

Barwa Real Estate Company Q.S.C.

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2012

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
BARWA REAL ESTATE COMPANY Q.S.C.****Report on the consolidated financial statements**

We have audited the accompanying consolidated financial statements of Barwa Real Estate Company Q.S.C. (the "Company") and its subsidiaries (together referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2012 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards 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.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2012 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2011 were audited by another auditor, who expressed an unmodified opinion on those consolidated financial statements on 4 March 2012.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
BARWA REAL ESTATE COMPANY Q.S.C. (CONTINUED)**

Emphasis of matters

Without qualifying our opinion, we draw attention to the following matters;

- 1) During the year, the Group has recognised its share of results amounting to QR 5,841 thousand (Qatari Riyals five million and eight hundred forty one thousand) from certain associate companies based on financial information provided by the management of these investees. As at 31 December 2012, the carrying value of such investments amounted to QR 560,003 thousand (Qatari Riyals five hundred sixty million and three thousand). While there is no reason to believe that the financial information provided by the management is not reasonably accurate, an audit of financial statements, performed in accordance with International Standards on Auditing, may result in adjustments affecting the recognized share of results, share of other comprehensive income and carrying value of these investments.
- 2) As more fully explained in Note 49 (i) to the consolidated financial statements, management has restated the opening balances and comparative figures for the year 2011 to correct the matters referred to in Note 49.

Report on legal and other regulatory requirements

Furthermore, in our opinion proper books of account have been kept by the Group and the consolidated financial statements comply with the Qatar Commercial Companies' Law No. 5 of 2002 and the Company's Articles of Association. We further confirm that the financial information included in the Annual Report of the Board of Directors is in agreement with the books and records of the Group. We have obtained all the information and explanations we required for the purpose of our audit, and are not aware of any violations of the above mentioned law or the Articles of Association having occurred during the year, which might have had a material effect on the business of the Group or on its financial position.



Ziad Nader
of Ernst & Young
Auditor's Registration No. 258

Date: 11 March 2013
Doha

Barwa Real Estate Company Q.S.C.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	2012 QR'000	2011 QR'000 (Restated)	1 January 2011 QR'000 (Restated)
ASSETS				
Cash and bank balances	5	665,514	2,626,385	12,983,145
Receivables and prepayments	6	720,589	1,058,969	2,777,773
Finance lease receivables	7	2,792,229	3,056,434	1,806,641
Due from related parties	8	2,724,291	2,809,742	186,334
Financial assets at fair value through profit or loss	9	6,704	4,137	3,959
Assets of subsidiaries classified as held for sale	10	5,782,872	55,150	-
Non-current assets held for sale	11	373,856	-	-
Advances for projects and investments	12	2,671,292	2,861,036	6,048,411
Available-for-sale financial assets	13	366,406	462,622	2,736,140
Trading properties	14	18,396,769	38,487,582	31,911,821
Investment properties	15	12,431,909	10,662,946	12,584,160
Investments in associates	16	2,323,755	3,368,726	1,964,681
Property, plant and equipment	17	856,821	554,160	796,188
Goodwill	18	126,411	126,411	413,809
Deferred tax assets	19	113	76,083	-
TOTAL ASSETS		50,239,531	66,210,383	74,213,062
LIABILITIES AND EQUITY				
LIABILITIES				
Payables and other liabilities	20	3,030,334	5,080,044	8,822,818
Due to related parties	8	7,091,839	16,822,844	23,907,254
Liabilities of subsidiaries classified as held for sale	10	11,540	62,939	-
Obligations under Islamic finance contracts	23	26,661,159	28,371,134	24,178,951
Liabilities for purchase of lands	24	-	2,486,437	3,272,667
Liabilities under derivative financial instruments	25	142,128	452,134	674,820
Deferred tax liabilities	19	205	-	24,984
TOTAL LIABILITIES		36,937,205	53,275,532	60,881,494
EQUITY				
Share capital	26	3,891,246	3,891,246	3,891,246
Treasury shares	27	(4,119)	(4,119)	(4,991)
Legal reserve	28	811,555	481,107	355,870
General reserve	29	4,639,231	4,639,231	4,639,231
Risk reserve		-	-	27,722
Other reserves	30	(325,916)	(53,881)	(49,502)
Retained earnings		3,786,403	3,397,177	2,493,877
Total equity attributable to equity holders of the parent		12,798,400	12,350,761	11,353,453
Non-controlling interests		503,926	584,090	1,978,115
TOTAL EQUITY		13,302,326	12,934,851	13,331,568
TOTAL LIABILITIES AND EQUITY		50,239,531	66,210,383	74,213,062

These consolidated financial statements were approved and signed on behalf of the Board of Directors by the following on 11 March 2013.

Hitmi Ali Khalifa Al-Hitmi
Chairman

Abdulla Abdulaziz Al-Subaie
Group Chief Executive Officer & Board Member

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

Barwa Real Estate Company Q.S.C.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

	Notes	2012 QR'000	2011 QR'000 (Restated)
Continuing operations			
REVENUES AND GAINS			
Rental income		740,645	622,827
Income from consultancy and other related services	31	365,173	821,573
Profit on sale of properties	32	284,787	552,503
Profit on disposal of subsidiaries	33	189,639	404,073
Net fair value gain on investment properties	15	433,111	1,398,776
Share of results of associates	16	262,397	327,279
Income from banking activities		-	127,895
Gain on loss of control over a subsidiary		-	172,869
Other income	34	221,212	247,582
TOTAL REVENUES AND GAINS		2,496,964	4,675,377
EXPENSES AND LOSSES			
Operating expenses	35	(372,076)	(352,550)
General and administrative expenses	36	(465,189)	(954,078)
Net finance costs	37	(201,492)	(787,190)
Net impairment losses	38	(197,649)	(766,672)
Depreciation	17	(78,022)	(97,042)
Expenses on banking activities		-	(26,506)
TOTAL EXPENSES AND LOSSES		(1,314,428)	(2,984,038)
Profit before income tax		1,182,536	1,691,339
Income tax expense	19	(5,298)	(5,399)
Profit for the year from continuing operations		1,177,238	1,685,940
Discontinued operations			
Loss after tax for the year from discontinued operations	10	(20,526)	(236,270)
Profit for the year		1,156,712	1,449,670
<i>Attributable to:</i>			
Equity holders of the parent		1,171,129	1,416,237
Non-controlling interests		(14,417)	33,433
		1,156,712	1,449,670
Basic and diluted earnings per share			
<i>(attributable to shareholders of the parent expressed in QR per share)</i>	39	3.01	3.64

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

Barwa Real Estate Company Q.S.C.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	<i>Note</i>	<i>2012</i> <i>QR'000</i>	<i>2011</i> <i>QR'000</i> <i>(Restated)</i>
Profit for the year		<u>1,156,712</u>	<u>1,449,670</u>
Other comprehensive income			
Net movement on cash flow hedges	40	17,565	35,061
Exchange differences on translation of foreign operations	40	(305,035)	26,438
Net gain (loss) on available-for-sale financial assets	40	<u>36,018</u>	<u>(18,757)</u>
Other comprehensive (loss) income for the year		<u>(251,452)</u>	<u>42,742</u>
Total comprehensive income for the year		<u><u>905,260</u></u>	<u><u>1,492,412</u></u>
<i>Attributable to:</i>			
Equity holders of the parent		919,243	1,456,524
Non-controlling interests		<u>(13,983)</u>	<u>35,888</u>
		<u><u>905,260</u></u>	<u><u>1,492,412</u></u>

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

Barwa Real Estate Company Q.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Equity attributable to the equity holders of the parent						Non-controlling interests QR '000	Total equity QR '000		
	Share capital QR '000	Treasury shares QR '000	Legal reserve QR '000	General reserve QR '000	Risk reserve QR '000	Other reserves QR '000			Retained earnings QR '000	Total QR '000
Balance at 1 January 2011 – as previously stated	3,891,246	(4,991)	355,870	4,639,231	27,722	(45,154)	2,367,309	11,231,233	1,869,460	13,100,693
Prior period adjustments (Note 49)	-	-	-	-	-	(4,348)	126,568	122,220	108,655	230,875
Balance at 1 January 2011 – (Restated)	3,891,246	(4,991)	355,870	4,639,231	27,722	(49,502)	2,493,877	11,353,453	1,978,115	13,331,568
Profit for the year	-	-	-	-	-	-	1,416,237	1,416,237	33,433	1,449,670
Other comprehensive income for the year (Note 40)	-	-	-	-	-	40,287	-	40,287	2,455	42,742
Total comprehensive income for the year	-	-	-	-	-	40,287	1,416,237	1,456,524	35,888	1,492,412
Dividends for 2010 (Note 41)	-	-	-	-	-	-	(389,125)	(389,125)	-	(389,125)
Transfer to legal reserve	-	-	125,237	-	-	-	(125,237)	-	-	-
Contribution to social and sports fund (Note 42)	-	-	-	-	-	-	(32,145)	(32,145)	-	(32,145)
Decrease in treasury shares	-	872	-	-	-	-	-	872	-	872
Change due to loss of control	-	-	-	-	(27,722)	(12,855)	27,722	(12,855)	(1,347,830)	(1,360,685)
Contributions by non-controlling interests (Note 14)	-	-	-	-	-	-	10,626	10,626	10,626	21,252
Transfers on cancellation of non-controlling interest in a subsidiary	-	-	-	-	-	(31,811)	(28,049)	(59,860)	(92,709)	(152,569)
Change in purchase consideration payable to non-controlling interests	-	-	-	-	-	-	23,271	23,271	-	23,271
Balance at 31 December 2011	3,891,246	(4,119)	481,107	4,639,231	-	(53,881)	3,397,177	12,350,761	584,090	12,934,851

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

Barwa Real Estate Company Q.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2012

	Equity attributable to the equity holders of the parent							Non-controlling interests QR '000	Total Equity QR '000	
	Share capital QR '000	Treasury shares QR '000	Legal reserve QR '000	General reserve QR '000	Risk reserve QR '000	Other reserves QR '000	Retained earnings QR '000			Total QR '000
Balance at 1 January 2012 – (Restated)	3,891,246	(4,119)	481,107	4,639,231	-	(53,881)	3,397,177	12,350,761	584,090	12,934,851
Profit for the year	-	-	-	-	-	-	1,171,129	1,171,129	(14,417)	1,156,712
Other comprehensive income for the year (Note 40)	-	-	-	-	-	(251,886)	-	(251,886)	434	(251,452)
Total comprehensive income for the year	-	-	-	-	-	(251,886)	1,171,129	919,243	(13,983)	905,260
Dividends for 2011 (Note 41)	-	-	-	-	-	-	(389,125)	(389,125)	-	(389,125)
Transfer to legal reserve	-	-	330,448	-	-	-	(330,448)	-	-	-
Contribution to social and sports fund (Note 42)	-	-	-	-	-	-	(28,918)	(28,918)	-	(28,918)
Transfers on disposal of a subsidiary	-	-	-	-	-	(20,149)	21,354	1,205	(59,396)	(58,191)
Acquisition of non-controlling interests (Note 4)	-	-	-	-	-	-	(53,473)	(53,473)	(7,084)	(60,557)
Other movements	-	-	-	-	-	-	(1,293)	(1,293)	299	(994)
Balance at 31 December 2012	3,891,246	(4,119)	811,555	4,639,231	-	(325,916)	3,786,403	12,798,400	503,926	13,302,326

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

Barwa Real Estate Company Q.S.C.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	Notes	2012 QR'000	2011 QR'000 (Restated)
OPERATING ACTIVITIES			
Profit for the year from continuing operations		1,177,238	1,685,940
Loss after tax for the year from discontinued operations		(20,526)	(236,270)
Profit for the year		<u>1,156,712</u>	<u>1,449,670</u>
<i>Adjustments for:</i>			
Net fair value gain on investment properties	15	(433,111)	(1,398,776)
Net fair value losses reclassified to discontinued operations	10	-	300,807
Unrealised gain on financial assets at fair value through profit or loss	34	(2,567)	(178)
Gain on sale of available-for-sale financial assets	34	(7,102)	(64,806)
Depreciation	17	81,562	99,127
Net deferred tax benefit		-	(89,537)
Share of results of associates	16	(262,397)	(327,279)
Fair value change in derivative financial instruments		(106,558)	-
Net impairment losses	38	197,649	766,672
Gain on sale of properties	10 & 32	(284,787)	(555,875)
Profit on disposal of subsidiaries	33	(189,639)	(404,073)
Fair value gain on call option	34	(21,469)	-
Unwinding of discount on deferred sale arrangements	37	(396,726)	(340,570)
Gain on reversal of provision	34	(69,175)	(59,901)
Dividend income	34	(4,463)	(14,260)
Gain on loss of control over a subsidiary		-	(172,869)
Accruals for board of directors remuneration		14,000	-
Gain on disposal of property, plant and equipment	34	(42)	(43,789)
Operating loss before working capital changes		(328,113)	(855,637)
<i>Changes in working capital:</i>			
Change in receivables and prepayments		1,043,272	(74,864)
Amounts due from / due to related parties		3,531,816	217,728
Change in payables and accruals		(968,817)	(228,646)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		<u>3,278,158</u>	<u>(941,419)</u>
INVESTING ACTIVITIES			
Cash flows from acquisitions of subsidiaries		176,305	(14,700)
Proceeds from disposal of subsidiaries		31,000	1,904,768
Purchase of investment properties and trading properties		(3,157,480)	(4,397,656)
Payments for establishment and new capital issue of associates		-	(5,000)
Payments for purchase of available-for-sale financial assets		(5,423)	(2,627,720)
Payments for purchase of property, plant and equipment	17	(59,619)	(58,915)
Proceeds from sale of available-for-sale financial assets		91,389	-
Proceeds from sale of properties		1,432,142	1,799,880
Proceeds from disposal of property, plant and equipment		7,110	145,713
Dividends received from associates		36,650	36,208
Advances for purchase of investments and properties		(90,088)	440,252
Disposal of investment in associates		-	129,760
Dividend income	34	4,463	14,260
Net movement in short term deposits maturing after three months		(60,677)	-
Funds provided to related parties for investing activities		-	(2,986,571)
NET CASH USED IN INVESTING ACTIVITIES		<u>(1,594,228)</u>	<u>(5,619,721)</u>

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

Barwa Real Estate Company Q.S.C.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2012

	<i>Notes</i>	2012 QR'000	2011 QR'000 <i>(Restated)</i>
FINANCING ACTIVITIES			
Proceeds from obligations under Islamic finance contracts		1,962,084	5,027,000
Payments of financing provided by major shareholder		-	(4,245,499)
Payments for the obligations under Islamic finance contracts		(2,832,952)	(727,000)
Payments for liabilities for purchase of lands		(2,860,797)	(764,657)
Dividends paid	41	(389,125)	(389,125)
Settlement of derivative financial liabilities		(203,448)	-
Restricted bank balances		(99)	159,173
		<u>(4,324,337)</u>	<u>(940,108)</u>
NET CASH USED IN FINANCING ACTIVITIES			
		(2,640,407)	(7,501,248)
Net foreign exchange difference		647,622	(163,382)
Cash and cash equivalents at 1 January		2,641,754	12,822,509
Cash and cash equivalent for loss of control on subsidiaries		(37,438)	(2,516,125)
		<u>611,531</u>	<u>2,641,754</u>
CASH AND CASH EQUIVALENTS AT 31 DECEMBER			
	5	<u>611,531</u>	<u>2,641,754</u>

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

1 CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

Barwa Real Estate Company Q.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 Qatar Exchange.

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

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

2 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.

2.1 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. 5 of 2002.

The consolidated financial statements have been prepared under the historical cost convention, except for investment properties, trading properties, financial assets at fair value through profit or loss, available-for-sale financial assets and derivative financial instruments 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 47.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of Barwa Real Estate Company Q.S.C. and its subsidiaries (together referred to as the "Group") for the year ended 31 December 2012. These consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Where necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies in line with those used by the Group.

Subsidiaries

Subsidiaries are those entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible, are considered when assessing whether an entity is controlled. In addition, control may exist without having 50% voting power through ownership or agreements, as a consequence of de facto control. De facto control is control without the legal right to exercise unilateral control, and involves decision-making ability that is not shared with others and the ability to give directions with respect to the operating and financial policies of the entity concerned. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent company, using consistent accounting policies.

2 BASIS OF PREPARATION AND CONSOLIDATION (continued)

2.2 Basis of consolidation (continued)

Subsidiaries (continued)

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values 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 recognises 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 acquisition date 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 profit or loss.

Any contingent consideration to be transferred by the Group is recognized 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 no re-measured, and its subsequent settlement is accounted within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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.

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.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

Non controlling interests

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from parent shareholders' equity. Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

Barwa Real Estate Company Q.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2012

2 BASIS OF PREPARATION AND CONSOLIDATION (continued)

2.2 Basis of consolidation (continued)

The Group's subsidiaries accounting for more than 5% of the total assets and 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 below listed subsidiaries, there are number of other subsidiaries' financial statements that are consolidated in to these consolidated financial statements and are accounting for less than 5% of the total assets and operational results of the Group.

<i>Name of subsidiary</i>	<i>Country of incorporation</i>	<i>Group effective shareholding percentage</i>	
		<i>31 December 2012</i>	<i>31 December 2011</i>
Asas Real Estate Company W.L.L	Qatar	100%	50%
Al-Waseef Property Management Company S.P.C.	Qatar	100%	100%
Barwa Al-Doha Real Estate Company W.L.L	Qatar	100%	65%
Barwa International Company S.P.C.	Qatar	100%	100%
Barwa Al Sadd Company S.P.C	Qatar	100%	100%
Barwa City Real Estate Company W.L.L	Qatar	100%	100%
Barwa Egypt Real Estate S.A.E	Egypt	100%	100%
Baraha City For Vehicle & Equipment S.P.C	Qatar	100%	100%
Barwa Financial District W.L.L.	Qatar	100%	100%
Barwa Village Company S.P.C.	Qatar	100%	100%
Gudran S.P.C.	Qatar	100%	100%
Masaken Al Sailiya & Mesaimer Company W.L.L.	Qatar	100%	100%
Barwa District Cooling Company S.P.C.	Qatar	100%	100%
Qatar Real Estate Investment Company Q.P.S.C	Qatar	100%	100%
Cavendish Capital	UK	100%	100%
Guidance Hotel Investment Company B.S.C.C.	Bahrain	96.5%	96.5%
Barwa Commercial Avenue W.L.L.	Qatar	95%	95%
Qatar Project Management Company Q.P.S.C.	Qatar	70%	70%
Nuzul Qatar Company Limited W.L.L.	Qatar	50%	50%

3 SIGNIFICANT ACCOUNTING POLICIES**3.1 Changes in accounting policies and disclosures**

The accounting policies adopted by the Group are consistent with those of previous financial year except for new and amended IFRS and IFRIC interpretations effective for annual period beginning on or after 1 January 2012, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

<i>Topic</i>	<i>Key requirements</i>	<i>Effective date</i>
Amendment to IFRS 7, 'Financial instruments: Disclosures', on transfer of financial assets	These amendments are as part the IASBs comprehensive review of off balance sheet activities. The amendments promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial asset.	1 July 2011
Amendment to IAS 12, 'Income taxes', on deferred tax	Currently IAS 12, 'Income taxes', requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property. Hence this amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes - recovery of revalued non-depreciable assets', would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is accordingly withdrawn.	1 January 2012

3 SIGNIFICANT ACCOUNTING POLICIES (continued)**3.1 Changes in accounting policies and disclosures (continued)**

The Group is currently considering the implications of the new IFRS which are effective for future accounting periods and has not early adopted any of the new standards as listed below:

<i>Topic</i>	<i>Key requirements</i>	<i>Effective date</i>
Amendment to IAS 1, 'Financial statement presentation', regarding other comprehensive income	The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.	1 July 2012
Amendment to IAS 19, 'Employee benefits'	These amendments eliminate the corridor approach and calculate finance costs on a net funding basis.	1 January 2013
Amendment to IFRSs 10, 11 and 12 on transition guidance	These amendments provide additional transition relief to IFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied.	1 January 2013
Annual improvements 2011	These annual improvements, address six issues in the 2009-2011 reporting cycle. It includes changes to: <ul style="list-style-type: none"> • IFRS 1, 'First time adoption' • IAS 1, 'Financial statement presentation' • IAS 16, 'Property plant and equipment' • IAS 32, 'Financial instruments; Presentation' • IAS 34, 'Interim financial reporting' 	1 January 2013
IFRS 10, 'Consolidated financial statements'	The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entity (an entity that controls one or more other entities) to present consolidated financial statements. It defines the principle of control, and establishes controls as the basis for consolidation. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements.	1 January 2013

3 SIGNIFICANT ACCOUNTING POLICIES (continued)**3.1 Changes in accounting policies and disclosures (continued)**

<i>Topic</i>	<i>Key requirements</i>	<i>Effective date</i>
IFRS 11, 'Joint arrangements'	IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and therefore accounts for its share of assets, liabilities, revenue and expenses. Joint ventures arise where the joint venture has rights to the net assets of the arrangement and therefore equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.	1 January 2013
IFRS 12, 'Disclosures of interests in other entities'	IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.	1 January 2013
IFRS 13, 'Fair value measurement'	IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.	1 January 2013
IAS 27 (revised 2011), 'Separate financial statements'	IAS 27 (revised 2011) includes the requirements relating to separate financial statements.	1 January 2013
IAS 28 (revised 2011), 'Associates and joint ventures'	IAS 28 (revised 2011) includes the requirements for associates and joint ventures that have to be equity accounted following the issue of IFRS 11.	1 January 2013
Amendment to IAS 32, 'Financial instruments: Presentation', on asset and liability offsetting	These amendments are to the application guidance in IAS 32, 'Financial instruments: Presentation', and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.	1 January 2014
IFRS 9, 'Financial instruments'	IFRS 9 is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply.	1 January 2015

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Summary of significant accounting policies

Revenue recognition

Revenue is measured at fair value of consideration received or receivable and represents amounts receivable for goods supplied, 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 of refers on historical results taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sale of completed property

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

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

Where a contract is judged to be for the construction of a property, 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.

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 directors are reasonably certain that the tenant will exercise that option.

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Summary of significant accounting policies (continued)

Revenue recognition (continued)

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.

Services revenues

Revenues from services rendered is recognized in the consolidated income statement 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.

Construction contracts

Contract revenues includes 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 income statement 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 income statement.

Consulting revenues

Consulting revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received excluding discounts, rebates and duty. The specific recognition criteria must also be met before revenue is recognized.

Dividend income

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

Finance income

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

Trading properties

Trading properties are real estate properties (including non-developed plots of land) developed which 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 are carried at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, based on market prices at the reporting date and discount for time value of money 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 paid.

Cost of trading properties recognised in the 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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Summary of significant accounting policies (continued)

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. Property held under a lease 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 stated at fair value. Gains or losses arising from changes in the fair values are included in the consolidated income statement in the year in which they arise. For the purposes of these consolidated financial statements, in order to avoid double accounting, the assessed fair value is:

- Reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives and/or minimum lease payments
- Increased by the carrying amount of any liability to the superior leaseholder or freeholder that has been recognised in the consolidated statement of financial position as a finance lease obligation

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 income statement 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 in the previous full period consolidated financial statements.

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 sale.

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 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 or IAS 2 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 between the fair value of the property at that date and its previous carrying amount shall be recognized in profit or loss.

Property, plant and equipment

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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

Depreciation is recognised in 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 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 plant	25 years

Depreciation methods, useful lives and residual values are reviewed 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 expenditure is capitalized only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognized in the profit or loss as the expense is 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 profit or loss in the year the asset is derecognized.

Financial instruments

Non-derivative financial assets

The Group initially recognises financial assets (including assets designated at fair value through profit or loss) on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any profit in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

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

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets.

Financial assets at fair value through profit or loss

A financial asset is classified as 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 income statement and subsequent changes in fair value are recognised in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Summary of significant accounting policies (continued)

Financial instruments (continued)

loans and other receivables

loans and other 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 other receivables are measured at amortised cost using the effective profit method, less any impairment losses.

Available-for-sale financial assets

Available-for-sale investments are non derivatives that are either designated in this category or not classified in any of 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 income statement for that year. Profit earned on the investments is reported as profit income using the effective profit rate. Dividends earned on investments are recognised in the consolidated income statement as "Dividend income" when the right to receive dividend has been established. All regular way purchases and sales of investment are recognised on the trade date when the Group becomes or commit to be a party to contractual provisions of the instrument.

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.

Due to the uncertain nature of cash flows arising from the 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.

If an available-for-sale investment is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognised in the consolidated income statement, is transferred from equity to the consolidated income statement. Impairment losses on equity instruments recognised in the consolidated income statement are not subsequently reversed. Reversals of impairment losses on debt instruments are reversed through the consolidated income statement; if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the consolidated income statement.

When the investment is disposed off, the cumulative gain or loss previously recorded in equity is recognised in the consolidated income statement.

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 less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments, net of outstanding bank overdrafts and restricted bank balances.

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.

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Summary of significant accounting policies (continued)

Financial instruments (continued)

Non-derivative financial liabilities (continued)

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 method. Other financial liabilities comprise obligations under Islamic finance contracts, due to related parties, bank overdrafts, and trade and other payables.

Fair value measurement

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. If market for a financial instrument is not active, the Group establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), discounted cash flow analyses and other valuation models with accepted economic methodologies for pricing financial instruments.

Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective profit method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. The calculation of the effective profit rate includes all fees and points paid or received that are an integral part of the effective profit rate, transaction cost and all other premiums and discounts.

Investments in associates

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 income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

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 recognises the amount adjacent to 'share of profit/(loss) of associates in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate 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.

Dilution gains and losses arising in investments in associates are recognised in the consolidated income statement.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Summary of significant accounting policies (continued)

Financial instruments (continued)

Derivative financial instruments, including hedge accounting

Derivative financial instruments are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized as described below for those derivative instruments designated for hedging cash flows, while changes in the fair value of derivative instruments not designated for cash flow hedges are recognized in profit or loss.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement within 'net finance costs'.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of profit rate swaps hedging variable rate borrowings is recognised in the consolidated income statement within 'finance income/cost'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory or in depreciation in the case of fixed assets.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated income statement within 'net finance costs'.

Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised in the consolidated income statement. Gains and losses accumulated in equity are included in the consolidated income statement when the foreign operation is partially disposed of or sold.

Derivative financial instruments

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the consolidated income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group only applies fair value hedge accounting for hedging fixed profit risk on borrowings. The gain or loss relating to the effective portion of profit rate swaps hedging fixed rate borrowings is recognised in the consolidated income statement within 'net finance costs'. The gain or loss relating to the ineffective portion is recognised in the consolidated income statement within 'net finance costs'. Changes in the fair value of the hedge fixed rate borrowings attributable to profit rate risk are recognised in the consolidated income statement within 'net finance costs'. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective profit method is used is amortised to profit or loss over the period to maturity.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Summary of significant accounting policies (continued)

Financial instruments (continued)

Impairment

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 profit or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans 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 income statement. If a loan or held-to-maturity investment 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 income statement.

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 profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. 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 profit or loss, the impairment loss is reversed through the consolidated income statement.

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 profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Summary of significant accounting policies (continued)

Financial instruments (continued)

Non-financial assets (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 pro rata 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 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.

Share capital

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, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in its own equity. 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.

Accounts payable and accruals

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 method.

Borrowing costs

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

The Group begins capitalizing borrowing 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 borrowing costs eligible for capitalization as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings, if any.

The borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than those specific borrowings 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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Summary of significant accounting policies (continued)

Borrowing costs (continued)

The amount of borrowing costs that the Group capitalizes during the period is not to exceed the amount of borrowing 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.

Obligations under Islamic financing contracts

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 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 loan 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.

Tenant deposits

Tenant deposits liabilities are initially recognised at fair value and subsequently measured at amortised cost where material. Any difference between the initial fair value and the nominal amount is included as a component of operating lease income and recognised on a straight-line basis over the lease term.

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.

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 Company 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.

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 profit on the remaining balance of the liability. Finance charges are charged to the consolidated income statement 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, unless they are leases of investment property (see investment property above). Operating lease payments are recognised as an expense in the consolidated income statement on a straight-line basis over the lease term, except for contingent rental payments which are expensed when they arise.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Summary of significant accounting policies (continued)

Provisions

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.

Goodwill

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Employees' end of service benefits

The Group provides end of service benefits to its Qatari and expatriate employees in accordance with Qatar labor law. The entitlement to these benefits is based upon the employees' final basic salary and length of service, subject to the completion of minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the Group makes contributions to the General Pension Fund Authority calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, 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 realised 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 utilised.

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 taxes 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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Summary of significant accounting policies (continued)

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined with reference to quoted market prices or dealer price quotations, without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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 income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the income statement within 'net finance 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 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 equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Summary of significant accounting policies (continued)

Foreign currency translation (continued)

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 income statement 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.

Earnings per share

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.

Segment reporting

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

Government grants

Unconditional government grant related to income are recognised in profit or loss at the fair value when the grant becomes receivable.

Other government grants are recognised initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Group for the cost of a depreciable asset are recognised in profit or loss on a systematic basis over the useful life of the asset, while grants compensating the Group for assets under development are directly deducted from the carrying amount of the related asset. Government grant related to non monetary assets are initially recognized at nominal amount.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Summary of significant accounting policies (continued)

Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held-for-sale, if earlier. When an operation is classified as a discontinued operation, the comparative consolidated income statement or consolidated statement of comprehensive income is represented as if the operation had been discontinued from the start of the comparative year.

Assets held for sale

Assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. These assets may be a component of an entity, a disposal group or an individual non-current asset.

Assets (or disposal groups) classified as held for sale are stated at the lower of carrying amount and fair value less costs to sell.

4 BUSINESS COMBINATION

4.1 Acquisition of non-controlling interest in Barwa Al-Doha Real Estate Company W.L.L.

On 31 August 2012, the Group acquired an additional stake of 35% of the voting rights and increased its ownership from 65% to 100% in Barwa Al-Doha Real Estate Company W.L.L. The net consideration for the acquisition amounted to QR 60,557 thousand. The carrying value of the net assets immediately prior to the additional acquisition of Barwa Al-Doha Real Estate Company W.L.L., was QR 20,239 thousand and the share of carrying value of the additional interest acquired was QR 7,084 thousand. The excess of the consideration over the carrying values of net assets acquired amounting to QR 53,473 thousand has been recognised in retained earnings within equity.

4 BUSINESS COMBINATION (continued)**4.2 Step acquisition of Asas Real Estate Company W.L.L**

During the year, the Group acquired the residual 50% of shareholding interest in its previous associate, Asas Real Estate Company W.L.L. ("ASAS") under the share purchase agreement concluded with the previous shareholders.

ASAS' assets mainly consist of investment properties that were fair valued at the time of acquisition. The purchase consideration was for the fair value of the assets and therefore management is confident that there is no additional valuation for control in the subsidiary.

Identifiable assets acquired, liabilities assumed, and resulting loss on previously held interest

The fair values of the identifiable assets and liabilities of ASAS recognized as a result of the acquisition were as follows:

	<i>Fair value of assets and liabilities acquired QR'000</i>
Cash and bank balances	11,465
Available-for-sale financial assets	25,876
Receivables and other assets	5,050
Property, plant and equipment (Note 17)	931
Investment properties (Note 15)	<u>2,550,542</u>
	2,593,864
Less: Liabilities	<u>(35,768)</u>
Fair value of net identifiable assets at the date of acquisition	<u>2,558,096</u>
Fair value of previously held interest in ASAS (50% of net assets above)	1,279,048
Less: Carrying amount of previous interest in associate at date of acquisition	(1,275,918)
Less: Fair value reserve of available for sale financial assets of equity accounted investees at the date of acquisition	<u>(3,363)</u>
Loss on previously held interest in ASAS	<u>(233)</u>
Cash flow from the acquisition	
Net cash acquired with the subsidiary	11,465
Add: Cash received as settlement from other partner	<u>164,840</u>
	<u>176,305</u>

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5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following balances:

	<i>2012</i> <i>QR'000</i>	<i>2011</i> <i>QR'000</i>
Cash in hand	506	269
Short term deposits	75,178	1,838,407
Current accounts balances	168,969	316,067
Call accounts balances	419,299	470,179
Margin bank account	<u>1,562</u>	<u>1,463</u>
Total cash and bank balances	665,514	2,626,385
Cash and bank balances attributable to discontinued operations	8,256	16,832
Short term bank deposits maturing after 3 months	(60,677)	-
restricted bank balances	<u>(1,562)</u>	<u>(1,463)</u>
Cash and cash equivalents	<u>611,531</u>	<u>2,641,754</u>

Notes:

- (i) Cash and cash equivalents include fixed deposits with maturity dates from one to three months amounting to QR 14,500 thousand (2011: QR 999,631 thousand).
- (ii) Short term deposits are made for varying periods depending on the immediate cash requirements of the Group with original maturity dates of less than three months and the profit rates at commercial market rates.

6 RECEIVABLES AND PREPAYMENTS

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

2012	<i>Non-current</i> <i>QR'000</i>	<i>Current</i> <i>QR'000</i>	<i>Total</i> <i>QR'000</i>
Trade receivables (net)	-	388,324	388,324
Prepaid expenses	109,369	74,832	184,201
Dividends and profit on Islamic financial deposits	-	2,961	2,961
Refundable deposits	3,978	15,208	19,186
Accrued income	-	26,887	26,887
Staff receivables	9,708	3,113	12,821
Fair value of the call option (Note 16)	-	21,469	21,469
Other receivables	<u>-</u>	<u>64,740</u>	<u>64,740</u>
	<u>123,055</u>	<u>597,534</u>	<u>720,589</u>

6 RECEIVABLES AND PREPAYMENTS (continued)

2011	<i>Non-current QR'000</i>	<i>Current QR'000</i>	<i>Total QR'000</i>
Trade receivables (net)	-	556,283	556,283
Prepaid expenses	-	280,968	280,968
Dividends and profit on Islamic financial deposits	-	40,052	40,052
Refundable deposits	18,382	-	18,382
Accrued income	-	16,215	16,215
Staff receivables	-	10,287	10,287
Other receivables	-	136,782	136,782
	<u>18,382</u>	<u>1,040,587</u>	<u>1,058,969</u>

As at 31 December 2012, trade receivables amounting to QR 16,911 thousand (2011: QR 8,093 thousand) were impaired and fully provided for.

Movement in the allowance for impairment of trade receivables is as follows:

	<i>2012 QR'000</i>	<i>2011 QR'000</i>
At 1 January	8,093	2,129
Allowance made for the year (Note 38)	<u>8,818</u>	<u>5,964</u>
At 31 December	<u>16,911</u>	<u>8,093</u>

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

	<i>Total QR'000</i>	<i>Neither past due nor impaired QR'000</i>	<i>Past due but not impaired</i>				
			<i>0 – 30 days QR'000</i>	<i>31 – 60 days QR'000</i>	<i>61 – 90 days QR'000</i>	<i>91 – 120 days QR'000</i>	<i>>121 days QR'000</i>
2012	388,324	111,729	49,647	61,992	5,994	28,900	130,062
2011	556,283	383,674	8,030	4,373	5,155	31,549	123,502

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

Barwa Real Estate Company Q.S.C.

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7 FINANCE LEASE RECEIVABLES

	2012 QR'000	2011 QR'000
Non-current portion:		
Finance leases - gross receivables	3,655,961	4,230,292
Unearned finance income	<u>(1,147,945)</u>	<u>(1,435,505)</u>
Net non-current portion of finance lease receivables	<u>2,508,016</u>	<u>2,794,787</u>
Current portion:		
Finance leases - gross receivables	620,990	619,468
Unearned finance income	<u>(336,777)</u>	<u>(357,821)</u>
Net current portion of finance lease receivables	<u>284,213</u>	<u>261,647</u>
Net investment in finance leases	<u>2,792,229</u>	<u>3,056,434</u>

Contractual maturities of the finance lease receivables are as follows:

	2012 QR'000	2011 QR'000
Gross receivables from finance leases:		
Not later than 1 year	620,990	619,468
Later than 1 year and not later than 5 years	2,418,881	2,414,380
Later than 5 years	<u>1,237,080</u>	<u>1,815,912</u>
	4,276,951	4,849,760
Unearned finance income	<u>(1,484,722)</u>	<u>(1,793,326)</u>
Net investment in finance leases	<u>2,792,229</u>	<u>3,056,434</u>

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

	2012 QR'000	2011 QR'000
At 1 January	3,056,434	1,806,641
Transferred from trading properties (Note 14)	-	1,467,521
Installments due and collected during the year	(851,814)	(436,818)
Transferred from / (to) trade receivables	190,883	(121,480)
Finance lease income	<u>396,726</u>	<u>340,570</u>
At 31 December	<u>2,792,229</u>	<u>3,056,434</u>

The above balances relates to the Group's 100% owned subsidiary Qatar Real Estate Investment Company Q.P.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.

Finance lease receivables are unsecured. Included in the gross finance lease receivables an amount of QR 1,287,000 thousand pledged as security against the Islamic Facility "Sukuk Al Musharakah" amounting to QR 460,877 thousand at 31 December 2012 (2011: QR 583,778 thousand).

As at 31 December 2012, 81% (2011: 81%) of the total finance lease receivables balance is due from a single customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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8 RELATED PARTY DISCLOSURES

Related parties represent non-controlling interests in the subsidiaries, associated companies, entities where the Group is one of their founders, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

Related party transactions

Transactions with related parties during the year are as follows:

	<i>2012</i> <i>QR'000</i>	<i>2011</i> <i>QR'000</i>
Proceeds from sale of subsidiaries (Note 33)	<u>13,232,035</u>	<u>-</u>
Settlement of an Islamic Financing Facility obtained from a related party	<u>13,201,035</u>	<u>-</u>
Profit on Islamic Financing Facility extended to a related party	<u>168,360</u>	<u>137,942</u>
Consideration paid on acquisition of non controlling interest of a subsidiary	<u>305,868</u>	<u>-</u>
Advances received from a related party for disposal of subsidiaries	<u>3,736,032</u>	<u>-</u>
Proceeds from sale of property, plant and equipment to an associate company	<u>-</u>	<u>43,789</u>
Income from consultancy and other services	<u>163,119</u>	<u>101,683</u>
Rental income	<u>31,678</u>	<u>16,880</u>
Finance costs	<u>482,459</u>	<u>646,961</u>

Related party balances

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

	<i>Due from related parties</i>		<i>Due to related parties</i>	
	<i>2012</i> <i>QR'000</i>	<i>2011</i> <i>QR'000</i>	<i>2012</i> <i>QR'000</i>	<i>2011</i> <i>QR'000</i>
Qatari Diar Real Estate Investment Company Q.S.C	-	-	6,903,989	15,701,606
Associate companies	109,034	115,845	127,737	831,379
Non-controlling interest	2,359	2,359	21,628	267,318
Affiliated entities	17,478	80,279	34,558	18,110
Other related parties	<u>2,595,420</u>	<u>2,611,259</u>	<u>3,927</u>	<u>4,431</u>
	<u>2,724,291</u>	<u>2,809,742</u>	<u>7,091,839</u>	<u>16,822,844</u>

8 RELATED PARTY DISCLOSURES (continued)

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

	<i>Due from related parties</i>		<i>Due to related parties</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
Non-current	105,234	179,274	137,622	16,765,539
Current	2,619,057	2,630,468	6,954,217	57,305
	<u>2,724,291</u>	<u>2,809,742</u>	<u>7,091,839</u>	<u>16,822,844</u>

Compensation of directors and other key management personnel

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

	<i>2012</i>	<i>2011</i>
	<i>QR'000</i>	<i>QR'000</i>
Board of directors' remuneration (iv)	26,820	9,000
Total key management staff benefits (Group basis)	<u>24,134</u>	<u>30,358</u>
	<u>50,954</u>	<u>39,358</u>

Notes:

- (i) Due from related parties include an Islamic facility extended to a related company amounting to QR 2,555,363 thousand (31 December 2011: QR 2,578,971 thousand). The facility carries profit at commercial rates. The management of the opinion that the balance is not impaired and will be fully recovered from a related party.
- (ii) Due to related parties include an Islamic financing facilities obtained from a related party amounting to QR 1,266,573 thousand (31 December 2011: QR 14,259,747 thousand). During the year from the total outstanding balance at 31 December 2011, QR 12,857,667 thousand was settled against the consideration receivable from the same related party upon disposal of Barwa Al-Khour Company W.L.L. The outstanding balance at 31 December 2012, to be settled within next financial year through disposal of subsidiaries to the same related party as more disclosed in Note 10 to the financial statements. These facilities are non-secured and carry fixed and variable profit rates.
- (iii) Except for the balances noted in above (i) and (ii), 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. For the years ended 31 December 2012 and 2011, the Group has not recorded any impairment relating to amounts due from related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.
- (iv) The Directors' remuneration for the year 2012 represents a proposed amount of QR 14,000 thousand to be approved at the company's AGM to be held on 25 March 2013. The Board of Directors remuneration for 2011 was actually paid during the current year (2011: QR 9,000 thousand related to 2010). The Board Members of the Company were increased from five to seven members during 2011 as approved by the Annual General Assembly Meeting.

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9 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>2012</i> <i>QR'000</i>	<i>2011</i> <i>QR'000</i>
<i>Investments in equity securities</i>		
Quoted	<u>6,704</u>	<u>4,137</u>

10 DISCONTINUED OPERATIONS

On 16 October 2012, the Group announced the decision of its Board of Directors to dispose Barwa Egypt Group. The Egypt Group consist of Barwa Real Estate S.A.E and its subsidiaries, Barwa New Cairo for Real Estate Development S.A.E, Barwa Egypt for Real Estate Development S.A.E and Tarek Fouad Sayed El Shazly and Partners. Disposal of Barwa Egypt Group is to be taken place during the year 2013 and, as at 31 December 2012, final negotiations for the sale were in progress. At 31 December 2012, Barwa Egypt Group was classified as disposal group held for sale and discontinued operations. Further during the year 2012, the Group disposed following subsidiaries and accordingly loss the control over these entities as more explained in Note 33 to the financial statement.

- a) Barwa Al-Khour Company W.L.L.
- b) Barwa Luxembourg S.A.R.L
- c) Marafeq Qatar Company W.L.L.

The revenue, expenses and results of the subsidiaries classified as discontinued operations are as follows:

	<i>2012</i> <i>QR'000</i>	<i>2011</i> <i>QR'000</i>
REVENUES AND GAINS		
Rental income	-	79,946
Income from consultancy and other related services	-	72,277
Profit on sale of properties	-	3,372
Net fair value loss on investment properties	-	(300,807)
Other income	<u>119</u>	<u>-</u>
TOTAL REVENUES AND GAINS	<u>119</u>	<u>(145,212)</u>
EXPENSES AND LOSSES		
Operating expenses	-	(57,667)
General and administrative expenses	(18,447)	(34,666)
Net finance costs	(253)	(91,576)
Depreciation	<u>(2,051)</u>	<u>(2,085)</u>
TOTAL EXPENSES AND LOSSES	<u>(20,751)</u>	<u>(185,994)</u>
Loss before income tax	<u>(20,632)</u>	<u>(331,206)</u>
Income tax expense	<u>106</u>	<u>94,936</u>
Loss for the year from discontinued operations	<u>(20,526)</u>	<u>(236,270)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2012

10 DISCONTINUED OPERATIONS (continued)

The major classes of assets and liabilities of subsidiaries classified as held for sale as at 31 December are as follows:

	<i>2012</i> <i>QR'000</i>	<i>2011</i> <i>QR'000</i>
Assets		
Cash and bank balances	8,256	16,832
Receivables and prepayments	817	555
Properties under development (Note 14)	5,771,474	-
Property and equipment (Note 17)	2,325	-
Due from related parties	-	23,771
Goodwill	-	13,992
Assets classified as held for sale	<u>5,782,872</u>	<u>55,150</u>
Liabilities		
Payables and other liabilities	(10,883)	(62,939)
End of service benefits	(657)	-
Liabilities classified as held for sale	<u>(11,540)</u>	<u>(62,939)</u>
Net assets of subsidiaries held for sale	<u>5,771,332</u>	<u>(7,789)</u>

11 NON-CURRENT ASSETS HELD FOR SALE

During 2012 the Group entered in to an agreement with a third party to dispose certain properties of a subsidiary at fair market value and the disposal transaction is to be taken place during the year 2013.

Carrying value of non-current assets held for sale are as follows;

	<i>2012</i> <i>QR'000</i>	<i>2011</i> <i>QR'000</i>
Investment properties (Note 15)	370,095	-
Property, plant and equipment (Note 17)	3,761	-
	<u>373,856</u>	<u>-</u>

As at 31 December 2012, non-current assets held for sale amounting to QR 31,832 thousand were impaired and fully provided for (Note 38).

12 ADVANCES FOR PROJECTS AND INVESTMENTS

	<i>2012</i> <i>QR'000</i>	<i>2011</i> <i>QR'000</i>
Advances for purchase of properties (i)	2,634,514	2,545,851
Advances against exchange of land (ii)	1,836,459	1,836,459
Advances to subcontractors and suppliers	517,349	795,756
	<u>4,988,322</u>	<u>5,178,066</u>
Less: allowance for impairment of advances	<u>(2,317,030)</u>	<u>(2,317,030)</u>
	<u>2,671,292</u>	<u>2,861,036</u>

12 ADVANCES FOR PROJECTS AND INVESTMENTS (continued)

The maturity of advances for projects and investments is as follows:

	<i>2012</i> <i>QR'000</i>	<i>2011</i> <i>QR'000</i>
Non-current	2,071,408	2,065,280
Current	<u>599,884</u>	<u>795,756</u>
	<u><u>2,671,292</u></u>	<u><u>2,861,036</u></u>

Notes:

- (i) Advances for purchase of properties include an amount of QR 2,074,294 thousand (31 December 2011: QR 2,000,000 thousand) paid to a related party. At 31 December 2012, the Group carried out an impairment testing, based on an independent professional valuation of the property for which the advance was paid. As per the independent valuation, the fair value of the property was higher than the carrying amount of advances at reporting date and accordingly no impairment was recognized for the outstanding balance at 31 December 2012.
- (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 to be received from the Government. Since the year 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 2011, the Group management, on a conservative basis decided to make a full provision against these advances amounting to QR 1,836,459 thousand as doubtful of recovery (Note 38). The Group will continue to pursue the matter with the Government for an amicable settlement.

13 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<i>2012</i> <i>QR'000</i>	<i>2011</i> <i>QR'000</i>
<i>Investments in equity securities</i>		
Quoted	138,619	105,013
Unquoted	<u>227,787</u>	<u>357,609</u>
	<u><u>366,406</u></u>	<u><u>462,622</u></u>

At 31 December 2012, certain unquoted equity investments amounting to QR 227,787 thousand (2011: QR 357,609 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 un-quoted available for sale financial assets and recognized an impairment loss of QR 67,217 thousand (2011: QR 101,609 thousand) for the current financial year. 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 (Note 38).

Barwa Real Estate Company Q.S.C.

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14 TRADING PROPERTIES

	<i>2012</i> <i>QR'000</i>	<i>2011</i> <i>QR'000</i> <i>(Restated)</i>	<i>1 January</i> <i>2011</i> <i>QR'000</i> <i>(Restated)</i>
Properties available for sale	6,956,524	584,948	104,731
Properties under development	<u>11,440,245</u>	<u>37,902,634</u>	<u>31,807,090</u>
	<u>18,396,769</u>	<u>38,487,582</u>	<u>31,911,821</u>

Movements in the property under development during the year were as follows:

	<i>2012</i> <i>QR'000</i>	<i>2011</i> <i>QR'000</i> <i>(Restated)</i>	<i>1 January</i> <i>2011</i> <i>QR'000</i> <i>(Restated)</i>
At 1 January (restated)	37,902,634	31,807,090	15,264,823
Additions (iii)	2,378,585	5,009,128	21,218,051
In kind contribution (vi)	-	21,252	-
On disposal of subsidiaries (Note 33)	(13,206,195)	-	(278,677)
Disposal (i)	(2,604,384)	-	-
Capitalised finance cost (ii and note 37)	1,051,333	572,492	523,009
Transferred to properties available for sale	(7,507,406)	(480,217)	-
Transferred to property plant and equipment (Note 17)	(222,629)	(120,587)	(57,865)
Transferred to investment properties (Note 15)	(207,398)	(290,904)	(1,703,233)
Transferred from investment properties (Note 15)	-	2,007,134	-
Transferred to finance lease receivables (Note 7)	-	(1,467,521)	(475,110)
Transferred to assets of subsidiaries classified as held for sale (Note 10)	(5,771,474)	-	-
Written off during the year	(2,191)	-	-
Impairment loss (iv)	(87,000)	-	(2,386,149)
Reversal of impairment (v)	4,288	1,236,333	-
Exchange adjustment	<u>(287,918)</u>	<u>(391,566)</u>	<u>(297,759)</u>
At 31 December (restated)	<u>11,440,245</u>	<u>37,902,634</u>	<u>31,807,090</u>

14 TRADING PROPERTIES (continued)

Notes:

- (i) Included in these disposals during current year is an agreement that the Group has finalised with a third party to dispose one of its projects under development for which the total book value at the date of transaction was QR 2,278,734 thousand (2011: Nil).
- (ii) 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.
- (iii) During the year 2012 and 2011, certain plots of land ownership was transferred to the Group by the Government of State of Qatar. The transfer was considered as a government grant and recognized at a nominal value of QR 1 for each plot of land. These plots of lands were leased to the Group for 99 years and as a result of transfer of ownership the lease contracts were terminated.
- (iv) The Group undertook impairment testing exercise of the cost of its properties under development at year end. Cash generating units used for the impairment testing were determined for each project. Local and foreign accredited property appraisers were engaged to provide relevant commercial and marketing input to this process and to advise on current market trends in areas such as achievable market prices. The impairment exercise revealed that the fair values less costs to sell being the recoverable amounts were higher than the carrying amount of the properties under development at 31 December 2012 except for one of the properties under development for which an impairment provision has been made.
- (v) As at 31 December 2011, based on the estimation of net realizable value it was noticed that the value of one of the property under development has improved. As a result impairment losses booked in earlier years amounting to QR 1,876,446 thousand has been reversed during the year. Additionally there are certain other property under development where the net realizable value have declined below cost therefore an impairment loss of QR 640,113 thousand has been recognized and disclosed as net of reversals.
- (vi) During the year 2011, the Parent and Ministry of Municipality and Urban Planning, as a representative of the Government of State of Qatar agreed to provide a plot of land with total area of 141,684 square feet and recorded in the books at QR 150 per square foot, determined based on valuation performed by the Government of State of Qatar during the year 2010. The 50% of the value amounting to QR 10,626 thousand was treated as contribution by the non-controlling interests as previously participated to the ownership of one of the subsidiaries of the Group by the Government of State of Qatar as more explained in Note 49 (a). The remaining 50% of the land value was treated as in-kind contribution and accounted in the equity during the year 2011.

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At 31 December 2012

15 INVESTMENT PROPERTIES

	<i>Land</i> <i>QR '000</i>	<i>Buildings</i> <i>QR '000</i>	<i>2012</i> <i>Total</i> <i>QR '000</i>	<i>2011</i> <i>Total</i> <i>QR '000</i>
At 1 January	4,996,499	5,666,447	10,662,946	12,584,160
Relating to acquisition of subsidiaries (Note 4.2)	2,090,687	459,855	2,550,542	-
Additions during the year	-	12,524	12,524	1,354,655
Transfers from trading properties - available for sale	295,402	605,550	900,952	-
Transfer from trading properties - properties under development (Note 14)	-	207,398	207,398	290,904
Transfers to trading properties	-	-	-	(2,007,134)
Transfers to non-current assets held for sale	-	(401,927)	(401,927)	-
Transfers from property, plant and equipment (Note 17)	-	90,455	90,455	-
Capitalized finance costs	-	-	-	18,046
Sold during the year	-	-	-	(1,221,663)
On disposal of subsidiaries (Note 33)	-	(593,162)	(593,162)	(1,408,152)
Net fair value gain	464,361	(31,250)	433,111	1,398,776
Net fair value loss transferred to discontinued operations (Note 10)	-	-	-	(300,807)
Plot of land swapped on acquisition of subsidiary	(1,454,137)	-	(1,454,137)	-
Translation adjustments	2,055	21,152	23,207	(45,839)
At 31 December	6,394,867	6,037,042	12,431,909	10,662,946

Notes:

- (i) Investment properties are located in the State of Qatar, Luxemburg, Republic of Cyprus and United Kingdom.
- (ii) Investment properties are stated at fair value, which has been determined based on valuation performed by accredited independent valuers as at 31 December 2012 and 31 December 2011. 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.
- (iii) During the year 2011, certain plots of land ownership were transferred to the Group by Government of State of Qatar. The transfer was considered as a Government Grant and recognized at a nominal amount of QR 1 for each plot of land. Earlier these plots of land were leased to the Group for 99 years and as a result of transfer of ownership the lease contracts were terminated.
- (iv) 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 cost of capital.
- (v) During 2011, investment properties in an amount of QR 575,995 thousand is mortgaged against non-recourse obligation under Islamic finance contract.
- (vi) Included in investment properties are certain properties with a fair value of QR 2,641,827 thousand at 31 December 2012 (31 December 2011: QR 2,545,203 thousand) for which the title deeds will be transferred on completion of the construction of the projects or upon settlement of full amount of the investment properties. The consolidated financial statements have been prepared on the basis that the beneficial interest of these investment properties resides with the Group.

Barwa Real Estate Company Q.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2012

16 INVESTMENTS IN ASSOCIATES

The Group has the following investment in associates:

	<i>Nature of operation</i>	<i>Country of incorporation</i>	<i>Ownership</i>	
			<i>2012</i>	<i>2011</i>
Asas Real Estate Company W.L.L. (i)	Real Estate Development	Qatar	100%	50%
Lusail Golf Development Company	Real Estate Development	Qatar	50%	50%
Ottomon Gayrimenkul A.S.	Real Estate Development	Turkey	50%	50%
Regency Residential UK Limited	Real Estate Development	United Kingdom	50%	50%
Smeeth Investment Company W.L.L.	Manufacturing	Qatar	43.86%	43.86%
Tanween Company W.L.L.	Real Estate Development	Qatar	40%	40%
Nuzul Holding Company B.S.C.C.	Real Estate Development	Bahrain	39%	39%
Panceltica Holding Limited (ii)	Real Estate Development	United Kingdom	26%	26%
Al Intiaz Investment Company (K.S.C)	Investment	Kuwait	24.5%	24.5%
Barwa Bank Q.S.C. (iii)	Banking	Qatar	23.76%	37.37%
Emdad Leasing Equipment Company	Leasing	Qatar	22.08%	22.08%
Bin Laden Group (QD – CPC)	Contracting & Trading	Qatar	21.5%	21.5%
Bin Laden Group (QD – SBG)	Contracting & Trading	Qatar	21.5%	21.5%
Al Damaan Islamic Insurance Company	Islamic Insurance	Qatar	20%	20%
Bait Al Mashura Financial Consulting Company	Consultancy services	Qatar	20%	20%

Note:

- (i) During 2012, the Group acquired the residual 50% shareholding interest in Asas Real Estate Company W.L.L. (“ASAS”) under the share purchase agreement concluded with the previous shareholder on 4 January 2012 and became a subsidiary of the Group (Note 4.2).
- (ii) Based on an impairment testing carried out by the management, the entire investment value of Panceltica Holding Limited amounting to QR 200,935 thousand was provided as an impairment during prior years. During 2012 the management also decided to partially impair its investment in Smeeth Investment Company W.L.L. due to unfavourable financial indications of the associate (refer Note 38)
- (iii) On 5 April 2011, the Group lost de facto control over Barwa Bank Q.S.C. (“the Bank”) due to the change in composition of Board of Directors and key management personnel of the Bank. Therefore, the status of investment in the Bank has changed from subsidiary to an associate, the Group has significant influence on the Bank’s financial and operating policies as at 31 December 2012 and 2011. Accordingly, the financial performance of the Bank was consolidated till the date the Group lost control and investment in the Bank is subsequently accounted for using equity method of accounting.
- (iv) Due to loss of control on the Bank, the Group has also lost control on the following subsidiaries of the Bank and therefore the Group has discontinued to consolidate these subsidiaries:
- The First Investor W.L.L.;
 - First Leasing Company W.L.L.;
 - First Finance Company Q.P.S.C.; and
 - Bait Al Mashura Financial Consulting Company.

At the time of loss of control, the Group did not account for its appropriate share of fair value of equity of the Barwa Bank, resulting a correction to prior period amounts as more explained in Note 49 to the financial statements.

16 INVESTMENTS IN ASSOCIATES (continued)

Note:

- (v) During 2011, Barwa Bank Q.S.C announced a rights issue of 57.18% of its share capital and the Group subscribed for the entitled shares total amounting to QR 651,946 thousand by obtaining the funds needed from a related party. The agreement with the related party to arrange for subscription in the rights issue stipulates that the new shares acquired from the rights issue will be held by the Group as nominee for and on behalf of the related party. Accordingly the ownership interest in Barwa Bank Q.S.C by the Group was diluted from 37.37% to 23.76%. As per the agreement with the related party, the Group has a right to exercise the “call option” arisen from the above transaction. Accordingly the Group has recognized a fair value gain of QR 21,469 thousand during the year ended 31 December 2012 on the call option which included in other income (Note 34).

The following table illustrates the summarised financial information of the Group’s investment in associates:

	<i>2012</i> <i>QR'000</i>	<i>2011</i> <i>QR'000</i> <i>(Restated)</i>	<i>1 January</i> <i>2011</i> <i>QR'000</i> <i>(Restated)</i>
Group’s share of the associates’ statement of financial position:			
Total assets	<u>8,683,701</u>	<u>7,850,367</u>	<u>8,964,873</u>
Total liabilities	<u>(6,359,946)</u>	<u>(4,481,641)</u>	<u>(7,000,192)</u>
Group share of net assets of associates	<u>2,323,755</u>	<u>3,368,726</u>	<u>1,964,681</u>
Carrying amount of the investments	<u>2,323,755</u>	<u>3,368,726</u>	<u>1,964,681</u>
Group’s share of associates’ revenues and results:			
Revenues	<u>527,502</u>	<u>1,659,015</u>	<u>1,729,397</u>
Results	<u>262,397</u>	<u>327,279</u>	<u>(150,167)</u>

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17 PROPERTY, PLANT AND EQUIPMENT

	Land QR '000	Buildings QR '000	Furniture and fixtures QR '000	Motor vehicles QR '000	Computers software and hardware QR '000	Office equipment QR '000	Leasehold improvements QR '000	Projects in progress QR '000	Cooling plant QR '000	Total 2012 QR '000
Cost										
At 1 January 2012	95,818	123,253	146,519	5,165	73,864	23,334	278,382	694,493	-	1,440,828
Acquired through business combinations	-	-	110	260	-	561	-	-	-	931
Additions	-	-	171	344	5,460	740	52,904	-	-	59,619
Transfer from trading properties (Note 14)	48,206	123,412	-	-	-	-	-	-	222,629	394,247
Disposals	-	(67)	(1,500)	(1,235)	(4,307)	(707)	(1,954)	(5,949)	-	(15,719)
Disposals of subsidiaries (Note 33)	-	-	(742)	(499)	(538)	(123)	(680)	-	-	(2,582)
Transferred to assets of subsidiaries classified as held for sale (Note 10)	-	-	(2,386)	-	(2,220)	-	(1,817)	(184)	-	(6,607)
Transferred to non-current assets held for sale (Note 11)	-	-	(12,863)	-	(1,116)	(1,054)	-	-	-	(15,033)
Transfer to investment properties (Note 15)	-	-	456	23	(96)	5	(113,515)	-	-	(113,515)
Exchange adjustment	986	748	8,740	53	622	4	5,115	-	-	7,237
Reversal of impairment losses (Note 38)	8,334	3,330	-	-	-	-	7,080	670	-	28,833
At 31 December 2012	153,344	250,676	138,505	4,111	71,669	22,760	225,515	689,030	222,629	1,778,239
Accumulated depreciation										
At 1 January 2012	-	8,105	62,621	3,263	37,916	12,317	69,516	692,930	-	886,668
Acquired through business combinations	-	-	88	182	-	515	-	-	-	785
Charge for the year – continuing operation	-	2,541	17,056	602	25,074	4,737	25,699	-	2,313	78,022
Charge for the year – discontinued operation	-	-	2,370	-	675	122	420	-	-	3,587
Relating to disposals	-	(10)	(1,144)	(818)	(268)	(542)	(536)	(5,333)	-	(8,651)
Reclassification	-	-	-	21	-	(21)	-	-	-	-
Relating to disposals of subsidiaries (Note 33)	-	-	(512)	(499)	(521)	(123)	(631)	-	-	(2,286)
Transferred to assets of subsidiaries classified as held for sale (Note 10)	-	-	(1,123)	-	(1,601)	-	(1,558)	-	-	(4,282)
Transferred to non-current assets held for sale (Note 11)	-	-	(9,305)	-	(1,094)	(873)	-	-	-	(11,272)
Transfer to investment properties (Note 15)	-	-	-	-	-	-	(23,060)	-	-	(23,060)
Exchange adjustment	-	190	(535)	492	827	18	915	-	-	1,907
At 31 December 2012	-	10,826	69,516	3,243	61,008	16,150	70,765	687,597	2,313	921,418
Net book value										
At 31 December 2012	153,344	239,850	68,989	868	10,661	6,610	154,750	1,433	220,316	856,821

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17 PROPERTY, PLANT AND EQUIPMENT (continued)

	Land QR '000	Buildings QR '000	Furniture and fixtures QR '000	Motor vehicles QR '000	Computers software and hardware QR '000	Office equipment QR '000	Leasehold improvements QR '000	Projects in progress QR '000	Total 2011 QR '000
Cost									
At 1 January 2011	165,306	78,732	98,995	19,439	96,705	114,191	402,190	731,806	1,707,364
Additions	-	21,897	4,711	533	12,760	2,653	15,704	657	58,915
Transferred from / (to) trading properties (Note 14)	28,497	92,189	-	1	-	(100)	-	-	120,587
Transferred to associates	(30,187)	(14,327)	(37,900)	(13,420)	(39,688)	(1,783)	(101,296)	(37,692)	(276,293)
Disposals (ii)	(46,902)	(50,847)	(1,819)	(1,334)	(108)	(4,940)	(1,568)	-	(107,518)
Reclassifications	(11,481)	55	91,379	1	4,885	(86,645)	2,084	(278)	-
Exchange adjustment	(1,081)	(1,116)	(107)	(2)	(68)	(42)	(838)	-	(3,254)
Impairment (Note 38)	(8,334)	(3,330)	(8,740)	(53)	(622)	-	(37,894)	-	(58,973)
At 31 December 2011	95,818	123,253	146,519	5,165	73,864	23,334	278,382	694,493	1,440,828
Accumulated depreciation									
At 1 January 2011	-	8,563	48,914	10,665	46,127	21,199	66,517	709,191	911,176
Charge for the year – continuing operation	-	2,269	22,220	1,426	19,918	5,775	45,434	-	97,042
Charge for the year – discontinued operation	-	-	102	55	83	36	1,809	-	2,085
Transfers to associates	-	(3,104)	(19,319)	(7,910)	(28,135)	(1,156)	(43,630)	(16,261)	(119,515)
Relating to disposals	-	(1,012)	(722)	(971)	(52)	(2,028)	(809)	-	(5,594)
Relating to reclassifications	-	1	11,527	-	-	(11,398)	(130)	-	-
Exchange adjustment	-	1,388	(101)	(2)	(25)	(111)	325	-	1,474
At 31 December 2011	-	8,105	62,621	3,263	37,916	12,317	69,516	692,930	886,668
Net book value									
At 31 December 2011	95,818	115,148	83,898	1,902	35,948	11,017	208,866	1,563	554,160

Notes:

(i) Included in projects in progress are eligible borrowing costs capitalised during the year amounting to QR 27,100 thousand (2011: QR 12,400 thousand).

(ii) Disposals during the year 2011, includes QR 82,744 thousand relating to disposal of subsidiaries (Note 33).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2012

18 GOODWILL

	<i>2012</i> <i>QR'000</i>	<i>2011</i> <i>QR'000</i>
Cost		
At 1 January	126,411	413,809
Acquisition of subsidiaries	-	13,992
Reclassified to assets of a subsidiary held for sale (Note 10)	-	(13,992)
Reclassified to investment in associates	-	(125,097)
Derecognized on sale of subsidiaries	-	(162,301)
At 31 December	<u>126,411</u>	<u>126,411</u>
Impairment		
At 1 January	-	118,341
Derecognised on sale of subsidiaries	-	(118,341)
At 31 December	<u>-</u>	<u>-</u>
Net book value		
At 31 December	<u>126,411</u>	<u>126,411</u>

Estimates used to measure recoverable amounts of cash-generating units containing goodwill

Goodwill acquired through business combinations has been allocated to individual cash generating units (CGUs) for impairment testing. The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 3 to the consolidated financial statements.

19 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 2012 and 2011 are:

	<i>2012</i> <i>QR'000</i>	<i>2011</i> <i>QR'000</i>
Current income tax		
Current income tax charge	(5,192)	(12,165)
Deferred income tax		
Relating to origination and reversal of temporary differences	<u>-</u>	<u>101,702</u>
Income tax expense reported in the consolidated income statement	<u>(5,192)</u>	<u>89,537</u>
	<i>2012</i> <i>QR'000</i>	<i>2011</i> <i>QR'000</i>
Income tax expense resulted from continuing operations	(5,298)	(5,399)
Income tax attributable to discontinued operations (Note 10)	<u>106</u>	<u>94,936</u>
Income tax expense reported in the consolidated income statement	<u>(5,192)</u>	<u>89,537</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2012

19 INCOME TAX (continued)

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 subsidiaries jurisdiction. In view of the operations of the Group being subject to various tax jurisdictions and regulations, it is not practical to provide a detailed reconciliation between accounting and taxable profits together with the details of the effective tax rates.

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

Reflected in the consolidated statement of financial position as follows:

	<i>2012</i> <i>QR'000</i>	<i>2011</i> <i>QR'000</i>
Deferred tax assets	113	76,083
Deferred tax liabilities	<u>(205)</u>	<u>-</u>
	<u>(92)</u>	<u>76,083</u>

20 PAYABLES AND OTHER LIABILITIES

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

<i>2012</i>	<i>Non-current</i> <i>QR'000</i>	<i>Current</i> <i>QR'000</i>	<i>Total</i> <i>QR'000</i>
Subcontractors and suppliers	-	1,344,980	1,344,980
Clients advances and unearned income (Note 21)	-	90,136	90,136
Retention payable	64,547	193,270	257,817
Contribution to social and sports fund (Note 42)	-	72,816	72,816
Accrued expenses	-	130,001	130,001
Accrued finance cost	-	109,483	109,483
Employees end of services benefits (Note 22)	43,122	-	43,122
Provisions for litigations (Note 43)	-	112,887	112,887
Other payables	<u>676,100</u>	<u>192,992</u>	<u>869,092</u>
	<u>783,769</u>	<u>2,246,565</u>	<u>3,030,334</u>
<i>2011</i>	<i>Non-current</i> <i>QR'000</i>	<i>Current</i> <i>QR'000</i>	<i>Total</i> <i>QR'000</i>
Subcontractors and suppliers	-	1,378,013	1,378,013
Clients advances and unearned income (Note 21)	-	1,852,682	1,852,682
Retention payable	224,634	196,643	421,277
Contribution to social and sports fund (Note 42)	-	75,208	75,208
Accrued expenses	-	179,944	179,944
Accrued finance cost	-	122,441	122,441
Employees' end of services benefits (Note 22)	31,343	-	31,343
Provision for litigations (Note 43)	-	182,075	182,075
Other payables	<u>676,100</u>	<u>160,961</u>	<u>837,061</u>
	<u>932,077</u>	<u>4,147,967</u>	<u>5,080,044</u>

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At 31 December 2012

21 CLIENTS ADVANCES AND UNEARNED INCOME

	<i>2012</i> <i>QR'000</i>	<i>2011</i> <i>QR'000</i>
At 31 December	<u>90,136</u>	<u>1,852,682</u>

This includes an amount of QR 1,745,000 thousand received during 2011 in advance by a subsidiary of the Group for construction and subsequent sale of the project. The transaction to dispose the project was finalised during the year 2012 as more explained in Note 14 to the consolidated financial statements.

22 EMPLOYEES' END OF SERVICE BENEFITS

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

	<i>2012</i> <i>QR'000</i>	<i>2011</i> <i>QR'000</i>
At 1 January	31,343	52,154
Provided during the year	18,135	16,069
End of service benefits paid	(6,356)	(17,390)
Subsidiaries disposed	-	(133)
Subsidiaries transferred to associates	-	(19,357)
At 31 December	<u>43,122</u>	<u>31,343</u>

The pension scheme is a defined contribution pension plan and pension obligations are payable on demand to a Government pension fund. Accordingly, the amounts payable have been disclosed as a current liability.

At 31 December 2012

23 OBLIGATIONS UNDER ISLAMIC FINANCE CONTRACTS

	<i>Maturity</i>	<i>2012 QR'000</i>	<i>2011 QR'000</i>
Parent company:			
Loan 1	Feb 2014	397,612	546,000
Loan 2	Jan 2016	7,087,610	7,084,690
Loan 3	Mar 2013	637,263	637,000
Loan 4	Feb 2016	10,906,037	10,901,545
Loan 5	Dec 2015	1,000,275	999,863
Loan 6	Dec 2013	695,527	695,240
Loan 7	Dec 2015	596,607	596,362
Loan 8	Dec 2015	444,282	444,099
Loan 9	Jan 2016	100,141	100,100
Loan 10	Jan 2017	500,000	-
Loan 11	Jun 2017	500,000	-
Loan 12	Feb 2016	962,084	-
Loan 13	Jan 2012	-	510,777
Loan 14	Feb 2012	-	943,480
Subsidiary companies:			
Loan 15	Feb 2016	1,717,551	1,717,551
Loan 16	Aug 2016	460,877	583,778
Loan 17	Feb 2016	300,247	300,247
Loan 18	Feb 2016	355,046	355,046
Loan 19	Aug 2012	-	1,092,450
Loan 20	18 Jan 2012	-	862,906
		26,661,159	28,371,134

Presented in the consolidated statement of financial position as follows:

Non-current portion	24,962,704	25,991,552
Current portion	1,698,455	2,379,582
	26,661,159	28,371,134

Note:

The above facilities have been obtained for the purpose of finance long term projects and working capital requirements of the Group. The facilities carry profits at commercial rates. There were no any securities pledged against any of above loans at 31 December 2012, except for the non-recourse loan 16 above which is more explained in Note 7 to the consolidated financial statements. Assets pledged against above Islamic facilities at 31 December 2011 were as follows:

<i>Loan</i>	<i>Outstanding balance at 31 December 2011</i>	<i>Assets pledged</i>
Loan 16	583,778	Finance lease receivables amounting to QR 1,505 million.
Loan 20	862,906	Investment property amounting to QR 576 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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24 LIABILITIES FOR PURCHASE OF LAND

	<i>2012</i> <i>QR'000</i>	<i>2011</i> <i>QR'000</i>
New Cairo Land (i)	-	2,458,475
Others	-	27,962
	<u>-</u>	<u>2,486,437</u>
At 31 December	<u>-</u>	<u>2,486,437</u>

The balance is segregated between current and non-current at the reporting date as follows:

	<i>2012</i> <i>QR'000</i>	<i>2011</i> <i>QR'000</i>
Non-current portion	-	2,107,216
Current portion	-	379,221
	<u>-</u>	<u>2,486,437</u>

Note:

- (i) The balance at 31 December 2011 included amounts payable on purchase of a piece of land located in New Cairo from the Egyptian Ministry of Housing and Building Development. The balance was payable in instalments over several future years. During 2012, the outstanding balances were fully paid by the Group.

25 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives not designated as hedging instruments

The Group uses currency forward contracts and Islamic profit rate swap contracts to manage some of the currency transaction exposure, market exposure and profit rate exposure. These contracts are not designated as cash flow, fair value or net investment hedges and are accounted for as derivative financial instruments.

The Parent had entered into certain derivative profit rate swap agreements with banks to hedge its profit rate risks on certain borrowings. However, due to early settlement of borrowings, the hedging relationship was terminated and therefore currently these derivatives are carried under trading book.

	<i>Notional amounts</i>	
	<i>2012</i> <i>QR'000</i>	<i>2011</i> <i>QR'000</i>
Currency forward contracts	2,497,560	1,653,920
Profit rate swaps	5,826,400	8,375,450
	<u>8,323,960</u>	<u>10,029,370</u>

	<i>Fair values</i>			
	<i>2012</i>		<i>2011</i>	
	<i>Positive</i> <i>QR'000</i>	<i>Negative</i> <i>QR'000</i>	<i>Positive</i> <i>QR'000</i>	<i>Negative</i> <i>QR'000</i>
Currency forward contracts	11,747	-	-	66,802
Profit rate swaps	-	153,875	-	385,332
	<u>11,747</u>	<u>153,875</u>	<u>-</u>	<u>452,134</u>

25 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Derivatives designated for cash flow hedges

One of the subsidiaries of the Group entered into Islamic profit rate swap agreements with several financial institutions to limit its exposure to profit rate fluctuations on its United States Dollars (“USD”) 270,000 thousand (QR: 983,205 thousand (31 December 2011: USD 270,000 thousand (QR 983,205 thousand)) Sukuk Al Musharakah and USD 300,000 thousand (QR: 1,092,450 thousand (31 December 2011: USD 300,000 thousand (QR 1,092,450 thousand)) Sukuk Al Mudarabah. Whereby the Group receives variable profit rate equal to 3 month USD LIBOR and pays fixed profit rate ranging between 3.89% and 5.63% on the fixed notional amounts stipulated in the profit rate swap agreements. Profits settled under the agreements on a quarterly basis. The swaps were initially designated to hedge the exposure to the fluctuations on the variable portion (LIBOR) of the profit rates on 50% of the above mentioned borrowings. The borrowings and related profit swaps have the critical terms.

The fair values of the profit rate swaps designated for cash flow hedges are calculated by reference to the market valuation of the swap agreements, and the cash flows hedge effectiveness is tested by the end of each reporting period.

The profit rate swaps are settled on a quarterly basis. The profit rate swaps are designated as effective cash flow hedges. The profit rate swap and the profit rate payments on the financing occurs simultaneously.

As at 31 December 2012 cash flow hedge reserve is nil as all the hedging relationship and the related derivatives are closed out.

26 SHARE CAPITAL

	<i>2012</i> <i>No of shares</i> <i>(Thousands)</i>	<i>2011</i> <i>No of shares</i> <i>(Thousands)</i>
<i>Authorised shares:</i>		
Ordinary shares of QR 10 each	<u>389,134</u>	<u>389,134</u>
	<i>No of shares</i> <i>(Thousands)</i>	<i>QR'000</i>
<i>Ordinary shares issued and fully paid up:</i>		
At 1 January 2011	<u>389,125</u>	<u>3,891,246</u>
At 31 December 2011	<u>389,125</u>	<u>3,891,246</u>
At 31 December 2012	<u>389,125</u>	<u>3,891,246</u>

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 financial and operating policies of the Company.

27 TREASURY SHARES

Treasury shares represent the value of shares owned by the Group subsidiaries in the Parent at the end of the reporting year.

28 LEGAL RESERVE

In accordance with the requirements of the Qatar Commercial Companies Law No. 5 of 2002 and the Parent's Articles of Association, a minimum of 10% of the 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.

29 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 28), can be appropriated and transferred to general reserve based on the general assembly meeting's approval.

30 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 and effective portion of qualifying cash flow hedges.

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.

31 INCOME FROM CONSULTANCY AND OTHER SERVICES

	<i>2012</i> <i>QR'000</i>	<i>2011</i> <i>QR'000</i>
Consultancy and other services revenues	<u>365,173</u>	<u>821,573</u>
	<u>365,173</u>	<u>821,573</u>

The revenues from consulting services represent project consulting revenues recognized by the Group subsidiaries provided to external parties.

32 PROFIT ON SALE OF PROPERTIES

	<i>2012</i> <i>QR'000</i>	<i>2011</i> <i>QR'000</i>
Sale proceeds	2,907,201	1,507,278
Cost of sales	<u>(2,622,414)</u>	<u>(954,775)</u>
Profit	<u>284,787</u>	<u>552,503</u>

33 DISPOSAL OF SUBSIDIARIES

Disposal of subsidiaries in 2012

During the year, the Group disposed the following subsidiaries and accordingly lost the control over these subsidiaries.

<i>Name of the subsidiary</i>	<i>Disposed Ownership interest</i>	<i>Sold to a</i>
Barwa Al-Khour Company W.L.L.	100%	Related party
Barwa Luxembourg S.A.R.L	100%	Third party
Marafeq Qatar Company W.L.L.	74%	Related party

The carrying value of assets and liabilities of the above subsidiaries as at the date of disposal was:

	<i>Carrying values on disposal QR'000</i>
<i>Assets</i>	
Cash and bank balances	37,438
Receivables and prepayments	72,810
Due from related parties	78,585
Deferred tax assets	78,348
Property, plant and equipment (Note 17)	296
Properties under development (Note 14)	13,206,195
Investment properties (Note 15)	593,162
	<u>14,066,834</u>
<i>Liabilities</i>	
Obligations under Islamic finance contract	888,625
Due to related parties	23,210
Payables and accruals	109,605
	<u>1,021,440</u>
Net assets disposed	13,045,394
Non-controlling interest	(2,998)
Profit on disposal	189,639
	<u>13,232,035</u>
<i>Analysis of cash flow on disposal</i>	
Net cash disposed with the subsidiaries	(37,438)
Cash received on disposal	31,000
	<u>(6,438)</u>

33 DISPOSAL OF SUBSIDIARIES (continued)**Disposal of subsidiaries during 2011**

During the year 2011, the Group disposed the following subsidiaries and accordingly lost the control over these subsidiaries.

<i>Name of the subsidiary</i>	<i>Disposed ownership interest</i>
Park House Limited	100%
Cavendish Compliance Limited	100%
Cavendish Learning Limited	100%
Barwa Building Materials Company Limited S.P.C.	100%
Barwa Qatari Diar Research Institute QSTP L.L.C.	100%
Tanween Company W.L.L.	20%

The carrying value of assets and liabilities of the subsidiaries as at the date of disposal was as follows:

	<i>Carrying values on disposal QR' 000</i>
Assets	
Cash and bank balances	66,975
Receivables and prepayments	153,892
Available-for-sale financial assets	3,110
Property and equipment (Note 17)	82,744
Due from related parties	36,213
Investment properties (Note 15)	1,408,152
Goodwill	25,875
	<u>1,776,961</u>
Liabilities	
Payables and accruals	191,469
Due to related parties	17,822
	<u>209,291</u>
Net assets disposed	1,567,670
Profit on disposal	404,073
	<u>1,971,743</u>
Disposal proceeds	<u>1,971,743</u>
Analysis of cash flow on disposal	
Net cash disposed with the subsidiaries	(66,975)
Cash received on disposal	1,971,743
	<u>1,904,768</u>

Barwa Real Estate Company Q.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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34 OTHER INCOME

	<i>2012</i> <i>QR'000</i>	<i>2011</i> <i>QR'000</i>
Gain on sale of available-for-sale financial assets	7,102	64,806
Dividend income	4,463	14,260
Gain on disposal of property, plant and equipment	42	43,789
Other operating income	81,355	48,714
Unrealized gain on financial assets at fair value through profit or loss	2,567	178
Reversal of provisions	69,175	59,901
Fair value gain on call option (Note 16)	21,469	-
Miscellaneous income	35,039	15,934
	<u>221,212</u>	<u>247,582</u>

35 OPERATING EXPENSES

	<i>2012</i> <i>QR'000</i>	<i>2011</i> <i>QR'000</i>
Staff costs	117,194	139,163
Hotel operation costs	101,029	91,385
Rent expenses	52,449	37,716
Repair and maintenance expense	28,053	23,571
Facility management expense	14,166	10,738
Property management expense	9,005	5,454
Other expenses	50,180	44,523
	<u>372,076</u>	<u>352,550</u>

36 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>2012</i> <i>QR'000</i>	<i>2011</i> <i>QR'000</i>
Staff costs	233,284	365,111
Professional expenses	51,657	135,115
Rent expenses	49,481	85,146
Advertising and promotion expenses	12,353	19,908
Travel expenses	3,004	5,492
Repair and maintenance expense	4,220	6,610
Government fees	1,816	15,307
Utilities expenses	22,552	30,828
Social contributions	47,341	72,230
Provisions for litigations (Note 43)	-	182,075
Board of Directors remuneration to 2011 ((i) and Note 49)	12,820	9,000
Board of Directors remuneration to 2012 ((i) and Note 49)	14,000	-
Other expenses	12,661	27,256
	<u>465,189</u>	<u>954,078</u>

Note:

- (i) The Directors' remuneration for the year 2012 represents a proposed amount of QR 14,000 thousand to be approved at the company's AGM to be held on 25 March 2013. The Board of Directors remuneration for 2011 was actually paid during the current year (2011: QR 9,000 thousand related to 2010). The Board Members of the Company were increased from five to seven members during 2011 as approved by the Annual General Meeting.

Barwa Real Estate Company Q.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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37 NET FINANCE COST

	2012 QR'000	2011 QR'000
Finance costs		
Finance cost	1,841,483	1,605,403
Less: capitalized finance costs (Note 14)	<u>(1,051,333)</u>	<u>(572,492)</u>
Finance cost charged to profit or loss	790,150	1,032,911
Losses from derivative financial instruments	<u>(1,021)</u>	<u>113,000</u>
Finance costs for the year	<u>789,129</u>	<u>1,145,911</u>
Finance income		
Income from Murabha and Islamic deposits	(173,955)	(256,893)
Finance lease income	(396,726)	(340,570)
Net foreign exchange (gain) loss on financing activities	<u>(16,956)</u>	<u>238,742</u>
Finance income for the year	<u>(587,637)</u>	<u>(358,721)</u>
Net finance costs for the year	<u>201,492</u>	<u>787,190</u>

38 NET IMPAIRMENT LOSSES

	2012 QR'000	2011 QR'000
Impairment losses / (reversals) on:		
Advances for projects and investments (Note 12)	-	1,836,459
Trading properties – properties under development (Note 14)	(4,288)	(1,236,333)
Trading properties – properties under development (Note 14)	87,000	-
Trading properties – properties available for sale	10,703	-
Available-for-sale financial assets (Note 13)	67,217	101,609
Non-current assets held for sale (Note 11)	31,832	-
Property, plant and equipment (Note 17)	(28,833)	58,973
Receivables and prepayments (Note 6)	8,818	5,964
Investment in associates- Smeet Investment Co. W.L.L. (Note 16)	<u>25,200</u>	<u>-</u>
	<u>197,649</u>	<u>766,672</u>

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39 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 income and share data used in the basic and diluted earnings per share computations:

	<i>2012</i>	<i>2011</i>
Net profit attributable to equity holders of the parent from continuing operations (in 000 QR)	1,191,655	1,652,507
Net loss attributable to equity holders of the parent from discontinued operations (in 000 QR)	<u>(20,526)</u>	<u>(236,270)</u>
Net profit attributable to equity holders of the parent for basic earnings (in 000 QR)	<u>1,171,129</u>	<u>1,416,237</u>
Weighted average number of shares outstanding during the year (in thousand shares)	<u>389,125</u>	<u>389,125</u>
Basic and diluted earnings per share (QR)	<u>3.01</u>	<u>3.64</u>

40 COMPONENTS OF OTHER COMPREHENSIVE INCOME

	<i>2012</i> <i>QR'000</i>	<i>2011</i> <i>QR'000</i>
<i>Cash flow hedges:</i>		
Net change in fair value of cash flow hedges transferred to income statement	14,220	37,443
Effective portion of changes in fair value of cash flow hedges	<u>3,345</u>	<u>(2,382)</u>
	<u>17,565</u>	<u>35,061</u>
<i>Translation reserves:</i>		
Exchange differences on translation of foreign operations	<u>(305,035)</u>	<u>26,438</u>
<i>Available-for-sale financial assets:</i>		
Gain (loss) arising during the year	36,018	(29,920)
Transfer to income statement on impairment	<u>-</u>	<u>11,163</u>
	<u>36,018</u>	<u>(18,757)</u>
Other comprehensive (loss) income for the year	<u>(251,452)</u>	<u>42,742</u>

Barwa Real Estate Company Q.S.C.

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41 DIVIDENDS

Dividends paid and proposed

	<i>2012</i> <i>QR'000</i>	<i>2011</i> <i>QR'000</i>
Declared, accrued and paid during the year: Final dividend for 2011, QR 1 per share (2010 : QR 1 per share)	<u>389,125</u>	<u>389,125</u>
Proposed for approval at Annual General Assembly Meeting (not recognised as a liability as at 31 December): QR 1 per share (2011 : QR 1 per share)	<u>389,125</u>	<u>389,125</u>

The proposed dividend issue will be submitted for formal approval at the Annual General Assembly Meeting.

42 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 requires the payable amount to be recognised as a distribution of income. Hence, this is recognised in statement of changes in equity.

During the year, the Group appropriated an amount of QR 28,918 thousand (2011: QR 32,145 thousand) representing 2.5% of the consolidated net profit for the year.

43 CONTINGENT LIABILITIES

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

	<i>2012</i> <i>QR'000</i>	<i>2011</i> <i>QR'000</i>
Bank guarantees	<u>70,890</u>	<u>53,758</u>
Letters of credit	<u>400,000</u>	<u>406,346</u>

Litigations and claims

Various legal cases were filed against the Group as of 31 December 2012. According to the Group's Legal Counsel best estimates, no material liabilities will arise as a result of these cases and accordingly no provisions have been provided against these cases.

A legal case has been filed against the Group for which an arbitration decision was issued against the Group to pay an amount of USD \$ 31 million (QR 113 million). The amount has been provided in full in the consolidated financial statements during previous year.

44 COMMITMENTS

	<i>2012</i> <i>QR'000</i>	<i>2011</i> <i>QR'000</i>
Contractual commitments to contractors and suppliers for properties under development	<u>2,353,371</u>	<u>1,654,054</u>
Commitments for operating leases (i)	<u>326,552</u>	<u>431,002</u>
Commitments for purchase of properties	<u>260,030</u>	<u>334,324</u>
Commitments for purchase of investments	<u>273,851</u>	<u>2,948</u>

Note:

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

	<i>2012</i> <i>QR'000</i>	<i>2011</i> <i>QR'000</i>
Less than one year	68,854	118,113
Between 1 and 5 years	144,316	188,822
More than 5 years	<u>113,382</u>	<u>124,067</u>
Total operating lease expenditure contracted for at 31 December	<u>326,552</u>	<u>431,002</u>

45 FINANCIAL RISK MANAGEMENT

Objectives and policies

The Group's principal financial liabilities, other than derivatives, comprise payables and other liabilities, due to related parties, liabilities of subsidiaries directly associated with the assets classified as held for sale, obligations under Islamic finance contracts and liabilities for purchase of a land. 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, assets of a subsidiary held for sale and available-for-sale financial assets and assets held for sale which arise directly from its operations.

The Group also enters into derivative transactions, primarily Currency forward contracts and profit rate swaps contracts. The purpose is to manage the currency risks, market risk and profit rate risk arising from the Group's operations and its sources of finance.

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.

45 FINANCIAL RISK MANAGEMENT (continued)

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 related party 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.

The Group manages its profit rate risk by having a balanced portfolio of fixed and variable profit rate obligations under Islamic finance contracts. To manage this, the Group enters into profit rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate profit amounts calculated by reference to an agreed upon notional amount. The swaps are designated to hedge underlying debt obligations. At 31 December 2012, after taking into the effect of profit rate swaps, approximately 5% of the Group's obligations under Islamic finance contracts are at a fixed rate of profit (2011: 35%).

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

	<i>Carrying amounts</i>	
	<i>2012</i> <i>QR'000</i>	<i>2011</i> <i>QR'000</i>
<i>Floating profit rate instruments:</i>		
Financial liabilities	<u>(27,088,685)</u>	<u>(30,070,268)</u>
	<u>(27,088,685)</u>	<u>(30,070,268)</u>

The following table demonstrates the sensitivity of income statement and equity to reasonably possible changes in profit rates by 25 basis points, with all other variables held constant. The sensitivity of the income statement and equity 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 decreases in profit rates is expected to be equal and opposite to the effect of the increases shown.

	<i>Income statement +25b.p QR'000</i>
<i>At 31 December 2012</i>	<u>(67,722)</u>
<i>At 31 December 2011</i>	<u>(75,176)</u>

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At 31 December 2012

45 FINANCIAL RISK MANAGEMENT (continued)

Foreign currency risk

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

The Group had the following significant net exposure denominated in foreign currencies.

	<i>2012</i> <i>QR'000</i> <i>Assets</i> <i>(Liabilities)</i>	<i>2011</i> <i>QR'000</i> <i>Assets</i> <i>(Liabilities)</i>
Euro	2,688,313	1,698,908
GBP	356,287	306,743
EGP	5,740,829	2,889,559
KWD	490,144	372,759
USD	(25,214,212)	(26,930,664)

The USD denominated balances are not considered to represent a significant currency risk as QR is pegged to USD.

The following table demonstrates the sensitivity of income statement and equity for a reasonably possible change in the following foreign currencies against QR, with all other variables held constant. The effect of decreases in foreign exchange rates is expected to be equal and opposite to the effect of the increases shown:

	<i>Effect on income statement</i>	
	<i>2012</i>	<i>2011</i>
	<i>+10%</i>	<i>+10%</i>
	<i>QR'000</i>	<i>QR'000</i>
Euro	255,536	163,055
GBP	157	5
EGP	31	12,033

	<i>Effect on equity statement</i>	
	<i>2012</i>	<i>2011</i>
	<i>+10%</i>	<i>+10%</i>
	<i>QR'000</i>	<i>QR'000</i>
Euro	13,295	6,835
GBP	35,472	30,669
EGP	574,052	276,923
KWD	49,014	37,276

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At 31 December 2012

45 FINANCIAL RISK MANAGEMENT (continued)**Equity price risk**

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

	<i>Changes in market indices</i>	<i>Effect on profit QR'000</i>	<i>Effect on equity QR'000</i>
2012			
Available for sale financial assets – Quoted	+10%	-	13,862
Financial assets at fair value through profit or loss	+15%	1,006	-
2011			
Available for sale financial assets – Quoted	+10%	-	10,501
Financial assets at fair value through profit or loss	+15%	621	-

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 income statement will be impacted.

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 consist principally of bank balances, receivables, finance lease receivables, due from related parties, financial assets at fair value through profit or loss, assets of a subsidiary classified as held for sale and positive fair value of derivatives.

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:

	<i>2012 QR'000</i>	<i>2011 QR'000</i>
Bank balances (excluding cash)	665,008	2,626,116
Receivables	536,388	778,001
Finance lease receivables	2,792,229	3,056,434
Due from related parties	2,724,291	2,809,742
Financial assets at fair value through profit or loss	6,704	4,137
Non-current asset classified as held for sale	373,856	-
Assets of a subsidiary classified as held for sale	5,782,872	55,150
	<u>12,881,348</u>	<u>9,329,580</u>

At 31 December 2012

45 FINANCIAL RISK MANAGEMENT (continued)**Credit risk (continued)**

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

2012	<i>Carrying amounts</i>				
	<i>Domestic QR'000</i>	<i>Other GCC countries QR'000</i>	<i>European countries QR'000</i>	<i>North Africa QR'000</i>	<i>Total QR'000</i>
Bank balances (excluding cash)	596,630	5,087	63,016	275	665,008
Receivables	483,077	11,669	37,877	3,765	536,388
Finance lease receivables	2,792,229	-	-	-	2,792,229
Due from related parties	2,666,999	57,292	-	-	2,724,291
Non-current assets held for sale	373,856	-	-	-	373,856
Financial assets at fair value through profit or loss	6,704	-	-	-	6,704
Assets of a subsidiary classified as held for sale	-	-	-	5,782,872	5,782,872
	<u>6,919,495</u>	<u>74,048</u>	<u>100,893</u>	<u>5,786,912</u>	<u>12,881,348</u>

2011	<i>Carrying amounts</i>				
	<i>Domestic QR'000</i>	<i>Other GCC countries QR'000</i>	<i>European countries QR'000</i>	<i>North Africa QR'000</i>	<i>Total QR'000</i>
Bank balances (excluding cash)	2,564,328	1,571	53,163	7,054	2,626,116
Receivables	658,300	15,132	100,561	4,008	778,001
Finance lease receivables	3,056,434	-	-	-	3,056,434
Due from related parties	2,761,966	47,776	-	-	2,809,742
Financial assets at fair value through profit or loss	4,137	-	-	-	4,137
Assets of a subsidiary classified as held for sale	55,150	-	-	-	55,150
	<u>9,100,315</u>	<u>64,479</u>	<u>153,724</u>	<u>11,062</u>	<u>9,329,580</u>

The Group monitors its exposure to credit risk on an ongoing basis and based on the management's assessment and historic default rates, the Group believes that impairment allowance of QR 16,911 thousand (2011: QR 8,093 thousand) is sufficient against financial assets as at 31 December 2012. Financial assets include certain balances that are overdue but in management's view are not impaired as at the reporting date.

The Group reduces the exposure of credit risk arising from bank balances by maintaining bank accounts in reputed banks, 86.14% of bank balances represents balances maintained with local banks in Qatar with a proper rating. Credit risk arising from derivative financial instruments is at any time, limited to those with positive fair values, as recorded on the consolidated statement of financial position. With gross settled derivatives, the Group is also exposed to settlement risk.

As at 31 December 2012, 81% (2011: 81%) of the total finance lease receivables balance is due from a single customer which is a Government related entity.

Assets of subsidiaries classified as held for sale at 31 December 2012 relates to an agreement signed by the Group on 24 February 2013, with a related party to dispose Barwa Egypt Group as more explained in Note 50, on which the Group is not exposed to settlement risk.

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At 31 December 2012

45 FINANCIAL RISK MANAGEMENT (continued)

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 Groups own reserves and bank facilities. The Group's terms of revenue require amounts to be paid within 30 days from the invoiced date.

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:

2012	Carrying amounts QR'000	Contractual cash out flows QR'000	Less than 1 year QR'000	1 – 2 years QR'000	2 – 5 years QR'000	More than 5 years QR'000
Payables and other liabilities	2,220,976	2,220,976	2,156,429	-	64,547	-
Due to related parties	7,091,839	7,118,309	76,698	-	-	7,041,611
Liabilities of a subsidiary associated with the assets classified as held for sale	11,540	11,540	11,540	-	-	-
Obligations under Islamic finance contracts	26,661,159	29,173,528	2,458,923	1,030,140	25,684,465	-
Liabilities under derivative financial instruments	142,128	142,128	142,128	-	-	-
	<u>36,127,642</u>	<u>38,666,481</u>	<u>4,845,718</u>	<u>1,030,140</u>	<u>25,749,012</u>	<u>7,041,611</u>
2011	Carrying amounts QR'000	Contractual cash out flows QR'000	Less than 1 year QR'000	1 – 2 years QR'000	2 – 5 years QR'000	More than 5 years QR'000
Payables and other liabilities	2,519,919	2,519,919	2,295,285	-	224,634	-
Due to related parties	16,822,844	21,817,166	1,483,300	1,889,160	7,752,206	10,692,500
Liabilities directly associated with assets classified as held for sale	62,939	62,939	62,939	-	-	-
Obligations under Islamic finance contracts	28,371,134	31,953,134	3,267,582	1,822,000	26,863,552	-
Liabilities for purchase of a land	2,486,437	3,718,796	616,454	1,068,277	2,034,065	-
Liabilities under derivative financial instruments	452,134	452,134	452,134	-	-	-
	<u>50,715,407</u>	<u>60,524,088</u>	<u>8,177,694</u>	<u>4,779,437</u>	<u>36,874,457</u>	<u>10,692,500</u>

45 FINANCIAL RISK MANAGEMENT (continued)

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety 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 insurance of property 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 one of its subsidiaries in developing all of its projects, which employs 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 advisers. 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.

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.

45 FINANCIAL RISK MANAGEMENT (continued)

Capital management (continued)

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 borrowings, 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:

	<i>2012</i> <i>QR'000</i>	<i>2011</i> <i>QR'000</i>
Profit bearing debts	27,942,675	42,645,823
Less: cash and cash equivalents	<u>(665,514)</u>	<u>(2,626,385)</u>
Net debt	27,277,161	40,019,438
Total equity	<u>11,986,845</u>	<u>11,869,654</u>
Net debt to equity ratio at 31 December	<u>228%</u>	<u>337%</u>

On the other hand, the Board reviews regularly the borrowing to value ratio, which is calculated as the amount of outstanding debt divided by the valuation of investment property portfolio. The Group's policy is to keep average borrowing to value at a low risk ratio.

At 31 December 2012

46 FAIR VALUES OF FINANCIAL INSTRUMENTS**Fair values**

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

	<i>Carrying amounts</i>		<i>Fair values</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
Financial assets				
Bank balances (excluding cash)	665,008	2,626,116	665,008	2,626,116
Receivables	536,388	778,001	536,388	778,001
Finance lease receivables	2,792,229	3,056,434	2,792,229	3,056,434
Due from related parties	2,724,291	2,809,742	2,724,291	2,809,742
Financial assets at fair value through profit or loss	6,704	4,137	6,704	4,137
Assets of a subsidiary classified as held for sale	5,782,872	55,150	5,782,872	55,150
Non-current assets held for sale	373,856	-	373,856	-
Available-for-sale financial assets	366,406	462,622	366,406	462,622
Financial liabilities				
Payables and other liabilities	(2,220,976)	(2,519,919)	(2,220,976)	(2,519,919)
Due to related parties	(7,091,839)	(16,822,844)	(7,091,839)	(16,822,844)
Liabilities of a subsidiaries classified as held for sale	(11,540)	(62,939)	(11,540)	(62,939)
Obligations under Islamic finance contracts	(26,661,159)	(28,371,134)	(26,661,159)	(28,371,134)
Liabilities for purchase of a land	-	(2,486,437)	-	(2,486,437)
Liabilities under derivative financial instruments	(142,128)	(452,134)	(142,128)	(452,134)

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, assets classified as held for sale, payables and other liabilities, due to related parties, liabilities directly associated with assets classified as held for sale and liabilities for purchase of a land approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Finance lease receivables are evaluated by the Group based on parameters such as profit rates and individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these finance lease receivables. At the end of the reporting period, the carrying amounts of such finance lease receivables, net of allowances, approximate their fair values.
- Fair value of quoted investments is based on price quotations at the end of the reporting period. The fair value of unquoted investments and obligations under Islamic finance contracts are estimated by discounting future cash flows using rates applicable for similar risks and maturity profiles. Fair value of unquoted financial assets are estimated using appropriate valuation techniques, when possible.
- The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives are valued using valuation techniques with market observable inputs are mainly profit rate swaps, options contracts and currency swaps. The most frequently applied valuation techniques include option pricing and swap models using present value calculations. The models incorporate various inputs including the credit quality of counter parties, foreign exchange spot and forward rates and profit rate curves.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2012

46 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique.

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;
 Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
 Level 3: Techniques which use inputs which have a significant effect on the recorded fair values are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

Financial assets

	<i>2012</i> <i>QR'000</i>	<i>Level 1</i> <i>QR'000</i>	<i>Level 2</i> <i>QR'000</i>	<i>Level 3</i> <i>QR'000</i>
Available-for-sale financial assets	366,406	138,619	227,787	-
Financial assets at fair value through profit or loss	6,704	6,704	-	-
Derivative financial instruments	21,469	-	21,469	-
	<u>394,579</u>	<u>145,323</u>	<u>249,256</u>	<u>-</u>

	<i>2011</i> <i>QR'000</i>	<i>Level 1</i> <i>QR'000</i>	<i>Level 2</i> <i>QR'000</i>	<i>Level 3</i> <i>QR'000</i>
Available- for- sale financial assets	462,622	105,013	357,609	-
Financial assets at fair value through profit or loss	4,137	4,137	-	-
	<u>466,759</u>	<u>109,150</u>	<u>357,609</u>	<u>-</u>

Financial liabilities

	<i>2012</i> <i>QR'000</i>	<i>Level 1</i> <i>QR'000</i>	<i>Level 2</i> <i>QR'000</i>	<i>Level 3</i> <i>QR'000</i>
Derivative financial instruments	142,128	-	142,128	-

	<i>2011</i> <i>QR'000</i>	<i>Level 1</i> <i>QR'000</i>	<i>Level 2</i> <i>QR'000</i>	<i>Level 3</i> <i>QR'000</i>
Derivative financial instruments	452,134	-	452,134	-

During the years ended 31 December 2012 and 2011, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

47 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements other than estimates

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:

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:

- 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.
- Trading property comprises property that is held for sale in the ordinary course of business. Principally, this is residential and commercial properties that the Group develops and intends to sell before or on completion of construction.

Operating lease contracts – the Group as lessor

The Group in its normal course of rental activities, enters into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these property and so accounts for the leases as operating leases.

Impairment of receivables and prepayments

An estimate of the collectible amount of tenants and other receivables, and due from related parties is made when collection of the full amount is no longer probable. 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.

At the reporting date, there were no allowances for impairment of due from related parties as the Group does not have collection concern with regards to its receivables from its related parties. The overdue and doubtful amounts for collection as the end of the reporting period relating to trade receivables are disclosed in Note 6.

Classification of investment securities

On acquisition of an investment security, the Group decides whether it should be classified as "investments at fair value through profit or loss" or "available-for-sale". The Group follows the guidance of IAS 39 on classifying its investments. The Group classifies investments as "at fair value through profit or loss" if they are acquired primarily for the purpose of short term profit making and cash generation. All other investments are classified as "available-for-sale". The Group accounts for investments in equity securities as investment in associates only when significant influence over the investee's operations can be proved to exercise, else and regardless of the ownership share, the investment is classified as available-for-sale.

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

Estimation uncertainty

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.

Estimation of net realizable value for trading properties

Inventory 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.

Valuation of property

Investment properties are stated at fair value. The Group used external, independent evaluators to determine the fair value of the investment properties. The independent evaluator 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.

If an independent valuation is carried out at the intermediate period, the management determines the year end valuation by applying appropriate discounting rate on the intermediate valuation based on the market situations, estimated yield and expected future cash flows. Thus the management believes it's a more transparent and accurate valuation.

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, technical and commercial obsolescence.

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 and associates and other indefinite life intangibles, if any, are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

The estimates used by management in testing impairment of the goodwill resulting from business combinations are as follows:

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:

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

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 borrowings, 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 marked data.

Growth rate

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

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

48 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 financial institution and other services comprise financial and other institutions.

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 and losses.

Operating segments

The operating segments are presented as follows;

<i>For the year ended 31 December 2012</i>	<i>Real estate</i>	<i>Business services</i>	<i>Financial institution and other services</i>	<i>Eliminations</i>	<i>Total</i>
	<i>QR '000</i>	<i>QR '000</i>	<i>QR '000</i>	<i>QR '000</i>	<i>QR '000</i>
Revenues and gains					
External parties					
- Rental income	739,511	-	1,134	-	740,645
- Income from consultancy and other related services	199,035	164,286	1,852	-	365,173
- Profit on sale of properties	284,787	-	-	-	284,787
- Profit on disposal of subsidiaries	189,639	-	-	-	189,639
- Net fair value gain on investment properties	437,716	-	(4,605)	-	433,111
- Share of results of associates	263,752	-	(1,355)	-	262,397
- Income from banking activities	-	-	-	-	-
- Other income	219,479	1,421	312	-	221,212
Internal segments	<u>6,026,354</u>	<u>109,733</u>	<u>-</u>	<u>(6,136,087) (i)</u>	<u>-</u>
Total revenues and gains	<u>8,360,273</u>	<u>275,440</u>	<u>(2,662)</u>	<u>(6,136,087)</u>	<u>2,496,964</u>
Profit (loss) for the year	<u>6,904,251</u>	<u>10,891</u>	<u>(22,895)</u>	<u>(5,735,535)</u>	<u>1,156,712</u>
Net finance (cost) income	<u>(474,412)</u>	<u>1,762</u>	<u>1,724</u>	<u>269,434</u>	<u>(201,492)</u>
Depreciation	<u>(59,825)</u>	<u>(15,457)</u>	<u>(2,740)</u>	<u>-</u>	<u>(78,022)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2012

48 SEGMENT INFORMATION

Operating segments (continued)

<i>For the year ended 31 December 2011</i>	<i>Real estate</i>	<i>Business services</i>	<i>Financial institution and other services</i>	<i>Eliminations</i>	<i>Total</i>
	<u>QR'000</u>	<u>QR'000</u>	<u>QR'000</u>	<u>QR'000</u>	<u>QR'000</u>
Revenues and gains					
External parties					
- Rental income	622,827	-	-	-	622,827
- Income from consultancy and other related services	480,280	124,859	216,434	-	821,573
- Profit on sale of properties	552,503	-	-	-	552,503
- Profit (loss) on disposal of subsidiaries	414,693	-	(10,620)	-	404,073
- Net fair value gain on investment properties	1,398,776	-	-	-	1,398,776
- Share of results of associates	321,040	-	6,239	-	327,279
- Gain on loss of control of a subsidiary	-	-	172,869	-	172,869
- Income from banking activities	-	-	127,895	-	127,895
- Other income	218,838	1,358	27,386	-	247,582
Internal segments	<u>578,925</u>	<u>130,280</u>	<u>(299,362)</u>	<u>(409,843) (i)</u>	<u>-</u>
Total revenues and gains	<u>4,587,882</u>	<u>256,497</u>	<u>240,841</u>	<u>(409,843)</u>	<u>4,675,377</u>
Profit (loss) for the year	<u>2,693,724</u>	<u>(42,389)</u>	<u>(67,382)</u>	<u>(1,134,283)</u>	<u>1,449,670</u>
Net finance (cost) income	<u>(1,131,402)</u>	<u>461</u>	<u>(127)</u>	<u>343,878</u>	<u>(787,190)</u>
Depreciation	<u>(63,984)</u>	<u>(6,987)</u>	<u>(26,071)</u>	<u>-</u>	<u>(97,042)</u>

Barwa Real Estate Company Q.S.C.

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At 31 December 2012

48 SEGMENT INFORMATION (continued)

Note:

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

The following table presents segment assets of the Group's operating segments as at 31 December 2012 and 2011.

<i>At 31 December 2012</i>	<i>Real estate QR'000</i>	<i>Business services QR'000</i>	<i>Financial institution and other services QR'000</i>	<i>Eliminations QR'000</i>	<i>Total QR'000</i>
Current assets	17,645,268	212,250	35,068	(5,688)	17,886,898
Non-current assets				(35,048,298)	
	<u>67,246,418</u>	<u>48,000</u>	<u>106,513</u>	<u>8</u>	<u>32,352,633</u>
Total assets	<u>84,891,686</u>	<u>260,250</u>	<u>141,581</u>	<u>(35,053,986)</u>	<u>50,239,531</u>
Current liabilities	(11,063,099)	(79,388)	(2,776)	92,358	(11,052,905)
Non-current liabilities	(56,102,515)	(65,269)	(140,568)	30,424,052	(25,884,300)
Total liabilities	<u>(67,165,614)</u>	<u>(144,657)</u>	<u>(143,344)</u>	<u>30,516,410</u>	<u>(36,937,205)</u>
Investment in associates	<u>1,997,240</u>	<u>-</u>	<u>13,340</u>	<u>313,175</u>	<u>2,323,755</u>
Capital expenditures	<u>4,586,842</u> (i)	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,586,842</u>
<i>At 31 December 2011</i>	<i>Real estate QR'000</i>	<i>Business services QR'000</i>	<i>Financial institution and other services QR'000</i>	<i>Eliminations QR'000</i>	<i>Total QR'000</i>
Current assets	4,389,475	218,562	86,463	58,608	4,753,108
Non-current assets				(31,234,167)	
	<u>92,339,140</u>	<u>55,535</u>	<u>296,767</u>	<u>7</u>	<u>61,457,275</u>
Total assets	<u>96,728,615</u>	<u>274,097</u>	<u>383,230</u>	<u>(31,175,559)</u>	<u>66,210,383</u>
Current liabilities	(9,695,933)	(93,574)	(67,417)	105,776	(9,751,148)
Non-current liabilities	(68,872,683)	(76,337)	(146,556)	25,571,192	(43,524,384)
Total liabilities	<u>(78,568,616)</u>	<u>(169,911)</u>	<u>(213,973)</u>	<u>25,676,968</u>	<u>(53,275,532)</u>
Investment in associates	<u>3,225,167</u>	<u>-</u>	<u>14,079</u>	<u>129,480</u>	<u>3,368,726</u>
Capital expenditures	<u>7,013,236</u> (i)	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,013,236</u>

Note:

(i) Capital expenditure consists of additions to trading properties, investment properties and property, plant and equipment and assets from business combinations.

At 31 December 2012

48 SEGMENT INFORMATION (continued)**Geographic segments**

Revenues and gains from external customers

	<i>2012</i>	<i>2011</i>
	<i>QR'000</i>	<i>QR'000</i>
State of Qatar	2,427,036	4,704,027
North Africa	36	-
Other GCC countries	81,022	48,713
European countries	<u>(11,130)</u>	<u>(77,363)</u>
Total revenue per consolidated income statement	<u>2,496,964</u>	<u>4,675,377</u>

The revenue information above is based on the locations of the customers.

Non-current assets

	<i>2012</i>	<i>2011</i>
	<i>QR'000</i>	<i>QR'000</i>
State of Qatar	31,480,291	54,571,113
North Africa	173,937	5,523,474
Other GCC countries	290,980	328,239
European countries	<u>407,425</u>	<u>1,034,449</u>
	<u>32,352,633</u>	<u>61,457,275</u>

Non-current assets for this purpose consist of property, plant and equipment, investment properties, deferred tax assets and intangible assets.

49 COMPARATIVE INFORMATION**(i) Restatements**

The opening balances for the year 2011 and the comparative figures have been restated due to the following:

- a) During the year 2009, the Parent and the Ministry of Municipality and Urban Planning, as a representative of the Government of Qatar, agreed that the Government of the State of Qatar ("the Government") will participate in the ownership of the Group's wholly owned subsidiary, Barwa Commercial Avenue W.L.L. ("the Subsidiary"), with 5% ownership interest. The Government's 5% ownership was determined to have a value of QR 355,240 thousand to be paid through in kind contribution by transferring ownership of 12 plots of land located in Mesaimer, Doha. Out of the 12 plots of land having a total area of 5,050 thousand square feet, ownership of 9 plots with total area of 3,601 thousand square feet were transferred to the Group and recorded in the books at QR 150 per square foot, determined based on a valuation performed by the Government, during the year 2010. As per the approval of the Ministry of Municipality and Urban Planning these lands were available for use by the Group since 2009 and the Group had started its commercial activities on those awarded properties during the same period. Accordingly the financial statements of the comparative periods were restated to record the value of the entire 12 plots of lands instead of the 9 plots previously reported.

49 COMPARATIVE INFORMATION (continued)

(i) Restatements (continued)

- b) On 5 April 2011, the Group lost de facto control over Barwa Bank Q.S.C. (“the Bank”) due to the change in composition of Board of Directors and key management personnel of the Bank. Therefore, the status of investment in the Bank has changed from subsidiary to an associate, having significant influence over financial and operating policies of the Bank. On the date of loss of control the Group did not properly account for the effect of the loss of control to reflect the new status of the investment. Accordingly the management decided to restate the comparative amounts to reflect the correction of the prior year adjustment.
- c) During the prior years, the Group applied the equity method of accounting for certain associate companies using the unaudited management accounts which resulted differences in the carrying amounts of the investments and the Group’s share of net assets of these associate companies . The opening balances and the comparative figures for the year 2011 were restated to reflect the correction of these adjustments.
- d) During the year 2011, the management accounted the Board of Directors remuneration as an appropriation in the consolidated statement of changes in equity. During 2012 the management decided to account for the Board of Directors remuneration as part of the profit for the year. Accordingly the prior year amounts were restated to reflect the change.

(ii) Reclassifications

Corresponding figures for 2011 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, profits and earnings per share.

- a) General and administrative expenses

	<i>QR’000</i>
<i>As previously reported</i>	792,164
Transfer from provisions	183,046
Board of directors remuneration	9,000
Transferred to discontinued operations	<u>(30,132)</u>
<i>As reclassified</i>	<u>954,078</u>

- b) The Group reclassified available-for-sale financial assets at 31 December 2011, amounting to QR 2,578,971 thousand to due from related parties as such amounts were due from a related company as of that date.

50 EVENTS AFTER THE REPORTING PERIOD

On 24 February 2013, the Group has signed the Share Purchase Agreement with a related party, Qatari Diar Real Estate Investment Company Q.S.C for the sale of Barwa Egypt Group. The Barwa Egypt Group consist of Barwa Egypt Real Estate S.A.E and its subsidiaries, Barwa New Cairo for Real Estate Development S.A.E, Barwa Egypt for Real Estate Development S.A.E and Tarek Fouad Sayed El Shazly and Partners. These subsidiaries have been classified as discontinued operations as more explained in Note 10 to the consolidated financial statements.