousand (QR'000), except when otherwise indicated.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to consolidated financial statements are disclosed in Note 47. The consolidated financial statements were authorised for issue by the directors on 15 February 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44 BASIS OF PREPARATION AND CONSOLIDATION (continued)

44.2 Basis of consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. The group applies the acquisition method to account for business combinations.

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

Acquisition-related costs are expensed as incurred.

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

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income.

Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44 BASIS OF PREPARATION AND CONSOLIDATION (continued)

44.2 Basis of consolidation (continued)

(c) Disposal of subsidiaries

When the group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

The group's subsidiaries accounting for more than 2% of the total assets and /or operational results of the group during the current or previous financial year are included in these consolidated financial statements are listed below. In addition to the below listed subsidiaries, there are number of other subsidiaries' financial statements that are consolidated into these consolidated financial statements and are accounting for less than 2% of the total assets and/or operational results of the group.

Name of subsidiary	*Country of incorporation*	*Group effective shareholding percentage* 31 December 2020	*Group effective shareholding percentage* 31 December 2019
Asas Real Estate Company W.L.L	Qatar	100%	100%
Al-Waseef Asset Management Company W.L.L.	Qatar	100%	100%
Barwa International Company W.L.L.	Qatar	100%	100%
Barwa Al Sadd Company W.L.L.	Qatar	100%	100%
Barwa Salwa Company W.L.L	Qatar	100%	100%
Barwa Al Baraha Company W.L.L.	Qatar	100%	100%
Barwa Village Company W.L.L.	Qatar	100%	100%
Masaken Al Sailiya & Mesaimeer Company W.L.L.	Qatar	100%	100%
Barwa District Cooling Company W.L.L.	Qatar	100%	100%
Qatar Real Estate Investment Company P.J.S.C.	Qatar	100%	100%
Qatar Project Management Company Q.P.S.C.	Qatar	70%	70%
Lusail Golf Development Company W.L.L.	Qatar	100%	100%
Barwa Real Estate Saudi Arabia W.L.L.	KSA	100%	100%
Madinat Al Mawater W.L.L.	Qatar	100%	100%

All the abovementioned companies' are active in real estate development except for Al Waseef Asset Management Co. which is mainly active in property & facility Management, whereas Qatar Project Management Co. is mainly active in project management.

Barwa Real Estate Company Q.P.S.C.
Consolidated financial statements
For the year ended 31 December 2020

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45 MATERIAL PARTLY-OWNED SUBSIDIARIES

The financial information of group's subsidiaries that have more than 10% of non-controlling interests are provided below:

Proportion of effective equity interest held by non-controlling interests are as follows:

Name of subsidiary	*Country of incorporation*	*31 December 2020*	*31 December 2019*
Qatar Project Management Company Q.P.S.C.	Qatar	30%	30%
Nuzul Qatar Company Limited W.L.L.	Qatar	25.5%	25.5%

	2020 QR'000	*2019 QR'000*
Accumulated balances of material non-controlling interest.		
Qatar Project Management Company Q.P.S.C.	37,343	43,973
Nuzul Qatar Company Limited W.L.L.	41,686	41,724
Profit allocated to material non-controlling interest:		
Qatar Project Management Company Q.P.S.C.	8,318	6,368
Nuzul Qatar Company Limited W.L.L.	(38)	(20)

The summarised financial information of these subsidiaries are provided below. These information are based on amounts before inter-company eliminations:

	Qatar Project Management Company Q.P.S.C. QR'000	*Nuzul Qatar Company Limited W.L.L. QR'000*
Summarised statement of profit or loss for 2020:		
Revenues and gains	133,223	-
Expenses and losses	(105,497)	*(149)*
Profit / (loss) for the year	27,726	*(149)*
Total comprehensive income / (loss)	28,089	*(149)*
Summarised statement of profit or loss for 2019:		
Revenues and gains	124,046	-
Expenses and losses	(102,819)	(78)
Profit / (loss) for the year	21,227	(78)
Total comprehensive income / (loss)	20,617	(78)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45 MATERIAL PARTLY-OWNED SUBSIDIARIES (continued)

	Qatar Project Management Company Q.P.S.C. QR'000	Nuzul Qatar Company Limited W.L.L. QR'000
Summarised statement of financial position as at 31 December 2020:		
Non-current assets	28,090	-
Current assets	161,225	409,971
Non-current liabilities	(16,090)	-
Current liabilities	(48,750)	(246,498)
Net equity	124,475	163,473
Attributable to:		
Equity holders of Parent	87,132	121,787
Non-controlling interest	37,343	41,686
Total equity	124,475	163,473
Summarised statement of financial position as at 31 December 2019:		
Non-current assets	28,631	-
Current assets	184,250	410,108
Non-current liabilities	(22,619)	-
Current liabilities	(43,685)	(246,486)
Net equity	146,577	163,622
Attributable to:		
Equity holders of Parent	102,604	121,898
Non-controlling interest	43,973	41,724
Total equity	146,577	163,622
Summarised cash flow information for the year ended 31 December 2020:		
Operating activities	14,796	-
Investing activities	(42,878)	-
Financing activities	(36,051)	-
Net decrease in cash and cash equivalents	(64,133)	-
Summarised cash flow information for the year ended 31 December 2019:		
Operating activities	18,675	(769)
Investing activities	(6,910)	-
Financing activities	(30,924)	-
Net decrease in cash and cash equivalents	(19,159)	(769)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46 FINANCIAL RISK MANAGEMENT

This note explains the group's exposure to financial risks and how these risks could affect the group's future financial performance.

Risk	Exposure arising from	Measurement	Management
Market risk	- Investments in equity securities - Borrowings - Foreign currency denominated financial assets and liabilities	Sensitivity analysis	Portfolio diversification
Credit risk	- Cash and cash equivalents - Trade receivables - Finance lease receivables - Due from related paties	- Ageing analysis - Credit ratings	Diversification of bank deposits, credit limits and letters of credit.
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities.

Objectives and policies

The group's principal financial liabilities comprise payables and other liabilities, due to related parties, obligations under Islamic finance contracts and lease liabilities. The main purpose of these financial liabilities is to raise finance for the group's operations. The group has various financial assets such as cash and bank balances, receivables, finance lease receivables, due from related parties, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income which arise directly from its operations.

The main risks arising from the group's financial instruments are market risk, credit risk, liquidity risk, operational risk, real estate risk and other risks . The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below:

Market risk

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

(a) Profit rate risk

The group's financial assets and liabilities that are subject to profit rate risk comprise bank deposits, finance lease receivables and obligations under Islamic finance contracts. The group's exposure to the risk of changes in market profit rates relates primarily to the group's financial assets and liabilities with floating profit rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46 FINANCIAL RISK MANAGEMENT (continued)
Market risk (continued)

(a) Profit rate risk (continued)

The group manages its profit rate risk through portfolio diversification relating to obligations under Islamic finance contracts and finance lease receivable.

At the reporting date the profit rate profile of the group's profit bearing financial instruments was:

	Carrying amounts	
	2020	*2019*
	QR'000	*QR'000*
Floating profit rate instruments:		
Finance Lease receivables	32,427	103,770
Fixed term deposits	200,061	814,807
Financial liabilities - Borrowings	(10,082,855)	(9,406,049)

The following table demonstrates the sensitivity of consolidated statement of profit or loss to reasonably possible changes in profit rates by 25 basis points (bps), with all other variables held constant. The sensitivity of the consolidated statement of profit or loss is the effect of the assumed changes in profit rates for one year, based on the floating rate financial assets and financial liabilities held at 31 December. The effect of decrease in profit rates is expected to be equal and opposite to the effect of the increase shown.

	Profit or loss
	+/- 25 bps
	QR'000
At 31 December 2020	- / + 24,089
At 31 December 2019	- / +23,051

In response to the announcements, the Group has set up an IBOR transition programme comprised of the work streams of risk management, tax, treasury, legal, accounting and systems. The programme is under the governance of the Chief Financial Officer who reports to the Board. The aim of the programme is to understand where IBOR exposures are within the business and prepare and deliver on an action plan to enable a smooth transition to alternative benchmark rates. The Group aims to finalize the transition and fallback plans by the end of first half of 2021.

For the Group's floating rate debt, the Group has started discussions with the local banks so that the existing finance cost rate will change to reference benchmark finance cost rate in 2021.

The Group will continue to apply the amendments to IFRS 9 until the uncertainty arising from the interest rate benchmark reforms with respect to the timing and the amount of the underlying cash flows of the Group is exposed to ends. The Group has assumed that this uncertainty will not end until the Group's contracts that reference IBORs are amended to specify the date on which the interest rate benchmark will be replaced, the cash flows of the alternative benchmark rate and the relevant spread adjustment. This will in part be dependent on the introduction of fall back clauses which have yet to be added to the Group's contracts and the negotiation with the lenders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46 FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

(b) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The group's exposure to the risk of changes in foreign exchange rates relates primarily to the group's operating activities and the Group's net investment in foreign subsidiaries.

The group had the following net exposure denominated in foreign currencies:

	2020 QR'000 Assets (Liabilities)	*2019 QR'000 Assets (Liabilities)*
EURO	(1,396)	(792)
KWD	(17,189)	(17,195)
GBP	100,215	107,338
TRY	6,440	7,337
EGP	(6,267)	(7,138)
AED	(2,000)	(1,995)
SAR	(101,882)	(83,490)
USD	(5,973,571)	(6,341,114)

The group has limited exposure to foreign exchange risks arising from balances dominated in US Dollars as the Qatari Riyal is pegged to the US Dollar.

The Group is mainly exposed to the currencies listed above. The following table details the Group's sensitivity to a 5% increase and decrease in currency units against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46 FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

(b) Foreign currency risk (continued)

A positive number below indicates an increase in profit and other equity where currency units strengthens 5% against the relevant currency. For a 5% weakening of currency units against the relevant currency, there would be a comparable impact on the profit and other equity, and the balances below would be negative.

	2020 QR'000 +/- 5%	*2019 QR'000 +/- 5%*
EURO	(70)	(40)
KWD	(859)	(860)
GBP	5,011	5,367
TRY	322	235
EGP	(313)	(357)
AED	(100)	(100)
SAR	(5,094)	(4,175)
USD	(298,679)	(317,055)

(c) Equity price risk

The following table demonstrates the sensitivity of consolidated statement of profit or loss and the fair value reserve to reasonably possible changes in quoted equity share prices, with all other variables held constant. The effect of decrease in equity prices is expected to be equal and opposite to the effect of the increase shown.

	Changes in market indices	*Effect on profit QR'000*	*Effect on equity QR'000*
2020			
Financial assets at fair value through other comprehensive income — Quoted	+10%	-	11,281
Financial assets at fair value through profit or loss	+10%	3,579	3,579
2019			
Financial assets at fair value through other comprehensive income — Quoted	+10%	-	8,213
Financial assets at fair value through profit or loss	+10%	3,062	3,062

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46 FINANCIAL RISK MANAGEMENT (continued)

Credit risk

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

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

	2020 *QR'000*	*2019* *QR'000*
Bank balances	748,109	1,257,197
Receivables	592,215	519,704
Finance lease receivables	32,427	103,770
Due from related parties	153,086	208,184
	1,525,837	2,088,855

The maximum exposure to credit risk at the reporting date by geographic region was as follows:

	Carrying amounts				
	Domestic *QR'000*	*Other GCC countries* *QR'000*	*European countries* *QR'000*	*North Africa* *QR'000*	*Total* *QR'000*
2020					
Bank balances	688,141	15,171	37,226	7,571	748,109
Receivables	564,861	17,099	9,251	1,004	592,215
Finance lease receivables	32,427	-	-	-	32,427
Due from related parties	152,266	250	-	570	153,086
	1,437,695	32,520	46,477	9,145	1,525,837

	Carrying amounts				
	Domestic *QR'000*	*Other GCC countries* *QR'000*	*European countries* *QR'000*	*North Africa* *QR'000*	*Total* *QR'000*
2019					
Bank balances	1,168,123	49,015	33,554	6,505	1,257,197
Receivables	490,013	13,882	11,284	4,525	519,704
Finance lease receivables	103,770	-	-	-	103,770
Due from related parties	207,747	6	-	431	208,184
	1,969,653	62,903	44,838	11,461	2,088,855

The Group monitors its exposure to credit risk on an on-going basis and based on the management's assessment and historic default rates, the Group believes that impairment allowance of QR 322,565 thousand (2019: QR 213,977 thousand) is sufficient against financial assets as at the reporting date. Financial assets include certain balances that are overdue but in management's view are not impaired as at the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46 FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

The group reduces the exposure of credit risk arising from bank balances by maintaining bank accounts in reputed banks. 95% (2019: 93%) of bank balances represents balances maintained with local banks in Qatar with a good rating.

Credit quality of financial assets

Certain trade and other receivables and due from related parties have no external rating available and there is no formal internal credit rating established by the Group, so the credit quality of these financial assets cannot be disclosed by the management.

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and other receivables as well as finance lease receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

As at 31 December 2020, 87% of the total finance lease receivables balance (2019: 93%) is due from a single customer who is a government related entity.

To assess the credit risk for its main customers, the Group usually refers to external credit rating agencies (e.g. Moody's, S&P, Fitch Ratings), if available, to assess the probability of default for these customers. Governmental institutions and the externally rated institutions within category A and B credit ratings constitutes of 72% of the trade receivable balance net of provision as of 31 December 2020 (2019: 83%).

The Group does not hold any collateral or other credit enhancements to cover it credit risks associated with its financial assets.

The credit quality of financial assets that are neither past due nor impaired is assessed by reference to historical information. Credit risk from balances with banks is managed by the finance department of the Group in accordance with the Group's policy. The external long term credit ratings of the banks are as follows:

	2020 *QR'000*	*2019* *QR'000*
A+	185,964	675,519
A1	299,476	200,802
A	44,350	337,963
A-	56,768	-
A2/PRIME-1	135,701	-
B	3,972	-
Others	21,878	42,913
Total	748,109	1,257,197

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46 FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognizing expected credit losses
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery	Amount is written off

Liquidity risk

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

The group's objective is to maintain a balance between continuity of funding and flexibility through the use of group's own reserves and bank facilities. The group's terms of revenue require amounts to be collected within 30 days from the invoiced date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46 FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

The table below summarizes the maturity profile of the group's undiscounted financial liabilities at 31 December based on contractual payment dates and current market profit rates:

2020	*Carrying amounts QR'000*	*Contractual cash out flows QR'000*	*Less than 1 year QR'000*	*1- 2 years QR'000*	*2 - 5 years QR'000*	*More than 5 years QR'000*
Payables and other liabilities	1,771,320	1,834,279	1,403,068	167,611	263,600	-
Due to related parties	192,620	192,620	192,041	579	-	-
Lease liabilities	354,553	660,347	66,806	35,634	85,213	472,694
Obligations under Islamic finance contracts	10,082,855	10,989,314	2,424,461	2,469,734	4,468,666	1,626,453
	12,401,348	13,676,560	4,086,376	2,673,558	4,817,479	2,099,147

2019	*Carrying amounts QR'000*	*Contractual cash out flows QR'000*	*Less than 1 year QR'000*	*1- 2 years QR'000*	*2 - 5 years QR'000*	*More than 5 years QR'000*
Payables and other liabilities	1,602,856	1,692,870	1,149,017	190,253	270,000	83,600
Due to related parties	314,174	314,174	313,595	579	-	-
Lease liabilities	330,080	498,517	76,208	68,055	90,056	264,198
Obligations under Islamic finance contracts	9,406,049	11,070,457	1,633,983	2,691,988	4,958,972	1,785,514
	11,653,159	13,576,018	3,172,803	2,950,875	5,319,028	2,133,312

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46 FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

In addition, the Group is using the combination of the cash inflows from the financial assets and the available bank facilities to manage the liquidity. The below table presents the cash inflows from the financial assets:

2020	Less than 1 yaer *QR'000*	1-2 years *QR'000*	2-5 years *QR'000*	More than 5 years *QR'000*	Total *QR'000*
Trade and other receivables	441,817	30,234	53,493	66,671	592,215
Finance lease receivables	30,805	1,622	-	-	32,427
Due from related parties	153,086	-	-	-	153,086
Investment in equity instruments	35,792	170,032	-	-	205,824
	661,500	201,888	53,493	66,671	983,552

2019	Less than 1 year *QR'000*	1-2 years *QR'000*	2-5 years *QR'000*	More than 5 years *QR'000*	Total *QR'000*
Trade and other receivables	373,311	16,616	44,244	85,533	519,704
Finance lease receivables	48,505	30,805	1,622	-	80,932
Due from related parties	208,184	-	-	-	208,184
Investment in equity instruments	30,619	131,928	-	-	162,547
	660.619	179.349	45.866	85,533	971,367

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46 FINANCIAL RISK MANAGEMENT (continued)

Operational risk

Operational risk is the risk of direct or indirect loss arising from a group of causes associated with the group's processes, personnel, technology and infrastructure, and from external factors other than market, credit and liquidity risks such as those arising from generally accepted standards of corporate behavior. Operational risks arise from all of the group's operations.

The group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each department. This responsibility is supported by the development of overall group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions.
- requirements for the reconciliation and monitoring of transactions.
- compliance with regulatory and other legal requirements and documentation of controls and procedures.
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified.
- requirements for the reporting of operational losses and proposed remedial action.
- development of contingency plans.
- training and professional development.
- ethical and business standards.
- risk mitigation, including casualty insurance of assets and against embezzlement, where this is effective.

Real estate risk

The group has identified the following risks associated with the real estate portfolio:

- The cost of the development schemes may increase if there are delays in the planning process. The group uses its own resources in the development of most of its projects, which employ experts in the specific planning requirements in the scheme's location in order to reduce the risks that may arise in the planning process, and utilizes the accumulated experience in contracting for the purpose of reducing development costs as compared to the relevant market.
- A major tenant may become insolvent causing a significant loss of rental income and a reduction in the value of the associated property (see also credit risk). To reduce this risk, the group reviews the financial status of all prospective major tenants and decides on the appropriate level of security required via rental deposits or guarantees.
- The exposure of the fair values of the portfolio to market and occupier fundamentals.

Other risks

Other risks to which the group is exposed are regulatory risk, legal risk, and reputational risk. Regulatory risk is controlled through a framework of compliance policies and procedures. Legal risk is managed through the effective use of internal and external legal advisors. Reputational risk is controlled through the regular examination of issues that are considered to have reputational repercussions for the group, with guidelines and policies being issued as appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46 FINANCIAL RISK MANAGEMENT (continued)

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of share capital, treasury shares, other reserves, general reserve and retained earnings of the group. The Board of Directors monitors the return on capital, which the group defines as net operating income divided by total shareholders' equity. The Board of Directors also monitors the level of dividends to the shareholders.

The group's main objectives when managing capital are:

- to safeguard the group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk; and
- to remain within the group's quantitative banking covenants and maintain good risk grade.

Further, the Board seeks to maintain a balance between higher targeted returns that might be possible with higher levels of financing, and the advantages and security afforded by the strong capital position of the group.

The group's net debt to equity ratio at the reporting date was as follows:

	2020 *QR'000*	*2019* *QR'000*
Finance cost bearing debts	10,082,855	9,406,049
Less: cash and bank balances	(746,157)	(1,254,716)
Net debt	9,336,698	8,151,333
Total equity (excluding legal reserve & non-controlling interests)	18,376,985	17,910,581
Net debt to equity ratio at 31 December	50.81%	45.51%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgment in applying the group's accounting policies.
This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements together with information about the basis of calculation for each affected line item are included in these consolidated financial statements.

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

- Estimation of fair value of investment properties – note 12
- Estimation of net realizable value for trading properties - note 7
- Estimation of current tax payable and current tax expense – note 17
- Estimated useful life of property, plant and equipment – note 13
- Estimated fair value of certain financial assets at fair value through other comprehensive income– note 10
- Estimation of defined benefit pension obligation – note 20
- Recognition of revenue – note 7 & note 12
- Recognition of deferred tax asset for carried forward tax losses – note 17
- Imapirment of Bank balances – Note 4
- Impairment of receivables – note 6
- Impairment of due from related parties – note 9
- Impairment of right-of-use assets – note 14
- Impairment of associates – note 15
- Impairment of goodwill – note 16
- Impairment of finance lease receivables – note 8
- Impairment of non financial assets (i)
- Consolidation decisions and classification of joint arrangements – note 44
- Classification of property – note 7, note 12 & note 13
- Determining the lease term – note 14
- Discounting of lease payments – note 14
- Going concern assessment

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(i) Impairment of non financial assets

The group assesses whether there are any indicators of impairment for all non financial assets at each reporting date. Goodwill embedded in the cost of acquisition of subsidiaries are tested for impairment annually and at other times when such indicators exist. Other non financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key assumptions used in value in use calculations:
The calculation of value in use for cash generating units relating to real estate projects are most sensitive to the following assumptions:

Gross margin
Gross margins are based on average values achieved in the period preceding the start of the budget period. These are increased over the budget period for anticipated efficiency improvements.

Discount rates
Discount rates represent the current market assessment of the risks specific to each cash generating unit, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the group and its operating segments and derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the group's investors. The cost of debt is based on the profit bearing Islamic financing, the group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

48 OTHER SIGNIFICANT ACCOUNTING POLICIES

IFRS 16 – LEASES

The Group as a lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

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

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

48 OTHER SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 16 – LEASES (continued)

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect finance cost on the lease liability (using the effective finance cost method) and by reducing the carrying amount to reflect the lease payments made.
The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating finance cost rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group made adjustments during the year related to the renewal of lease agreements.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy (not part of this Appendix).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

48 OTHER SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 16 – LEASES (continued)

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in 'Other expenses' in profit or loss (see Note 31).

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

<u>The Group's leasing activities and how these are accounted for:</u>
The Group leases various plots of land and buildings. Rental contracts are typically made for fixed periods ranging from 1 to 99 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

With effect from 1st January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic finance cost on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the rate implicit in the agreement, if applicable. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

48 OTHER SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 16 – LEASES (continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the statement of profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Fair value measurement

The group measures financial instruments, such as financial assets through profit or loss, financial assets at fair value through other comprehensive income, at fair value at each reporting date.

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

48 OTHER SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

The group's management determines the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted financial assets at fair value through other comprehensive income. The management comprises of the head of the development segment, the head of the finance team, the head of the risk management department and the managers of each property.

External valuers are involved for valuation of significant assets, such as investment properties and trading properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The management discusses and reviews, the group's external valuers, valuation techniques and assumptions used for each property.

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The management, in conjunction with the group's external valuers, also compares each changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Revenue recognition

Rental income

Rental income receivable from operating leases, less the group's initial direct costs of entering into the leases, is recognized on a straight-line basis over the term of the lease, except for contingent rental income which is recognized when it arises.

Incentives for lessees to enter into lease agreements are spread evenly over the lease term, even if the payments are not made on such a basis. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the management is reasonably certain that the tenant will exercise that option.

Amounts received from tenants to terminate leases or to compensate for dilapidations are recognized in the consolidated statement of profit or loss when they arise.

Service charges, management charges and other expenses recoverable from the tenants and income arising from expenses recharged to tenants are recognized in the period in which the services are rendered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

48 OTHER SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

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

Financial assets

The group classifies its financial assets in the following categories; financial assets at fair value through profit or loss, Financial assests carried at amortized cost, and financial assets at fair value through other comprehensive income, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a timeframe established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the group commits to purchase or sell the asset.

Financial assests carried at amortized cost

loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective profit rate method, less any impairment losses. The losses arising from impairment are recognised in the consolidated statement of profit or loss.

Financial liabilities

The group's financial liabilities include trade and other payables, due to related parties, obligations under Islamic finance contracts and lease liabilities.

Non-derivative financial liabilities

The group initially recognises financial liabilities on the date that they are originated which is the date that the group becomes a party to the contractual provisions of the instrument.

The group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

The group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective profit rate method. Other financial liabilities comprise obligations under Islamic finance contracts, due to related parties, trade and other payables and lease liabilities.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default insolvency or bankruptcy of the group or counter party.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

48 OTHER SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in costs or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective profit rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of profit or loss.

the reversal of the previously recognised impairment loss is recognised in the consolidated statement of profit or loss.

Assets classified as financial assets at fair value through other comprehensive income (FVTOCI)

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for *FVTOCI*, the cumulative losses (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated statement of profit or loss) is removed from equity and recognised in the consolidated statement of profit or loss . Impairment losses recognised in the consolidated statement of profit or loss on equity instruments are not reversed through the consolidated statement of profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as *FVTOCI* increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the consolidated statement profit or loss, the impairment loss is reversed through the consolidated statement of profit or loss.

Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a prorata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed (other than for goodwill) if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

48 OTHER SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

a) Group as a lessor

Refer to note 8.

b) Group as a lessee

Finance leases, which transfer to the group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and the reduction of the lease liability so as to achieve a constant rate of finance cost on the remaining balance of the liability. Finance charges are charged to the consolidated statement of profit or loss as they arise. The property plant and equipment acquired under finance lease is depreciated over the shorter of the useful lives and of the lease term.

Leases in which a significant portion of the risks and rewards of the ownership are retained by the lessor are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated statement of profit or loss on a straight-line basis over the lease term, except for contingent rental payments which are expensed when they arise.

Tenant deposits

Tenant deposits liabilities are initially recognised at fair value and subsequently measured at amortised cost where material. These deposits are refundable to the tenants at the end of the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

48 OTHER SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in 'Qatari Riyals' ("QR"), which is the group's presentational currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses are presented in the consolidated statement of profit or loss within 'finance income or costs'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in the consolidated statement profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equity instruments held at fair value through profit or loss are recognised in the consolidated statement profit or loss as part of the fair value gain or loss, Translation differences on non-monetary financial assets, such as equity instruments classified as *financial assets at fair value through other comprehensive income*, are included in the consolidated statement of other comprehensive income.

Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that financial position;
(b) income and expenses for each consolidated statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
(c) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

49. APPLICATION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS

49.1 New and amended IFRS Standards that are effective for the current year

Impact of the initial application of Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7.

In September 2019, the IASB issued Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7).These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms. The amendments are not relevant to the group given that it does not apply hedge accounting to its benchmark interest rate exposures.

The amendments also introduce new disclosure requirements to IFRS 7 for hedging relationships that are subject to the exceptions introduced by the amendments to IFRS 9.

Impact of the initial application of Covid-19-Related Rent Concessions Amendment to IFRS 16

In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID- 19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

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) Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and

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

In the current financial year, the Group has not applied the amendment to IFRS 16 (as issued by the IASB in May 2020).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

49. APPLICATION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

49.2 Impact of initial application of other new and amended standards on the financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after January 1, 2020, have been adopted in these financial statements.

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to References to the Conceptual Framework in IFRS Standards	January 1, 2020
The Group has adopted the amendments included in Amendments to References to the Conceptual Framework in IFRS Standards for the first time in the current year. The amendments include consequential amendments to affected Standards so that they refer to the new Framework. Not all amendments, however, update those pronouncements with regard to references to and quotes from the Framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.	
The Standards which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.	
Amendments to IFRS 3 Definition of a business	January 1, 2020
The Group has adopted the amendments to IFRS 3 for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.	
The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

49. APPLICATION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

49.2 Impact of initial application of other new and amended standards on the financial statements (continued)

The following new and revised IFRSs, which became effective for annual periods beginning on or after January 1, 2020, have been adopted in these financial statements.

New and revised IFRSs (continued)	Effective for annual periods beginning on or after
Amendments to IFRS 3 Definition of a business(continued) The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after 1 January 2020.	January 1, 2020
Amendments to IAS 1 and IAS 8 Definition of material The Group has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency.	January 1, 2020

The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

49. APPLICATION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

49.3 New and amended IFRSs in issue but not yet effective and not early adopted

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective.

New and revised IFRSs (continued)	Effective for annual periods beginning on or after
IFRS 17 Insurance Contracts	January 1, 2023

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

In June 2020, the IASB issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the IASB issued Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023.

IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start if the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

49. APPLICATION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

49.3 New and amended IFRSs in issue but not yet effective and not early adopted (continued)

New and revised IFRSs (Continued)	Effective for annual periods beginning on or after
Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Available for optional adoption/ effective date deferred indefinitely
The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.	
Amendments to IAS 1 – Classification of Liabilities as Current or Non-current	January 1, 2023. Early application is permitted.
The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.	
The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

49. APPLICATION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

49.3 New and amended IFRSs in issue but not yet effective and not early adopted (continued)

New and revised IFRSs (continued)	Effective for annual periods beginning on or after
Amendments to IFRS 3 – Reference to the Conceptual Framework The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.	January 1, 2022
Amendments to IFRS 3 – Reference to the Conceptual Framework (continued) Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination. The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.	January 1, 2022

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

49. APPLICATION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

49.3 New and amended IFRSs in issue but not yet effective and not early adopted (continued)

Amendments to IAS 16 – Property, Plant and Equipment—Proceeds before Intended Use	January 1, 2022. Early application permitted.

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

49. APPLICATION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

49.3 New and amended IFRSs in issue but not yet effective and not early adopted (continued)

New and revised IFRSs (continued)	Effective for annual periods beginning on or after
Amendments to IAS 37 – Onerous Contracts—Cost of Fulfilling a Contract	January 1, 2022. Early application permitted.
The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).	
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 1, 2021
The amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to: – changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities; and – hedge accounting.	
Change in basis for determining cash flows	
The amendments will require an entity to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform by updating the effective interest rate of the financial asset or financial liability. At 31 December 2020, the Group has QR. 6,461,308 thousand bank loans that will be subject to IBOR reform. The Group expects that the interest rate benchmark for these loans will be changed to alternative interest rate in 2021 and that no significant modification gain or loss will arise as a result of applying the amendments to these changes.	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

49. APPLICATION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

49.3 New and amended IFRSs in issue but not yet effective and not early adopted (continued)

New and revised IFRSs (continued)	Effective for annual periods beginning on or after
Hedge accounting The amendments provide exceptions to the hedge accounting requirements in the following areas. – Allow amendment of the designation of a hedging relationship to reflect changes that are required by the reform. – When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the reform, the amount accumulated in the cash flow hedge reserve will be deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined. – When a group of items is designated as a hedged item and an item in the group is amended to reflect the changes that are required by the reform, the hedged items are allocated to subgroups based on the benchmark rates being hedged. – If an entity reasonably expects that an alternative benchmark rate will be separately identifiable within a period of 24 months, it is not prohibited from designating the rate as a non-contractually specified risk component if it is not separately identifiable at the designation date. At 31 December 2020, the Group does not have any cash flow hedges. Disclosure The amendments will require the Group to disclose additional information about the entity's exposure to risks arising from interest rate benchmark reform and related risk management activities. Transition The Group plans to apply the amendments from 1 January 2021. Application will not impact amounts reported for 2020 or prior periods.	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

49. APPLICATION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

49.3 New and amended IFRSs in issue but not yet effective and not early adopted (continued)

New and revised IFRSs (continued)	Effective for annual periods beginning on or after
Amendments to IAS 37 – Onerous Contracts—Cost of Fulfilling a Contract(continued)	
The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated.	
Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.	
Annual Improvements to IFRS Standards 2018–2020 The Annual Improvements include amendments to four Standards.	
IFRS 1 First-time Adoption of International Financial Reporting Standards	January 1, 2022. Early application permitted.
The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a).	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

49. APPLICATION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

49.3 New and amended IFRSs in issue but not yet effective and not early adopted (continued)

New and revised IFRSs (continued)	Effective for annual periods beginning on or after
IFRS 9 Financial Instruments	January 1, 2022. Early application permitted.
The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.	
IFRS 16 Leases- The amendment removes the illustration of the reimbursement of leasehold improvements.	As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.
IAS 41 Agriculture	January 1, 2022. Early application permitted.
The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pretax or post-tax cash flows and discount rates for the most appropriate fair value measurement. The amendment is applied prospectively, i.e. for fair value measurements on or after the date an entity initially applies the amendment.	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

49. APPLICATION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

49.3 New and amended IFRSs in issue but not yet effective and not early adopted (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.	January 1, 2023.
Definition of Accounting Estimates (Amendments to IAS 8) The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.	January 1, 2023

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments as highlighted in previous paragraphs, may have no material impact on the consolidated financial statements of the Group in the period of initial application.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

50. COVID-19 IMPACT

Significant updates :

- The outbreak of Novel Coronavirus continues to disrupt business operations and economic activity globally. The extent and duration of the impacts depend highly on future events that cannot be accurately predicted. As the situation is rapidly evolving, the impact on the Group's activities and operations is uncertain and accordingly management estimates in the measurement of amounts reported in these financial statements remain sensitive to market fluctuations.

➢ Investment Properties

- The Group has considered the impact of Covid 19 on the valuation of investment properties based on the characteristics of the portfolio including diversification across asset categories, location and the nature of secured future cash flow. Refer note 12 for additional details on impact of Covid 19 on valuation of investment properties and management consideration.

➢ Expected Credit Losses ("ECL") and impairment of financial assets

- The uncertainties caused by COVID-19 have required the Group to reassess the inputs and assumptions used for the determination of expected credit losses ("ECLs") as at December 31, 2020. The Group has updated the relevant forward-looking information with respect to the weightage of the relevant macroeconomic scenarios of the market; increase in credit risk; and assessing the indicators of impairment for the exposures in potentially affected sectors.

➢ Commitments and contingent liabilities

- The Group has assessed the impact of any operational disruptions, including any contractual challenges and changes in business or commercial relationships among the Group entities, customers and suppliers, to determine if there is any potential increase in contingent liabilities and commitments. Refer to Notes 41 and 42.

➢ Going concern

- The Group has performed an assessment of whether going concern assumption is appropriate in the light of current economic conditions and all available information about future risks and uncertainties. The projections have been prepared covering the Group's future performance, capital and liquidity. The impact of COVID-19 may continue to evolve, but at the present time the projections show that the Group has sufficient resources to continue in operational existence and its assumption on going concern 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.

- The Group will continue to closely monitor the impact of COVID-19 as the situation progresses to manage the potential business disruption COVID-19 outbreak may have on its 'operations and financial performance in 2021.