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

Consolidated financial statements

31 December 2018

نبني المستقبل

BUILDING THE FUTURE

Contents

نبني المستقبل

BUILDING THE FUTURE

Independent auditor's report to the shareholders of Barwa Real Estate Company Q.P.S.C.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our opinion

In our opinion, the consolidated financial statements of Barwa Real Estate Company Q.P.S.C. (the "Company") and its subsidiaries (together the "Group") 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").

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies, and other explanatory information.

Basis for opinion

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

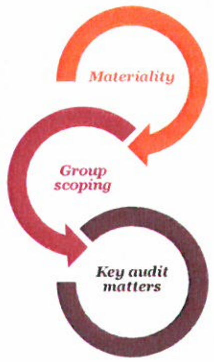
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Qatar. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our audit approach

Overview



As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current 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.

Key audit matters	How our audit addressed the key audit matters
Classification and valuation of capital expenditures in the affordable housing labour camp As disclosed in note 15, the Group has entered into an agreement with the Ministry of Municipality and Environment (MME) ("the Agreement") to develop a labour camp on land leased from the MME. Based on the Agreement, the Group is committed to building and operating the labour camp at a capped rental rate for a lease term of 27 years. At the end of the lease term the land, along with the labour camp, will be transferred back to the MME. Management has concluded that the transaction falls within the scope of IFRIC 12 *Service concession arrangements* and this has led to the recognition of an intangible asset amounting to QR 1,605,096 thousand in the consolidated statement of financial position as at 31 December 2018. We focused on this material area because the assessment of whether or not the construction costs fall under the scope of IFRIC 12 *Service concession arrangements* along with determining the profit margin for contracting work are considered complex accounting judgements, which required lengthy discussions with senior management and the directors during the audit.	Our audit procedures in relation to this key audit matter included the following: • Obtained an understanding of the terms of the agreement, and analysed management's assessment that the agreement falls within the scope of IFRIC 12 *Service concession arrangements*. As part of that analysis we considered : - *the nature of the service agreement and whether it constitutes a public service;* - *whether the Group has control over the property under construction; and* - *whether the costs incurred up to 31 December 2018 qualify for recognition as investment property under progress.* • Tested the accuracy and completeness of inputs used to determine the fair value of construction work to determine the value recognised as an intangible asset in the consolidated financial statements. • Used our own valuation experts to independently develop expectations for the key assumptions in determining the Group's construction profit margin and compared the independent expectations to those used by management. • Evaluated the appropriateness of the Group's accounting policy and disclosure requirements in accordance with the requirements of IFRIC 12.

Key audit matters	How our audit addressed the key audit matters
Valuation of investment properties As described in note 12 to the consolidated financial statements, the Group has investment properties measured under the fair value model, under which the annual fair valuation gains or losses are recorded in the consolidated statement of profit or loss. The Group's investment properties are split between properties in the State of Qatar, and properties abroad. The aggregate valuation in the consolidated statement of financial position is QR 18,175,224 thousand at 31 December 2018. The annual valuations of properties were carried out by independent third party valuers with appropriate experience of the particular markets in which the properties are held. In determining a property's valuation the valuers take into account property-specific information such as market capitalisation and rental income. They apply assumptions for yields and estimated market rent, which are influenced by prevailing market yields and comparable market transactions, to arrive at the final valuation. We focused on this area because the valuation of the Group's investment property portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rentals for that particular property. The reported results and financial position of the group could be materially affected if errors were to be made in the valuation process.	Our audit procedures in relation to this key audit matter included the following: • Obtained and reviewed the latest valuation reports prepared by the external valuers, and assessed the independence and competencies of those valuers; • Worked in consultation with the valuers to understand the key assumptions they had used (i.e. discount rate, yield rate, occupancy levels, and expected future growth rates) in the valuation methodologies adopted, and the appropriateness of the valuation outcomes. Such tests included re-performance of the calculations within the discounted cash flow models; • Used our own property valuation experts to independently develop expectations for the key assumptions underpinning the valuations (principally expected yields and applicable discount rates), and comparing the independent expectations to those used by management; • Compared occupancy rates, growth rates and property cash flows against those achieved historically and external market data, where available, and re-calculated the external valuations using our own valuation models; and • Evaluated the sensitivity analyses performed by management for the key assumptions; and • Tested the disclosures relating to the valuation review, contained in the notes to the consolidated financial statements, for adequacy and completeness.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' Report (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Group's Annual Report, which 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 do not and 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.

If, based on the work we have performed, on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS and with the requirements of the Qatar Commercial Companies Law number 11 of 2015, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

As part of an audit in accordance with ISAs, we exercise professional 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 management.

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

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

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

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

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

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

Further, as required by the Qatar Commercial Companies Law number 11 of 2015, we report that:

- We have obtained all the information we considered necessary for the purposes of our audit;

- The Company has maintained proper books of account and the consolidated financial statements are in agreement therewith;

- The financial information included in the Board of directors' report is in agreement with the books and records of the Company; and

- Nothing has come to our attention, which causes us to believe that the Company has breached any of the provisions of the Qatar Commercial Companies Law number 11 of 2015, or of its Articles of Association, which would materially affect the reported results of its operations or its consolidated financial position as at 31 December 2018

For and on behalf of PricewaterhouseCoopers – Qatar Branch
Qatar Financial Market Authority registration number 120155

Mohamed Elmoataz

Auditor's registration number 281
Doha, State of Qatar
25 February 2019

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Barwa Real Estate Company Q.P.S.C.
Consolidated financial statements
As at 31 December 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2018 QR'000	2017 QR'000
ASSETS			
Cash and bank balances	4	**1,347,332**	3,238,557
Financial assets at fair value through profit or loss	5	**27,870**	20,817
Receivables and prepayments	6	**481,543**	1,229,534
Trading properties	7	**1,570,438**	1,620,540
Finance lease receivables	8	**166,886**	232,999
Due from related parties	9	**227,484**	218,599
Available-for-sale financial assets	10	**-**	144,794
Financial assets at fair value through other comprehensive income	10	**138,576**	-
Advances for projects and investments	11	**4,979,666**	4,947,752
Investment properties	12	**18,264,070**	16,745,985
Property, plant and equipment	13	**791,035**	565,671
Investments in associates	14	**509,763**	578,791
Intangible assets	15	**1,815,276**	189,019
Deferred tax assets	16	**2,341**	1,467
TOTAL ASSETS		**30,322,280**	29,734,525
LIABILITIES AND EQUITY			
LIABILITIES			
Payables and other liabilities	17	**2,363,455**	1,961,381
Provisions	18.1	**51,014**	41,602
End of service benefits	18.2	**109,814**	92,563
Due to related parties	9	**320,845**	324,655
Obligations under Islamic finance contracts	19	**7,925,280**	8,172,239
Deferred tax liabilities	16	**1,785**	1,432
TOTAL LIABILITIES		**10,772,193**	10,593,872
EQUITY			
Share capital	20	**3,891,246**	3,891,246
Treasury shares	21	**-**	-
Legal reserve	22	**1,793,489**	1,540,266
General reserve	23	**4,639,231**	4,639,231
Other reserves	24	**(430,274)**	(260,669)
Retained earnings		**9,451,322**	9,113,376
Total equity attributable to equity holders of the Parent		**19,345,014**	18,923,450
Non-controlling interests		**205,073**	217,203
Total equity		**19,550,087**	19,140,653
TOTAL LIABILITIES AND EQUITY		**30,322,280**	29,734,525

These consolidated financial statements were authorised for issuance by the Board of Directors on 25 February 2019 and signed on their behalf by:

H.E. Salah Bin Ghanem Al Ali	**Salman Bin Mohamad Al Muhannadi**
Chairman	**Group Chief Executive Officer**

Barwa Real Estate Company Q.P.S.C.
Consolidated financial statements
For the year ended 31 December 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	*2018 QR'000*	*2017 QR'000*
Rental income		**1,271,252**	1,243,802
Rental operation expenses	25	**(364,933)**	(314,198)
Net rental income		**906,319**	929,604
Finance lease income	8	**28,209**	47,752
Net rental and finance lease income		**934,528**	977,356
Income from consultancy and other services	26	**337,748**	510,160
Consulting operation and other services expenses	27	**(279,027)**	(301,193)
Net consulting and other service income		**58,721**	208,967
Profit on sale of property & construction services	28	**372,611**	-
Net fair value gain on investment properties	12	**872,837**	818,852
Share of results of associates	14	**62,389**	90,415
Gain / (Loss) on financial assets at fair value through profit or loss		**2,544**	(4,769)
General and administrative expenses	29	**(263,932)**	(260,945)
Depreciation	13	**(16,227)**	(16,641)
Net impairment losses	30	**(18,896)**	(48,009)
Other income	31	**32,846**	55,702
Operating profit		**2,037,421**	1,820,928
Finance income	32	**208,131**	95,019
Finance cost	32	**(323,410)**	(197,473)
Net finance cost		**(115,279)**	(102,454)
Profit before income tax		**1,922,142**	1,718,474
Income tax	16	**(4,709)**	(2,067)
Profit for the year		**1,917,433**	1,716,407
Attributable to:			
Equity holders of the Parent		**1,915,002**	1,704,906
Non-controlling interests		**2,431**	11,501
		1,917,433	1,716,407
Basic and diluted earnings per share *(attributable to equity holders of the Parent expressed in QR per share)*	33	**4.92**	4.38

Barwa Real Estate Company Q.P.S.C.
Consolidated financial statements
For the year ended 31 December 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	*2018* *QR'000*	*2017* *QR'000*
Profit for the year		**1,917,433**	1,716,407
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	34	**(384)**	61,003
Net change in the fair value of available for sale financial assets	34	**-**	(58,759)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Net change in the fair value of financial assets at fair value through other comprehensive income	34	**(8,703)**	-
Other comprehensive (loss) income for the year	34	**(9,087)**	2,244
Total comprehensive income for the year		**1,908,346**	1,718,651
Attributable to:			
Equity holders of the Parent		**1,905,180**	1,708,779
Non-controlling interests		**3,166**	9,872
		1,908,346	1,718,651

Barwa Real Estate Company Q.P.S.C.
Consolidated financial statements
For the year ended 31 December 2018

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Parent						
	Share Capital	Treasury shares	Reserves	Retained earnings	Total	Non-controlling interest	Total
	QR'000	*QR'000*	*QR'000*	*QR'000*	*QR'000*	*QR'000*	*QR'000*
Balance at 1 January 2017	3,891,246	(4,119)	5,826,915	8,514,812	18,228,854	131,085	18,359,939
Profit for the year	-	-	-	1,704,906	1,704,906	11,501	1,716,407
Other comprehensive loss for the year (Note 34)	-	-	3,873	-	3,873	(1,629)	2,244
Total comprehensive income for the year	-	-	3,873	1,704,906	1,708,779	9,872	1,718,651
Conribution to the Social and Sports Fund (Note 36)	-	-	-	(42,623)	(42,623)	-	(42,623)
	-	-	3,873	1,662,283	1,666,156	9,872	1,676,028
Transactions with shareholders in their capacity as owners:							
Dividends for 2016 (Note 35)	-	-	-	(972,811)	(972,811)	-	(972,811)
Transfer to Legal Reserve	-	-	88,040	(88,040)	-	-	-
Disposal of Treasury shares (Note 21)	-	4,119	-	(2,868)	1,251	-	1,251
Non-controlling interests on gaining control over a subsidiary (Note 44.1)	-	-	-	-	-	91,235	91,235
Transaction with Non- controlling interest	-	-	-	-	-	(15,000)	(15,000)
Other movements	-	-	-	-	-	11	11
Total transactions with shareholders	-	4,119	88,040	(1,063,719)	(971,560)	76,246	(895,314)
Balance at 31 December 2017	**3,891,246**	**-**	**5,918,828**	**9,113,376**	**18,923,450**	**217,203**	**19,140,653**
Adjustment at initial adoption of IFRS 9 (Note 47.1.B)	**-**	**-**	**-**	**(214,874)**	**(214,874)**	**-**	**(214,874)**
Adjusted total equity at 1 January 2018	**3,891,246**	**-**	**5,918,828**	**8,898,502**	**18,708,576**	**217,203**	**18,925,779**
Profit for the year	**-**	**-**	**-**	**1,915,002**	**1,915,002**	**2,431**	**1,917,433**
Other comprehensive loss for the year (Note 34)	**-**	**-**	**(9,822)**	**-**	**(9,822)**	**735**	**(9,087)**
Total comprehensive income for the year	**-**	**-**	**(9,822)**	**1,915,002**	**1,905,180**	**3,166**	**1,908,346**
Transfer of loss on disposal of equity investments at fair value through other comprehensive income to retained earnings	**-**	**-**	**896**	**(896)**	**-**	**-**	**-**
Impact of adoption of IFRS 9 "cumulative impairment for available of sale financial assets in previous years"	**-**	**-**	**(160,679)**	**160,679**	**-**	**-**	**-**
Conribution to the Social and Sports Fund (Note 36)	**-**	**-**	**-**	**(47,875)**	**(47,875)**	**-**	**(47,875)**
	-	**-**	**(169,605)**	**2,026,910**	**1,857,305**	**3,166**	**1,860,471**
Transactions with shareholders in their capacity as owners:							
Dividends for 2017 (Note 35)	**-**	**-**	**-**	**(972,811)**	**(972,811)**	**-**	**(972,811)**
Dividend paid to non-controlling interest of a subsidiary	**-**	**-**	**-**	**-**	**-**	**(7,500)**	**(7,500)**
Transfer to Legal Reserve	**-**	**-**	**253,223**	**(253,223)**	**-**	**-**	**-**
Acquisition of non-controlling interests	**-**	**-**	**-**	**(248,056)**	**(248,056)**	**(258,131)**	**(506,187)**
Non-controlling interest assumed through business combination	**-**	**-**	**-**	**-**	**-**	**250,335**	**250,335**
Total transactions with shareholders	**-**	**-**	**253,223**	**(1,474,090)**	**(1,220,867)**	**(15,296)**	**(1,236,163)**
Balance at 31 December 2018	**3,891,246**	**-**	**6,002,446**	**9,451,322**	**19,345,014**	**205,073**	**19,550,087**

Barwa Real Estate Company Q.P.S.C.
Consolidated financial statements
For the year ended 31 December 2018

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	31 December 2018 QR'000	31 December 2017 QR'000
OPERATING ACTIVITIES			
Profit for the year		**1,917,433**	1,716,407
Adjustments for:			
Finance cost	32	**303,664**	197,473
Unwinding of deferred finance cost	32	**19,746**	-
Finance income	32	**(208,130)**	(95,019)
Net fair value gain on investment properties	12	**(872,837)**	(818,852)
Depreciation	13	**56,767**	51,170
Share of results of associates	14	**(62,389)**	(90,415)
Net Impairment losses	30	**18,896**	48,009
Finance lease income	8	**(28,209)**	(47,752)
reversal of provisions	18.1	**-**	(86)
Profit from construction services	15 & 28	**(267,516)**	-
Other income		**(35,961)**	(50,506)
Operating gain before working capital changes		**841,464**	910,429
Changes in working capital:			
Change in receivables and prepayments		**452,890**	236,106
Change in trading properties		**254,712**	(29,807)
Change in finance lease receivables		**43,912**	1,393,519
Change in amounts due from / due to related parties		**(16,738)**	(96,379)
Change in provisions	18.1	**10,010**	19,707
Change in payables and other liabilities		**219,637**	(221,370)
Cash flows from operations		**1,805,887**	2,212,205
Payment for construction services	15	**(1,274,972)**	-
NET CASH FROM OPERATING ACTIVITIES		**530,915**	2,212,205
INVESTING ACTIVITIES			
Cash and cash equivalent acquired through business combination	44.3	**2,945**	30,195
Payment for business acquired	44.2	**(4,548)**	-
Finance income received		**61,388**	107,847
Dividends received from associates		**50,921**	77,108
Proceeds from capital reduction of an associates		**9,382**	-
Purchase of investment properties		**(597,252)**	(680,912)
Payments for purchase of financial assets at fair value through other comprehensive income		**(2,081)**	-
Proceeds from sale of financial assets at fair value through other comprehensive income		**4,509**	194
Advances paid for purchase of investments and properties		**(262,839)**	(119,436)
Payments for purchase of property, plant and equipment		**(6,232)**	(15,185)
Proceeds from disposal of property, plant and equipment		**154**	414
Dividend income received		**8,188**	3,257
Proceeds from disposal of financial assets at fair value through profit or loss		**18,119**	20,574
Payment for purchase financial assets at fair value through profit or loss		**(22,034)**	(17,024)
Net movement in short term deposits maturing after three months		**157,854**	530,245
NET CASH USED IN INVESTING ACTIVITIES		**(581,526)**	(62,723)

Barwa Real Estate Company Q.P.S.C.
Consolidated financial statements
For the year ended 31 December 2018

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	Notes	31 December 2018 QR'000	31 December 2017 QR'000
FINANCING ACTIVITIES			
Finance cost paid		**(418,984)**	(285,610)
Payment to non-controlling interest		**(59,388)**	(15,000)
Payments for obligations under Islamic finance contracts		**(254,179)**	-
Dividend paid to non-controlling interest		**(7,500)**	-
Dividends paid		**(960,978)**	(963,797)
Proceeds from disposal of treasury shares		**-**	1,251
Change in restricted bank balances		**(137,981)**	(39,348)
NET CASH USED IN FINANCING ACTIVITIES		**(1,839,010)**	(1,302,504)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		**(1,889,621)**	846,978
Net foreign exchange difference		**21,203**	7,158
Cash and cash equivalents at 1 January	4	**2,200,261**	1,346,125
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	4	**331,843**	2,200,261

Notes:

(i) Depreciation for the year ended 31 December 2018 includes an amount of QR 40,540 thousand charged to consulting and other operation expenses in the consolidated statement of profit or loss (2017 - QR 34,529 thousand).

(ii) The above consolidated statement of cash flows should be read in conjunction with note 37.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

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

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

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

Qatar Companies Law No. 11 of 2015 (Companies Law) which is applicable to the group has come into effect from 16 June 2015. The Ministry of Commerce and Industry (MOCI) had extended the transitional period determined for complying with the Companies Law till August 2019. The company's amended articles of association has been approved by the MOCI, however the group's entities' articles of association are yet to be approved. The management has a plan to complete updating the articles of association of all group entities to comply with the requirements of the law before the deadline.

2 SIGNIFICANT CHANGES IN THE CURRENT REPORTING PERIOD

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

- Transfer of Al Baraha Accomodation Phase 3 from trading properties to investment properties. (note 7 and note 12).
- Acquisition of the Millenium Plaza Doha Hotel & the Wellness center (note 44.3.A)
- Restructuring the repayment of a significant debt (note 31)

3 SEGMENT INFORMATION

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 SEGMENT INFORMATION (continued)

Operating segments
The operating segments are presented as follows:

For the year ended 31 December 2018	*Real estate QR'000*	*Business services QR'000*	*Other services QR'000*	*Eliminations QR'000*	*Total QR'000*
Revenues and gains					
External parties					
- Profit on sale of property & construction services	372,611	-	-	-	372,611
- Rental income	1,271,252	-	-	-	1,271,252
- Income from consultancy and other related services	-	177,434	160,314	-	337,748
- Finance lease income	28,209	-	-	-	28,209
- Net fair value gain on investment properties	872,837	-	-	-	872,837
- Share of results of associates	-	-	62,389	-	62,389
- Others	-	-	35,390	-	35,390
Internal segments	202,677	57,877	(208)	(260,346) (i)	-
Total revenues and gains	2,747,586	235,311	257,885	(260,346)	2,980,436
Profit for the year	1,725,564	20,386	251,099	(79,616)	1,917,433
Net finance (cost) income	(121,487)	6,208	-	-	(115,279)
Depreciation	(12,181)	(4,046)	(40,540)	-	(56,767)

For the year ended 31 December 2017	*Real estate QR'000*	*Business services QR'000*	*Other services QR'000*	*Eliminations QR'000*	*Total QR'000*
Revenues and gains					
External parties					
- Rental income	1,243,802	-	-	-	1,243,802
- Income from consultancy and other related services	-	251,383	258,777	-	510,160
- Finance lease income	47,752	-	-	-	47,752
- Net fair value gain on investment properties	818,852	-	-	-	818,852
- Share of results of associates	-	-	90,415	-	90,415
- Others	-	-	50,933	-	50,933
Internal segments	211,356	37,229	1,930	(250,515) (i)	-
Total revenues and gains	2,321,762	288,612	402,055	(250,515)	2,761,914
Profit for the year	1,503,966	63,503	236,636	(87,698)	1,716,407
Net finance (cost) income	(109,165)	6,711	-	-	(102,454)
Depreciation	(12,506)	(4,135)	(34,529)	-	(51,170)

Note:
(i) Inter-segment revenues are eliminated on consolidation level.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 SEGMENT INFORMATION (continued)

Operating segments (continued)

The following table presents segment assets and liabilities of the group's operating segments as at 31 December 2018 and 2017:

At 31 December 2018	*Real estate QR'000*	*Business services QR'000*	*Other services QR'000*	*Eliminations QR'000*	*Total QR'000*
Current assets	**3,392,138**	**291,449**	**150,751**	**-**	**3,834,338**
Non-current assets	**25,739,474**	**207,894**	**736,203**	**(195,629)**	**26,487,942**
Total assets	**29,131,612**	**499,343**	**886,954**	**(195,629)**	**30,322,280**
Current liabilities	**(2,445,917)**	**(117,211)**	**(25,268)**	**-**	**(2,588,396)**
Non-current liabilities	**(7,906,618)**	**(79,603)**	**(462,854)**	**265,278**	**(8,183,797)**
Total liabilities	**(10,352,535)**	**(196,814)**	**(488,122)**	**265,278**	**(10,772,193)**
Investment in associates	**-**	**-**	**509,763**	**-**	**509,763**
Capital expenditures	**683,733 (i)**	**-**	**-**	**-**	**683,733**

At 31 December 2017	*Real estate QR'000*	*Business services QR'000*	*Other services QR'000*	*Eliminations QR'000*	*Total QR'000*
Current assets	5,872,491	435,198	191,096	-	6,498,785
Non-current assets	22,551,794	143,670	791,477	(251,201)	23,235,740
Total assets	28,424,285	578,868	982,573	(251,201)	29,734,525
Current liabilities	(2,104,723)	(171,045)	(32,789)	-	(2,308,557)
Non-current liabilities	(7,923,629)	(84,045)	(453,979)	176,338	(8,285,315)
Total liabilities	(10,028,352)	(255,090)	(486,768)	176,338	10,593,872
Investment in associates	-	-	578,791	-	578,791
Capital expenditures	814,487 (i)	-	-	-	814,487

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

Geographic segments

The geographic segments in 2018 are presented as follows:

- 95 % of the group's assets are located in the State of Qatar.
- 96 % of the group's revenues have been generated in the State of Qatar.
- 99 % of the group's net profit has been recognized in the State of Qatar .

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 SEGMENT INFORMATION (continued)

Accounting policy:

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

4 CASH AND BANK BALANCES

	2018	*2017*
	QR'000	*QR'000*
Cash on hand	**500**	487
Short term deposits	**872,310**	2,724,691
Current accounts	**60,966**	76,204
Call accounts	**108,464**	267,131
Restricted bank balances (iii)	**301,006**	154,282
Margin bank accounts	**7,020**	15,762
	1,350,266	3,238,557
Allowance for impairment – note 47.1.B	**(2,924)**	-
Total cash and bank balances	**1,347,342**	3,238,557
Short term bank deposits maturing after 3 months	**(710,397)**	(868,252)
Restricted bank balances and margin accounts	**(308,026)**	(170,044)
Reversal of non-cash provision	**2,924**	-
Cash and cash equivalents	**331,843**	2,200,261

Notes:

i. Cash and cash equivalents include fixed deposits with maturity dates from one to three months amounting to QR 161,913 thousand (2017: QR 1,856,439 thousand).

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 QR'000	2017 QR'000
Investments in equity securities		
Quoted	**27,870**	20,817

Accounting Policy:

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets at fair value through profit or loss are initially recognised at fair value and transactions costs are expensed in the consolidated statement of profit or loss and subsequent changes in fair value are recognised in the consolidated statement of profit or loss .

6 RECEIVABLES AND PREPAYMENTS

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

2018	Non-current QR'000	Current QR'000	Total QR'000
Trade receivables (i)	**-**	**384,945**	**384,945**
Prepaid expenses	**-**	**15,855**	**15,855**
Accrued income	**-**	**94,870**	**94,870**
Refundable deposits	**8,331**	**11,913**	**20,244**
Staff receivables	**1,463**	**13,145**	**14,608**
Accrued profit on Islamic financial deposits	**-**	**23,149**	**23,149**
Other receivables	**-**	**39,913**	**39,913**
Allowance for impairment of trade receivables	**-**	**(75,308)**	**(75,308)**
Allowance for impairment of other receivables	**(199)**	**(36,534)**	**(36,733)**
	9,595	**471,948**	**481,543**
2017			
Trade receivables (i)	-	1,041,886	1,041,886
Prepaid expenses	-	14,796	14,796
Accrued income	-	63,076	63,076
Refundable deposits	8,112	11,686	19,798
Staff receivables	639	13,696	14,335
Accrued profit on Islamic financial deposits	-	16,842	16,842
Other receivables	-	106,223	106,223
Allowance for impairment of trade receivables	-	(33,073)	(33,073)
Allowance for impairment of other receivables	(199)	(14,150)	(14,349)
	8,552	1,220,982	1,229,534

(i) During the year, one of the group's subsidiaries entered into a termination and release agreement with its main customer for one of its projects, resulting in the collection of an amount of QR 602,385 thousand in cash and the recognition of a profit from sale of property of QR 105,095 thousand in the statement of profit or loss.

Barwa Real Estate Company Q.P.S.C.
Consolidated financial statements
For the year ended 31 December 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 RECEIVABLES AND PREPAYMENTS (continued)

As at 31 December 2018, trade receivables amounting to QR 75,308 thousand (2017: QR 33,073 thousand) were impaired and fully provided for. Movements in the allowance for impairment of trade receivables is as follows:

	2018	*2017*
	QR'000	*QR'000*
At 1 January	**33,073**	30,224
Allowance charge for the year	**15,247**	4,957
Written off	**(90)**	(337)
Reversal of Provision	**(91,573)**	(1,771)
Adjustment at initial adoption of IFRS 9	**118,651**	-
At 31 December	**75,308**	33,073

The impairment allowance as at 31 December 2018 and 1 January 2018 (on adoption of IFRS 9) was determined as follows for trade receivables :

31 December 2018	**Current**	**More than 30 days past due**	**More than 60 days past due**	**More than 120 days past due**	**Total**
Expected loss rate	**4.22%**	**6.62%**	**17.94%**	**33.73%**	
Gross carrying amount	**155,866**	**19,128**	**21,230**	**188,721**	**384,945**
Impairment allowance	**(6,572)**	**(1,266)**	**(3,810)**	**(63,660)**	**(75,308)**

01 January 2018	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
Expected loss rate	10.38%	2.39%	7.28%	21.74%	
Gross carrying amount	784,573	23,439	97,855	136,019	1,041,886
Impairment allowance	(81,400)	(561)	(7,119)	(29,571)	(118,651)

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

		Neither past due nor impaired	***Past due but not impaired***				
	Total QR'000	***QR'000***	***0 – 30 days QR'000***	***31- 60 days QR'000***	***61- 90 days QR'000***	***91- 120 days QR'000***	***121- 365 days QR'000***
2018	**309,637**	**-**	**149,294**	**17,862**	**11,943**	**5,477**	**125,061**
2017	1,008,813	193,762	588,434	23,439	46,869	50,986	105,323

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. The other claims within receivables and prepayments don't contain impaired assets.

6 RECEIVABLES AND PREPAYMENTS (continued)

accounting policy:

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

Critical accounting judgments and estimates:

Impairment of receivables
Refer to note 47.1 B (iii) .

7 TRADING PROPERTIES

	2018 *QR'000*	*2017* *QR'000*
Properties available for sale (A)	**150,573**	150,573
Properties under development (B)	**1,419,865**	1,469,967
	1,570,438	1,620,540

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

	2018 *QR'000*	*2017* *QR'000*
At 1 January	**150,573**	192,469
Net impairment losses (Note 30.i)	**-**	(41,896)
At 31 December	**150,573**	150,573

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

	2018 *QR'000*	*2017* *QR'000*
At 1 January	**1,469,967**	3,009,140
Additions	**51,045**	122,067
Capitalised finance cost (i) and (Note 32)	**29,205**	57,962
Transferred to investment properties (iv),(v), and (Note 12)	**(3,997)**	(1,224,427)
Transferred to receivables (iii)	**-**	(520,291)
Cost of properties sold	**(31,246)**	-
Net impairment / reversal of impairments (ii) and (Note 30.i)	**(87,780)**	9,386
Foreign exchange adjustments	**(7,329)**	16,130
At 31 December	**1,419,865**	1,469,967

7 TRADING PROPERTIES (continued)

Notes:

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

(ii) The group carried an estimate of net realizable value of its trading properties at year end. Independent accredited property appraisers were engaged to provide relevant commercial and marketing inputs to this process and to advise on current market trends in areas such as achievable market prices. The exercise revealed that the fair values less costs to sell being the net realizable value were higher than the carrying amount of the trading properties at 31 December 2018 except for the properties for which a write down to net realizable value has been made. Reversal for some of previously recorded impairment took place as a result of the assessment.

(iii) The balance represents total cost incurred of the Dukhan 9 project, the project has been handedover to the customer. no gains or losses have been recognized as a result of this reclassification.

(iv) During 2017, Al Baraha Warehousing Project has been transferred from trading properties to investment properties because of the change of the management's intention and the design of the project. Total value transferred during the year related to the project amounted to QR 689,135 thousand.

(v) During 2017, Shell Al Khor project has been transferred from trading properties to investment properties due to the completion of the project and the commencent of the lease. Total value transferred during the year related to the project amounted to QR 532,973 thousand.

Accounting policies:

a) Recognition and classification of trading properties (inventories)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 TRADING PROPERTIES (continued)

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

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

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

b) Sale of trading property

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

c) Sales of property under development

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

Or
- A contract for the sale of a completed property

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 TRADING PROPERTIES (continued)

Accounting policies: (continued)

Critical accounting judgments and estimates:

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

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

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

And

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

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

Revenue recognition
When a contract for the sale of a property upon completion of construction is judged to be a construction contract, revenue is recognised over time as construction progresses.

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

Estimation of net realizable value for trading properties
Trading properties is stated at the lower of cost and net realizable value (NRV). NRV for completed trading properties are assessed with reference to market conditions and prices existing at the reporting date and is determined by the group having taken suitable external advice and in the light of recent market transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 FINANCE LEASE RECEIVABLES

	2018 QR'000	2017 QR'000
Non-current portion:		
Finance leases - gross receivables	**121,695**	207,735
Unearned finance income	**(12,506)**	(32,608)
Impairment allowance	**(5,193)**	-
Net non-current portion of finance lease receivables	**103,996**	175,127
Current portion:		
Finance leases - gross receivables	**86,081**	86,081
Unearned finance income	**(20,101)**	(28,209)
Impairment allowance	**(3,090)**	-
Net current portion of finance lease receivables	**62,890**	57,872
Net investment in finance leases	**166,886**	232,999

Contractual maturities of finance lease receivables are as follows:

Gross receivables from finance leases:		
Not later than 1 year	**86,081**	86,081
Later than 1 year and not later than 5 years	**121,696**	207,735
Later than 5 years	**-**	-
	207,777	293,816
Unearned finance income	**(32,608)**	(60,817)
Impairment allowance	**(8,283)**	-
Net investment in finance leases	**166,886**	232,999

Movement in finance lease receivables during the year was as follows:

	2018 QR'000	2017 QR'000
At 1 January	**232,999**	1,459,708
Installments due and collected during the year	**(43,913)**	(1,393,519)
Transferred (to) / from trade receivables	**(42,126)**	119,058
Finance lease income	**28,209**	47,752
Adoption of new standards "IFRS 9" – note 47.1.B	**(8,283)**	-
At 31 December	**166,886**	232,999

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

At 31 January 2017, Al Aqaria entered into a termination and release agreement with its main customer, whereby 9 of its finance lease agreements have been terminated resulting in the collection of an amount of QR 1,172 Million in cash during the month of February 2017.

As at 31 December 2018, 94% (2017: 95%) of the total finance lease receivables balance is due from a single customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 FINANCE LEASE RECEIVABLES (continued)

Accounting policy:

Finance lease income

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

Group as a lessor

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

9 RELATED PARTY DISCLOSURES

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

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

Related party transactions

Transactions with related parties during the year were as follows:

	2018	*2017*
	QR'000	*QR'000*
Income from consultancy and other services - Main shareholder	**73,303**	167,890
Rental income - Main shareholder / associates	**953**	2,987

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 RELATED PARTY DISCLOSURES (continued)

Related party balances

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

	Due from related parties		*Due to related parties*	
	2018	*2017*	***2018***	*2017*
	QR'000	*QR'000*	***QR'000***	*QR'000*
Qatari Diar Real Estate Investment Company Q.S.C.	**11,231**	24,687	**290,370**	293,118
Associate companies	**10,737**	3,976	**28,188**	30,144
Entities under common control	**205,516**	189,936	**-**	-
Other related parties	**-**	-	**2,287**	1,393
	227,484	218,599	**320,845**	324,655

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

	Due from related parties		*Due to related parties*	
	2018	*2017*	***2018***	*2017*
	QR'000	*QR'000*	***QR'000***	*QR'000*
Non-current	**-**	-	**579**	579
Current	**227,484**	218,599	**320,266**	324,076
	227,484	218,599	**320,845**	324,655

Movement in the allowance for impairment of due from related parties is as follows:

	2018	*2017*
	QR'000	*QR'000*
At 1 January	**47,704**	47,704
Impairment losses (Note 30)	**11,459**	-
Initial adoption of IFRS 9	**18,705**	-
At 31 December	**77,868**	47,704

For the years ended 31 December 2018 and 2017, the group carried out an impairment testing for due from related parties. The group recognized an additional impairment of QR 11,459 thousand during the year (2017: QR Nil) (Note 30). In the opinion of the management, based on recent available information, there is no evidence of further impairment in the value of due from related parties. This assessment is undertaken in each financial year through examining the financial position of the related parties and the market in which the related parties operate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 RELATED PARTY DISCLOSURES (continued)

Compensation of directors and other key management personnel

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

	2018 *QR'000*	*2017* *QR'000*
Short term benefits (ii)	**27,151**	26,571
End of service benefits	**1,180**	1,100
	28,331	27,671

Notes:

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

(ii) Short term benefits includes a proposed board of directors' remuneration amounting to QR 8,500 thousand for the year 2018 subject to the approval of the company's Annual General Assembly (2017: QR 7,750 thousand, approved by the shareholders of the Company at the Annual General Meeting held on 27 February 2018).

10 AVAILABLE-FOR-SALE FINANCIAL ASSETS / FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

A) Available-for-sale financial assets

	2018 *QR'000*	*2017* *QR'000*
Investments in equity securities		
Quoted	**-**	87,620
Unquoted	**-**	57,174
	-	144,794

B) Financial assets at fair value through other comprehensive income

	2018 *QR'000*	*2017* *QR'000*
Investments in equity securities		
Quoted	**83,221**	-
Unquoted	**55,355**	-
	138,576	-

Notes:

(i) At 31 December 2018, certain unquoted equity investments amounting to QR 55,355 thousand (2017: QR 57,174 thousand) are carried at cost less impairment due to non-availability of quoted market prices or other reliable measures of their fair value.

During the year, the group carried out an impairment testing for the unquoted available for sale financial assets and did not recognize impairment loss for the current financial year (2017: QR Nil) (Note 30). In the opinion of the management, based on recent available information, there is no evidence of further impairment in the value of available-for-sale financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

Accounting Policies:

Policy applicable to the year ended 31 december 2017

Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. Available for sale financial assets are recognised initially at fair value plus transaction costs. After initial recognition, available for sale financial assets are subsequently remeasured at fair value, with any resultant gain or loss directly recognised as a separate component of equity under other comprehensive income until the investment is sold, collected, or the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the consolidated statement of profit or loss for that year. Dividends earned on investments are recognised in the consolidated statement of profit or loss as "Dividend income" when the right to receive dividend has been established.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the end of the reporting period. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to current market value of another instrument which is substantially the same, discounted cash flow analysis or other valuation models. For investment in funds, fair value is determined by reference to net asset values provided by the fund administrators.

Investments are uncertain due to the uncertain nature of cash flows arising from certain of the group's unquoted equity investments, the fair value of these investments cannot be reliably measured. Consequently, these investments are carried at cost, less any impairment losses.

For policy applicable to the year ended 31 december 2018 refer to note 47.1

Derecognition

When the available for sale financial assets investment is disposed off, the cumulative gain or loss previously recorded in equity is recognised in the consolidated statement of profit or loss.

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the group has transferred substantially all the risks and rewards of the asset, or (b) the group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor transferred control of the asset, the group continues to recognise the transferred asset to the extent of the group's continuing involvement. In that case, the group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the group has retained.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

Critical accounting judgments and estimates

Impairment of available-for-sale financial assets
Policy applicable to the year ended 31 December 2017
The group treats available-for-sale financial assets as impaired when there has been a significant or prolonged decline in fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment. The group treats "significant" generally as 20% or more and 'prolonged' greater than six (6) months. In addition, the group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities, if any.

For the policy applicable to the year ended 31 December 2018 is disclosed in note 47.1

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

11 ADVANCES FOR PROJECTS AND INVESTMENTS

	2018	*2017*
	QR'000	*QR'000*
Advances for purchase of properties (i)	**4,860,474**	4,860,474
Advances against exchange of land (ii)	**1,836,459**	1,836,459
Advances to contractors and suppliers	**262,681**	230,637
	6,959,614	6,927,570
Less: allowance for impairment of advances (ii)	**(1,979,948)**	(1,979,818)
	4,979,666	4,947,752

Notes:

(i) Advances for purchase of properties represent the value of installments paid on account of the purchase of a plot of land in Lusail District with an area of (3,475,863 sqm). The land is yet to be handed over to the group.

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

11 ADVANCES FOR PROJECTS AND INVESTMENTS (continued)

Accounting policy:

Advances for land

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

12 INVESTMENT PROPERTIES

	2018	*2017*
	QR'000	*QR'000*
At 1 January	**16,745,985**	13,851,222
Additions during the year	**522,207**	577,460
Capitalised finance cost (Note 32)	**75,635**	37,443
Transfer from trading properties - properties under development (Note 7.B)	**3,997**	1,224,427
Transfer from property, plant and equipment (Note 13)	**591**	3,401
Transfer from advance for purchase of property	**-**	140
Acquired through business combination	**58,716**	203,373
Net fair value gain	**872,837**	818,852
Foreign exchange adjustment	**(15,898)**	29,667
At 31 December	**18,264,070**	16,745,985

Notes:

(i) Investment properties are located in the State of Qatar, Kingdom of Bahrain, Republic of Cyprus and United Kingdom.

(ii) Investment properties are stated at fair value, which has been determined based on valuations performed by accredited independent valuers as at 31 December 2018. Those valuers are an accredited independent valuers with a recognised and relevant professional qualifications and with recent experience in the location and category of those investment properties being valued. In arriving at estimated market values the valuers have used their market knowledge and professional judgement and not only relied on historical transactional comparable. In the absence of current prices in an active market, the valuations are based on the aggregate of the estimated cash flows expected to be received from renting the property. A yield that reflects the specific risks inherent in the net cash flows is applied to the net annual cash flows to arrive at the property valuation.

(iii) The group has no restrictions on the realisability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

(iv) Fair value hierarchy disclosures for investment properties have been provided in Note 41.

(v) Capitalised finance cost is calculated based on the actual qualifying expenditures related to the projects under development, that is part of the investment properties. Finance cost is capitalized using the group's weighted average finance costs.

12 INVESTMENT PROPERTIES (continued)

(vi) Included in investment properties are certain properties with a fair value of QR 1,133,204 thousand at 31 December 2018 (31 December 2017: QR 1,280,000 thousand) for which the title deeds will be transferred on completion of the construction of the projects or upon settlement of the full purchase price. The consolidated financial statements have been prepared on the basis that the beneficial interest of these investment properties resides with the group.

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

Type of properties	*Valuation technique*	*Significant unobservable inputs*	*Range (weighted average)*
Commercial properties	DCF method	Estimated rental value per sqm per month	QR 17-198
		Rent growth p.a.	0%-5%
		Long-term vacancy rate	0%-30%
		Discount rate	7.80% - 8.20%
		Market cap	7.50%
Residential properties	DCF method	Estimated rental value per sqm per month	QR 30-90
		Rent growth p.a.	0%-5%
		Long-term vacancy rate	0%-40%
		Discount rate	7.60% - 8.20%
		Market cap	7.50%
Land Bank	Direct Comparison	Estimated land value per sqm	QR 1,938 - 20,300

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 INVESTMENT PROPERTIES (continued)

(viii) Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:

	2018 ***QR'000***	*2017* *QR'000*
Within one year	**577,042**	807,363
Between 1 and 5 years	**1,489,556**	2,196,296
More than 5 years	**2,530,868**	2,618,365
Total at 31 December	**4,597,466**	5,622,024

Accounting policy:

Recognition of investment properties

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

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

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

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

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

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

12 INVESTMENT PROPERTIES (continued)

Accounting policies: (continued)

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain arising on remeasurement is recognised directly in equity as a revaluation surplus. Any loss is recognised immediately in the consolidated statement of profit or loss .

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

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

Critical accounting judgments and estimates:

Classification of property

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

Valuation of investment property

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

Sensitivity analysis

At 31 December 2018, if discount rate for investment properties (valued using discounted cash flow method) had been higher/lower by 1% with all other variables held constant, the calculated fair valuation gains (losses) on investment properties for the year would have been QR 1,183,703 thousand lower and QR 1,313,631 thousand higher mainly as a result of lower/higher (higher/lower) fair value gain (loss) on investment properties.

At 31 December 2018, if market cap for investment properties (valued using discounted cash flow method) had been higher/lower by 1% with all other variables held constant, the calculated fair valuation gains (losses) on investment properties for the year would have been QR 683,308 thousand lower and QR 893,557 thousand higher mainly as a result of lower/higher (higher/lower) fair value gain (loss) on investment properties.

At 31 December 2018, if price per for square foot for investment properties (valued using market approach) had been higher/lower by 1% with all other variables held constant, the calculated fair valuation gains (losses) on investment properties for the year would have been QR 21,356 thousand lower/higher (higher/lower) mainly as a result of higher/lower fair value gain (loss) on investment properties.

Barwa Real Estate Company Q.P.S.C.
Consolidated financial statements
For the year ended 31 December 2017

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 PROPERTY, PLANT AND EQUIPMENT

	Land	*Buildings*	*Furniture and fixtures*	*Leasehold improvements*	*Cooling plants*	*Other fixed assets*	*Total*
	QR'000	*QR'000*	*QR'000*	*QR'000*	*QR'000*	*QR'000*	*QR'000*
Cost							
At 1 January 2018	**88,200**	**245,783**	**203,305**	**119,994**	**234,602**	**106,661**	**998,545**
Additions	**-**	**-**	**667**	**2,165**	**56**	**2,753**	**5,641**
Disposals	**-**	**-**	**(45)**	**-**	**-**	**(1,511)**	**(1,556)**
Reclassifications	**-**	**-**	**-**	**(100)**	**-**	**100**	**-**
Acquired through business combination	**88,400**	**159,712**	**17,551**	**-**	**-**	**15,237**	**280,900**
Transfer to investment properties (note 12)	**-**	**-**	**-**	**-**	**-**	**(591)**	**(591)**
Transfer to account receivables	**-**	**-**	**-**	**-**	**-**	**(105)**	**(105)**
Foreign exchange adjustment	**(1,039)**	**(687)**	**(188)**	**(16)**	**-**	**(5)**	**(1,935)**
At 31 December 2018	**175,561**	**404,808**	**221,290**	**122,043**	**234,658**	**122,539**	**1,280,899**
Accumulated depreciation							
At 1 January 2018	**-**	**55,129**	**167,708**	**72,467**	**49,112**	**88,458**	**432,874**
Charge for the year	**-**	**9,082**	**1,262**	**1,407**	**-**	**4,476**	**16,227**
Charged in operating expenses (note 27)	**-**	**3,220**	**10,339**	**14,585**	**9,375**	**3,021**	**40,540**
Disposals	**-**	**-**	**(45)**	**-**	**-**	**(1,511)**	**(1,556)**
Transfer to investment properties (note 12)	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Foreign exchange adjustment	**-**	**(285)**	**(190)**	**2,258**	**-**	**(4)**	**1,779**
At 31 December 2018	**-**	**67,146**	**179,074**	**90,717**	**58,487**	**94,440**	**489,864**
Net Book Value at 31 December 2018	**175,561**	**337,662**	**42,216**	**31,326**	**176,171**	**28,099**	**791,035**
Cost							
At 1 January 2017	84,574	243,463	197,010	114,697	234,571	87,778	962,093
Additions	-	-	5,830	5,282	31	8,412	19,555
Disposals	-	-	(132)	-	-	(224)	(356)
Reclassifications	-	-	12	-	-	(12)	-
Transfer to investment properties (note 12)	-	(4,211)	-	-	-	-	(4,211)
Acquired as a result of control gained over an associate	-	4,133	-	-	-	11,769	15,902
Write off	-	-	-	-	-	(1,069)	(1,069)
Foreign exchange adjustment	3,626	2,398	585	15	-	7	6,631
At 31 December 2017	88,200	245,783	203,305	119,994	234,602	106,661	998,545
Accumulated depreciation							
At 1 January 2017	-	45,851	154,544	56,254	39,752	74,055	370,456
Charge for the year	-	8,672	3,448	732	-	3,789	16,641
Charged in operating expenses (note 27)	-	-	9,095	15,468	9,360	606	34,529
Disposals	-	-	-	-	-	(33)	(33)
Transfer to investment properties (note 12)	-	(810)	-	-	-	-	(810)
Acquired as a result of control gained over an associate	-	421	-	-	-	10,037	10,458
Write off	-	-	-	-	-	-	-
Foreign exchange adjustment	-	995	621	13	-	4	1,633
At 31 December 2017	-	55,129	167,708	72,467	49,112	88,458	432,874
Net Book Value at 31 December 2017	88,200	190,654	35,597	47,527	185,490	18,203	565,671

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 PROPERTY, PLANT AND EQUIPMENT (continued)

Accounting policies:

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

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

Depreciation is recognised in the consolidated statement of profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the group will obtain ownership by the end of the lease term. Land is not depreciated.

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

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

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

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

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

Critical accounting judgments and estimates:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 INVESTMENTS IN ASSOCIATES

The group has the following investments in associates:

	Nature of operation	Country of incorporation	Ownership% 2018	Ownership% 2017
Al Imtiaz Investment Company (K.S.C)	Investment	Kuwait	**24.4%**	24.40%
Emdad Leasing Equipment Company	Leasing	Qatar	**22.08%**	22.08%
Al Damaan Islamic Insurance Company	Insurance	Qatar	**20%**	20%
Regency Residential UK Limited	RE Development	UK	**50%**	50%
Smeet Investment Company W.L.L.	Manufacturing	Qatar	**43.86%**	43.86%
Tanween Company W.L.L.	Consultancy services	Qatar	**40%**	40%
Bait Al Mashura Financial Consulting Co.	Consultancy services	Qatar	**20%**	20%
Ottomon Gayrimenkul A.S.	RE Development	Turkey	**50%**	50%
Panceltica Holding Limited (i)	RE Development	UK	**26%**	26%

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

	2018 QR'000	2017 QR'000
Total group's share of the associates' statement of financial position:		
Total assets	**1,661,361**	1,625,229
Total liabilities	**(869,393)**	(796,341)
Down/up stream profit	**(232,498)**	(232,498)
Impairment losses	**(49,707)**	(17,599)
Group share of net assets of associates	**509,763**	578,791
Carrying amount of the investments	**509,763**	578,791
Group's share of associates' revenues and results:		
Revenues	**635,926**	521,811
Results	**62,389**	90,415

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 INVESTMENTS IN ASSOCIATES (continued)

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

At 31 December 2018 **Name of investee**	**Total Assets QR'000**	**Total Liabilities QR'000**	**Net Assets QR'000**	**% of ownership**	**Carrying amount of the investments QR'000**
Al Imtiaz Investment Company (K.S.C)	**4,453,148**	**1,971,377**	**2,481,771**	**24.40%**	**605,552**
Emdad Leasing Equipment Company	**69,941**	**35,385**	**34,556**	**22.08%**	**7,630**
Al Damaan Islamic Insurance Company	**538,800**	**198,080**	**340,720**	**20%**	**68,144**
Regency Residential UK Limited	**35,684**	**13,764**	**21,920**	**50%**	**10,960**
Smeet Investment Company W.L.L.	**750,065**	**700,793**	**49,272**	**43.86%**	**21,610**
Tanween Company W.L.L.	**259,330**	**65,220**	**194,110**	**40%**	**77,644**
Bait Al Mashura Financial Consulting Co.	**5,190**	**3,050**	**2,140**	**20%**	**428**
Ottomon Gayrimenkul A.S.	**13,810**	**13,810**	**-**	**50%**	**-**
Total					**791,968**
Less: Down/up stream profit					**(232,498)**
Less: Impairment losses					**(49,707)**
Group share of net assets of associates					**509,763**

Based on impairment testing carried out by the management, the entire investment value of Panceltica Holding Limited amounting to QR 200,935 thousand was impaired during prior years.

At 31 December 2017 Name of investee	Total Assets QR'000	Total Liabilities QR'000	Net Assets QR'000	% of ownership	Carrying amount of the investments QR'000
Al Imtiaz Investment Company (K.S.C)	3,670,080	1,231,264	2,438,816	24.40%	595,071
Emdad Leasing Equipment Company	106,893	36,789	70,104	22.08%	15,479
Al Damaan Islamic Insurance Co.	991,420	700,500	290,920	20%	58,184
Regency Residential UK Limited	37,430	13,764	23,666	50%	11,833
Smeet Investment Company W.L.L	709,494	676,822	32,672	43.86%	14,330
Tanween Company W.L.L.	290,888	93,449	197,439	40%	78,975
Bait Al Mashura Financial Consulting Co.	3,190	1,245	1,945	20%	389
Ottomon Gayrimenkul A.S.	121,904	12,650	109,254	50%	54,627
Total					828,888
Less: Down/up stream profit					(232,498)
Less: Impairment losses					(17,599)
Group share of net assets of associates					578,791

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 INVESTMENTS IN ASSOCIATES (continued)

Reconciliation of the summarized financial information presented to Group's share of associates' revenues and results are as follows:

At 31 December 2018

Name of investee	Total Income QR'000	Share of results QR'000
Al Imtiaz Investment Company (K.S.C)	**722,865**	**50,088**
Emdad Leasing Equipment Company	**7,581**	**(7,818)**
Al Damaan Islamic Insurance Company	**612,407**	**15,298**
Smeet Investment Company W.L.L	**669,854**	**7,282**
Tanween Company W.L.L.	**100,494**	**(2,347)**
Bait Al Mashura Financial Consulting Co.	**3,284**	**39**
Ottomon Gayrimenkul A.S.	**1,478**	**(153)**
Group's share of associates' results		**62,389**

At 31 December 2017

Name of investee	Total Income QR'000	Share of results QR'000
Nuzul Holding Company B.S.C.C.	5,146	680
Al Imtiaz Investment Company (K.S.C)	1,006,682	118,647
Emdad Leasing Equipment Company	104,253	(3,646)
Al Damaan Islamic Insurance Company	1,594	2,848
Smeet Investment Company W.L.L	489,986	(27,943)
Tanween Company W.L.L.	91,272	(516)
Bait Al Mashura Financial Consulting Co.	4,581	3
Ottomon Gayrimenkul A.S.	1,994	342
Group's share of associates' results		90,415

Accounting policy:

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 INVESTMENTS IN ASSOCIATES (continued)

Accounting policy: (continued)

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

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

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

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

15 INTANGIBLE ASSETS

	Goodwill (A)		*Service Concession Arrangement (B)*		*TOTAL*	
	2018 QR'000	*2017 QR'000*	***2018 QR'000***	*2017 QR'000*	***2018 QR'000***	*2017 QR'000*
At 1 January	**126,411**	126,411	**62,608**	-	**189,019**	126,411
Additions	**83,769**	-	**1,274,972**	62,608	**1,358,741**	62,608
Profit recognized	**-**	-	**267,516**	-	**267,516**	-
At 31 December	**210,180**	126,411	**1,605,096**	62,608	**1,815,276**	189,019

Addition to goodwill resulting from business combination during the year (Note 44.3)

(A) Goodwill

The group performed its annual impairment test as at 31 December 2018 and 2017. To assess whether goodwill is impaired, the carrying amount of the real estate CGU is compared to its recoverable amount determined on a value in use basis.

Key assumptions used in value in use calculations
The recoverable amount of the real estate CGU has been determined based on a value in use calculation using free cash flow to equity projections from financial budgets approved by senior management covering a five-year period. The cash flows have been discounted by a WACC of 8.2%. All cash flows beyond the five year period have an assumed growth rate of 3% for the CGU for the purpose of goodwill impairment testing; The strategic business plan assumes certain economic conditions and business performance, which are considered appropriate as they are consistent with current market expectations of the future. As a result of this analysis, no impairment allowance is recognised against goodwill as at 31 December 2018 and 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 INTANGIBLE ASSETS (continued)

(A) Goodwill (continued)

Sensitivity to changes in assumptions

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

Accounting policies:

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

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

(B) Service Concession Arrangement

The service concession arrangement represents a construction service revenue recognized till 31 December 2018 for the Affordable Housing Labour Camp Development located on Salwa Road.

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

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

During the year ended 31 December 2018, the Group recognized a profit from construction services of QR 267,516 thousand.

Accounting policies:

Amortisation

In accordance with IAS 38 “Intangible Assets”, the Service Concession Arrangement will be amortised after completion on a straight line basis over the remaining period of the lease. The annual amortization charge amounts to QR 61,734 thousand per year.

Construction revenue

The group recognizes Construction Services Revenue in accordance with IFRS 15. It measures revenue at the fair value of the non-cash consideration received or receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 INCOME TAX

The income tax represents amounts recognised by subsidiary companies. The major components of the income tax expense for the years ended 31 December 2018 and 2017 are:

	2018 *QR'000*	*2017* *QR'000*
Current income tax		
Current income tax charge	**(5,265)**	(2,102)
Deferred income tax		
Relating to origination and reversal of temporary differences	**556**	35
Income tax expense reported in the consolidated statement of profit or loss	**(4,709)**	(2,067)

The Company is not subject to income tax in the State of Qatar. For the purpose of determining the taxable results for the year, the accounting profit of the companies were adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense. The adjustments are based on the current understanding of the existing laws, regulations and practices of each subsidiary jurisdiction. In view of the operations of the group being subject to various tax jurisdictions and regulations, it is not practical to provide a detailed reconciliation between accounting and taxable profits together with the details of the effective tax rates.

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

Reflected in the consolidated statement of financial position as follows:

	2018 *QR'000*	*2017* *QR'000*
Deferred tax assets	**2,341**	1,467
Deferred tax liabilities	**(1,785)**	(1,432)
	556	35

16 INCOME TAX (continued)

Accounting policy:

Current and deferred income tax

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 PAYABLES AND OTHER LIABILITIES

Payables and other liabilities are segregated between non-current and current portion as follows:

	Non-current QR'000	*Current QR'000*	*Total QR'000*
2018			
Contractors and suppliers	**-**	**891,564**	**891,564**
Clients advances and unearned income	**-**	**45,685**	**45,685**
Retention payable	**207,872**	**44,570**	**252,442**
Contribution to social and sports fund (Note 36)	**-**	**47,875**	**47,875**
Accrued expenses	**20,002**	**277,167**	**297,169**
Accrued finance cost	**-**	**43,322**	**43,322**
Other payables	**444,866**	**340,532**	**785,398**
	672,740	**1,690,715**	**2,363,455**

	Non-current QR'000	*Current QR'000*	*Total QR'000*
2017			
Contractors and suppliers	-	299,200	299,200
Clients advances and unearned income	-	38,649	38,649
Retention payable	215,557	37,133	252,690
Contribution to social and sports fund (Note 36)	-	82,439	82,439
Accrued expenses	20,002	302,430	322,432
Accrued finance cost	-	34,056	34,056
Other payables	1,280	930,635	931,915
	236,839	1,724,542	1,961,381

Accounting policy:

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 PROVISIONS AND END OF SERVICE BENEFITS

18.1 PROVISIONS

	2018 QR'000	2017 QR'000
Provision for litigations	**27,114**	41,602
Provision for Penalties and claims	**23,900**	-
At 31 December	**51,014**	41,602

	2018 QR'000	2017 QR'000
At 1 January	**41,602**	20,802
Provided during the year	**25,900**	19,707
Reversal during the year	**-**	(86)
Acquiring through business combination	**-**	1,179
Utilised during the year	**(15,890)**	-
Foreign exchange adjustments	**(598)**	-
At 31 December	**51,014**	41,602

18.2 END OF SERVICE BENEFITS

	2018 QR'000	2017 QR'000
At 1 January	**92,563**	87,766
Provided during the year	**36,172**	24,617
End of service benefits paid	**(19,227)**	(20,273)
Acquired as a result of control gained over an associate	**-**	392
Acquiring through business combination	**329**	-
Translation adjustment	**(23)**	61
At 31 December	**109,814**	92,563

Accounting policy:

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

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

18 PROVISIONS AND END OF SERVICE BENEFITS (continued)

End of service benefits

The group operates defined benefit and defined contribution retirement plans

(a) ***Defined benefit plan***

A defined benefit plan is a pension plan that is not a defined contribution plan. In accordance with Qatar Labour Law number 14 of 2004, the group makes payments to non-Qatari and non-citizens of the Gulf Cooperation Council states employees in certain locations where the group operates, on their resignation, usually dependent on one or more factors such as years of service and salary.

The liability recognised in the statement of financial position in respect of employees' end of service indemnity is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by management using the projected unit credit method.

The current service cost of the defined benefit plan, recognised in the statement of profit or loss in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes curtailments and settlements.

Past-service costs are recognised immediately in the consolidated statement of profit or loss.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using profit rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related benefit obligation. Where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

The discount rate used for estimating end of service liabilities is 4.6% and the average future salary increases is 4.5%. Therefore the discounting future salaries results in approximately current levels of salary. Therefore, the management calculated the employees' end of service obligations as the amount that would be paid if all employees retire and receive their entitlements at the date of financial position, that is the final monthly basic salary at year-end multiplied by the number of years in service to arrive at the employee benefit at that date.

(b) Defined contribution plan

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

19 OBLIGATIONS UNDER ISLAMIC FINANCE CONTRACTS

	2018 *QR'000*	*2017* *QR'000*
Un-secured facilities	**7,925,280**	8,172,239
Secured facilities	**-**	-
	7,925,280	8,172,239
The above balance is analyzed as follows:		
Non-current portion	**7,415,164**	7,924,181
Current portion	**510,116**	248,058
	7,925,280	8,172,239

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

Accounting policies:

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

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

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

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

20 SHARE CAPITAL

	2018 *No of shares (Thousands)*	*2017* *No of shares (Thousands)*
Authorised shares:		
Ordinary shares of QR 10 each	**389,125**	389,125

	No of shares (Thousands)	*QR'000*
Ordinary shares issued and fully paid up:		
At 1 January 2017	389,125	3,891,246
At 31 December 2017	389,125	3,891,246
At 31 December 2018	**389,125**	**3,891,246**

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

The Board of Directors of Qatar Financial Markets Authority ("QFMA") issued its resolution at its 4th meeting for the year 2018 held on 16 December 2018, to reduce the nominal value of shares of listed companies in Qatar to be one (1) Qatari Riyal, accordingly each existing share will be split into ten (10) shares.

Therefore, the Group will convene an Extraordinary General Meeting of Shareholders on 20 March 2019 to approve the share split and amend the company's Articles of Association in accordance with the said resolution.

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

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

21 TREASURY SHARES

During 2017 the group sold all its treasury shares.

22 LEGAL RESERVE

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 GENERAL RESERVE

In accordance with the parent's articles of association, the premium on issue of share capital is added to general reserve. In addition, residual annual profits, after the required transfer to legal reserve (Note 22), can be appropriated and transferred to general reserve based on the general assembly meeting's approval.

24 OTHER RESERVES

a) **Fair value reserve:**
The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets.

b) **Translation reserve:**
The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as from the translation of assets and liabilities that form part of Company's net investment in foreign operations. This reserve is not available for distribution.

	2018 *QR'000*	*2017* *QR'000*
Fair value reserve	**(174,606)**	(6,119)
Translation reserve	**(255,668)**	(254,550)
At 31 December	**(430,274)**	(260,669)

25 RENTAL OPERATION EXPENSES

	2018 *QR'000*	*2017* *QR'000*
Staff costs	**44,113**	37,361
Rent expenses	**55,033**	53,567
Maintenance and utilities expense	**199,783**	185,721
Property management expense	**58,517**	21,058
Facility management expense	**3,041**	16,255
Other expenses	**4,446**	236
	364,933	314,198

26 INCOME FROM CONSULTANCY AND OTHER SERVICES

	2018 *QR'000*	*2017* *QR'000*
Income from consultancy services	**161,761**	228,776
Revenue from hotel operation	**108,140**	101,316
Revenue from chilled water	**50,174**	156,128
Secondment income	**17,673**	23,940
	337,748	510,160

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 INCOME FROM CONSULTANCY AND OTHER SERVICES (continued)

Accounting policies:

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

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

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

27 CONSULTING OPERATION AND OTHER SERVICES EXPENSES

	2018	*2017*
	QR'000	*QR'000*
Staff costs	**78,829**	122,373
Hotel operation costs	**101,076**	85,520
Maintenance and utilities expense	**55,987**	55,698
Depreciation (Note 13)	**40,540**	34,529
Other expenses	**2,595**	3,073
	279,027	301,193

28 PROFIT ON SALE OF PROPERTY AND CONSTRUCTION SERVICES

	2018	*2017*
	QR'000	*QR'000*
Profit on sale of property	**105,095**	-
Profit from construction services	**267,516**	-
	372,611	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 GENERAL AND ADMINISTRATIVE EXPENSES

	2018 QR'000	2017 QR'000
Staff costs	**188,653**	191,922
Social contributions	**5,200**	6,178
Professional fee expenses	**14,360**	13,402
Provision expenses	**23,900**	19,708
Utilities expenses	**5,384**	6,191
Advertising and promotion expenses	**2,921**	1,704
Board of Directors remuneration and others (i)	**9,610**	9,420
Repair and maintenance expense	**5,241**	5,183
Travel expenses	**760**	449
Rent expenses	**2,169**	3,414
Government fees	**2,220**	2,380
Other expenses	**3,514**	994
	263,932	260,945

Note:

(i) The Directors' remuneration and others includes a proposed amount of QR 8,500 thousand subject to the approval of the company's Annual General Assembly (2017: QR 7,750 thousand, approved by the shareholders of the Company at the Annual General Meeting held on 27 February 2018).

30 NET IMPAIRMENT LOSSES

	2018 QR'000	2017 QR'000
(Impairment losses) / Reversal of impairment :		
Trading properties (i)	**(87,780)**	(32,510)
Receivables	**108,174**	(15,279)
Investment in associates	**(32,107)**	(220)
Cash and bank balances	**909**	-
Finance lease Receivables	**3,367**	-
Due from related parties (Note 9)	**(11,459)**	-
	(18,896)	(48,009)

Note:

(i) Net Impairment of Trading properties are further analysed as follows :

	2018 QR'000	2017 QR'000
Properties available for sale (Note 7.A)	**-**	(41,896)
Properties under development (Note 7.B)	**(87,780)**	9,386
	(87,780)	(32,510)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 OTHER INCOME

	2018 QR'000	2017 QR'000
Income from reversal of provisions for litigations & others	**631**	10,403
Dividend income	**4,671**	3,257
Gain on disposal of property, plant and equipment	**154**	282
Others	**27,390**	41,760
	32,846	55,702

Accounting policy:

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

32 NET FINANCE COST

	2018 QR'000	2017 QR'000
Finance costs		
Finance costs on islamic finance contracts	**(345,219)**	(291,211)
Less: capitalized finance costs (Note 7.B & 12)	**104,840**	95,405
	(240,379)	(195,806)
Unwinding of deferred finance cost	**(19,746)**	-
Net foreign exchange loss	**(63,285)**	(1,667)
Finance costs for the year	**(323,410)**	(197,473)
Finance income		
Income from Murabaha and Islamic deposits	**67,695**	95,019
Net gain on debt restructure (1)	**140,436**	-
Finance income for the year	**208,131**	95,019
Net finance costs for the year	**(115,279)**	(102,454)

(i) During the year the Group entered into a settlement agreement with Ministry of Finance Qatar to settle a debt in equal monthly instalments of QR 7,500 thousand. The last instalment is due in December 2025. The debt is presented under payables and other liabilities. The present value of all future payments using the Group’s discount rate resulted in a gain amounting to QR 140,436 thousand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 NET FINANCE COST (continued)

Accounting policy:

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

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

The group begins capitalizing financing costs as part of the cost of a qualifying asset on the commencement date. The commencement date for capitalization is the date when the group first meets all of the following conditions:
(a) incurs expenditures for the asset;
(b) incurs borrowing costs; and
(c) undertakes activities that are necessary to prepare the asset for its intended use or sale.

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

The financing costs applicable to the financing of the group that are outstanding during the period, other than those specific financing mentioned above as made specifically for the purpose of obtaining a qualified asset, are capitalized by applying a capitalization rate to the expenditures on that asset.

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

33 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year attributable to equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year.
There were no potentially diluted shares outstanding at any time during the year and, therefore, the diluted earnings per share is equal to the basic earnings per share.
The following reflects the profit and share data used in the basic and diluted earnings per share computations:

	2018	*2017*
Net profit attributable to equity holders of the Parent for basic earnings (in QR'000)	**1,915,002**	1,704,906
Ordinary shares issued and fully paid (thousand shares)	**389,125**	389,125
Treasury shares (thousand shares) (note 21)	**-**	-
Weighted average number of shares outstanding during the year (thousand shares)	**389,125**	389,125
Basic and diluted earnings per share (QR)	**4.92**	4.38

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 BASIC AND DILUTED EARNINGS PER SHARE (Continued)

Accounting policy:

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

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

34 COMPONENTS OF OTHER COMPREHENSIVE INCOME

	2018	*2017*
	QR'000	*QR'000*
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Translation reserves:		
Foreign exchange differences on translation of foreign operations	**(384)**	61,003
Available-for-sale financial assets:		
Loss on remeasurement at fair value	**-**	(58,759)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Financial assets at fair value through other comprehensive income:		
Loss on remeasurement at fair value	**(8,703)**	-
Other comprehensive (loss) / income for the year	**(9,087)**	2,244

35 DIVIDENDS

Dividends paid and proposed

	2018	*2017*
	QR'000	*QR'000*
Declared, accrued and paid during the year:		
Final dividend for the year 2017, QR 2.5 per share (2017 : final dividend for the year 2016, QR 2.5 per share)	**972,811**	972,811

The shareholders of the Parent Company approved at the Annual General Meeting held on 27 February 2018 a cash dividend of QR 2.5 per share; total amounting to QR 972,811 thousand from the profit of 2017 (2017: cash dividend of QR 2.5 per share; total amounting to QR 972,811 thousand from the profit of 2016).

The proposed dividend for 2018 of QR 2.5 per share will be submitted for formal approval at the Annual General Assembly Meeting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 DIVIDENDS (Continued)

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

36 CONTRIBUTION TO THE SOCIAL AND SPORTS FUND

During the year, the group appropriated an amount of QR 47,875 thousand (2017: QR 42,623 thousand) representing 2.5% of the consolidated net profit for the year attributable to Equity holders of the Parent as a contribution to the Social and Sports Fund.

37 CASH FLOW INFORMATION

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

Description	***2018***	*2017*
	QR'000	*QR'000*
Net assets acquired by way of control gained over an associate	**-**	293,780
Transfers from trading properties to investment properties	**3,997**	1,224,427
Net liability assumed from acquisition of a business	**609,469**	-

37.2 Net debt reconciliation :

Net debt analysis :	***2018***	*2017*
	QR'000	*QR'000*
Cash and cash equivalents	**331,843**	2,200,261
Short term bank deposits maturing after 3 months	**710,397**	868,252
Liquid investments	**27,870**	20,817
Borrowing – repayable within one year	**(510,116)**	(200,058)
Borrowing – repayable after one year	**(7,415,164)**	(7,972,181)
Net debt	**(6,855,170)**	(5,082,909)

Cash, deposit and liquid investments	**1,070,110**	3,089,330
Gross debt – fixed finance cost rates	**-**	-
Gross debt – variable finance cost rates	**(7,925,280)**	(8,172,239)
Net debt	**(6,855,170)**	(5,082,909)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 COMPARATIVE INFORMATION

The comparative figures for the year ended 31 December 2017 have been reclassified in order to conform with the presentation for the current year. Such reclassifications have been made by the group to improve the quality of information presented and did not have any impact on the previously reported equity and profits. Below is a summary of significant reclassifications made during the year:

	Previous presentation at 31 December 2017	Reclassifications	Current presentation
Statement of Financial Position:			
Receivables and prepayments	1,235,524	(5,990)	1,229,534
Advances for projects and investments	4,962,780	(15,028)	4,947,752
Intangible assets	126,411	62,608	189,019
Payables and other liabilities	(1,919,791)	(41,590)	(1,961,381)
Statement of Profit or Loss:			
Rental income	1,245,136	(1,334)	1,243,802
Income from consultancy and other services	512,138	(1,978)	510,160
Rental operation expenses	(323,723)	9,525	(314,198)
Consulting operation and other services expenses	(269,042)	(32,151)	(301,193)
Depreciation	(42,579)	25,938	(16,641)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39 CONTINGENT LIABILITIES

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

	2018	*2017*
	QR'000	*QR'000*
Bank guarantees	**289,662**	115,319

Litigations and claims

During the year, various legal cases were filed against the group. According to the group's Legal Counsel's best estimates, no material liabilities will arise as a result of these cases and accordingly no provisions have been made against them, except for what has been provided for in the consolidated financial statements in note 18.

40 COMMITMENTS

	2018	*2017*
	QR'000	*QR'000*
Contractual commitments with contractors and suppliers for properties under development	**460,914**	1,800,908
Commitments for operating leases (i)	**494,534**	455,347
Commitments for purchase of investments and properties	**8,587**	271,387

Note:

(i) Commitments for operating leases are further analysed as follows:

	2018	*2017*
	QR'000	*QR'000*
Less than one year	**77,619**	**123,317**
Between 1 and 5 years	**199,771**	**192,293**
More than 5 years	**217,144**	**139,737**
Total operating lease expenditure contracted for at 31 December	**494,534**	**455,347**

Impact assessment of adopting IFRS 16 on operating lease commitments

The group will apply the standard from its mandatory adoption date of 1st January 2019. The group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40 COMMITMENTS (Continued)

The group has set up a project team which has reviewed all of the group's leasing arrangements over the last year in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the group's operating leases.

As at 31 December 2018 the group has non-cancellable operating lease commitments of QR 494,534 thousand. Of these commitments, approximately QR 77,619 thousand relate to short-term leases, which will both be recognised on a straight-line basis as expense in profit or loss.

For the remaining lease commitments the group expects to recognise right-of-use assets of approximately QR 361,144 thousand on the 1st January 2019 and lease liabilities of QR 361,144 thousand. Net current assets will be QR 39,976 thousand lower due to the presentation of a portion of the liability as a current liability.

The group expects that net profit after tax will decrease by approximately QR 5,424 thousand for 2019 as a result of adopting the new rules. Adjusted EBITDA used to measure segment results is expected to increase by approximately QR 67,717 thousand, as the operating lease payments were included in EBITDA, but the amortisation of the right-of-use assets and finance cost on the lease liability are excluded from this measure.

Operating cash flows will increase and financing cash flows decrease by approximately QR 59,822 thousand, as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Fair values

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

	Carrying amounts		*Fair values*	
	2018 QR'000	*2017 QR'000*	***2018 QR'000***	*2017 QR'000*
Financial assets				
At Amortised cost				
Bank balances (excluding cash)	**1,349,766**	3,238,070	**1,349,766**	3,238,070
Receivables	**465,689**	1,158,120	**465,689**	1,158,120
Finance lease receivables	**166,886**	232,999	**166,886**	232,999
Due from related parties	**227,484**	218,599	**227,484**	218,599
Financial assets at fair value through profit or loss	**27,870**	20,817	**27,870**	20,817
At fair value				
Available-for-sale financial assets	**-**	144,794	**-**	144,794
Financial assets at fair value through other comprehensive income	**138,576**	-	**138,576**	-
Financial liabilities				
Payables and other liabilities	**(2,317,770)**	(1,881,138)	**(2,317,770)**	(1,881,138)
End of service benefits	**(109,814)**	(92,563)	**(109,814)**	(92,563)
Due to related parties	**(320,845)**	(324,655)	**(320,845)**	(324,655)
Obligations under Islamic finance contracts	**(7,925,280)**	(8,172,239)	**(7,925,280)**	(8,172,239)

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Fair value measurement

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

Quantitative disclosures fair value measurement hierarchy for assets as at 31 December 2018 are as follows:

			Fair value measurement using		
	Date of valuation	*Total QR'000*	*Quoted prices in active markets Level 1 QR'000*	*Significant observable inputs Level 2 QR'000*	*Significant unobservable inputs Level 3 QR'000*
Assets measured at fair value:					
Investment properties (Note 12):	**31 Dec 2018**	**18,264,070**	**-**	**-**	**18,264,070**
Financial assets at fair value through other comprehensive income (Note 10):					
Quoted equity shares	**31 Dec 2018**	**83,221**	**83,221**	**-**	**-**
Unquoted equity shares	**31 Dec 2018**	**55,355**	**-**	**-**	**55,355**
Financial assets at fair value through profit or loss (Note 5):					
Quoted equity shares	**31 Dec 2018**	**27,870**	**27,870**	**-**	**-**

Quantitative disclosures fair value measurement hierarchy for assets as at 31 December 2017 are as follows:

			Fair value measurement using		
	Date of valuation	*Total QR'000*	*Quoted prices in active markets Level 1 QR'000*	*Significant observable inputs Level 2 QR'000*	*Significant unobservable inputs Level 3 QR'000*
Assets measured at fair value:					
Investment properties (Note 12):	31 Dec 2017	16,745,985	-	-	16,745,985
Available-for-sale financial assets (Note 10):					
Quoted equity shares	31 Dec 2017	87,620	87,620	-	-
Unquoted equity shares	31 Dec 2017	57,174	-	-	57,174
Financial assets at fair value through profit or loss (Note 5):					
Quoted equity shares	31 Dec 2017	20,817	20,817	-	-

There have been no transfers between Level 1 and Level 2 during 2018 (2017: no transfers), and no transfers into and out of Level 3 fair value measurements (2017: no transfers).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42 BASIS OF PREPARATION AND CONSOLIDATION

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

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

42.1 Basis of preparation

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

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

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to consolidated financial statements are disclosed in Note 45. The consolidated financial statements were authorised for issue by the directors on 25 February 2019. The directors have the power to amend and reissue the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42 BASIS OF PREPARATION AND CONSOLIDATION (continued)

42.2 Basis of consolidation

(a) Subsidiaries

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42 BASIS OF PREPARATION AND CONSOLIDATION (continued)

42.2 Basis of consolidation (continued)

(c) Disposal of subsidiaries

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

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

Name of subsidiary	*Country of incorporation*	***Group effective shareholding percentage* 31 December 2018**	*31 December 2017*
Asas Real Estate Company W.L.L	Qatar	**100%**	100%
Al-Waseef Asset Management Company W.L.L.	Qatar	**100%**	100%
Barwa International Company W.L.L.	Qatar	**100%**	100%
Barwa Al Sadd Company W.L.L.	Qatar	**100%**	100%
Barwa Salwa Company W.L.L	Qatar	**100%**	100%
Barwa Al Baraha W.L.L.	Qatar	**100%**	100%
Barwa Village Company W.L.L.	Qatar	**100%**	100%
Masaken Al Sailiya & Mesaimeer Company W.L.L.	Qatar	**100%**	100%
Barwa District Cooling Company W.L.L.	Qatar	**100%**	100%
Qatar Real Estate Investment Company P.J.S.C.	Qatar	**100%**	100%
Qatar Project Management Company Q.P.S.C.	Qatar	**70%**	70%
Lusail Golf Development Company W.L.L.	Qatar	**100%**	100%
Barwa Real Estate Saudi Arabia W.L.L.	KSA	**100%**	100%
Madinat Al Mawater W.L.L.	Qatar	**100%**	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43 MATERIAL PARTLY-OWNED SUBSIDIARIES

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

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

Name of subsidiary	***Country of incorporation***	***31 December 2018***	*31 December 2017*
Qatar Project Management Company Q.P.S.C.	Qatar	**30%**	30%
Nuzul Qatar Company Limited W.L.L. (i)	Qatar	**50%**	50%

(i) The Group owns directly 50% of Nuzul Qatar in addition to an indirect shareholding through one of its associates.

	2018 QR'000	*2017 QR'000*
Accumulated balances of material non-controlling interest.		
Qatar Project Management Company Q.P.S.C.	**46,844**	48,473
Nuzul Qatar Company Limited W.L.L.	**83,586**	83,346
Profit allocated to material non-controlling interest:		
Qatar Project Management Company Q.P.S.C.	**6,058**	11,274
Nuzul Qatar Company Limited W.L.L.	**241**	1,003

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

	Qatar Project Management Company Q.P.S.C. QR'000	***Nuzul Qatar Company Limited W.L.L. QR'000***
Summarised statement of profit or loss for 2018:		
Revenues and gains	**131,820**	**580**
Expenses and losses	**(111,627)**	**(99)**
Profit for the year	**20,193**	**481**
Total comprehensive income	**20,193**	**481**
Summarised statement of profit or loss for 2017:		
Revenues and gains	171,804	2,127
Expenses and losses	(134,225)	(120)
Profit for the year	37,579	2,007
Total comprehensive income	37,579	2,007

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43 MATERIAL PARTLY-OWNED SUBSIDIARIES (continued)

	Qatar Project Management Company Q.P.S.C. QR'000	*Nuzul Qatar Company Limited W.L.L. QR'000*
Summarised statement of financial position as at 31 December 2018:		
Non-current assets	**27,278**	**-**
Current assets	**196,190**	**411,208**
Non-current liabilities	**(20,397)**	**-**
Current liabilities	**(46,923)**	**(244,036)**
Net equity	**156,148**	**167,172**
Attributable to:		
Equity holders of Parent	**109,304**	**83,586**
Non-controlling interest	**46,844**	**83,586**
Total equity	**156,148**	**167,172**
Summarised statement of financial position as at 31 December 2017:		
Non-current assets	28,457	-
Current assets	208,575	415,193
Non-current liabilities	(17,616)	-
Current liabilities	(57,840)	(248,501)
Net equity	161,576	166,692
Attributable to:		
Equity holders of Parent	113,103	83,346
Non-controlling interest	48,473	83,346
Total equity	161,576	166,692
Summarised cash flow information for the year ended 31 December 2018:		
Operating activities	**45,328**	**(70,441)**
Investing activities	**124**	**-**
Financing activities	**(25,000)**	**-**
Net increase / (decrease) in cash and cash equivalents	**20,452**	**(70,441)**
Summarised cash flow information for the year ended 31 December 2017:		
Operating activities	78,092	(113,382)
Investing activities	1,129	-
Financing activities	(50,000)	-
Net increase / (decrease) in cash and cash equivalents	29,221	(113,382)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44 ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND BUSINESS COMBINATION

44.1 Acquisition of subsidiaries during 2017

A. Nuzul Holding B.S.C. (c)

In 2016, The Group increased its stake in Nuzul Holding B.S.C.C. from 39% to 49%. This increase did not result in a control in 2016. Accordingly, Nuzul Holding remained classified as an associate at 31 December 2016.

During April 2017, the Group has gained the control over Nuzul Holding as a result of the following:

1) At Nuzul Holding's AGM held on 20 April 2017, six members have been appointed to form the new board of directors. The new board includes three members out of a total of six board members, including the Chairman, that are representatives of the Group.

2) The Group holds significantly more voting rights (49%) than any other shareholder or organised group of shareholders. The remaining shareholding is widely held.

3) The Group is capable of, without having the contractual right to do so, approving the appointing of Nuzul Holdings' key management personnel who have the ability to direct the company's operations.

4) The Group can dominate either the nomination process for electing Nuzul Holding's board members or the obtaining of voting rights using proxies of other shareholders.

5) There are no contractual agreements with other holders of voting rights that can prevent the Group from exercising control over Nuzul Holding.

6) There are no facts and circumstances, including voting patterns at previous shareholders' meetings that indicate that the Group does not have the current ability to direct the relevant activities of Nuzul Holding whenever decisions need to be made.

7) According to the group's judgement, de facto control exists based on the current 49% ownership and the current representation on the board of directors.

The Group resolved to consolidate Nuzul Holding's financial position as at 30 June 2017 in the consolidated financial statements of the Group. No significant changes occurred in the financial position since 20 April 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44 ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND BUSINESS COMBINATION (continued)

44.1 Acquisition of subsidiaries during 2017 (continued)

A. Nuzul Holding B.S.C. (c) (continued)

Details of the purchase consideration for gaining controlling rights, the net identifiable assets controlled and non-controlling interest were as follows:

	Note	QR'000
Purchase consideration for gaining controlling rights		
Cash paid		-
Book value of an associate at the date of gaining control		120,446
Total purchase consideration for gaining controlling rights		120,446
Net identifiable assets controlled		
Investment properties		203,373
Property, furniture and equipment		5,454
Investment in an associate	(i)	82,099
Accounts receivable and prepayments		760
Advances for properties		57,647
Due from a related party		117,530
Cash and bank balances		30,195
Payables and accruals		(969)
End of service benefits		(764)
Provisions		(1,179)
Due to related parties		(200,366)
Net identifiable assets controlled		293,780
Less: non-controlling interest through business combination		(173,334)
Net identifiable assets attributable to the parent		120,446

Note:

i. Included within the assets of Nuzul Holding acquired is QR 82,099 thousands being its 50% interest in Nuzul Qatar, an entity that was previously controlled by Barwa Group. Upon gaining control over Nuzul Holding, this interest is now transferred to Barwa Group; and is accounted for as exchange of interest between the owners of the Group, thereby reduced the non-controlling interest in the consolidated financial position as at the date of gaining control.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44 ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND BUSINESS COMBINATION (continued)

44.1 Acquisition of subsidiaries during 2017 (continued)

A. Nuzul Holding B.S.C. (c) (continued)

ii. The following summarizes the movements of non-controlling interest during the year :

	QR'000
Balance at 1 January 2017	131,085
Profit for the year	11,501
Other comprehensive income for the year	(1,629)
Total comprehensive income	9,872
Control gained over additional interest in subsidiary entity (Nuzul Qatar)	(82,099)
Control gained over Nuzul Holding	125,386
Non-controlling interest in subsidiaries transferred to the Group from Nuzul Holding	47,948
Net movements due to control gained over Nuzul Holding	91,235
Transaction with main shareholder	(15,000)
Other movements	11
Balance at 31 December 2017	217,203

Contingent consideration
There are no contingent assets or liabilities to be considered as a result of control gained over Nuzul Holding.

Investment in associates
Investment in associates represent a shareholding of 50% in Nuzul Qatar, a 50% owned subsidiary of Barwa Real Estate Q.P.S.C. In accordance with IFRS 10, this investment has been fully eliminated in these consolidated financial statements.

Investment properties
The fair value of the investment properties was QR 203,373 thousand. The properties have been valued by an independent valuer at 31 December 2016. There have been no changes in the valuation assumptions used since 31 December 2016.

Due from related parties
The fair values of the amounts due from related parties are QR 117,530 thousand. No impairment exists at 31 December 2017 as the amount is considered fully recoverable.

Advances for properties
Advances for properties represent the fair value of amounts paid in advance towards the acquisition of a property in the Kingdom of Saudi Arabia. The gross amount paid was QR 57,647 thousand, against which an impairment of QR 29,419 thousand had been made in prior periods.

Revenue and profit contribution
If the acquisition had occurred on 1 January 2017, the consolidated revenue and consolidated profit for the period would have been higher by QR 2,747 thousand and QR 49 thousand, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44 ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND BUSINESS COMBINATION (continued)

44.2 Acquisition of subsidiaries during 2018

A. Cavendish Capital (UK)

During 2018, the Group acquired additional 2,500,000 shares in Cavendish Capital (Cavendish). According to the agreement, the acquisition of the non-controlling interest's share of 7.69% in Cavendish has been settled against a cash payment of GBP 910 thousand. During 2018 all the procedures have been completed and the shares have been transferred to the group. Cavendish is now a 100% owned subsidiary of the group.

As of the date of acquisition of the additional interest, the fair value of the share of net assets of Cavendish acquired amounted to QR 10,694 thousand.

	QR'000
fair value of net assets acquired from the non-controlling interest	10,694
Less: Purchase consideration	(4,548)
Excess of fair value of net assets acquired over the purchase consideration	6,146

The excess of fair value of net assets of Cavendish acquired from the non-controlling interest over the purchase consideration was recorded directly in the retained earnings of the Group as at 30 June 2018, being a transaction with a non-controlling interest that did not result in a change of control over the subsidiary.

44.3 Business combination during 2018

A. Millenium Plaza Doha and Wellness Center

On 27 June 2018 the Group acquired a controlling stake of 25% in Millenium Plaza Doha Hotel and Wellness Center located in Barwa Al Sadd complex.The Group resolved to consolidate Millenium Plaza Doha and Wellness Center's financial position as at 30 June 2018 in the consolidated financial statements of the Group. No significant changes occurred in the financial position since 27 June 2018.

Control is demonstrated based on the following contractual terms:

1) the Group has full and absolute control over all matters concerning the operation and management of the property and the buildings, including business being carried out at the buildings.

2) the Group acquired all practical and legal powers vested with an owner of a similar property.

3) the Group has the ability to solely carry out all powers and authorities as the owner under the agreement signed with the operator of the hotel as well as any third parties in respect of the management and operation of the buildings including the building, which is currently operated as a hotel under the name of "Millenium Plaza Doha".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44 ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND BUSINESS COMBINATION (continued)

44.3 Business combination during 2018 (continued)

A. Millenium Plaza Doha and Wellness Center (continued)

Details of the purchase consideration, the net identifiable assets acquired and non-controlling interest were as follows:

	Note	QR'000
Purchase consideration		
Settlement by way of offsetting against amount receivable		**167,214**
Total purchase consideration	(i)	**167,214**
Fair value of identifiable assets		
Cash and bank balances		**2,945**
Accounts receivable and prepayments		**6,389**
Due from a related party		**8,645**
Investment Properties		**58,717**
Property, furniture and equipment		**280,900**
Payables and accruals		**(2,607)**
Due to related parties		**(20,852)**
Provisions		**(357)**
fair value of net identifiable assets at date of acquisition		**333,780**
Less: non-controlling interest through business combination		**(250,335)**
Fair value of net identifiable assets attributable to the parent	**(ii)**	**83,445**

Note:
Goodwill has been recognized as a result of the acquisition as follows:

		QR'000
Purchase consideration	(i)	**167,214**
Fair value of net assets attributable to the parent	(ii)	**(83,445)**
Goodwill arising on the acquisition		**83,769**

The Goodwill was attributable to the intrinsic value of the acquired business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44 ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND BUSINESS COMBINATION (continued)

44.3 Business combination during 2018 (continued)

A. Millenium Plaza Doha and Wellness Center (continued)

Contingent consideration
According to the agreement, no contingent assets or liabilities to be considered as a result of control gained over Millenium Plaza Doha.

Accounts receivable and prepayments
The fair values of the amounts receivable was QR 6,389 thousand. No impairment existed at 30 June 2018 as the amount was considered fully recoverable.

Investment Properties
The fair values of the Investment properties was QR 58,717 thousand. The asset has been valued by an independent valuer at 31 December 2018.

Property, furniture and equipment
The fair values of the Property, furniture and equipment was QR 280,900 thousand. The asset has been valued by an independent valuer at 31 December2018.

Due from related parties
The fair values of the amounts due from related parties were QR 8,645 thousand. No impairment existed at 30 June 2018 as the amount was considered fully recoverable.

Revenue and profit contribution
If the acquisition had occurred on 1 January 2018, the consolidated revenue for the period would have been higher by QR 8,838 thousand.

"On 1st October 2018, The Group acquired an additional share of 75% in Millennium Plaza Hotel Doha (the Hotel) and the Wellness Center. The Group now owns 100% of the Hotel. The Group acquired the Hotel and Wellness Center with the aim to diversify its investment portfolio, by injecting part of its investments into a new business segment (Hospitality Industry).

The initial acquisition of 25% of the Hotel and Wellness Center related contractual arrangements that allowed exercising control over the properties and its operations enabled the Group to assess its ability to successfully operate and compete within the Hospitality Industry. The acquisition of the remaining 75% of the Hotel and Wellness Center reflects the potential of and opportunities envisioned in the hospitality market as an owner especially with the Group's experience in the hospitality market as an operator through its subsidiary Shaza Hotel Investment Co."

The impact of the step acquisition was reflected in the statement of changes in equity.

44.4 Disposal of subsidiaries during 2017 and 2018
No Subsidiaries have been disposed during 2017 and 2018.

45 FINANCIAL RISK MANAGEMENT

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

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

Objectives and policies

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

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

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

(a) Profit rate risk
The group's financial assets and liabilities that are subject to profit rate risk comprise bank deposits, finance lease receivables, Islamic financing facility extended to a third party group of companies and obligations under Islamic finance contracts. The group's exposure to the risk of changes in market profit rates relates primarily to the group's financial assets and liabilities with floating profit rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45 FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

***(a) Profit rate risk* (continued)**

The group manages its profit rate risk by having a balanced portfolio of fixed and variable profit rate obligations under Islamic finance contracts and finance lease receivable. None of the group's obligations under Islamic finance contracts are at a fixed rate of profit (2017: None)

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

	Carrying amounts	
	2018	*2017*
	QR'000	*QR'000*
Floating profit rate instruments:		
Finance Lease receivables	**166,886**	232,999
Fixed term deposits	**872,310**	2,724,691
Financial liabilities - Borrowings	**(7,925,280)**	(8,172,239)

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

	Profit or loss +/- 25 bps QR'000
At 31 December 2018	**- / +20,250**
At 31 December 2017	- / + 20,516

(b) Foreign currency risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45 FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

(b) Foreign currency risk (continued)

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

	2018 QR'000 Assets (Liabilities)	*2017 QR'000 Assets (Liabilities)*
EURO	**296**	(35)
KWD	**(17,274)**	(17,439)
GBP	**124,136**	149,752
TRY	**14,204**	-
EGP	**(5,727)**	(3,939)
AED	**(1,997)**	(1,996)
SAR	**(84,006)**	(70,810)
USD	**(6,831,083)**	(7,064,214)

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

(c) Equity price risk

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

	Changes in market indices	*Effect on profit QR'000*	*Effect on equity QR'000*
2018			
Financial assets at fair value through other comprehensive income — Quoted	**+10%**	**-**	**8,322**
Financial assets at fair value through profit or loss	**+15%**	**4,181**	**4,181**
2017			
Available for sale financial assets — Quoted	+10%	-	8,762
Financial assets at fair value through profit or loss	+15%	3,123	3,123

The group also has unquoted investments carried at cost where the impact of changes in equity prices will only be reflected when the investment is sold or deemed to be impaired and when the consolidated statement of profit or loss will be impacted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45 FINANCIAL RISK MANAGEMENT (continued)

Credit risk

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

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

	2018 ***QR'000***	*2017* *QR'000*
Bank balances	**1,349,766**	3,238,070
Receivables	**465,689**	1,158,120
Finance lease receivables	**166,886**	232,999
Due from related parties	**227,484**	218,599
	2,209,825	4,847,788

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

	Carrying amounts				
	Domestic QR'000	***Other GCC countries QR'000***	***European countries QR'000***	***North Africa QR'000***	***Total QR'000***
2018					
Bank balances	**1,279,427**	**28,758**	**36,960**	**4,621**	**1,349,766**
Receivables	**412,447**	**41,337**	**7,362**	**4,543**	**465,689**
Finance lease receivables	**166,886**	**-**	**-**	**-**	**166,886**
Due from related parties	**227,478**	**6**	**-**	**-**	**227,484**
	2,086,238	**70,101**	**44,322**	**9,164**	**2,209,825**

	Carrying amounts				
	Domestic QR'000	*Other GCC countries QR'000*	*European countries QR'000*	*North Africa QR'000*	*Total QR'000*
2017					
Bank balances	3,169,274	22,725	36,711	9,360	3,238,070
Receivables	1,124,795	22,430	4,281	6,614	1,158,120
Finance lease receivables	232,999	-	-	-	232,999
Due from related parties	218,593	6	-	-	218,599
	4,745,661	45,161	40,992	15,974	4,847,788

The group monitors its exposure to credit risk on an on-going basis and based on the management's assessment and historic default rates, the group believes that impairment allowance of QR 150,488 thousand (2017: QR 95,126 thousand) is sufficient against financial assets as at the reporting date. Financial assets include certain balances that are overdue but in management's view are not impaired as at the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45 FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

The group reduces the exposure of credit risk arising from bank balances by maintaining bank accounts in reputed banks. 95% (2017: 98%) of bank balances represents balances maintained with local banks in Qatar with a good rating.

Credit quality of financial assets

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

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

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

As at 31 December 2018, 94% of the total finance lease receivables balance (2017: 95%) is due from a single customer who is externally rated as AAA+ and a government related entity.

To assess the credit risk for its main customers, the Group usually refers to external credit rating agencies (e.g. Moody's, S&P, Fitch Ratings), if available, to assess the probability of default for these customers. Governmental institutions and the externally rated institutions within category A and B credit ratings constitutes of 66 % of the total trade receivable balance as of 31 December 2018.

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

	2018 ***QR'000***	*2017* *QR'000*
A+	**743,565**	1,586,218
A1	**-**	355,784
A	**217,612**	938,006
Aa3	**316,040**	-
Others	**72,549**	358,062
Total	**1,349,766**	3,238,070

Liquidity risk

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45 FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

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

2018	***Carrying amounts QR'000***	***Contractual cash out flows QR'000***	***Less than 1 year QR'000***	***1- 2 years QR'000***	***2 - 5 years QR'000***	***More than 5 years QR'000***
Payables and other liabilities	**2,317,770**	**2,438,457**	**1,675,703**	**319,154**	**270,000**	**173,600**
End of service benefits	**109,814**	**109,814**	**-**	**-**	**109,814**	**-**
Due to related parties	**320,845**	**320,845**	**320,266**	**579**	**-**	**-**
Obligations under Islamic finance contracts	**7,925,280**	**9,730,999**	**1,066,176**	**1,553,139**	**5,356,281**	**1,755,403**
	10,673,709	**12,600,115**	**3,062,145**	**1,872,872**	**5,736,095**	**1,929,003**

2017	*Carrying amounts QR'000*	*Contractual cash out flows QR'000*	*Less than 1 year QR'000*	*1- 2 years QR'000*	*2 - 5 years QR'000*	*More than 5 years QR'000*
Payables and other liabilities	1,881,138	1,881,138	1,764,152	116,986	-	-
End of service benefits	92,563	92,563	-	-	92,563	-
Due to related parties	324,655	324,655	324,076	579	-	-
Obligations under Islamic finance contracts	8,172,239	9,667,347	558,809	836,423	5,684,285	2,587,830
	10,470,595	11,965,703	2,647,037	953,988	5,776,848	2,587,830

Financial instruments:

Financial instruments by category

	Financial Assets *2018* *QR'000*	Financial assets *2017* *QR'000*
Assets as per consolidated statement of financial position		
Trade and other receivables (excluding prepayments)	**465,689**	1,158,120
Finance lease receivables	**166,886**	232,999
Due from related parties	**227,484**	218,599
Cash and bank balances (excluding cash on hand)	**1,349,766**	3,238,070
	2,209,825	4,847,788

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45 FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

Financial instruments: (continued)

	Financial assets at fair value through other comprehensive income *2018* *QR'000*	Available for sale financial assets *2017* *QR'000*
Assets as per consolidated statement of financial position		
Available for sale financial assets	-	144,794
Financial assets at fair value through other comprehensive income	138,576	-
	138,576	144,794

	Financial assets at fair value through profit or loss *2018* *QR'000*	Financial assets at fair value through profit or loss *2017* *QR'000*
Assets as per consolidated statement of financial position		
Financial assets at fair value through profit or loss	27,870	20,817
	27,870	20,817

	Other financial liabilities at amortised cost *2018* *QR'000*	Other financial liabilities at amortised cost *2017* *QR'000*
Liabilities as per consolidated statement of financial position		
Trade and other payables excluding non-financial liabilities	(2,427,584)	(1,973,701)
Due to related parties	(320,845)	(324,655)
Obligations under Islamic finance contracts	(7,925,280)	(8,172,239)
	(10,673,709)	(10,470,595)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45 FINANCIAL RISK MANAGEMENT (continued)

Operational risk

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

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

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

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

Real estate risk

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

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

Other risks

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

45 FINANCIAL RISK MANAGEMENT (continued)

Capital management

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

The group's main objectives when managing capital are:

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

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

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

	2018 ***QR'000***	*2017* *QR'000*
Finance cost bearing debts	**7,925,280**	8,172,239
Less: cash and bank balances	**(1,347,332)**	(3,238,557)
Net debt	**6,577,948**	4,933,682
Total equity (excluding legal reserve & non-controlling interests)	**17,551,525**	17,383,183
Net debt to equity ratio at 31 December	**37%**	28%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

- Estimation of fair value investment properties – note 12
- Estimation of net realizable value for trading properties - note 7
- Estimation of fair value of concession service arrangement - note 15
- Estimated goodwill impairment – note 15
- Estimation of current tax payable and current tax expense – note 16
- Estimated useful life of property, plant and equipment – note 13
- Estimated fair value of certain financial assets at fair value through other comprehensive income– note 10
- Estimation of fair values of unquoted equity investments - note 10
- Estimation of defined benefit pension obligation – note 18-2
- Recognition of revenue – note 7 & note 12
- Recognition of deferred tax asset for carried forward tax losses – note 16
- Impairment of available-for-sale financial assets – note 10
- Impairment of receivables – note 6
- Impairment of due from related parties – note 9
- Impairment of associates – note 14
- Impairment of non financial assets (i)
- Consolidation decisions and classification of joint arrangements – note 42
- Classification of property – note 7, note 12 & note 13

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

(i) Impairment of non financial assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

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

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

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

Growth rate
Growth rate is used to extrapolate cash flows beyond the budget period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47 OTHER SIGNIFICANT ACCOUNTING POLICIES

47.1 Changes in accounting policies and disclosures

(a) The new standard and interpretation effective for annual periods beginning after 1 January 2018 that has an impact on the Group but has not yet been adopted by the Group is:

IFRS 16, 'leases' (Annual periods beginning on or after 1 January 2019) requires lessees to recognise nearly all leases on the balance sheet which will reflect their right to use an asset for a period of time and the associated liability to pay rentals. The lessor's accounting model largely remains unchanged.

The Group assessed the impact of the new standard, not yet effective, as of 31 December 2018. Please refer to note 39 "Commitments" for further disclosures relating to the result of the Group's impact assessment of IFRS 16.

(b) New and amended standards applicable to the Group with effect from 1 January 2018 were as follows:

IFRS 9 – FINANCIAL INSTRUMENTS

A) IFRS 9 - FINANCIAL INSTRUMENTS – IMPACT OF ADOPTION

This note explains the impact of the adoption of IFRS 9 *Financial Instruments* on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

IFRS 9 replaces the provisions of IAS 39, that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.
The adoption of IFRS 9 *Financial Instruments* from 1 January 2018 resulted in changes in accounting policies. In accordance with the transitional provisions in IFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

(i) Classification and measurement
On 1 January 2018 (the date of initial application of IFRS 9), the group's management has assessed which business models apply to the financial assets held by the group and ensured its financial instruments were classified into the appropriate IFRS 9 categories. No reclassification resulted from the implementation of IFRS 9.

Trade and other receivables, amounts due from related parties and finance lease receivables are debt instruments were classified at amortised cost under IAS 39. The Group assessed that they meet the conditions for classification at amortised cost (AC) under IFRS 9 since they are cash flows solely payments of principal and interest (SPPI) and the Group's business model is to hold and collect the debt instrument.

Cash and cash equivalents' definition as per IAS 7 remains unchanged with the application of IFRS 9, short-term investments and time deposits continued to be presented under cash and cash equivalents, being highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47 OTHER SIGNIFICANT ACCOUNTING POLICIES (continued)

47.1 Changes in accounting policies and disclosures (continued)

IFRS 9 – FINANCIAL INSTRUMENTS (continued)

A) IFRS 9 - FINANCIAL INSTRUMENTS – IMPACT OF ADOPTION (continued)

(ii) Impairment of financial assets

The Group has the following financial assets that are subject to IFRS 9's new expected credit loss model:

- Trade and other receivables
- Amounts due from related parties
- Finance lease receivables
- Cash and cash equivalents

The group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. To measure the expected credit losses, trade receivables and finance lease receivables have been grouped based on shared credit risk characteristics and the days past due. The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Finance lease receivables have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the finance lease receivables.

B) IFRS 9 - FINANCIAL INSTRUMENTS – ACCOUNTING POLICIES APPLIED FROM 1 JANUARY 2018

<u>Investments and other financial assets</u>

(i) Classification

From 1 January 2018, the group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

(ii) Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47 OTHER SIGNIFICANT ACCOUNTING POLICIES (continued)

47.1 Changes in accounting policies and disclosures (continued)

IFRS 9 – FINANCIAL INSTRUMENTS (continued)

B) IFRS 9 - FINANCIAL INSTRUMENTS – ACCOUNTING POLICIES APPLIED FROM 1 JANUARY 2018 (continued)

(ii) Measurement (continued)

Equity instruments

The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established gains or losses realised on the sale of financial assets at fair value through other comprehensive income will no longer be transferred to profit or loss on sale, but instead reclassified below the line from the FVOCI reserve to retained earnings. Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iii) Impairment

For trade receivables, the group applies the simplified approach permitted by IFRS 9 for trade receivables, lease receivable and other contract assets, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The following table shows the adjustments recognized for each individual item. Line items that were not affected by the changes have not been included. The adjustments are analysed as follows:

Categories of financial assets	*Balance at 31.12.2017* QR'000	*ECL assessment* QR'000	*Balance at 01.01.2018* QR'000
A) Bank balances :			
Externally rated counterparties	3,089,358	(3,089)	3,086,269
Non-rated financial institutions	148,712	(744)	147,968
	3,238,070	(3,833)	3,234,237
B) Receivables (excluding Prepayments) :			
Externally rated counterparties	597,406	(53,426)	543,980
Government and quasi government	397,097	(49,584)	347,513
Other performing clients	173,048	(77,676)	95,372
Non performing clients (*)	47,187	-	47,187
	1,214,738	(180,686)	1,034,052
C) Finance lease receivables:			
Externally rated counterparties	232,999	(11,650)	221,349
	232,999	(11,650)	221,349
D) Due from related parties :			
Due from related party	218,599	(18,705)	199,894
	218,599	(18,705)	199,894
Total impact on the group's retained earnings		(214,874)	

(*) Non performing clients had been fully provided for as of 31 December 2017.

Notes:

(i) Externally rated counterparties represent rated banks and clients.
(ii) Non-rated financial institutions represent a local bank regulated by the Qatar Financial Centre Authority.
(iii) Government and Quasi government represent entities with government shareholding exceeding 50%
(iv) Due from related parties represent the Group's ultimate parent and entities under common control.
(v) Other performing clients represent entities not included in (i), (ii) and (iii) above.
(vi) Non-performing clients represent entities with payments outstanding for more than 90 days.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47 OTHER SIGNIFICANT ACCOUNTING POLICIES (continued)

47.1 Changes in accounting policies and disclosures (continued)

IFRS 9 – FINANCIAL INSTRUMENTS (continued)

B) IFRS 9 - FINANCIAL INSTRUMENTS – ACCOUNTING POLICIES APPLIED FROM 1 JANUARY 2018 (continued)

(iii) Impairment (continued)

- The Group assessed the Expected Credit Loss (ECL) for the externally rated counterparties, non-rated financial institutions (central bank regulated) and the government and quasi government entities to be at the lowest level as both the Probability of Defaults (PD) and the Loss Given Defaults (LGD) are low for these categories.
- For the balances classified in the due from related parties category, the Group assessed the expected credit loss to be low because of the Group's relation with these related entities, their credit worthiness as well as the history of their transactions.
- For the balances classified within other performing clients category, the Group assessed the expected credit losses to be at the moderate level. The Group has developed a criteria that includes both quantitative measures (90 days) as well as qualitative measures (clients' credit worthiness and industry, etc…), to assess if there is any significant increase in the credit risk for these balances that require its transfer to the non-performing clients category.
- For the balances classified under the non-performing clients category, the Group assessed their expected credit losses as high, as both the PD and the LGD are considered high for this category.

The impairment allowance movements during the year was determined as follows :

	Bank balances QR'000	Finance lease receivables QR'000	Other receivables QR'000
At 1 January	-	-	(14,349)
Adjustment at initial adoption of IFRS 9	(3,833)	(11,650)	(62,035)
Allowance charge for the year	-	-	(9,818)
Reversal of impairment	909	3,367	41,666
Other movements	-	-	7,803
At 31 December	**(2,924)**	**(8,283)**	**(36,733)**

– For impairment allowance movements of trade receivables and due from related parties, refer to note 6 and 9 respectively.

IFRS 15 - Revenue from Contracts with Customers

A) IFRS 15 - Revenue from Contracts with Customers – Impact of adoption

This note explains the impact of the adoption of IFRS 15 *Revenue from Contracts with Customers* on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

The group has adopted IFRS 15 "Revenue from Contracts with Customers" with effect from 1st January 2018, which resulted in changes in accounting policies. The adoption of IFRS 15 did not result in changes to the amounts recognised in the financial statements. In accordance with the transition provisions in IFRS 15, the Group has the right to adopt the new rules retrospectively and to restate the comparative figures of the year 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47 OTHER SIGNIFICANT ACCOUNTING POLICIES (continued)

47.1 Changes in accounting policies and disclosures (continued)

IFRS 15 – REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

B) IFRS 15 - Revenue from Contracts with Customers – Accounting policies

Nature of change:

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact:

Management has assessed the effects of applying the new standard on the Group's financial statements and has identified that the recognition and measurement of revenue for all the current ongoing contracts under the IFRS 15 five-step model will not change as currently recognized under IAS 18.

As most of the group's outstanding revenue contracts comprise mainly from one performance obligation, and revenue recognition criteria meets the recognition over time criteria, the Group assessed that there is no material impact on the revenue recorded from the existing revenue contracts.

Land development and resale

The group develops and sells residential properties. Revenue is recognised when control over the property has been transferred to the customer. The properties have generally no alternative use for the group due to contractual restrictions. However, an enforceable right to payment does not arise until legal title has passed to the customer. Therefore, revenue is recognised at a point in time when the legal title has passed to the customer.

The revenue is measured at the transaction price agreed under the contract. In most cases, the consideration is due when legal title has been transferred. While deferred payment terms may be agreed in rare circumstances, the deferral never exceeds twelve months. The transaction price is therefore not adjusted for the effects of a significant financing component.

Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47 OTHER SIGNIFICANT ACCOUNTING POLICIES (continued)

47.2 Summary of significant accounting policies and disclosures

Fair value measurement

The group measures financial instruments, such as financial assets through profit or loss, available for sale financial assets and non-financial assets such as investment properties, at fair value at each reporting date.

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47 OTHER SIGNIFICANT ACCOUNTING POLICIES (continued)

47.2 Summary of significant accounting policies and disclosures (continued)

Fair value measurement (continued)

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

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

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

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

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

Revenue recognition

Revenue is measured at fair value of consideration received or receivable and represents amounts receivable for goods supplied or service rendered, stated net of returns and value added taxes. The group recognises revenue when the amount of revenue can be measured reliably; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the group's activities listed below. The group bases its estimate by reference to historical results taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Rental income

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47 OTHER SIGNIFICANT ACCOUNTING POLICIES (continued)

47.2 Summary of significant accounting policies and disclosures (continued)

Revenue recognition (continued)

Amounts received from tenants to terminate leases or to compensate for dilapidations are recognized in the consolidated statement of profit or loss when they arise.
Service charges, management charges and other expenses recoverable from the tenants
Income arising from expenses recharged to tenants is recognized in the period in which the services are rendered. Service and management charges and its related costs are presented within rental income and costs.

Construction contracts
Construction contract revenues include the initial amounts agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognized in the consolidated statement of profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognized as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to surveys of work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognized immediately in the consolidated statement of profit or loss.

Financial instruments

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

Financial assets
The group classifies its financial assets in the following categories; financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47 OTHER SIGNIFICANT ACCOUNTING POLICIES (continued)

47.2 Summary of significant accounting policies and disclosures (continued)

Financial instruments (continued)

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47 OTHER SIGNIFICANT ACCOUNTING POLICIES (continued)

47.2 Summary of significant accounting policies and disclosures (continued)

Financial instruments (continued)

For facilities and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective profit rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of profit or loss. If a facility has a variable profit rate, the discount rate for measuring any impairment loss is the current effective profit rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of profit or loss.

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

Non financial assets
The carrying amounts of the group's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are 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. For the purpose of 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 groups of assets (the "cash-generating unit").

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in the consolidated statement profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47 OTHER SIGNIFICANT ACCOUNTING POLICIES (continued)

47.2 Summary of significant accounting policies and disclosures (continued)

Financial instruments (continued)

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

Leases

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

a) Group as a lessor

Refer to note 8.

b) Group as a lessee

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

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

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

Tenant deposits

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47 OTHER SIGNIFICANT ACCOUNTING POLICIES (continued)

47.2 Summary of significant accounting policies and disclosures (continued)

Foreign currency translation

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

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

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

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

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

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

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