Gulf Warehousing Company Q.P.S.C.

Consolidated financial statements

31 December 2018

Gulf Warehousing Company Q.P.S.C.

Consolidated financial statements
For the year ended 31 December 2018

Contents	**Page(s)**
Independent auditor's report	1-6
Consolidated financial statements:	
Consolidated statement of financial position	7
Consolidated statement of profit or loss and other comprehensive income	8
Consolidated statement of changes in equity	9
Consolidated statement of cash flows	10
Notes to the consolidated financial statements	11-51

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Gulf Warehousing Company Q.P.S.C.
Doha, State of Qatar

Report on the Audit of the Consolidated Financial Statements

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

INDEPENDENT AUDITOR'S REPORT (Continued)

Report on the Audit of the Consolidated Financial Statements (Continued)

Key Audit Matters (continued)

<table>
<tr><td colspan="2">Goodwill</td></tr>
<tr><td colspan="2">Refer to Note 8 to the consolidated financial statements.</td></tr>
<tr><td><u>Key Audit Matter</u></td><td><u>How the matter was addressed in our audit</u></td></tr>
<tr><td>As at 31 December 2018 the Group had on its consolidated financial position goodwill of QR 115,662,532 (2017: QR 98,315,463).

The goodwill is derived from two Cash Generating Units (CGUs): Logistics services QR 53,090,350 (2017: QR 53,090,350) and Freight forwarding services QR 62,572,182 (2017: QR 45,225,113).

The carrying value of goodwill in each of the above CGUs is subject to an annual impairment evaluation, which entails complex accounting calculations and significant judgements. In particular, the calculation of the recoverable amount of goodwill through the "value in use" guidance in the International Accounting Standard 36 "Impairment of Assets" is derived from discounted cash flow models which use several key assumptions, including estimates of future cash flows (that require estimates of future sales volumes and prices and relevant operating costs, as well as the timing of those future cash flows) to be derived from the underlying asset, and estimates about the discount rate to be used to bring those future cash flows at present value and the terminal growth rates. Thus, the annual impairment testing was considered a key audit matter.</td><td>Our audit procedures in this area included, among other things:
• evaluating the competence and capabilities of the people within the Group who performed the impairment evaluation of the goodwill;
• inquiring the people within the Group who performed the impairment evaluation of the goodwill so that we get a good understanding of the process followed;
• involving our own valuation specialists to assist in evaluating the appropriateness of the key assumptions used in the report provided by the Group on which management has based its reported amounts of the Group's goodwill in the consolidated financial statements; and
• evaluating the adequacy of the relevant disclosures in line with the relevant accounting standards in the consolidated financial statements.</td></tr>
</table>

INDEPENDENT AUDITOR'S REPORT (Continued)

Report on the Audit of the Consolidated Financial Statements (Continued)

Key Audit Matters (continued)

<table>
<tr><td colspan="2">Implementation of IFRS 9 "Financial Instruments"</td></tr>
<tr><td colspan="2">Refer to Note 2 (e) and Note 9 to the consolidated financial statements.</td></tr>
<tr><td>Key Audit Matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>We focused on this area because:

IFRS 9 "Financial Instruments" (hereafter "IFRS 9"), which the Group implemented on 1 January 2018:

- requires complex accounting treatments, including use of significant estimates and judgements for the determination of adjustments on transition; and

- resulted in significant changes to processes, data and controls that needed to be tested for the first time.

The adjustment made to the Group's retained earnings upon transition to IFRS 9 was a QAR 34,550,064 million debit, which represents 2% of the total equity of the Group as at 31 December 2018, and thus had a significant impact on its consolidated statement of financial statements.</td><td>Our audit procedures in this area included, among other things:

• Evaluating the appropriateness of the selection of accounting policies.
• Considering the appropriateness of the transition approach and practical expedients applied.
• Evaluating management's process for selection of the "expected credit loss" methodology.
• Considering management's processes and controls implemented to ensure the completeness and accuracy of the transition adjustments.
• Identifying and testing relevant controls.
• Evaluating the reasonableness of management's key judgements and estimates made in preparing the transition adjustments, specifically relating to the adjustment for the forward looking factor.
• Involving financial risk management specialist to challenge key assumptions/judgements relating to forward looking adjustments, definition of default and calculation of probability of default using net flow rates method.
• Evaluating the completeness, accuracy and relevance of data used in preparing the transition adjustments.
• Evaluating the completeness, accuracy and relevance of the transition disclosures.
• Assessing the adequacy of the Group's disclosures.</td></tr>
</table>

INDEPENDENT AUDITOR'S REPORT (Continued)

Report on the Audit of the Consolidated Financial Statements (Continued)

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Group's Annual Report of year 2018 ("Annual Report"), but does not include the consolidated financial statements and our auditor's report thereon. Prior to the date of our auditor's report, we obtained the report of the Board of Directors which forms part of the Annual Report; the Annual Report is expected to be made available to us after that date.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We have nothing to report in respect of the report of the Board of Directors.

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

Responsibilities of the Board of Directors

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (Continued)

Report on the Audit of the Consolidated Financial Statements (Continued)

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (Continued)

Report on the Audit of the Consolidated Financial Statements (Continued)

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

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

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

Report on Other Legal and Regulatory Requirements

We have obtained all the information and explanations we considered necessary for the purposes of our audit. The Company has maintained proper accounting records and its consolidated financial statements are in agreement therewith. Furthermore, the physical count of the inventories was carried out in accordance with established principles. We have read the report of the Board of Directors to be included in the Annual Report and the financial information contained therein is in agreement with the books and records of the Company. We are not aware of any violations of the Qatar Commercial Companies Law No. 11 of 2015 or the terms of the Company's Articles of Association and any amendments thereto having occurred during the year which might have had a material effect on the Company's consolidated financial position or performance as at and for the year ended 31 December 2018.

16 January 2019
Doha
State of Qatar

Yacoub Hobeika
KPMG
Auditor's Registration No.289
Licensed by QFMA: External
Auditor's license No. 120153

Gulf Warehousing Company Q.P.S.C.

Consolidated statement of financial position
As at 31 December 2018 In Qatari Riyals

	Note	**2018**	2017*
Assets			
Non-current assets			
Property, plant and equipment	5	2,589,984,829	1,960,097,114
Capital work-in-progress	6	57,453,637	769,326,117
Investment property	7	37,522,065	37,397,470
Intangible assets and goodwill	8	131,191,476	118,906,733
Refundable deposit		18,251,000	-
		2,834,403,007	2,885,727,434
Current assets			
Inventories		11,001,248	10,829,337
Trade and other receivables	9	420,217,284	525,147,090
Cash and cash equivalents	10	426,840,672	351,816,004
		858,059,204	887,792,431
Total assets		**3,692,462,211**	3,773,519,865
Equity and liabilities			
Equity			
Share capital	11	586,031,480	586,031,480
Legal reserve		552,506,803	552,506,803
Retained earnings		593,663,204	497,017,101
Equity attributable to owners of the Company		1,732,201,487	1,635,555,384
Non-controlling interests		(2,926,021)	(3,681,223)
Total equity		1,729,275,466	1,631,874,161
Liabilities			
Non-current liabilities			
Bank loans	12	1,462,338,906	1,525,481,830
Provision for employees' end of service benefits	13	36,986,130	30,895,993
		1,499,325,036	1,556,377,823
Current liabilities			
Bank loans	12	221,587,069	261,436,825
Trade and other payables	14	242,274,640	323,831,056
		463,861,709	585,267,881
Total liabilities		1,963,186,745	2,141,645,704
Total equity and liabilities		**3,692,462,211**	3,773,519,865

These consolidated financial statements were approved by the Company's Board of Directors on 16 January 2019 and were signed on its behalf by:

………………………………………….. ………………………………………..

Abdulla Fahad J J Al-Thani
Chairman

Fahad Hamad J J Al-Thani
Vice Chairman

* The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information has not been restated.

The notes on pages 11 to 51 form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2018 In Qatari Riyals

	Note	**2018**	2017*
Revenue	17	1,232,203,810	981,363,673
Direct costs	19	(814,238,946)	(617,004,237)
Gross profit		417,964,864	364,359,436
Other income	18	2,904,603	1,589,653
Administrative and other expenses	19	(112,979,219)	(104,355,604)
Provision for impairment of trade receivables reversed / (made)	9	5,900,000	(2,336,475)
Operating profit		313,790,248	259,257,010
Finance costs, net	20	(76,165,202)	(43,794,998)
Profit before tax		237,625,046	215,462,012
Income tax expense	21	(110,460)	-
Profit		237,514,586	215,462,012
Other comprehensive income		-	-
Total comprehensive income		237,514,586	215,462,012
Profit and total comprehensive income attributable to:			
Owners of the Company		236,759,384	215,462,012
Non-controlling interests		755,202	-
		237,514,586	215,462,012
Earnings per share			
Basic and diluted earnings per share	22	**4.04**	3.68

* The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information has not been restated.

The notes on pages 11 to 51 form an integral part of these consolidated financial statements.

Gulf Warehousing Company Q.P.S.C.

Consolidated statement of changes in equity
For the year ended 31 December 2018

In Qatari Riyals

	Share capital	Legal reserve	Retained earnings	Total	Non-controlling interests	Total equity
	Attributable to owners of the Company					
Balance at 1 January 2017	586,031,480	552,506,803	380,706,676	1,519,244,959	(3,681,223)	1,515,563,736
Total comprehensive income:						
Profit	-	-	215,462,012	215,462,012	-	215,462,012
Transactions with owners of the Company:						
Dividend relating to year 2016 (Note 23)	-	-	(93,765,037)	(93,765,037)	-	(93,765,037)
Total transactions with owners of the Company	-	-	(93,765,037)	(93,765,037)	-	(93,765,037)
Other movement:						
Transfer to social and sports development fund (Note 14)	-	-	(5,386,550)	(5,386,550)	-	(5,386,550)
Balance at 31 December 2017* / 1 January 2018	586,031,480	552,506,803	497,017,101	1,635,555,384	(3,681,223)	1,631,874,161
Adjustment on initial application of IFRS 9 (Note 2.e.)	-	-	(34,550,064)	(34,550,064)	-	(34,550,064)
	586,031,480	552,506,803	462,467,037	1,601,005,320	(3,681,223)	1,597,324,097
Total comprehensive income:						
Profit	-	-	236,759,384	236,759,384	755,202	237,514,586
Transactions with owners of the Company:						
Dividend relating to year 2017 (Note 23)	-	-	(99,625,352)	(99,625,352)	-	(99,625,352)
Total transactions with owners of the Company	-	-	(99,625,352)	(99,625,352)	-	(99,625,352)
Other movement:						
Transfer to social and sports development fund (Note 14)	-	-	(5,937,865)	(5,937,865)	-	(5,937,865)
Balance at 31 December 2018	**586,031,480**	**552,506,803**	**593,663,204**	**1,732,201,487**	**(2,926,021)**	**1,729,275,466**

* The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information has not been restated.

The notes on pages 11 to 51 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows
For the year ended 31 December 2018 In Qatari Riyals

	Note	2018	2017*
Cash flows from operating activities			
Profit before tax		237,625,046	215,462,012
Adjustments for:			
Fair value gains on investment property	18	(124,595)	(281,637)
Gain on sale of property, plant and equipment	18	(440,884)	(1,259,670)
Depreciation of property, plant and equipment	19	157,882,558	120,545,836
Amortisation of intangible assets	19	7,672,516	7,346,242
Provision for impairment of trade receivables (reversed) / made	9	(5,900,000)	2,336,475
Provision for employees' end of service benefits	19	9,056,023	7,665,410
Interest expense on bank loans	20	84,199,374	54,098,225
Interest income on bank deposits	20	(8,034,172)	(10,303,227)
		481,935,866	395,609,666
Changes in:			
- Inventories		(171,911)	(2,112,095)
- Trade and other receivables		62,757,854	(7,658,093)
- Trade and other payables		(103,527,921)	28,443,759
Cash generated from operating activities		440,993,888	414,283,237
Tax paid		(110,460)	-
Employees' end of service benefits paid	13	(2,965,886)	(3,276,890)
Net cash from operating activities		**437,917,542**	411,006,347
Cash flows from investing activities			
Acquisition of a subsidiary, net of cash acquired	16	(10,132,832)	-
Acquisition of property, plant and equipment	5	(43,930,167)	(41,796,848)
Payments towards capital work-in-progress	6	(31,764,392)	(249,344,578)
Proceeds from sale of property, plant and equipment		466,000	1,779,558
Interest received		10,377,605	11,798,435
Net cash used in investing activities		**(74,983,786)**	(277,563,433)
Cash flows from financing activities			
Proceeds from bank loans	12	60,949,282	113,192,467
Repayment of bank loans	12	(163,941,962)	(202,197,564)
Interest paid		(85,291,056)	(87,493,693)
Dividends paid to the Company's shareholders	23	(99,625,352)	(93,765,037)
Net cash used in financing activities		**(287,909,088)**	(270,263,827)
Net increase / (decrease) in cash and cash equivalents		**75,024,668**	(136,820,913)
Cash and cash equivalents at 1 January		351,816,004	488,636,917
Cash and cash equivalents at 31 December	10	**426,840,672**	351,816,004

* The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information has not been restated.

The notes on pages 11 to 51 form an integral part of these consolidated financial statements.

1. Legal status and principal activities

Gulf Warehousing Company Q.P.S.C. (the "Company") is incorporated in accordance with the provisions of the Qatar Commercial Companies Law No. 11 of 2015 as a Qatari Public Shareholding Company, and was registered at the Ministry of Economy and Commerce of the State of Qatar with the Commercial Registration number 27386 dated 21 March 2004. The Company's shares are listed on the Qatar Stock Exchange since 22 March 2004. The Company's name has changed from Gulf Warehousing Company Q.S.C. to Gulf Warehousing Company Q.P.S.C. during the year ended 31 December 2016 so as to comply with the Article 16 of the Qatar Commercial Companies Law No. 11 of 2015. The Company is domiciled in the State of Qatar, where it also has its principal place of business. The Company's registered office is at D Ring Road, Building number 92, Doha, State of Qatar.

The consolidated financial statements of the Company comprise the Company and its subsidiaries (together referred to as the "Group" and individually as the "Group entities").

The principal activities of the Group, which have not changed since the previous year, are the provision of logistics (warehousing, inland transportation of goods for storage, international moving and relocation, express courier and records management) and freight forwarding (land, sea or air) services.

The details of the Group's operating subsidiaries are as follows:

Name of subsidiary	Country of incorporation	Nature of business	Group effective shareholding %	
			2018	2017
Agility W.L.L.	State of Qatar	Logistics and transportation	100%	100%
GWC Global Cargo & Transport L.L.C.	United Arab Emirates	Warehousing and transportation	100%	100%
GWC Logistic S.P.C.	Kingdom of Bahrain	Operation and management of general warehouse	100%	100%
GWC Logistics Holding L.L.C.	State of Qatar	Logistics and freight forwarding	100%	100%
GWC Marine Services W.L.L	State of Qatar	Marine services	100%	100%
Qontrac Global Logistics B.V.	Netherlands	Logistics and freight forwarding	100%	-
LEDD Technologies W.L.L.	State of Qatar	Information technology services	100%	-

The Group also has following non-operational subsidiaries:

Name of subsidiary	Country of incorporation	Nature of business	Group effective shareholding %	
			2018	2017
GWC Chemicals W.L.L.	State of Qatar	Chemical trading and transportation	100%	100%
GWC Food Services W.L.L.	State of Qatar	Trading food	100%	100%
Imdad Sourcing & Logistic Group W.L.L.	State of Qatar	Trading food and other consumables	51%	51%
GWC Saudi Arabia – Branches in Riyadh, Dammam & Jeddah	Kingdom of Saudi Arabia	Preparation, development and management of warehouses	100%	100%
Gulf Warehousing Company Limited	Republic of Nigeria	Warehousing and transportation	100%	100%
GWC Express W.L.L.	State of Qatar	Courier services	100%	100%

These consolidated financial statements were authorised for issue by the Board of Directors on 16 January 2019.

2. Basis of preparation

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

b) Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment property.

This is the first set of the Group's annual financial statements in which IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" have been applied. Changes to significant accounting policies are described in Note 2 (e).

c) Functional and presentation currency

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

d) Use of judgments and estimates

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

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

Information about significant areas that involve a higher degree of judgment or complexity, or areas where assumptions or estimates have a significant risk of resulting in a material adjustment to the amounts recognised in the consolidated financial statements are as follows:

Depreciation of property, plant and equipment
Items of property, plant and equipment are depreciated over their estimated individual useful lives. The determination of useful lives is based on the expected usage of the asset, physical wear and tear, technological or commercial obsolescence and impacts the annual depreciation charge recognized in the consolidated financial statements. Management reviews annually the residual values and useful lives of these assets. Future depreciation charge could be materially adjusted where management believes the useful lives differ from previous estimates. No such adjustments were considered necessary at the end of the current year or the comparative year.

Classification of transfers between property, plant and equipment, and investment property
Judgement is needed to determine whether a property qualifies as investment property. Based on an assessment made by management, some properties of the Group comprising land and buildings were classified into investment property on the grounds that the buildings are not occupied substantially for use by or in the operations of the Group nor are for sale in the ordinary course of business, but are held primarily to earn rental income. This classification required judgement because the relevant buildings have dual purposes whereby part of the building is used for own-use activities that would result in the property being considered to be property, plant and equipment and part of the property is used as an investment property. Management has concluded that the entire property is classified as investment property because the portion of the buildings held for own use is insignificant.

Fair valuation of investment property
The fair value of investment property was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Group's investment property portfolio on yearly basis.

2. Basis of preparation (continued)

d) Use of judgments and estimates (continued)

Impairment of non-financial assets (other than inventories)
The carrying amounts of the Group's non-financial assets other than goodwill (property, plant and equipment, and capital work-in-progress) are reviewed at each reporting date to determine whether there is any indication of impairment. The determination of what can be considered impaired requires judgement. As at the reporting date, management did not identify any evidence from internal reporting indicating impairment of an asset or class of assets. Goodwill is tested annually for impairment. The determination of the recoverable amount of goodwill requires management to make significant judgments, estimations and assumptions. These are disclosed in Note 8.

Impairment of receivables
On 1 January 2018 IFRS 9 "Financial Instruments" replaced the 'incurred loss' impairment model in IAS 39 "Financial Instruments: Recognition and Measurement" with an 'expected credit loss' (ECL) impairment model. The new impairment model requires forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. It also requires management to assign probability of default to various categories of receivables. Probability of default constitutes a key input in measuring an ECL and entails considerable judgement; it is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. In the previous year, the impairment review on trade receivables was performed only for receivables for which management had an indication for impairment. That also entailed significant judgement. It was determined by reference to past default experience of a counterparty and an analysis of the counterparty's financial situation, but the "incurred loss" model disregarded entirely the current and expected future conditions. As a result, it is expected that under the new impairment model credit losses will be recognised earlier.

Business model assessment
Classification and measurement of financial assets depends on the results of the SPPI and the business model test (refer to the accounting policy "Financial instruments" in Note 3). 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 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 year.

e) New and amended standards and interpretations adopted by Group

During the current year, the below new and amended International Financial Reporting Standards ("IFRS" or "standards") and an interpretation to a standard became effective for the first time for financial years beginning on 1 January 2018:

- *IFRS 9 "Financial Instruments"*
- *IFRS 15 "Revenue from Contracts with Customers"*
- *Amendments to IFRS 2 "Share Based Payment" on classification and measurement of share based payment transactions*
- *Amendments to IFRS 4 "Insurance Contracts" in applying IFRS 9 Financial Instruments*
- *Amendments to IAS 40 "Investment property" on transfers of investment property*
- *Amendments to IFRS 1 "Adoption of International Financial Standards" and IAS 28 "Investments in Associates and Joint Ventures" based on the Annual Improvements to IFRSs 2014-2016 Cycle*
- *Interpretation made by the International Financial Reporting Interpretation Council (IFRIC) 22 "Foreign Currency Transactions and Advance Consideration"*

2. Basis of preparation (continued)

e) New and amended standards and interpretations adopted by Group (continued)

The adoption of the above new and amended standards and the interpretation to a standard had no significant on the Group's consolidated financial statements, except for the IFRS 15 "Revenue from Contracts with Customers" and the IFRS 9 "Financial Instruments" whose effects on the Group's consolidated financial statements are explained below.

Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these consolidated financial statements has not been restated to reflect the requirements of the new standards.

IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 "Revenue from Contracts with Customers" (hereafter "IFRS 15) introduced a 5-step approach to revenue recognition, which establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 "Revenue", IAS 11 "Construction Contracts" and related interpretations.

Management reviewed and assessed the Group's existing contracts with customers at 1 January 2018 and concluded that, apart from more extensive disclosures for the Group's revenue transactions (Note 17), the initial application of IFRS 15 had no significant impact on the Group's consolidated statement of financial position as at 31 December 2018 and its consolidated statement of profit or loss and other comprehensive income for the year then ended. Consequently, there were no adjustments as at 1 January 2018.

IFRS 9 "Financial instruments"

IFRS 9 "Financial instruments" (hereafter "IFRS 9"), which replaced the IAS 39 "Financial Instruments: Recognition and Measurement" (hereafter "IAS 39"), introduced new requirements for:

- The classification and measurement of financial assets and financial liabilities;
- Impairment of financial assets, and
- General hedge accounting.

Details of these new requirements as well as their impact on the Group's consolidated financial statements are described below.

Classification and measurement of financial assets and financial liabilities

Financial assets

IFRS 9 eliminated the previous IAS 39 categories of financial assets (a) loans and receivables; (b) available-for-sale; (c) held-to-maturity, and (d) Fair Value Through Profit or Loss, and replaced them with the classification categories (a) amortised cost; (b) Fair Value Through Other Comprehensive Income (FVOCI); and (c) Fair Value Through Profit or Loss (FVTPL).

The IFRS 9 classification of a financial asset is done on the basis of the business model in which a financial asset is managed and its contractual cash flow characteristics. Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding, are measured subsequently at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI on the principal amount outstanding, are measured subsequently at FVTOCI;
- equity instruments that are not held for trading, on initial recognition, the Group may irrevocably elect to present subsequent changes in their fair value in OCI. This election is made on an investment-by-investment basis; and
- all other debt investments and equity investments are measured subsequently at FVTPL.

2. Basis of preparation (continued)

e) New and amended standards and interpretations adopted by Group (continued)

Classification and measurement of financial assets and financial liabilities (continued)

Financial assets (continued)

Management reviewed and assessed the Group's existing financial assets at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Group's financial assets as regards their classification and measurement: Financial assets classified as loans and receivables (Trade receivables, other receivables, deposits and cash at bank) under IAS 39 that were measured at amortised cost continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist SPPI on the principal amount outstanding. Therefore, the change in the classification has had no impact on the Group's financial position, profit or loss, other comprehensive income or total comprehensive income in the year.

Financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. Therefore, the application of IFRS 9 has had no impact on the classification and measurement of the Group's financial liabilities.

Impairment of financial assets

IFRS 9 replaced the 'incurred credit loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The ECL model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

IFRS 9 requires the Group to recognise a loss allowance for expected credit losses on debt instruments measured subsequently at amortised cost or at FVTOCI, but not to other debt investments and equity investments that are measured subsequently at FVTPL.

As at 1 January 2018 and during the year, the Group only had debt instruments measured subsequently at amortised cost. Specifically, these were (a) trade and other receivables; and (b) cash and cash equivalents. With respect to the trade and other receivables, the Group applied the simplified approach which recognises lifetime ECL for these assets which reflects an increased credit risk. All bank balances are assessed to have low credit risk as they are held with reputable banking institutions.

Management has determined that the Group's existing trade and other receivables at 1 January 2018 required an additional impairment loss of QR 34,550,064 based on the IFRS 9 requirements. The following table summarises the impact of transition to IFRS 9 on the opening balance of retained earnings.

Line item impacted in the financial statements	As reported at 31 December 2017	Estimated adjustments due to adoption of IFRS 9	Estimated adjusted opening balances as at 1 January 2018
	QR	QR	QR
Provision for impairment of trade receivables (Note 9)	24,493,445	34,550,064	59,043,509
Retained earnings	497,017,101	(34,550,064)	462,467,037

The consequential amendments to IAS 1 "Presentation of Financial Statements", as a result of the adoption of IFRS 9, require impairment of financial assets to be presented as a separate line item in the statement of profit or loss and OCI. Previously, the Group's approach was to include the provision for impairment of trade receivables within the administrative and other expenses. Consequently, the Group reclassified the provision for impairment losses amounting to QR 2,336,475, recognised under IAS 39, from 'administrative and other expenses' to 'provision for impairment on trade receivables' on the face of the statement of profit or loss and OCI for the year ended 31 December 2017.

2. Basis of preparation (continued)

e) New and amended standards and interpretations adopted by Group (continued)

Classification and measurement of financial assets and financial liabilities (continued)

Impairment of financial assets (continued)

The consequential amendments to IFRS 7 “Financial Instruments: Disclosures” have also resulted in more extensive disclosures about the Group’s exposure to credit risk in year 2018 (see Note 4), but these were not applied to disclosures in relation to comparative information.

General hedge accounting

The Group did not have any qualifying hedging relationships in place as at 1 January 2018 or during the year.

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

The below new and amended International Financial Reporting Standards (“IFRS” or “standards”) and an interpretation to a standard that are available for early adoption for financial years beginning after 1 January 2018 are not effective until a later period, and they have not been applied in preparing these consolidated financial statements.

Effective for year beginning 1 January 2019	• *IFRS 16 “Leases”* • *Interpretation made by the International Financial Reporting Interpretation Council (IFRIC) 23 “Uncertainty over Tax Treatments”* • *Amendments to IFRS 9 “Financial Instruments” on prepayment features with negative compensation* • *Amendments to IAS 28 “Investments in Associates and Joint Ventures” on long-term interests in associates and joint ventures* • *Amendments to IAS 19 “Employee Benefits” on plan amendment, curtailment or settlement* • *Amendments to various standards based on the Annual Improvements to IFRSs 2015-2017 Cycle*
Effective for year beginning 1 January 2020	• *Amendments to references to conceptual framework in IFRS standards*
Effective for year beginning 1 January 2021	• *IFRS 17 “Insurance Contracts”*
Effective date deferred indefinitely / available for optional adoption	• *Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” on sale or contribution of assets between an investor and its associate or joint venture*

Management does not expect that the adoption of the above new and amended standards and the interpretation to a standard will have a significant impact on the Group’s consolidated financial statements, except for the IFRS 16 “Leases” whose effects on the Group’s consolidated financial statements are explained below.

2. Basis of preparation (continued)

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

IFRS 16 "Leases"

The Group is required to adopt IFRS 16 – Leases from 1 January 2019. The Group has assessed the estimated impact that initial application of IFRS 16 will have on its consolidated financial statements, as described below.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including IAS 17- Leases, IFRIC 4 – Determining whether an Arrangement contains a Lease, SIC - 15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

(i) Leases in which the Group is a lessee

The Group will recognise new assets and liabilities for its operating leases of land, office and staff accommodation. The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

Based on the information currently available, the Group estimates that it will recognise right-of-use assets amounting to QR 358,554,768 (excluding ROU amounting to QR 105,989,967 that will be reclassified from Property, plant and equipment) and lease liabilities amounting to QR 422,388,058 as at 1 January 2019 with an impact on the retained earnings amounting to QR 63,833,291 as the Group plans to follow the modified retrospective transition method for initial application of IFRS 16 and will recognize the right-of-use assets based at the present value of the remaining lease rentals from 1 January 2019.

(ii) Leases in which the Group is a lessor

The Group will reassess the classification of sub-leases in which the Group is a lessor. Based on the information currently available, the Group expects no significant impact in which group is a lessor.

(iii) Transition

The Group plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

3. Summary of significant accounting policies

The principal accounting policies of the Group applied in the preparation of these consolidated financial statements are set out below. The accounting policies have been applied consistently to both years presented in these consolidated financial statements, except for the changes in accounting policies described under Note 2 (e).

a) Basis of consolidation

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment.

Non-controlling interests (NCI)

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

Subsidiaries

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

Loss of control

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

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated.

b) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are recognized at cost of acquisition and measured thereafter at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of an asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent expenditure

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

3. Summary of significant accounting policies (continued)

b) Property, plant and equipment (continued)

Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in profit or loss.

The estimated useful lives for the current year and the comparative year are as follows:

Buildings and lease hold land rights	25 years
Office equipment	3 to 5 years
Furniture & fixtures	4 years
Warehouse equipment	5 to 25 years
Motor vehicles	5 to 15 years
Tools and equipment	4 years

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

Derecognition

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

c) Capital work-in-progress

Capital work-in-progress comprises projects of the Group under construction and is carried at cost less impairment, if any. Capital work in progress is not depreciated. Once the construction of assets within capital work-in-progress is completed, they are reclassified to either the property, plant and equipment or the investment property, depending on their use, and are depreciated as from the moment they are put into use.

d) Investment property

Investment property represents buildings that are occupied substantially for use by third parties and are held by the Group to earn rentals.

Recognition and measurement

An investment property is recognized initially at cost of acquisition including any transaction costs and is subsequently measured at fair value, representing open market value determined annually by external valuers. Any change in fair value is recognised in profit or loss.

Subsequent expenditure

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

Derecognition

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

3. Summary of significant accounting policies (continued)

e) Intangible assets and goodwill

Recognition and measurement

Goodwill – Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Other intangible assets – Other intangible assets, which comprise “Customer contracts and related customer relationships” and the “Brand name” of Agility, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

Computer software – Computer software that is not an integral part of computer hardware and can be separately identified and that will probably generate economic benefits exceeding costs beyond one year, is measured at cost less accumulated amortization and any accumulated impairment losses.

Subsequent expenditure

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

Amortization

Amortization is calculated to write off the cost of intangible assets less their estimated residual values, and is recognised in profit or loss. Goodwill is not amortised.

The estimated useful lives for the current year and the comparative year are as follows:

Customer contracts and related customer relationships:	4 - 10 years
Brand name:	10 years
Computer software:	3 years

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

f) Financial instruments

Recognition and initial measurement

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

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

3. Summary of significant accounting policies (continued)

f) Financial instruments (continued)

Classification and subsequent measurement of financial assets – policy applicable from 1 January 2018

On initial recognition, a financial asset is classified at:

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

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

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

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

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

The Group has classified on initial recognition its trade and other receivables and its cash at bank at amortised cost. The Group does not hold any other financial assets.

Financial assets – Business model assessment

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

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

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

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

– how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

– the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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

3. Summary of significant accounting policies (continued)

f) Financial instruments (continued)

Classification and subsequent measurement of financial assets – policy applicable from 1 January 2018 (continued)

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

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

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

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

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

Financial assets - Subsequent measurement and gains and losses

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

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

- *Debt instruments at Fair Value Through Other Comprehensive Income (FVOCI)* - These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. The Group does not hold such assets.

- *Equity investments at Fair Value Through Other Comprehensive Income (FVOCI)* - These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never derecognised to profit or loss. The Group does not hold such assets.

3. Summary of significant accounting policies (continued)

f) Financial instruments (continued)

Classification and subsequent measurement of financial assets – policy applicable before 1 January 2018

Financial assets

The Group classified its financial assets into loans and receivables category (trade and other receivables and cash at bank)

Classification and subsequent measurement of financial liabilities

Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method. The Group does not hold derivative financial instruments.

Derecognition

Financial assets

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

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting

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

g) Impairment

Non-derivative financial assets – policy applicable from 1 January 2018

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

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

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

- customer is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 360 days past due.

3. Summary of significant accounting policies (continued)

g) Impairment (continued)

Non-derivative financial assets – policy applicable from 1 January 2018 (continued)

The Group considers bank balances to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group considers this to be Baa3 or higher per Moody's Rating Agency.

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

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

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

Measurement of ECLs

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

Credit-impaired financial assets

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

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

- significant financial difficulty of the customer or issuer;
- a breach of contract such as a default or being more than 360 days past due; or
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the customer will enter bankruptcy or other financial reorganization.
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

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

Write-off

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

3. Summary of significant accounting policies (continued)

g) Impairment (continued)

Non-derivative financial assets – policy applicable before 1 January 2018

Financial assets classified as loans and receivables were assessed at each reporting date to determine whether there was objective evidence of impairment.

Objective evidence that financial assets were impaired included:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- Indications that a debtor would enter bankruptcy;
- adverse changes in the payment status of customers;
- observable data indicating that there was a measurable decrease in the expected cash flows from a group of financial assets.

Financial assets measured at amortised cost

The Group considered evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets were individually assessed for impairment. Those found not to be impaired were then collectively assessed for any impairment that had been incurred but not yet individually identified. Assets that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group used historical information on the timing of recoveries and the amount of loss incurred, and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than suggested by historical trends..

An impairment loss was calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses were recognised in profit or loss and reflected in an allowance account. When the Group considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through profit or loss.

Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (property, plant and equipment, Capital work-in-progress and investment property, but not inventories) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash Generating Units (CGUs).

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

3. Summary of significant accounting policies (continued)

g) Impairment (continued)

Non-financial assets (continued)

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

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

h) Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at bank and in hand and short-term deposits with a maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of any outstanding bank overdrafts.

i) Share capital

Ordinary shares issued by the Company are classified as equity.

Share premium is the difference between the fair value of the consideration receivable for the issue of shares and the nominal value of the shares. The share premium is transferred to the legal reserve in accordance with Article 154 of the Qatar Commercial Companies Law.

j) Legal reserve

The Company maintains a legal reserve in line with the requirements of the Qatar Commercial Companies Law No. 11 of 2015, which provides that a company should transfer a minimum amount of 10% of its profit in each year to a legal reserve until the balance in this legal reserve becomes equal to 50% of a company's paid-up share capital. Also, Article 154 of the Qatar Commercial Companies Law requires that the share premium on the issue of share capital as well as any incremental costs on the issue of shares is transferred to the legal reserve. This reserve is not available for distribution, except in circumstances specified in the above mentioned Law.

k) Provisions

A provision is recognised when:

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

Provisions are determined by discounting to present value the future expenditures expected to settle the obligation using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the liability. Provisions are reviewed annually to reflect current best estimates of the expenditure required to settle the obligations.

3. Summary of significant accounting policies (continued)

l) Revenue recognition

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

Revenue from logistic services

Logistic services provided by the Group comprises primarily inventory management and storage, order fulfilment, records management and transportation services. Revenue is recognised over time, as the customers simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

Revenue from freight forwarding services

Freight forwarding represents purchasing of transportation capacity from independent air, ocean and overland transportation providers and reselling that capacity to customers. Revenue from such services is recognised in the period such services are rendered, by reference to a suitable method that depicts the transfer of the control of such goods or service to the customer.

Rental income

Rental income arising on operating leases is recognised on a straight-line basis over the lease term.

Interest income

Interest income is recognised using the effective interest rate method.

m) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight line basis over the period of the lease. The Group does not have any finance leases.

n) Foreign currency

Foreign currency transactions and balances

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

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

Foreign operations

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

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

3. Summary of significant accounting policies (continued)

o) Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to the 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 the ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprises convertible notes and share options granted to employees, if any.

p) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by 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.

4. Financial instruments

a) Financial risk management

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

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

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

The Board of Directors has the overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group and to monitor risks.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty. The Group's maximum exposure to credit risk as at the reporting date is the carrying amount of its financial assets, which are the following:

	2018	2017
Trade receivables	226,892,100	303,509,021
Accrued revenue	87,368,354	75,914,231
Other receivables	20,927,517	18,772,225
Refundable deposits	18,251,000	-
Cash at bank	424,856,212	350,622,544
At 31 December	**778,295,183**	748,818,021

Trade receivables
The Group renders services to around two thousand customers with its largest 5 customers accounting for 17% (2017: 15%) of its trade receivables. This significant concentration risk has been managed through enhanced monitoring and periodic tracking. The Group has a rigorous policy of credit screening prior to providing services on credit. Management evaluates the creditworthiness of each client prior to entering into contracts. Management also periodically reviews the collectability of its trade receivables and has a policy to provide any amounts whose collection is no longer probable and to write-off as bad debts any amounts whose recovery is unlikely. As a result, management believes that there is no significant credit risk on its trade receivables as presented on the consolidated statement of financial position.

The risk management committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, if they are available, financial statements, credit agency information, industry information and in some cases bank references. Sale limits are established for each customer and reviewed quarterly. Any sales exceeding those limits require approval from the risk management committee.

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

More than 67% of the Group's customers have been transacting with the Group since or prior to 2016, and none of these customers' balances have been written off or are credit-impaired at the reporting date. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or a legal entity, whether they are a Government or non-government entity, their geographic location, industry, trading history with the Group and existence of previous financial difficulties.

4. Financial instruments (continued)

a) Financial risk management (continued)

Credit risk (continued)

Trade receivables (continued)

96% (2017: 83%) of the trade receivables are due from customers based locally. At 31 December 2018, the carrying amount of the Group's twenty most significant customers amounted to QR 145,779,819 (2017: QR 191,615,989).

At 31 December 2018, the exposure to credit risk for trade receivables by type of counterparty was as follows;

	2018	2017
Government entities	136,821,249	144,579,448
Non-government entities	90,070,851	158,929,573
	226,892,100	303,509,021

The trade and other receivables are unrated except for Government customers.

The movements in the provision for impairment of trade receivables is disclosed in Note 9.

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

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

The following table provides information about the exposure to credit risk and ECLs for trade receivables from non-governmental customers as at 31 December 2018.

	Weighted average loss rate	**Gross carrying amount**	**Loss allowance**	**Credit impaired**
0-90 days	3.59%	140,090,430	5,029,246	No
90–180 days past due	6.14%	25,703,535	1,578,197	No
180–270 days past due	25.46%	8,789,224	2,237,736	No
271–360 days past due	62.60%	6,109,702	3,824,673	No
At 31 December		**180,692,891**	**12,669,852**	

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

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

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

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

Trade receivables do not bear interest.

4. Financial instruments (continued)

a) Financial risk management (continued)

Credit risk (continued)

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

Cash at bank

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

	2018	2017
Credit ratings (by Moody's)		
A1	128,590,013	23,493,581
A2	296,100,939	327,128,963
A3	165,260	-
At 31 December	**424,856,212**	350,622,544

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

Liquidity risk

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

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

2018		**Contractual cash flows**			
	Carrying amount	**Total**	**1-12 months**	**1-5 years**	**More than 5 years**
Non-derivative financial liabilities					
Trade and other payables (1)	123,283,815	(123,283,815)	(123,283,815)	-	-
Bank loans (2)	1,683,925,975	(1,978,488,258)	(301,815,576)	(1,418,730,808)	(257,941,874)
	1,807,209,790	**(2,101,772,073)**	**(425,099,391)**	**(1,418,730,808)**	**(257,941,874)**

2017		Contractual cash flows			
	Carrying amount	Total	1-12 months	1-5 years	More than 5 years
Non-derivative financial liabilities					
Trade and other payables (1)	229,883,328	(229,883,328)	(229,883,328)	-	-
Bank loans (2)	1,786,918,655	(2,075,229,653)	(338,276,986)	(1,293,110,959)	(443,841,708)
	2,016,801,983	(2,305,112,981)	(568,160,314)	(1,293,110,959)	(443,841,708)

(1) Excluding accruals and provisions
(2) The interest payments on variable interest rate loans in the table above reflect market forward interest rates at the reporting date and these amounts may change as market interest rates change.

4. Financial instruments (continued)

a) Financial risk management (continued)

Liquidity risk (continued)

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts

Market risk

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

Currency risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Group's functional currency. The Group is not exposed to significant foreign exchange risk as it primarily transacts in Qatari Riyal, which is the Group's presentation currency. Also, some transactions of the Group in the US Dollar, Bahrain Dinars, and UAE Dirhams bear no foreign currency risk as these currencies are pegged with the Qatari Riyal.

Interest rate risk

Interest rate risk arises when the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises mainly from interest bearing bank loans and bank deposits issued at variable rates, which expose it cash flow interest rate risk.

At 31 December 2018, if interest rates on Qatari Riyal-denominated interest bearing assets and borrowings had been 1% (2017: 1%) higher/lower with all other variables held constant, post-tax profit for the year would have been QR 16,839,260 (2017: QR 17,869,187) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings. Therefore, management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

b) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong capital base in order to support its business and to sustain future development of the business. Management monitors its capital structure and makes adjustments to it in light of economic conditions.

The Group monitors capital using a gearing ratio, which is calculated as net debt divided by total capital. The debt is calculated as total borrowings (non-current and current borrowings and bank overdrafts as shown on the statement of financial position) less cash and cash equivalents (excluding bank overdrafts). The total capital is calculated as "equity" as shown on the consolidated statement of financial position plus net debt.

	2018	2017
Bank loans (Note 12)	1,683,925,975	1,786,918,655
Less: Cash and cash equivalents (Note 10)	(426,840,672)	(351,816,004)
Net debt	1,257,085,303	1,435,102,651
Total equity	1,729,275,466	1,631,874,161
Total capital	2,986,360,769	3,066,976,812
Gearing ratio	**42.09%**	46.79%

4. Financial instruments (continued)

b) Capital management (continued)

The Group's capital management policy remained unchanged since the previous year as well as the gearing ratio.

The Group is not subject to any externally imposed capital requirements.

c) Fair value measurement

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a measurement date. The Group has not disclosed the fair values of its receivables, bank balances (including loans), and payables because their carrying amounts are a reasonable approximation of their fair values.

d) Offsetting financial assets and liabilities

The Group does not have any financial assets or financial liabilities that are subject to offsetting, enforceable master netting arrangements or any similar agreements.

5. Property, plant and equipment

	Buildings [1]	Leasehold land rights	Office equipment	Furniture & fixtures	Warehouse equipment	Motor vehicles	Tools and equipment	Total
Cost								
At 1 January 2017	1,438,239,745	120,443,145	51,279,632	48,573,721	105,715,721	137,059,448	2,651,269	1,903,962,681
Additions	8,967,134	-	6,073,560	5,847,575	10,832,778	9,915,490	160,311	41,796,848
Disposals	-	-	(13,550)	-	-	(9,464,225)	-	(9,477,775)
Transfers from capital work-in-progress (Note 6)	563,152,076	-	-	3,527,256	9,775,710	-	-	576,455,042
At 31 December 2017 / 1 January 2018	2,010,358,955	120,443,145	57,339,642	57,948,552	126,324,209	137,510,713	2,811,580	2,512,736,796
Acquisition through business combinations (Note 16)	-	-	66,958	-	-	161,392	-	228,350
Additions	7,995,908	-	4,600,018	3,874,698	10,666,008	16,589,324	204,211	43,930,167
Disposals	-	-	(3,500)	-	-	(6,446,485)	-	(6,449,985)
Transfers from capital work-in-progress (Note 6)	743,636,872	-	-	-	-	-	-	743,636,872
At 31 December 2018	2,761,991,735	120,443,145	62,003,118	61,823,250	136,990,217	147,814,944	3,015,791	3,294,082,200
Accumulated depreciation								
At 1 January 2017	222,427,132	4,817,726	36,428,788	31,174,147	48,217,103	96,383,415	1,603,422	441,051,733
Depreciation (Note 19)	76,444,704	4,817,726	6,692,746	10,804,296	10,050,729	11,498,218	237,417	120,545,836
Disposals	-	-	(7,738)	-	-	(8,950,149)	-	(8,957,887)
At 31 December 2017 / 1 January 2018	298,871,836	9,635,452	43,113,796	41,978,443	58,267,832	98,931,484	1,840,839	552,639,682
Depreciation (Note 19)	113,013,011	5,979,768	6,375,802	11,172,962	11,513,892	9,572,309	254,814	157,882,558
Disposals	-	-	(3,500)	-	-	(6,421,369)	-	(6,424,869)
At 31 December 2018	411,884,847	15,615,220	49,486,098	53,151,405	69,781,724	102,082,424	2,095,653	704,097,371
Carrying amounts								
At 31 December 2018	**2,350,106,888**	**104,827,925**	**12,517,020**	**8,671,845**	**67,208,493**	**45,732,520**	**920,138**	**2,589,984,829**
At 31 December 2017	1,711,487,119	110,807,693	14,225,846	15,970,109	68,056,377	38,579,229	970,741	1,960,097,114

(1) Buildings are constructed on land leased from the State of Qatar. As at 31 December 2018, buildings with a carrying amount of QR 1,954,023,604 (2017: QR 1,412,302,224) were mortgaged against Mesaieed Industrial City, Ras Laffan Industrial City, Logistics Village Qatar (LVQ) and Bu Sulba term loans (Note 12 (i) and (ii)).

6. Capital work-in-progress

	2018	2017
At 1 January	769,326,117	1,096,436,581
Additions	31,764,392	249,344,578
Transfers to property, plant and equipment (Note 5)	(743,636,872)	(576,455,042)
At 31 December	**57,453,637**	769,326,117

Capital work-in-progress comprises mainly the construction work in relation to Ras Laffan project and certain final completion work related to the Logistic Village Qatar Phase 5 and Bu-sulba projects.

The amount of borrowing costs capitalized during the year ended 31 December 2018 was QR 1,416,181 (2017: QR 31,608,469). The weighted average rate used to determine the amount of borrowing cost eligible for capitalization was 4.70% per annum (2017: 4.70% per annum), which is the effective interest rate of the specific borrowings.

7. Investment property

a. Reconciliation of the carrying value

The Group's investment property currently comprises three plots of land obtained under operating leases from the State of Qatar on which buildings were constructed, which were sub-leased to third parties for earning rentals.

	Buildings
At 1 January 2017	37,115,833
Fair value gains (Note 18)	281,637
At 31 December 2017 / 1 January 2018	37,397,470
Fair value gains (Note 18)	124,595
At 31 December 2018	**37,522,065**

b. Measurement of fair values

Fair value hierarchy

The fair valuations of investment properties were performed by Al Haque Rental & Real Estate Office, an accredited independent valuer with a recognised and relevant professional qualification and with recent experience in valuing similar properties at similar locations. The independent valuers provide the fair value of the Group's investment property portfolio on a yearly basis.

The fair value measurement for all of the investment properties has been categorised as Level 3 fair value based on the inputs to the valuation technique used.

7. Investment property (continued)

b. Measurement of fair values (continued)

Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs
Market comparable approach: Under the market comparable approach, a property's fair value is estimated based on comparable transactions. The market comparable approach is based upon the principle of substitution, under which a potential buyer will not pay more for a property than the amount to buy a comparable substitute property. Management assumes that the operating lease agreements relating to the acquisition of the land on which the buildings of those properties were constructed from the State of Qatar, which have expiration dates, will be renewed in perpetuity. Consequently, it is not expected that the fair value of these properties will decline as these lease agreements approach their expiry dates. The unit of comparison applied by the valuer is the depreciated value for the buildings per square meter and the market price per square foot for the land.	The comparable method of valuation comprises: - The identification of the transacted evidence for the same or similar type of property within nearby vicinity; - Comparative analysis of the listed properties in the market; - Discussions with active real estate agents within the locality.

The following amounts in relation to the investment property have been recognised in profit or loss:

	2018	2017
Rental income (Note 17)	**11,289,786**	14,475,936
Direct operating expenses arising from investment property that generate rental income	**608,016**	608,016
Direct operating expenses that did not generate rental income	**255,600**	306,950

8. Intangible assets and goodwill

	Goodwill [1]	Customer contracts and related customer relationships[2]	Brand name[2]	Computer software	Total
Cost					
At 1 January 2017 / 31 December 2017	98,315,463	10,231,500	52,780,500	3,826,370	165,153,833
Acquisitions through business combinations (Note 16)	17,347,069	2,610,190	-	-	19,957,259
31 December 2018	115,662,532	12,841,690	52,780,500	3,826,370	185,111,092
Accumulated amortisation					
At 1 January 2017	-	7,060,540	31,668,300	172,018	38,900,858
Amortisation (Note 19)	-	792,740	5,278,050	1,275,452	7,346,242
At 31 December 2017 / 1 January 2018	-	7,853,280	36,946,350	1,447,470	46,247,100
Amortisation (Note 19)	-	1,119,014	5,278,050	1,275,452	7,672,516
At 31 December 2018	-	8,972,294	42,224,400	2,722,922	53,919,616
Carrying amounts					
At 31 December 2018	**115,662,532**	**3,869,396**	**10,556,100**	**1,103,448**	**131,191,476**
At 31 December 2017	98,315,463	2,378,220	15,834,150	2,378,900	118,906,733

(1) Goodwill

Goodwill was recognised on the acquisition of Agility W.L.L. in November 2010 and the entity acquired through Qontrac Global Logistics B.V. in April 2018.

The goodwill tested for impairment is allocated to the below Cash-Generating Units (CGUs) and represents the premium paid on their acquisition (i.e. the amount paid in excess of the aggregate of the individual fair values of the net assets acquired).

8. Intangible assets and goodwill (continued)

	Carrying amount of goodwill	
	2018	2017
Logistics services	53,090,350	53,090,350
Freight forwarding services	62,572,182	45,225,113
Total	**115,662,532**	98,315,463

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (the higher of their fair values less cost of disposals and their "value in use") to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised.

Value-in-use calculations are determined using cash flow projections from financial budgets approved by management covering a five-year period. The key assumptions used in the value-in-use calculations are set out in the table below:

	Logistics services		Freight forwarding services	
	2018	2017	**2018**	2017
Compound annual volume growth (i)	**7.56%**	7.50%	**9.6% - 11%**	9.40%
Terminal growth rate (ii)	**3%**	4.50%	**2% - 3%**	4.50%
Discount rate (iii)	**8.7%**	10.70%	**8% - 11.4%**	11.70%

(i) Management determined the compound annual volume growth rate for each CGU over a five-year / ten year forecast to be a key assumption. The volume of growth in each period is the main driver for revenue and costs. The compound annual volume growth rate is based on past performance and management's expectations of market developments.

(ii) The terminal growth rate does not exceed the long-term average growth rate for the business in which the CGUs operate. The long term growth rates used are consistent with the forecasts included in industry reports.

(iii) Discount rates represent the current market assessment of the risks specific to each CGU. The discount rate calculation is based on the specific circumstances of the Group and its operating segments.

Based on the above impairment test management concluded that there is no impairment of goodwill (2017: no impairment was identified).

(2) Customer contracts and related customer relationships and brand name

These represent intangible assets acquired through the acquisition of Agility W.L.L. in November 2010 and the other entity acquired through Qontrac Global Logistics B.V. in April 2018. At the time of the acquisitions, management determined these intangible assets to have 10 years of useful lives each.

Management concluded that as at 31 December 2018 there was no impairment of these assets (2017: no impairment was identified).

9. Trade and other receivables

	2018	2017
Trade receivables	278,511,715	328,002,466
Less: Provision for impairment of trade receivables (1)	(51,619,615)	(24,493,445)
Trade receivables, net	226,892,100	303,509,021
Advances made to suppliers	12,462,913	27,417,260
Accrued revenue	87,368,354	75,914,231
Prepayments	72,566,400	99,534,353
Other receivables	20,927,517	18,772,225
	420,217,284	525,147,090

(1) The movements in the provision for impairment of trade receivables were as follows:

	2018	2017
At 1 January	24,493,445	22,156,970
Adjustment on initial application of IFRS 9 (Note 2 (e))	34,550,064	-
At 1 January under IFRS 9	59,043,509	22,156,970
Amounts collected against provision	(1,523,894)	-
Provision for impairment (reversed) / made	(5,900,000)	2,336,475
At 31 December	**51,619,615**	24,493,445

Recovery of certain trade receivables which were pending at the prior year end, attributed to the logistics segment resulted in a decrease in the provision for impairment in 2018.

10. Cash and cash equivalents

	2018	2017
Cash in hand	1,984,460	1,193,460
Cash at bank – current accounts (1)	127,860,204	48,391,443
Cash at bank – deposit accounts (2)	280,000,000	290,000,000
Cash at bank – restricted deposit accounts (3)	16,996,008	12,231,101
	426,840,672	351,816,004

(1) Current accounts earn no interest.

(2) Deposits with an original maturity of less than 90 days are made for varying periods depending on the immediate cash requirements of the Group at commercial market interest rates.

(3) The restricted deposit accounts represent the unclaimed dividend by the shareholders of the Company.

Cash and cash equivalents are denominated mainly in Qatari Riyals.

11. Share capital

	2018		2017	
	No. of shares	**Value**	No. of shares	Value
Authorised, issued and fully paid:				
Ordinary shares of QR 10 each as at 1 January/31 December	**58,603,148**	**586,031,480**	58,603,148	586,031,480

All ordinary shares rank equally with regard to the Company's residual assets. Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at the general meetings of the Company.

12. Bank loans

The movements of bank loans were as follows:

	2018	2017
At 1 January	1,786,918,655	1,875,923,752
Additions	60,949,282	113,192,467
Repayments	(163,941,962)	(202,197,564)
At 31 December	**1,683,925,975**	1,786,918,655

	Years of maturity	2018	2017
LVQ loan (i)	2022-2027	846,478,857	954,334,799
Bu-sulba loans (ii)	2027	777,659,639	756,405,383
Other project loans (iii)	2022-2025	59,787,479	62,659,304
Other loans (iv)	2018	-	13,519,169
		1,683,925,975	1,786,918,655

The bank loans are presented in the consolidated statement of financial position as follows:

	2018	2017
Current portion	221,587,069	261,436,825
Non-current portion	1,462,338,906	1,525,481,830
	1,683,925,975	1,786,918,655

(i) A loan facility of QR 1,321,341,988 was obtained from local banks to finance the construction and development of Logistic Village Qatar ("LVQ") located in Street # 52 in Doha Industrial Area. The repayment on this facility began in April 2013. The loan facility bears interest at the Qatar Central Bank rate plus certain basis points with a floor of 3.5% - 5.25% per annum. The loan facility is secured against the Group's buildings at the LVQ. Revenues from the LVQ operations are also assigned to the lender.

(ii) These loans were obtained from local banks to finance the construction of the Bu-sulba project. These loans bear interest at the Qatar Central Bank rate plus certain basis points with a floor of 4.5% - 5.25% per annum. The loans are secured against the building constructed and capitalised under property, plant and equipment.

(iii) A loan of QR 73,624,636 was obtained from a local bank to finance capital work-in-progress of the Group. The repayment on this facility started in May 2017. The loan carries financing charges at the Qatar Central Bank rate plus certain basis points with a floor of 4.5% - 5.25% per annum. The loan is secured against the tangible assets capitalized under property, plant and equipment.

12. Bank loans (continued)

(iv) The loan of QR 73,037,856 was obtained from a local bank to finance capital work-in-progress of the Group. The repayment on this facility began in November 2013. The loan bears interest at the Qatar Central Bank rate plus certain basis points with a floor of 5.1% per annum. The loan is secured against corporate guarantees of the Company and assignment of revenues to the lender. The loan was fully settled during the year.

The face values of the Group's bank loans approximates their carrying amounts. The carrying amounts are denominated in Qatari Riyals.

13. Provision for employees' end of service benefits

The movements in the provision for employees' end of service benefits were as follows:

	2018	2017
At 1 January	30,895,993	26,507,473
Provision made (1)	9,056,023	7,665,410
Provision used	(2,965,886)	(3,276,890)
At 31 December	**36,986,130**	30,895,993

(1) The provision made for the year is included within staff cost in profit or loss (Note 19).

Management has classified the obligation within non-current liabilities in the consolidated statement of financial position as it does not expect that there will be significant payments towards its employees' end of service benefits obligation within 12 months from the reporting date. The provision is not discounted to present value as the effect of the time value of money is not expected to be significant.

14. Trade and other payables

	2018	2017
Trade payables	37,026,053	53,421,179
Accrued expenses	113,052,960	88,561,178
Other payables	75,627,038	108,778,631
Retentions payable to contractors of projects	10,630,724	67,683,518
Provision for contribution for social and sports fund (1)	5,937,865	5,386,550
	242,274,640	323,831,056

(1) The Group made an appropriation of QR 5,937,865 (2017: QR 5,386,550) to the Social and Sports Development Fund of the State of Qatar pursuant to the Qatar Law No. 13 of 2008. This amount represents 2.5% of the net profit for the year.

15. Related parties

Related party transactions

Transactions with related parties included in the consolidated statement of profit or loss are as follows:

Related party	Nature of transactions	2018	2017
Entities under common ownership:			
Agility network	Revenue	**11,828,495**	21,958,135
Agility network	Purchase of services	**37,158,351**	26,049,848
Prompt International W.L.L.	Purchase of services	**3,442,424**	3,547,768
Al Bateel Travel	Purchase of services	**6,641,055**	5,583,635

Related party balances

Balances with related parties included in the consolidated statement of financial position under trade and other receivables and trade and other payables were as follows:

	2018	2017
Receivable from Agility network	**2,104,614**	3,142,364
Payable to Agility network	**7,911,523**	5,750,632
Payable to Prompt International W.L.L.	**13,200**	33,185
Payable to Al Bateel Travel	**311,310**	422,780

Compensation of key management personnel

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

	2018	2017
Short-term benefits	16,570,894	16,158,197
Employees' end of service benefits	105,000	84,000
	16,675,894	16,242,197

16. Business combination

On 25 April 2018, the Group acquired 100% of the shares and voting rights in an entity through Qontrac Global Logistics B.V. ("the entity") based in Netherlands, with effect from 1 January 2018.

Taking control of the entity will enable the Group to expand its business in Europe. The acquisition is also expected to provide the Group with an increased focus on freight forwarding services of perishable cargo, including flowers and plants. The Group also expects to reduce costs through economies of scale.

For the year ended 31 December 2018, the entity contributed revenue of QR 50 million and profit of QR 0.4 million to the Group's results.

Consideration transferred

Total consideration as per the Sale Purchase Agreement amounts to QR 21,316,630 million of 10% was unpaid as at 31 December 2018.

16. Business combination (continued)

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

Cash paid	19,184,967
Cash acquired through acquisition	(9,052,135)
Total consideration transferred	**10,132,832**

Acquisition related costs

The Group incurred acquisition-related costs of QR 341,898 on legal fees and due diligence costs. These costs have been included in 'administrative and other expenses'.

Identifiable assets acquired and liabilities assumed

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

Property, plant and equipment (Note 5)	228,350
Customer relationships (Note 8)	2,610,193
Trade and other receivables	7,072,542
Cash and bank balances	9,052,135
Inter-company loans	(6,493,487)
Trade and other payables	(8,500,172)
Total identifiable net assets acquired	**3,969,561**

The valuation techniques used for measuring the fair value of net assets acquired were as follows:

Assets acquired	Valuation technique
Property, plant and equipment	Market comparison technique and cost technique; The valuation model considers market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.
Customer relationships	Multi-period Excess Earnings Method; The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets.

Goodwill

	2018
Total consideration	21,316,630
Less: Fair value of identifiable net assets (see table above)	(3,969,561)
Goodwill arising on acquisition (Note 8)	**17,347,069**

17. Revenue

The Group derives its revenue from contracts with customers for the transfer of goods and services over time and at a point in time in the following major revenue streams. This is consistent with the revenue information that is disclosed for each reportable segment under IFRS 8 “Operating Segments” (see Note 24).

	2018	2017
Logistic operations	767,314,688	652,759,517
Freight forwarding	453,599,336	314,128,220
Rental income from investment property (Note 25)	11,289,786	14,475,936
	1,232,203,810	981,363,673

Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical markets, major products and service lines and timing of revenue recognition.

	2018	2017
Primary geographical markets		
Local operations	1,220,375,315	959,405,538
Foreign operations	11,828,495	21,958,135
	1,232,203,810	981,363,673
Major products and service lines		
Warehouse management services	648,017,771	524,010,493
Records management systems	58,264,589	62,004,278
Transport services	33,560,646	47,502,675
Freight forwarding services	425,751,464	294,793,343
International move and relocation services	27,471,682	19,242,071
Courier services	27,847,872	19,334,877
Rental income	11,289,786	14,475,936
	1,232,203,810	981,363,673
Timing of revenue recognition		
Products and services transferred over time	1,232,203,810	981,363,673
Products transferred at a point in time	-	-
	1,232,203,810	981,363,673

Performance obligations and revenue recognition policies

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

17. Revenue (continued)

Performance obligations and revenue recognition policies (continued)

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

Type of services	**Nature, timing of satisfaction of performance obligations, significant payment terms**	**Revenue recognition under IFRS 15 (applicable from 1 January 2018)**	**Revenue recognition under IAS 18 (applicable before 1 January 2018)**
Warehouse management service	The Group provides warehouse management services to customers. Length of the contract depends on the customers' requirement. Revenue is recognised over the period of contract based on the storage area.	Revenue is recognised over time as the services are provided. Transfer of control of the service is assessed based on the time elapsed.	Revenue was recognised over the period of the contract based on the storage rates agreed with the customer.
Records Management Systems (RMS)	Revenue is recognised based on the number of boxes of documents that need to be stored and scanned, revenue is recognized over the period of contract.	Revenue is recognised over time as the services are provided. Transfer of control of the service is assessed based on the time elapsed.	Revenue was recognised over the period of the contract based on the rates agreed with the customer.
Transport services	Revenue is recognised based on trucks used for delivering goods to the locations over the duration of the delivery. Length of the contract usually do not extend beyond one week.	Revenue is recognised over time as the services are provided. Transfer of control of the service is assessed based on the time elapsed.	Revenue was recognised over the period of the contract based on the rates agreed with the customer.
Freight Forwarding services	Revenue is recognised based on delivery services to customer over its duration.	Revenue is recognised over time as the services are provided. Transfer of control of the service is assessed based on the service performed.	Revenue was recognised over the period of the contract based on the rates agreed with the customer.
International Move and Relocation Services (IMRS)	Revenue is recognised based on services provided over the contract period.	Revenue is recognised over time as the services are provided. Transfer of control of the service is assessed based on the service performed.	Revenue was recognised over the period of the contract based on the rates agreed with the customer.
Courier Service	Revenue is recognised based on the weight and destination of the shipment over the duration of the service. Length of the contract usually do not extend beyond one week.	Revenue is recognised over time as the services are provided. Transfer of control of the service is assessed based on the service performed.	Revenue was recognised over the period of the contract based on the rates agreed with the customer

18. Other income

	2018	2017
Gain on sale of property, plant and equipment	440,884	1,259,670
Fair value gains on investment property	124,595	281,637
Miscellaneous income	2,339,124	48,346
	2,904,603	1,589,653

19. Expenses by nature

	2018	2017
Logistic costs (1)	52,882,066	45,713,422
Freight forwarding charges (1)	338,269,003	223,995,068
Board of Directors' remuneration	9,660,000	9,018,800
Staff cost (2)	227,232,143	189,295,850
Manpower subcontract charges	3,825,341	5,536,685
Depreciation of property, plant and equipment (Note 5)	157,882,558	120,545,836
Amortization of intangible assets (Note 8)	7,672,516	7,346,242
Repairs and maintenance	37,773,655	35,513,127
Legal and professional fees	4,670,176	2,555,218
Rent expense	3,200,880	2,958,000
Fuel cost	15,717,035	15,898,671
Water and electricity	34,273,657	29,695,338
Insurance cost	6,777,803	6,596,007
Communication and postage	2,434,915	2,234,004
Advertising expenses	766,201	1,410,156
Travelling expenses	2,089,523	1,264,070
License and registration fees	3,134,101	2,758,727
Miscellaneous expenses	18,956,592	19,024,620
	927,218,165	721,359,841

(1) Logistic costs and Freight forwarding charges include cost of inventories amounting to QR 3,829,703.(2017: QR 2,587,592).

(2) Staff cost includes a provision for employees end of service benefits of QR 9,056,023 (2017: QR 7,665,410) (Note 13).

The expenses by nature are presented on the consolidated statement of profit or loss and other comprehensive income as follows:

	2018	2017
Direct costs	814,238,946	617,004,237
Administrative and other expenses	112,979,219	104,355,604
	927,218,165	721,359,841

20. Finance costs, net

	2018	2017
Interest income on bank deposits	(8,034,172)	(10,303,227)
Interest expense on bank loans	84,199,374	54,098,225
	76,165,202	43,794,998

21. Income taxes

	2018	2017
Tax expenses	**110,460**	-

Income taxes represent the tax expenses related to entity acquired through Qontrac Global Logistics B.V. during the current year. Tax expense is fully paid using the applicable rate at 20% of earnings for the year.

22. Earnings per share

	2018	2017
Profit attributable to the owners of the Company	**236,759,384**	215,462,012
Weighted average number of shares	**58,603,148**	58,603,148
Basic and diluted earnings per share	**4.04**	3.68

There were no potentially dilutive shares outstanding at any time during the period and, therefore, the dilutive earnings per share are equal to the basic earnings per share.

23. Dividends

At the Board Meeting on 16 January 2019, a dividend in respect of the profit for the year ended 31 December 2018 of QR 1.9 per share amounting to a total dividend of QR 111,345,981 is to be proposed. These consolidated financial statements do not reflect this dividend payable, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 31 December 2019.

At the Board Meeting on 14 January 2018, a dividend in respect of the profit for the year ended 31 December 2017 of QR 1.7 per share amounting to a total dividend of QR 99,625,352 was declared. The dividends were paid in the year 2018. The dividends declared in respect of the profit for the year ended 31 December 2016 were QR 93,765,037 or QR 1.6 per share. There were paid in 2017.

24. Segment information

Basis for segmentation

The Group has the following four strategic divisions, which are its reportable segments. These divisions offer different services, and are managed by the Group separately for the purpose of making decisions about resource allocation and performance assessment.

The table below sets out the operations of each reportable segment.

Reportable segments	Operations
Logistics	Storage, handling, packing and transportation
Freight forwarding	Freight services through land, air and sea
Rentals	Rental income
Others	Fixed deposit income and others

The Group’s Chief Executive Officer reviews the internal management reports of each operation at least quarterly.

There are varying level of integration between the logistics and freight forwarding segments

24. Segment information (continued)

The following table presents revenue and profit information regarding the Group's operating segments.

31 December 2018	Logistics	Freight forwarding	Rental	Others	Total
External revenues	767,314,688	453,599,336	11,289,786	-	**1,232,203,810**
Inter-segment revenues	41,104,644	15,229,591	-	-	**56,334,235**
Segment revenue	808,419,332	468,828,927	11,289,786	-	**1,288,538,045**
Segment profit before tax	191,729,994	26,826,694	11,034,186	8,034,172	**237,625,046**
Interest income	-	-	-	8,034,172	**8,034,172**
Interest expense	(84,199,374)	-	-	-	**(84,199,374)**
Depreciation and amortization	(154,579,950)	(10,975,124)	-	-	**(165,555,074)**
Reversal of impairment losses on trade receivables	3,540,000	2,360,000	-	-	**5,900,000**

31 December 2017	Logistics	Freight forwarding	Rental	Others	Total
External revenues	652,759,517	314,128,220	14,475,936	-	981,363,673
Inter-segment revenues	26,421,721	15,444,622	-	-	41,866,343
Segment revenue	679,181,238	329,572,842	14,475,936	-	1,023,230,016
Segment profit before tax	172,693,325	17,989,524	14,475,936	10,303,227	215,462,012
Interest income	-	-	-	10,303,227	10,303,227
Interest expense	(54,098,225)	-	-	-	(54,098,225)
Depreciation and amortization	(117,654,891)	(10,237,187)	-	-	(127,892,078)
Provision for impairment losses on trade receivables	(1,401,885)	(934,590)	-	-	(2,336,475)

24. Segment information (continued)

The following table presents segment assets and liabilities as at 31 December 2018 and 31 December 2017:

31 December 2018	Logistics	Freight forwarding	Rental	Others	Total
Segment assets	3,182,681,673	177,081,533	37,522,065	295,176,940	**3,692,462,211**
Segment liabilities	1,804,562,532	75,725,282	-	82,898,931	**1,963,186,745**

31 December 2017	Logistics	Freight forwarding	Rental	Others	Total
Segment assets	3,239,852,247	176,496,476	37,397,470	319,773,672	3,773,519,865
Segment liabilities	1,974,203,622	76,586,795	-	90,855,287	2,141,645,704

The segment revenue is generated mainly from the State of Qatar.

25. Operating leases

Leases as lessee

The Group leases a number of plots of land under operating leases from the State of Qatar. These leases run for a period of 5 to 30 years with an option to the Group for renewal on their expiry.

All the land leases were classified since their inception as operating leases. The Group does not have an interest in the residual value of the land. As a result, it was determined that substantially all of the risks and rewards of the land are with the lessor.

The future lease payments under non-cancellable operating leases were payable as follows:

	2018	2017
Less than one year	10,034,153	10,288,804
Between one and five years	47,377,774	40,370,932
More than five years	108,958,662	93,651,669
	166,370,589	144,311,405

The amounts recognised in the consolidated statement of profit or loss in respect of the land plot leases were as follows:

	2018	2017
Lease expense	(6,238,288)	(7,964,626)
Sub-lease income (Note 17)	11,289,786	14,475,936
	5,051,498	6,511,310

Leases as lessor

A number of land plots leased by the Group from the State of Qatar (see above) have been sub leased to third parties and have been classified as investment property (Note 7).

The future minimum lease income under non-cancellable leases was as follows:

	2018	2017
Less than one year	2,400,000	10,544,530
Between one and five years	4,600,000	-
	7,000,000	10,544,530

26. Contingencies and commitments

	2018	2017
Letters of guarantee	46,877,160	29,651,800
Performance bonds	88,440,358	149,452,494
	135,317,518	179,104,294

The Group has entered into capital commitments relating to certain construction contracts amounting to QR 72,814,244 (2017: QR 67,500,000).

27. Comparative figures

The comparative figures for the previous year have been reclassified, where necessary, in order to conform to the current year's presentation. Such reclassifications do not affect the previously reported profits, gross assets or equity.

28. Subsequent events

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

Independent Auditor's report on pages 1 to 6.