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

Consolidated financial statements

31 December 2017

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BARWA بروة

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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 2017 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 2017;
- 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.

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

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 the 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.

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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.

Key audit matters

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

Key audit matter	*How our audit addressed the Key audit matter*
Valuation of investment properties	
As described in note 12 of the consolidated financial statements, the Group has investment properties measured under the fair value model, under which 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 16,745,985 K at 31 December 2017. 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 around the valuation of investment properties included: • Obtaining and reviewing the latest valuation reports prepared by the external valuers, assessing independence and competencies of the valuers and working closely with management and valuers to verify the key assumptions (i.e. discount rate, yield rate , occupancy rate, growth rate) valuation methodologies adopted, and the appropriateness of the valuation outcomes (i.e. re-performance of the discounted cash flow models); • Using 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; • Comparing occupancy rates, growth rates and property cash flows against those achieved historically and external market data, where available and re-calculating the external valuations using our own valuation models; and • Evaluating the sensitivity analyses performed by management and the disclosures relating to the valuation review.

Other information

The management is responsible for the other information. The other information comprises 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 complete 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

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

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 purpose 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 2017.

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
8 February 2018

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Doha, State of Qatar

Barwa Real Estate Company Q.P.S.C.
Consolidated financial statements
As at 31 December 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2017 QR'000	2016 QR'000
ASSETS			
Cash and bank balances	4	**3,238,557**	2,875,318
Financial assets at fair value through profit or loss	5	**20,817**	29,477
Receivables, prepayments and other assets	6	**1,235,524**	1,027,918
Trading properties	7	**1,620,540**	3,201,609
Finance lease receivables	8	**232,999**	1,459,708
Due from related parties	9	**218,599**	201,785
Available-for-sale financial assets	10	**144,794**	181,372
Advances for projects and investments	11	**4,962,780**	4,870,074
Investment properties	12	**16,745,985**	13,851,222
Property, plant and equipment	13	**565,671**	591,636
Investments in associates	14	**578,791**	675,768
Goodwill	15	**126,411**	126,411
Deferred tax assets	16	**1,467**	1,289
TOTAL ASSETS		**29,692,935**	29,093,587
LIABILITIES AND EQUITY			
LIABILITIES			
Payables and other liabilities	17	**1,919,791**	2,137,322
Provisions	18.1	**41,602**	20,802
End of service benefits	18.2	**92,563**	87,766
Due to related parties	9	**324,655**	321,384
Obligations under Islamic finance contracts	19	**8,172,239**	8,165,116
Deferred tax liabilities	16	**1,432**	1,258
TOTAL LIABILITIES		**10,552,282**	10,733,648
EQUITY			
Share capital	20	**3,891,246**	3,891,246
Treasury shares	21	**-**	(4,119)
Legal reserve	22	**1,540,266**	1,452,226
General reserve	23	**4,639,231**	4,639,231
Other reserves	24	**(260,669)**	(264,542)
Retained earnings		**9,113,376**	8,514,812
Total equity attributable to equity holders of the Parent		**18,923,450**	18,228,854
Non-controlling interests		**217,203**	131,085
Total equity		**19,140,653**	18,359,939
TOTAL LIABILITIES AND EQUITY		**29,692,935**	29,093,587

These consolidated financial statements were authorised for issuance by the Board of Directors on 8 February 2018 and signed on their behalf by:

H.E. Salah Bin Ghanem Al Ali
Chairman

Salman Bin Mohamad Al Muhannadi
Group Chief Executive Officer

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	*2017* *QR'000*	*2016* *QR'000*
Rental income		1,245,136	1,075,776
Rental operation expenses	25	(323,723)	(294,243)
Net rental income		921,413	781,533
Finance lease income	8	47,752	215,003
Net rental and finance lease income		969,165	996,536
Income from consultancy and other services	26	512,138	445,802
Consulting operation and other services expenses	27	(269,042)	(287,913)
Net consulting and other service income		243,096	157,889
Net fair value gain on investment properties	12	818,852	668,063
Share of results of associates	14	90,415	7,962
Loss on disposal of associates		-	(313)
Gain on sale of available-for-sale financial assets		-	12,107
Loss on financial assets at fair value through profit or loss		(4,769)	(702)
General and administrative expenses	28	(260,945)	(240,677)
Depreciation	13	(42,579)	(56,979)
Net (impairment losses) / reversal of impairments	29	(48,009)	3,761
Other income	30	55,702	159,594
Operating profit		1,820,928	1,707,241
Finance income	31	95,019	78,121
Finance cost	31	(197,473)	(159,078)
Net finance cost		(102,454)	(80,957)
Profit before income tax		1,718,474	1,626,284
Income tax	16	(2,067)	(7,030)
Profit for the year		1,716,407	1,619,254
Attributable to:			
Equity holders of the Parent		1,704,906	1,605,288
Non-controlling interests		11,501	13,966
		1,716,407	1,619,254
Basic and diluted earnings per share *(attributable to equity holders of the Parent expressed in QR per share)*	32	4.38	4.13

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2017 QR'000	2016 QR'000
Profit for the year		1,716,407	1,619,254
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	33	61,003	(78,593)
Available-for-sale financial assets	33	(58,759)	23,977
Other comprehensive income (loss) for the year	33	2,244	(54,616)
Total comprehensive income for the year		1,718,651	1,564,638
Attributable to:			
Equity holders of the Parent		1,708,779	1,550,772
Non-controlling interests		9,872	13,866
		1,718,651	1,564,638

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 31 December 2015	3,891,246	(4,119)	5,828,846	7,855,259	17,571,232	147,207	17,718,439
Profit for the year	-	-	-	1,605,288	1,605,288	13,966	1,619,254
Other comprehensive loss for the year (Note 33)	-	-	(54,516)	-	(54,516)	(100)	(54,616)
Total comprehensive income for the year	-	-	(54,516)	1,605,288	1,550,772	13,866	1,564,638
Conribution to the Social and Sports Fund (Note 35)	-	-	-	(37,076)	(37,076)	-	(37,076)
	-	-	(54,516)	1,568,212	1,513,696	13,866	1,527,562
Transactions with shareholders in their capacity as owners:							
Dividends for 2015 (Note 34)	-	-	-	(856,074)	(856,074)	-	(856,074)
Transfer to Legal Reserve	-	-	52,585	(52,585)	-	-	-
Transaction with Non- controlling interest	-	-	-	-	-	(30,000)	(30,000)
Other movements	-	-	-	-	-	12	12
Total transactions with shareholders	-	-	52,585	(908,659)	(856,074)	(29,988)	(886,062)
Balance at 31 December 2016	**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 33)	-	-	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 35)	-	-	-	(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 34)	-	-	-	(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 43.1)	-	-	-	-	-	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**

Barwa Real Estate Company Q.P.S.C.
Consolidated financial statements
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CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2017 QR'000	2016 QR'000
OPERATING ACTIVITIES			
Profit for the year		1,716,407	1,619,254
Adjustments for:			
Finance cost	31	197,473	159,078
Finance income	31	(95,019)	(78,121)
Net fair value gain on investment properties	12	(818,852)	(668,063)
Unrealised loss on financial assets at fair value through profit or loss		4,769	702
Loss / (gain) on sale of financial assets at fair value through profit or loss		341	(25)
Gain on sale of available-for-sale financial assets		-	(12,107)
Depreciation	13	51,170	65,531
Share of results of associates	14	(90,415)	(7,962)
Net impairment losses / (reversal of impairments)	29	48,009	(3,761)
Loss on disposal of investments in associates		-	313
Finance lease income	8	(47,752)	(215,003)
Net deferred tax		-	372
Accruals for board of directors remuneration	28	13,750	8,500
Dividend income	30	(3,257)	(4,518)
Other income	30	(52,077)	(9,210)
reversal of provisions	18	(86)	(145,857)
Gain on disposal of property, plant and equipment	30	(282)	(9)
Operating gain before working capital changes		924,179	709,114
Changes in working capital:			
Change in receivables and prepayments		236,106	(119,931)
Change in trading properties		(29,807)	(892,963)
Change in finance lease receivables	8	1,393,519	568,640
Change in amounts due from / due to related parties		(96,379)	(131,083)
Change in provisions	18	19,707	(86)
Change in payables and accruals		(235,120)	(118,922)
NET CASH GENERATED FROM OPERATING ACTIVITIES		2,212,205	14,769

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

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	Notes	2017 QR'000	2016 QR'000
INVESTING ACTIVITIES			
Cash and cash equivalent acquired through business combination	43.1	30,195	-
Finance income received		107,847	101,744
Proceeds from disposal of investments in associates		-	1,183
Payment for purchase of investments in associates		-	(16,843)
Dividends received from associates		77,108	24,030
Purchase of investment properties		(680,912)	(344,191)
Payments for purchase of available-for-sale financial assets		194	(92)
Proceeds from sale of available-for-sale financial assets		-	27,689
Payments for purchase of property, plant and equipment		(15,185)	(7,590)
Proceeds from disposal of property, plant and equipment		414	24
Advances for purchase of investments and properties		(119,436)	(153,302)
Dividend income received	30	3,257	4,518
Proceed from disposal of financial assets at fair value through profit or loss		20,574	5,748
Payments for purchase of financial assets at fair value through profit or loss		(17,024)	(8,020)
Net movement in short term deposits maturing after three months		530,245	1,297,686
NET CASH (USED IN) / GENERATED FROM INVESTING ACTIVITIES		(62,723)	932,584
FINANCING ACTIVITIES			
Finance cost paid		(285,610)	(238,677)
Payment to non-controlling interest		(15,000)	(30,000)
Proceeds from obligations under Islamic finance contracts		-	600,000
Payments for obligations under Islamic finance contracts		-	(92,175)
Dividends paid		(963,797)	(841,047)
Proceeds from disposal of treasury shares		1,251	-
Change in restricted bank balances		(39,348)	3,620
NET CASH USED IN FINANCING ACTIVITIES		(1,302,504)	(598,279)
NET INCREASE IN CASH AND CASH EQUIVALENTS		846,978	349,074
Net foreign exchange difference		7,158	(6,205)
Cash and cash equivalents at 1 January		1,346,125	1,003,256
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	4	2,200,261	1,346,125

Notes:

(i) Depreciation for the year ended 31 December 2017 includes an amount of QR 8,591 thousand charged to rental operation expenses in the consolidated statement of profit or loss (2016 - QR 8,552 thousand).

(ii) The above consolidated statement of cash flows should be read in conjunction with note 36.

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") are investing in all types of real estate including acquiring, developing, parceling, reselling and leasing of land and to establish all types of residential, commercial and industrial projects, and buying, selling, leasing and management of properties. The company also administers and operates real estate investments in addition to investing in shares and companies and establishing of portfolios/funds for the purpose of financing the company's activities in addition to the management of hotels and provides consulting services relating to the design, management and execution of projects.

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 Economy and Commerce (MOEC) had extended the transitional period determined for complying with the Companies Law till August 2018. The company's amended articles of association has been approved by the MOEC, 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:

- Settlement of finance lease receivable amounting to QR 1.2 Billion. (note 8)
- Gaining control over an associate. (note 43)
- Transfer of Shell Housing Project from trading properties to investment properties. (note 7 and note 12)
- Transfer of Al Baraha Warehousing Project from trading properties to investment properties. (note 7 and note 12)

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 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	1,245,136	-	-	-		1,245,136
- Income from consultancy and other related services	-	251,383	260,755	-		512,138
- 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	2,323,096	288,612	404,033	(250,515)		2,765,226
Profit for the year	1,383,680	63,503	356,922	(87,698)		1,716,407
Net finance (cost) income	(109,165)	6,711	-	-		(102,454)
Depreciation	(37,675)	(4,135)	(9,360)	-		(51,170)

For the year ended 31 December 2016	*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	1,075,77 6	-	-	-		1,075,776
- Income from consultancy and other related services	-	345,578	100,224	-		445,802
- Finance lease income	215,003	-	-	-		215,003
- Net fair value gain on investment properties	668,063	-	-	-		668,063
- Share of results of associates	-	-	7,962	-		7,962
- Others	-	-	170,686	-		170,686
Internal segments	161,192	38,277	427	(199,896)	(i)	-
Total revenues and gains	2,120,034	383,855	279,299	(199,896)		2,583,292
Profit for the year	1,349,731	131,026	238,503	(100,006)		1,619,254
Net finance (cost) income	(90,933)	9,976	-	-		(80,957)
Depreciation	(51,951)	(4,225)	(9,355)	-		(65,531)

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 2017 and 2016:

At 31 December 2017	*Real estate* QR'000		*Business services* QR'000	*Other services* QR'000	*Eliminations* QR'000	*Total* QR'000
Current assets	5,809,883		435,198	191,096	-	6,436,177
Non-current assets	23,015,471		143,670	791,477	(693,860)	23,256,758
Total assets	28,825,354		578,868	982,573	(693,860)	29,692,935
Current liabilities	(1,428,623)		(171,045)	(32,789)	-	(1,632,457)
Non-current liabilities	(8,558,139)		(84,045)	(453,979)	176,338	(8,919,825)
Total liabilities	(9,986,762)		(255,090)	(486,768)	176,338	10,552,282
Investment in associates	-		-	578,791	-	578,791
Capital expenditures	814,487	(i)	-	-	-	814,487

At 31 December 2016	*Real estate* QR'000		*Business services* QR'000	*Other services* QR'000	*Eliminations* QR'000	*Total* QR'000
Current assets	7,410,111		405,388	40,338	-	7,855,837
Non-current assets	20,829,463		163,848	891,722	(647,283)	21,237,750
Total assets	28,239,574		569,236	932,060	(647,283)	29,093,587
Current liabilities	(1,551,698)		(111,791)	(31,648)	-	(1,695,137)
Non-current liabilities	(8,649,694)		(128,708)	(416,653)	156,544	(9,038,511)
Total liabilities	(10,201,392)		(240,499)	(448,301)	156,544	(10,733,648)
Investment in associates	-		-	675,768	-	675,768
Capital expenditures	1,349,690	(i)	-	-	-	1,349,690

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 2017 are presented as follows:

- 95 % of the group's assets are located in the State of Qatar.
- 95 % 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

	2017 QR'000	2016 QR'000
Cash on hand	487	390
Short term deposits	2,724,691	2,397,656
Current accounts	76,204	116,017
Call accounts	267,131	230,559
Restricted bank balances (iii)	154,282	114,605
Margin bank accounts	15,762	16,091
Total cash and bank balances	3,238,557	2,875,318
Short term bank deposits maturing after 3 months	(868,252)	(1,398,497)
Restricted bank balances and margin accounts	(170,044)	(130,696)
Cash and cash equivalents	2,200,261	1,346,125

Notes:

i. Cash and cash equivalents include fixed deposits with maturity dates from one to three months amounting to QR 1,856,439 thousand (2016: QR 999,159 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 consist mainly of unclaimed dividend monies payable to the company's shareholders. These balances will be paid once claimed by the 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

	2017 QR'000	2016 QR'000
Investments in equity securities		
Quoted	20,817	29,477

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, PREPAYMENTS AND OTHER ASSETS

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

2017	*Non-current* *QR'000*	*Current* *QR'000*	*Total* *QR'000*
Trade receivables (net)	-	993,785	993,785
Prepaid expenses	-	14,796	14,796
Accrued income	-	63,076	63,076
Refundable deposits	8,112	11,686	19,798
Staff receivables (net)	639	8,338	8,977
Accrued profit on Islamic financial deposits	-	16,842	16,842
Other receivables (net)	-	55,642	55,642
Other assets	62,608	-	62,608
	71,359	1,164,165	1,235,524
2016			
Trade receivables (net)	-	864,719	864,719
Prepaid expenses	-	13,698	13,698
Accrued income	-	24,038	24,038
Refundable deposits	7,848	6,844	14,692
Staff receivables (net)	1,632	7,517	9,149
Accrued profit on Islamic financial deposits	-	29,670	29,670
Other receivables (net)	-	71,952	71,952
	9,480	1,018,438	1,027,918

As at 31 December 2017, trade receivables amounting to QR 33,073 thousand (2016: QR 30,224 thousand) were impaired and fully provided for. Movements in the allowance for impairment of trade receivables is as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 RECEIVABLES AND PREPAYMENTS AND OTHER ASSETS (continued)

	2017 QR'000	2016 QR'000
At 1 January	30,224	35,178
Allowance charge for the year	4,957	1,888
Written off	(337)	(5,178)
Reversal of Provision	(1,771)	(1,664)
At 31 December	33,073	30,224

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

	Total	Neither past due nor impaired	Past due but not impaired				
			0 – 30 days	31- 60 days	61- 90 days	91- 120 days	121- 365 days
	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000
2017	993,785	182,633	594,118	19,403	45,895	48,116	103,620
2016	864,719	182,336	157,640	147,703	86,109	4,962	285,969

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.

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

An estimate of the collectible amount of tenants and other receivables is made when an indication of impairment exists. For individually significant amounts, this estimation is performed on an individual basis.

Amounts which are not individually significant, but which are past due, are assessed collectively based on the provisioning policy applied by the group, and a provision is applied according to the length of time past due, based on historical recovery rates. The overdue and doubtful amounts for collection at the end of the reporting period relating to trade receivables are disclosed above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 TRADING PROPERTIES

	2017 QR'000	2016 QR'000
Properties available for sale (A)	150,573	192,469
Properties under development (B)	1,469,967	3,009,140
	1,620,540	3,201,609

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

	2017 QR'000	2016 QR'000
At 1 January	192,469	176,112
Additions	-	6,621
(Net impairment losses) / net reversal of impairments (Note 29.i)	(41,896)	9,736
At 31 December	150,573	192,469

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

	2017 QR'000	2016 QR'000
At 1 January	3,009,140	3,616,641
Additions (iii)	122,068	916,721
Capitalised finance cost (i) and (Note 31)	57,962	74,567
Transferred to investment properties (v), (vi), (vii) and (Note 12)	(1,224,427)	(1,660,858)
Transferred to receivables (iv)	(520,291)	-
Net reversal of impairments (ii) and (Note 29.i)	9,386	64,757
Foreign exchange adjustments	16,129	(2,688)
At 31 December	1,469,967	3,009,140

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 2017 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) Included in the additions during 2016, is a vacant land plot of 2,216,060 sqm purchased by the group in Janadriyah area in Riyadh city (Kingdom of Saudi Arabia) for a total value of QR 639,888 thousand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 TRADING PROPERTIES (continued)

Notes: (continued)

(iv) The balance represents total cost incurred of the Dukhan 9 project, the project has been handedover to the customer, the group expects the balance to be recovered within the year, no gains or losses recognized based on this reclassification.

(v) 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.

(vi) 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.

(vii) During 2016, 64 buildings of Al Baraha project have been transferred from trading properties to investment properties. As a result of the transfer, fair valuation gains amounting to QR 1,026,701 thousand have been recognised in the consolidated statement of profit or loss during 2016.

Accounting policies:

a) Recognition and classification of trading properties (inventories)

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

Cost include:

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

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

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

b) Sale of trading property

A property is regarded as sold when the significant risks and rewards have 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 TRADING PROPERTIES (continued)

Accounting policies: (continued)

c) Sales of property under development

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

- A contract to construct a property

Or

- A contract for the sale of a completed property

Critical accounting judgments and estimates:

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

Where the contract is judged to be for the sale of a completed property, revenue is recognised when the significant risks and rewards of ownership of the real estate have 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

- All significant risks and rewards of ownership of the work in progress in its present state are transferred to the buyer as construction progresses, typically, when 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 using the percentage of completion method as construction progresses. The percentage of completion is made by reference to the stage of completion of projects and contracts determined based on the proportion of contract costs incurred to date and the estimated costs to complete.

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

	2017 QR'000	2016 QR'000
Non-current portion:		
Finance leases - gross receivables	207,735	1,237,080
Unearned finance income	(32,608)	(270,906)
Net non-current portion of finance lease receivables	175,127	966,174
Current portion:		
Finance leases - gross receivables	86,081	595,956
Unearned finance income	(28,209)	(102,422)
Net current portion of finance lease receivables	57,872	493,534
Net investment in finance leases	232,999	1,459,708

Contractual maturities of finance lease receivables are as follows:

Gross receivables from finance leases:		
Not later than 1 year	86,081	595,956
Later than 1 year and not later than 5 years	207,735	1,226,809
Later than 5 years	-	10,271
	293,816	1,833,036
Unearned finance income	(60,817)	(373,328)
Net investment in finance leases	232,999	1,459,708

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

	2017 QR'000	2016 QR'000
At 1 January	1,459,708	1,843,823
Installments due and collected during the year	(1,393,519)	(568,640)
Transferred from / (to) trade receivables	119,058	(30,478)
Finance lease income	47,752	215,003
At 31 December	232,999	1,459,708

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 2017, 95% (2016: 80%) 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:

	2017 ***QR'000***	*2016* *QR'000*
Income from consultancy and other services - Main shareholder	80,456	114,136
Rental income - Main shareholder / associates	1,003	2,118

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*	
	2017	*2016*	***2017***	*2016*
	QR'000	*QR'000*	***QR'000***	*QR'000*
Qatari Diar Real Estate Investment Company Q.S.C.	**24,687**	21,375	**293,118**	291,637
Associate companies	**3,976**	97,154	**30,144**	28,788
Entities under common control	**189,936**	83,256	**-**	-
Other related parties	**-**	-	**1,393**	959
	218,599	201,785	**324,655**	321,384

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

	Due from related parties		*Due to related parties*	
	2017	*2016*	***2017***	*2016*
	QR'000	*QR'000*	***QR'000***	*QR'000*
Non-current	**-**	85,627	**579**	574
Current	**218,599**	116,158	**324,076**	320,810
	218,599	201,785	**324,655**	321,384

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

	2017	*2016*
	QR'000	*QR'000*
At 1 January	**47,704**	49,618
Impairment losses (Note 29)	**-**	(1,914)
At 31 December	**47,704**	47,704

For the years ended 31 December 2017 and 2016, the group carried out an impairment testing for due from related parties. The group did not recognize any additional impairment losses during the year (2016: QR 1,914 thousand) (Note 29). 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:

	2017 QR'000	2016 QR'000
Short term benefits (ii)	31,543	25,683
End of service benefits	1,055	828
	32,598	26,511

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 13,750 thousand for the year 2017 subject to the approval of the company's Annual General Assembly (2016: QR 8,500 thousand, the shareholders of the Company approved at the Annual General Meeting held on 6 March 2017).

10 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017 QR'000	2016 QR'000
Investments in equity securities		
Quoted	87,620	123,705
Unquoted	57,174	57,667
	144,794	181,372

Notes:

(i) At 31 December 2017, certain unquoted equity investments amounting to QR 57,174 thousand (2016: QR 57,667 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 (2016: QR 3,799 thousand) (Note 29). 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.

Accounting Policies:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

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.

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

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.

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

	2017 *QR'000*	*2016* *QR'000*
Advances for purchase of properties (i)	**4,860,474**	4,739,774
Advances against exchange of land (ii)	**1,836,459**	1,836,459
Advances to subcontractors and suppliers	**245,665**	273,659
	6,942,598	6,849,892
Less: allowance for impairment of advances (ii)	**(1,979,818)**	(1,979,818)
	4,962,780	4,870,074

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 to the appropriate fixed assets item (land) once the Group settles the whole purchase price of the land and registers in the Group's name.

12 INVESTMENT PROPERTIES

	2017 QR'000	2016 QR'000
At 1 January	13,851,222	11,222,850
Additions during the year	577,460	340,881
Capitalised finance cost (Note 31)	37,443	3,310
Transfer from trading properties - properties under development (Note 7B)	1,224,427	1,660,858
Transfer from property, plant and equipment (Note 13)	3,401	-
Transfer from advance for purchase of property	140	-
Acquired through business combination	203,373	-
Net fair value gain	818,852	668,063
Foreign exchange adjustment	29,667	(44,740)
At 31 December	16,745,985	13,851,222

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 2017. 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 40.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 INVESTMENT PROPERTIES (continued)

(vi) Included in investment properties are certain properties with a fair value of QR 1,280,000 thousand at 31 December 2017 (31 December 2016: QR 1,254,000 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%-20%
		Discount rate	8.10% - 8.70%
		Market cap	8.00%
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%-30%
		Discount rate	8.10% - 8.70%
		Market cap	8.00%
Land Bank	Direct Comparison	Estimated land value per sqm	QR 2,088 - 19,879

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:

	2017 QR'000	2016 QR'000
Within one year	486,910	433,031
Between 1 and 5 years	1,694,547	1,215,040
More than 5 years	2,554,783	2,154,370
Total at 31 December	4,736,240	3,802,441

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2017, 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 947,431 thousand lower and QR 1,069,075 thousand higher mainly as a result of lower/higher (higher/lower) fair value gain (loss) on investment properties.

At 31 December 2017, 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 557,596 thousand lower and QR 716,909 thousand higher mainly as a result of lower/higher (higher/lower) fair value gain (loss) on investment properties.

At 31 December 2017, 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 24,193 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 plant	Other fixed assets	Total
	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000
Cost							
At 1 January 2017	84,574	243,463	197,010	114,697	227,630	84,817	952,191
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	227,661	103,700	988,643
Accumulated depreciation							
At 1 January 2017	-	45,851	154,544	56,254	32,811	71,095	360,555
Charge for the year	-	8,672	12,543	7,649	9,360	4,355	42,579
Charged in operating expenses (note 25 & 27)	-	-	-	8,552	-	39	8,591
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	-	3	1,632
At 31 December 2017	-	55,129	167,708	72,468	42,171	85,496	422,972
Net Book Value at 31 December 2017	88,200	190,654	35,597	47,526	185,490	18,204	565,671
Cost							
At 1 January 2016	85,554	244,118	218,907	197,909	227,630	118,912	1,093,030
Additions	-	-	2,841	826	-	3,923	7,590
Disposals	-	-	(132)	-	-	(403)	(535)
Write off	-	-	(23,414)	(84,067)	-	(37,567)	(145,048)
Foreign exchange adjustment	(980)	(655)	(1,192)	29	-	(48)	(2,846)
At 31 December 2016	84,574	243,463	197,010	114,697	227,630	84,817	952,191
Accumulated depreciation							
At 1 January 2016	-	37,808	151,390	126,188	23,457	103,115	441,958
Charge for the year	-	8,312	27,748	5,568	9,354	5,997	56,979
Charged in operating expenses (note 25)	-	-	-	8,552	-	-	8,552
Disposals	-	-	(132)	-	-	(388)	(520)
Reclassifications	-	-	64	-	-	(64)	-
Write off	-	-	(23,414)	(84,067)	-	(37,567)	(145,048)
Foreign exchange adjustment	-	(269)	(1,112)	13	-	2	(1,366)
At 31 December 2016	-	45,851	154,544	56,254	32,811	71,095	360,555
Net Book Value At 31 December 2016	84,574	197,612	42,466	58,443	194,819	13,722	591,636

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% 2017	Ownership% 2016
Nuzul Holding Company B.S.C.C.	RE Development	Bahrain	-	49%
Al Imtiaz Investment Company (K.S.C)	Investment	Kuwait	24.40%	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:

	2017 QR'000	2016 QR'000
Total group's share of the associates' statement of financial position:		
Total assets	1,625,229	2,067,000
Total liabilities	(796,341)	(968,092)
Down/up stream profit	(232,498)	(273,289)
Impairment losses	(17,599)	(149,851)
Group share of net assets of associates	578,791	675,768
Carrying amount of the investments	578,791	675,768
Group's share of associates' revenues and results:		
Revenues	521,811	360,321
Results	90,415	7,962

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 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 Company	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

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 2016

Name of investee	Total Assets QR'000	Total Liabilities QR'000	Net Assets QR'000	% of ownership	Carrying amount of the investments QR'000
Nuzul Holding Company B.S.C.C.	499,287	254,717	244,570	49%	119,839
Al Imtiaz Investment Company (K.S.C)	3,655,927	1,528,374	2,127,553	24.40%	519,123
Emdad Leasing Equipment Company	129,082	41,455	87,627	22.08%	19,348
Al Damaan Islamic Insurance Company	1,026,425	729,740	296,685	20%	59,337
Regency Residential UK Limited	36,218	14,764	21,454	50%	10,727
Smeet Investment Company W.L.L	1,028,206	603,865	424,341	43.86%	186,116
Tanween Company W.L.L.	383,460	81,030	302,430	40%	120,972
Bait Al Mashura Financial Consulting Co.	3,361	1,436	1,925	20%	385
Ottomon Gayrimenkul A.S.	144,092	17,970	126,122	50%	63,061
Total					1,098,908
Less: Down/up stream profit					(273,289)
Less: Impairment losses					(149,851)
Group share of net assets of associates					675,768

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 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

At 31 December 2016

Name of investee	Total Income QR'000	Share of results QR'000
Nuzul Holding Company B.S.C.C.	4,252	5,354
Al Imtiaz Investment Company (K.S.C)	40,631	26,516
Emdad Leasing Equipment Company	19,604	2,505
Al Damaan Islamic Insurance Company	71,760	8,795
Smeet Investment Company W.L.L	695,699	(48,103)
Tanween Company W.L.L.	48,062	5,082
Bait Al Mashura Financial Consulting Co.	958	(119)
Ottomon Gayrimenkul A.S.	24,386	7,932
Group's share of associates' results		7,962

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 GOODWILL

Carrying amount of goodwill allocated to the CGUs:

	Real estate	
	2017	*2016*
	QR'000	*QR'000*
Goodwill	**126,411**	126,411

The group performed its annual impairment test as at 31 December 2017 and 2016. 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 8.7%. 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 2017 and 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 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.

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 2017 and 2016 are:

	2017 ***QR'000***	*2016* *QR'000*
Current income tax		
Current income tax charge	**(2,102)**	(7,061)
Deferred income tax		
Relating to origination and reversal of temporary differences	**35**	31
Income tax expense reported in the consolidated statement of profit or loss	**(2,067)**	(7,030)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 INCOME TAX (continued)

Reflected in the consolidated statement of financial position as follows:

	2017 QR'000	2016 QR'000
Deferred tax assets	**1,467**	1,289
Deferred tax liabilities	**(1,432)**	(1,258)
	35	31

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*
2017			
Subcontractors and suppliers	-	299,200	299,200
Clients advances and unearned income	-	38,649	38,649
Retention payable	173,967	37,133	211,100
Contribution to social and sports fund (Note 35)	-	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
	195,249	1,724,542	1,919,791

	Non-current QR'000	*Current QR'000*	*Total QR'000*
2016			
Subcontractors and suppliers	-	428,144	428,144
Clients advances and unearned income	-	100,563	100,563
Retention payable	104,611	109,084	213,695
Contribution to social and sports fund (Note 35)	-	124,325	124,325
Accrued expenses	20,002	313,428	333,430
Accrued finance cost	-	26,788	26,788
Other payables	677,380	232,997	910,377
	801,993	1,335,329	2,137,322

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

	2017 *QR'000*	*2016* *QR'000*
Provision for litigations	41,602	20,802
At 31 December	41,602	20,802

	2017 *QR'000*	*2016* *QR'000*
At 1 January	20,802	166,747
Provided during the year	19,707	-
Reversal during the year	(86)	(145,857)
Acquiring through business combination	1,179	-
Utilised during the year	-	(86)
Foreign exchange adjustments	-	(2)
At 31 December	41,602	20,802

18.2 END OF SERVICE BENEFITS

	2017 QR'000	2016 QR'000
At 1 January	87,766	76,686
Provided during the year	24,617	22,521
End of service benefits paid	(20,273)	(11,441)
Acquired as a result of control gained over an associate	392	-
Translation adjustment	61	-
At 31 December	92,563	87,766

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 OBLIGATIONS UNDER ISLAMIC FINANCE CONTRACTS

	2017 *QR'000*	*2016* *QR'000*
Un-secured facilities	8,172,239	8,165,116
Secured facilities	-	-
	8,172,239	8,165,116
The above balance is analyzed as follows:		
Non-current portion	7,972,181	8,165,116
Current portion	200,058	-
	8,172,239	8,165,116

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 SHARE CAPITAL

	2017 No of shares (Thousands)	2016 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 2016	389,125	3,891,246
At 31 December 2016	389,125	3,891,246
At 31 December 2017	**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.

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 the year, 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.

	2017 QR'000	2016 QR'000
Fair value reserve	(6,119)	52,642
Translation reserve	(254,550)	(317,184)
At 31 December	(260,669)	(264,542)

25 RENTAL OPERATION EXPENSES

	2017 QR'000	2016 QR'000
Staff costs	37,357	32,617
Rent expenses	53,567	59,894
Maintenance and utilities expense	99,375	95,090
Property management expense	21,058	21,250
Facility management expense	102,605	74,674
Depreciation (Note 13)	8,552	8,552
Other expenses	1,209	2,166
	323,723	294,243

26 INCOME FROM CONSULTANCY AND OTHER SERVICES

	2017 QR'000	2016 QR'000
Income from consultancy services	251,383	345,578
Revenue from hotel operation	104,627	100,224
Revenue from chilled water (i)	156,128	-
	512,138	445,802

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 INCOME FROM CONSULTANCY AND OTHER SERVICES (continued)

(i) Revenue from chilled water services recognized during the year ended 31 December 2017, representing the value of the services provided by Barwa District Cooling Co. W.L.L to its customers since inception of the cooling plant's operations. Historically, no clear measurement mechanism was agreed upon between the management and customers to reliably measure the value of the services provided. Accordingly, no revenue was recognized from these services.

There were ongoing communications, meetings and negotiations throughout the previous years in order to reach an agreement on how to reliably measure the revenue which resulted finally in a partial agreement between all parties on the criteria and method to reliably measure the value of the service. Accordingly, the management is now able to reliably determine part of the value of the service and recognized the related revenue of QR 156,128 thousand during the year. Further negotiations are now in place with the customers to agree on the disputed points which may result in additional revenue to be recognized in the future relating to the current and previous years.

Accounting policies:

Management fee income
Management fee income is recognized based on the terms and conditions of the relevant management agreements concluded with external parties to the group. It is recognized when the service has been provided.

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.

27 CONSULTING OPERATION AND OTHER SERVICES EXPENSES

	2017 QR'000	2016 QR'000
Staff costs	121,493	143,789
Hotel operation costs	88,831	88,453
Maintenance and utilities expense	56,418	51,664
Other expenses	2,300	4,007
	269,042	287,913

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 GENERAL AND ADMINISTRATIVE EXPENSES

	2017 QR'000	2016 QR'000
Staff costs	186,112	179,454
Social contributions	6,178	2,424
Professional fee expenses	13,402	15,999
Provision for litigations	19,708	-
Utilities expenses	7,231	14,083
Advertising and promotion expenses	1,704	7,692
Board of Directors remuneration and others (i)	15,230	10,610
Repair and maintenance expense	4,143	4,645
Travel expenses	449	942
Rent expenses	3,414	1,966
Government fees	2,380	1,529
Other expenses	994	1,333
	260,945	240,677

Note:

(i) The Directors' remuneration and others includes a proposed amount of QR 13,750 thousand subject to the approval of the company's Annual General Assembly (2016: QR 8,500 thousand, approved by the shareholders of the Company at the Annual General Meeting held on 6 March 2017).

29 NET (IMPAIRMENT LOSSES) / REVERSAL OF IMPAIRMENTS

	2017 QR'000	2016 QR'000
Reversal (impairment) losses :		
Trading properties (i)	(32,510)	74,493
Available for sale financial assets (Note 10)	-	(3,799)
Receivables and prepayments	(15,279)	(224)
Investment in associates	(220)	(36,847)
Due from related parties (Note 9)	-	1,914
Others	-	(31,776)
	(48,009)	3,761

Note:

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

	2017 QR'000	2016 QR'000
Properties available for sale (Note 7.A)	(41,896)	9,736
Properties under development (Note 7.B)	9,386	64,757
	(32,510)	74,493

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 OTHER INCOME

	2017 QR'000	2016 QR'000
Income from reversal of provisions for litigations & others	10,403	145,857
Dividend income	3,257	4,518
Gain on disposal of property, plant and equipment	282	9
Miscellaneous income	41,760	9,210
	55,702	159,594

Accounting policy:

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

31 NET FINANCE COST

	2017 QR'000	2016 QR'000
Finance costs		
Finance costs on islamic finance contracts	291,211	236,955
Less: capitalized finance costs (Note 7.B & 12)	(95,405)	(77,877)
Net foreign exchange loss	1,667	-
Finance costs for the year	197,473	159,078
Finance income		
Income from Murabaha and Islamic deposits	(95,019)	(72,963)
Net foreign exchange gain	-	(5,158)
Finance income for the year	(95,019)	(78,121)
Net finance costs for the year	102,454	80,957

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 NET FINANCE COST (continued)

Accounting policy: (continued)

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.

32 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:

	2017	*2016*
Net profit attributable to equity holders of the Parent for basic earnings (in QR'000)	**1,704,906**	1,605,288
Ordinary shares issued and fully paid (thousand shares)	**389,125**	389,125
Treasury shares (thousand shares)	**-**	(50)
Weighted average number of shares outstanding during the year (thousand shares)	**389,125**	389,075
Basic and diluted earnings per share (QR)	**4.38**	4.13

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 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.

33 COMPONENTS OF OTHER COMPREHENSIVE INCOME

	2017 QR'000	2016 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	61,003	(78,593)
	61,003	(78,593)
Available-for-sale financial assets:		
(Loss) / Gain on remeasurement at fair value	(58,759)	23,977
Other comprehensive income gain / (loss) for the year	**2,244**	(54,616)

34 DIVIDENDS

Dividends paid and proposed

	2017 QR'000	2016 QR'000
Declared, accrued and paid during the year:		
Final dividend for the year 2016, QR 2.5 per share (2016 : final dividend for the year 2015, QR 2.2 per share)	972,811	856,074

The shareholders of the Parent Company approved at the Annual General Meeting held on 6 March 2017 a cash dividend of QR 2.5 per share; total amounting to QR 972,811 thousand from the profit of 2016 (2016: cash dividend of QR 2.2 per share; total amounting to QR 856,074 thousand from the profit of 2015).

The proposed dividend for 2017 of QR 2.5 per share will be submitted for formal approval at the Annual General Assembly Meeting.

Accounting policy:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 CONTRIBUTION TO SOCIAL AND SPORTS FUND

During the year, the group appropriated an amount of QR 42,623 thousand (2016: QR 37,076 thousand) representing 2.5% of the consolidated net profit for the year as a contribution to the Social and Sports Fund.

36 CASH FLOW INFORMATION

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

Description	2017	2016
	QR'000	QR'000
Net assets acquired by way of control gained over an associate	293,780	-
Transfers from trading properties to investment properties	1,224,427	1,660,858

36.2 Net debt reconciliation :

Net debt analysis :	2017	2016
	QR'000	QR'000
Cash and cash equivalents	2,200,261	1,346,125
Liquid investments	20,817	29,477
Borrowing – repayable within one year	(200,058)	-
Borrowing – repayable after one year	(7,972,181)	(8,165,116)
Net debt	(5,951,161)	(6,789,514)

Cash and liquid investments	2,221,078	1,375,602
Gross debt – fixed interest rates	-	-
Gross debt – variable interest rates	(8,172,239)	(8,165,116)
Net debt	(5,951,161)	(6,789,514)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 COMPARATIVE INFORMATION

The comparative figures for the year ended 31 December 2016 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 2016	Reclassifications	Current presentation
Statement of Financial Position:			
Receivables and prepayments	1,137,270	(109,352)	1,027,918
Payables and other liabilities	2,252,807	(115,485)	2,137,322
End of service benefits	-	87,766	87,766
Obligations under Islamic finance contracts	8,206,468	(41,352)	8,165,116
Provisions	61,083	(40,281)	20,802
Statement of Profit or Loss:			
Rental income	1,176,000	(100,224)	1,075,776
Income from consultancy and other services	345,578	100,224	445,802
Rental operation expenses	(382,696)	88,453	(294,243)
Consulting operation and other services expenses	(199,460)	(88,453)	(287,913)

	Previous presentation at 01 January 2016	Reclassifications	Current presentation
Statement of Financial Position:			
Receivables and prepayments	1,042,485	(52,344)	990,141
Payables and other liabilities	2,297,434	(82,584)	2,214,850
End of service benefits	-	79,635	79,635
Obligations under Islamic finance contracts	7,698,643	(9,114)	7,689,529
Provisions	207,028	(40,281)	166,747

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 CONTINGENT LIABILITIES

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

	2017 QR'000	2016 QR'000
Bank guarantees	115,319	102,873

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.

39 COMMITMENTS

	2017 QR'000	2016 QR'000
Contractual commitments with contractors and suppliers for properties under development	1,800,908	736,291
Commitments for operating leases (i)	455,347	470,159
Commitments for purchase of investments and properties	271,387	363,859

Note:

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

	2017 QR'000	2016 QR'000
Less than one year	123,317	82,773
Between 1 and 5 years	192,293	277,560
More than 5 years	139,737	109,826
Total operating lease expenditure contracted for at 31 December	455,347	470,159

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40 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	
	2017 QR'000	2016 QR'000	2017 QR'000	2016 QR'000
Financial assets				
Bank balances (excluding cash)	3,238,070	2,874,928	3,238,070	2,874,928
Receivables	1,158,120	1,014,220	1,158,120	1,014,220
Finance lease receivables	232,999	1,459,708	232,999	1,459,708
Due from related parties	218,599	201,785	218,599	201,785
Financial assets at fair value through profit or loss	20,817	29,477	20,817	29,477
Available-for-sale financial assets	144,794	181,372	144,794	181,372
Financial liabilities				
Payables and other liabilities	(1,881,138)	(1,360,659)	(1,881,138)	(1,360,659)
End of service benefits	(92,563)	(87,766)	(92,563)	(87,766)
Due to related parties	(324,655)	(321,384)	(324,655)	(321,384)
Obligations under Islamic finance contracts	(8,172,239)	(8,165,116)	(8,172,239)	(8,165,116)

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:

- Bank balances, receivables, due from related parties, payables and other liabilities, due to related parties 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

40 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 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	-	-

Quantitative disclosures fair value measurement hierarchy for assets as at 31 December 2016 are as follows:

			Fair value measurement using		
	Date of valuation	*Total QR'000*	*Quoted prices in active markets Level l QR'000*	*Significant observable inputs Level 2 QR'000*	*Significant unobservabl e inputs Level 3 QR'000*
Assets measured at fair value:					
Investment properties (Note 12):	31 Dec 2016	13,851,222	-	-	13,851,222
Available-for-sale financial assets (Note 10):					
Quoted equity shares	31 Dec 2016	123,705	123,705	-	-
Unquoted equity shares	31 Dec 2016	57,667	-	-	57,667
Financial assets at fair value through profit or loss (Note 5):					
Quoted equity shares	31 Dec 2016	29,477	29,477	-	-

There have been no transfers between Level 1 and Level 2 during 2017 (2016: no transfers), and no transfers into and out of Level 3 fair value measurements (2016: no transfers).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 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.

41.1 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 available-for-sale financial assets 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 8 February 2018. The directors have the power to amend and reissue the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 BASIS OF PREPARATION AND CONSOLIDATION (continued)

41.2 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 IAS 39 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

41 BASIS OF PREPARATION AND CONSOLIDATION (continued)

41.2 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.

		Group effective shareholding percentage	
Name of subsidiary	Country of incorporation	31 December 2017	31 December 2016
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

42 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 2017***	*31 December 2016*
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.

	2017 QR'000	*2016 QR'000*
Accumulated balances of material non-controlling interest.		
Qatar Project Management Company Q.P.S.C.	**48,473**	52,069
Nuzul Qatar Company Limited W.L.L.	**83,346**	82,042
Profit/(loss) allocated to material non-controlling interest:		
Qatar Project Management Company Q.P.S.C.	**11,274**	16,645
Nuzul Qatar Company Limited W.L.L.	**1,003**	(3,347)

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 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**
Summarised statement of profit or loss for 2016:		
Revenues and gains	221,976	-
Expenses and losses	(166,493)	(6,695)
Profit (loss) for the year	55,483	(6,695)
Total comprehensive income (loss)	55,483	(6,695)

Barwa Real Estate Company Q.P.S.C.
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42 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 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 statement of financial position as at 31 December 2016:		
Non-current assets	25,525	-
Current assets	219,587	415,404
Non-current liabilities	(23,760)	-
Current liabilities	(47,789)	(251,320)
Net equity	173,563	164,084
Attributable to:		
Equity holders of Parent	121,494	82,042
Non-controlling interest	52,069	82,042
Total equity	173,563	164,084
Summarised cash flow information for the year ended 31 December 2017:		
Operating activities	81,221	(111,940)
Investing activities	(2,268)	-
Financing activities	(50,000)	-
Net increase (decrease) in cash and cash equivalents	28,953	(111,940)
Summarised cash flow information for the year ended 31 December 2016:		
Operating activities	43,953	(25,462)
Investing activities	48,916	-
Financing activities	(100,000)	-
Net decrease in cash and cash equivalents	(7,131)	(25,462)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43 ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

43.1 Acquisition of subsidiaries

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 membe rs 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.

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

43 ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES (continued)

43.1 Acquisition of subsidiaries (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 (Note 43.1.ii).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43 ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES (continued)

43.1 Acquisition of subsidiaries (continued)

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

	QR'000
Balance at 1 January 2017	131,085
Profit for the year	11,501
Other comprehensive loss 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 year would have been higher by QR 2,747 thousand and QR 49 thousand, respectively.

Prior period

No business combination took place during the year ended 31 December 2016.

43.2 Disposal of subsidiaries

No Subsidiaries have been disposed during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44 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.	- 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

44 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 (2016: None)

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

	Carrying amounts	
	2017	*2016*
	QR'000	*QR'000*
Floating profit rate instruments:		
Finance Lease receivables	**232,999**	1,459,708
Fixed term deposits	**2,724,691**	2,397,656
Financial liabilities - Borrowings	**(8,172,239)**	(8,165,116)

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 2017	**(20,516)**
At 31 December 2016	(19,552)

(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

44 FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

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

	2017 QR'000 Assets (Liabilities)	2016 QR'000 Assets (Liabilities)
EURO	**(35)**	(313)
KWD	**(17,439)**	(17,089)
GBP	**149,752**	131,154
EGP	**(3,939)**	(3,659)
AED	**(1,996)**	(1,985)
SAR	**(70,810)**	(81,152)
USD	**(7,064,214)**	(7,317,473)

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*
2017			
Available for sale financial assets — Quoted	**+10%**	**-**	**8,762**
Financial assets at fair value through profit or loss	**+15%**	**3,123**	**3,123**
2016			
Available for sale financial assets — Quoted	+10%	-	12,370
Financial assets at fair value through profit or loss	+15%	4,422	4,422

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

44 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:

	2017	2016
	QR'000	QR'000
Bank balances (excluding cash)	**3,238,070**	2,874,928
Receivables	**1,158,120**	1,014,220
Finance lease receivables	**232,999**	1,459,708
Due from related parties	**218,599**	201,785
	4,847,788	5,550,641

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

	Carrying amounts				
	Domestic	**Other GCC countries**	**European countries**	**North Africa**	**Total**
	QR'000	**QR'000**	**QR'000**	**QR'000**	**QR'000**
2017					
Bank balances (excluding cash)	**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**

	Carrying amounts				
	Domestic	Other GCC countries	European countries	North Africa	Total
	QR'000	QR'000	QR'000	QR'000	QR'000
2016					
Bank balances (excluding cash)	2,822,596	9,056	34,810	8,466	2,874,928
Receivables	958,126	47,409	2,491	6,194	1,014,220
Finance lease receivables	1,459,708	-	-	-	1,459,708
Due from related parties	201,779	6	-	-	201,785
	5,442,209	56,471	37,301	14,660	5,550,641

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 95,126 thousand (2016: QR 92,274 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

44 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. 98% (2016: 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. 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. For the governmental institutions and the externally rated institutions within category A and B credit ratings (constitutes of 75% of the total trade receivable balance as of 31 December 2017).

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:

	2017 QR'000	2016 QR'000
A+	1,586,218	580,065
A1	355,784	264,507
A2	-	165
A2/Prime-2	-	874,366
A	938,006	3
AA-	-	799,937
BBB+	4	-
P-1	-	-
Others	358,058	355,885
Total	3,238,070	2,874,928

As at 31 December 2017, 95% (2016: 80%) of the total finance lease receivables balance is due from a single customer which is a government related entity.

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

44 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:

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	1,685,889	-	195,249	-
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	2,568,774	836,423	5,972,676	2,587,830

2016	*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	1,360,659	1,360,659	1,234,765	-	125,894	-
End of service benefits	87,766	87,766	-	-	87,766	-
Due to related parties	321,384	321,384	320,810	-	574	-
Obligations under Islamic finance contracts	8,165,116	10,019,958	270,922	564,301	4,513,995	4,670,740
	9,934,925	11,789,767	1,826,497	564,301	4,728,229	4,670,740

Financial instruments:
Financial instruments by category

	Financial Assets *2017* *QR'000*	Financial assets *2016* *QR'000*
Assets as per consolidated statement of financial position		
Trade and other receivables (excluding prepayments)	1,158,120	1,014,220
Finance lease receivables	232,999	1,459,708
Due from related parties	218,599	201,785
Cash and bank balances (excluding cash on hand)	3,238,070	2,874,928
	4,847,788	5,550,641

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44 FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

Financial instruments: (continued)

	Available for sale financial assets 2017 QR'000	Available for sale financial assets 2016 QR'000
Assets as per consolidated statement of financial position		
Available for sale financial assets	144,794	181,372
	144,794	181,372

	Financial assets at fair value through profit or loss 2017 QR'000	Financial assets at fair value through profit or loss 2016 QR'000
Assets as per consolidated statement of financial position		
Financial assets at fair value through profit or loss	20,817	29,477
	20,817	29,477

	Other financial liabilities at amortised cost 2017 QR'000	Other financial liabilities at amortised cost 2016 QR'000
Liabilities as per consolidated statement of financial position		
Trade and other payables excluding non-financial liabilities	(1,973,701)	(1,448,425)
Due to related parties	(324,655)	(321,384)
Obligations under Islamic finance contracts	(8,172,239)	(8,165,116)
	(10,470,595)	(9,934,925)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44 FINANCIAL RISK MANAGEMENT (continued)

Operational risk

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

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

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

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

Real estate risk

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

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

Other risks

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44 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:

	2017 QR'000	2016 QR'000
Finance cost bearing debts	8,172,239	8,165,116
Less: cash and bank balances	(3,238,557)	(2,875,318)
Net debt	4,933,682	5,289,798
Total equity (excluding legal reserve & non-controlling interests)	17,383,183	16,776,628
Net debt to equity ratio at 31 December	**28%**	32%

45 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 current tax payable and current tax expense – note 16
- Estimated fair value of certain available-for-sale financial assets – note 10
- Estimation of fair value investment properties – note 12
- Estimation of fair values of unquoted equity investments - note 10
- Estimation of net realizable value for trading properties - note 7
- Estimated goodwill impairment – note 15
- Estimated useful life of property, plant and equipment – note 13
- 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 41
- Classification of property – note 7 & note 12

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

45 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

46 OTHER SIGNIFICANT ACCOUNTING POLICIES

46.1 Changes in accounting policies and disclosures

(a) New and amended standards applicable to the Group

There are no amendments to IFRS that have a material effect on the group for the year ended 31 December 2017.

(b) New standards and interpretations effective for annual periods after 1 January 2017 and not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below:

- **IFRS 9, 'Financial instruments' (Annual periods beginning on or after 1 January 2018)**

Nature of change

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

The Group's main financial assets compromise of the following:

- Trade and other receivables
- Amounts due from related parties
- Finance lease receivables
- Cash and cash equivalents
- Available for sale financial assets

Trade and other receivables, amounts due from related parties and finance lease receivables are debt instruments currently 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 will continue 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.

Accordingly, the Group does not expect the new guidance to affect the classification and measurement of these financial assets. However, 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.

46 OTHER SIGNIFICANT ACCOUNTING POLICIES (continued)

46.1 Changes in accounting policies and disclosures (continued)

(b) New standards and interpretations effective for annual periods after 1 January 2017 and not yet adopted (continued)

There will be no material impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts.

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. For the governmental institutions and the externally rated institutions within category A and B credit ratings (constitutes of 75% of the total trade receivable balance as of 31 December 2017). the Group assessed that the required provision for these accounts is insignificant. For the unrated institutions, the Group assessed the probability of default for each account after considering a combination of both micro and macro economic factors. The Group assessed the impact of the macro economic factors obtained from external published sources, such as the GDP and the unemployment rates.

Based on the assessments undertaken to date, the Group expects no material increase on the balances undertaken.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Date of adoption by the Group

Must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

- **IFRS 15, 'Revenue from contracts with customer' (Annual periods beginning on or after 1 January 2018).**

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46 OTHER SIGNIFICANT ACCOUNTING POLICIES (continued)

46.1 Changes in accounting policies and disclosures (continued)

(b) New standards and interpretations effective for annual periods after 1 January 2017 and not yet adopted (continued)

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 recognation criteria meets the recognation over time criteria, the Group expects no material changes on the revenue recorded from the existing revenue contracts.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Date of adoption by the Group

Mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

- **IFRS 16, 'Leases' (Annual periods beginning on or after 1 January 2019)**

Nature of change

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has no non-cancellable operating lease commitments.

Date of adoption by Group

Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46 OTHER SIGNIFICANT ACCOUNTING POLICIES (continued)

46.2 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

46 OTHER SIGNIFICANT ACCOUNTING POLICIES (continued)

46.2 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 discounts, 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

46 OTHER SIGNIFICANT ACCOUNTING POLICIES (continued)

46.2 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

46 OTHER SIGNIFICANT ACCOUNTING POLICIES (continued)

46.2 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

46 OTHER SIGNIFICANT ACCOUNTING POLICIES (continued)

46.2 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.

46 OTHER SIGNIFICANT ACCOUNTING POLICIES (continued)

46.2 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

46 OTHER SIGNIFICANT ACCOUNTING POLICIES (continued)

46.2 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.