

QR. 99-8

RN: 0570/MMS/FY2020

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of **Barwa Real Estate Company Q.P.S.C.**, (the "Company") and its subsidiaries (the "Group") which comprise the consolidated statement of financial position as at December 31, 2019, and the related consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the group as at December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

INDEPENDENT AUDITOR’S REPORT (CONTINUED)

Key Audit Matters

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

<i>Key Audit Matters</i>	<i>How the matter was addressed in our audit</i>
<i>Valuation of investment properties</i>	
<p>The Group owns investment properties which are measured at fair value in the financial statements. Changes in fair value are presented in the consolidated statement of profit or loss.</p> <p>Note 12 to the consolidated financial statements discloses, inter alia, that the Group’s investment properties were carried at QR. 26.5 billion (2018: QR. 18.2 billion) as at December 31, 2019 and a fair value gain of QR. 1.1 billion (2018: QR. 0.87 billion) was recognized in the consolidated statement of profit or loss.</p> <p>The investment property portfolio includes completed investment properties and properties under construction. The methodology applied in determining the fair value of the investment properties is disclosed in notes 12 of the consolidated financial statements.</p> <p>The valuation of investment properties is inherently judgmental due to, amongst other factors, the individual nature of each property, its location and the expected future rentals for that particular property. The valuations were carried out by third party experts (the “Valuers”) appointed by the directors.</p> <p>We focused on this area due to the significance of the balance at year end and the existence of significant judgments and estimates in arriving at the value of the properties and therefore consider this to be a key audit matter.</p>	<p>Our audit procedures to address the key audit matter include but are not limited to the following:</p> <ul style="list-style-type: none"> • We evaluated the design and implementation and tested the operating effectiveness of the key controls over the estimation of the fair value of the investment properties; • We assessed the competence and capabilities of the Valuers and assessed their terms of engagement with the Group to determine if the scope of their work was sufficient; • We utilized our internal specialists to assess, for selected properties, whether the valuation approach and methods used are in accordance with the established standards regulating valuation of properties and whether these methods are suitable for use in determining the fair value of these properties, review the appropriateness of estimates used in the valuation, for example, the discount rate, capitalization rate, growth rate and capital expenditure; • We tested, on a sample basis, the accuracy of the standing data provided by the Group to the Valuers; • We checked the mathematical accuracy of the valuations on a sample basis. • We agreed the results of the valuation performed by the Valuers to the amount reported in the consolidated financial statements.

INDEPENDENT AUDITOR’S REPORT (CONTINUED)

<i>Key Audit Matters</i>	<i>How the matter was addressed in our audit</i>
<i>Impact of amendment to agreement with the Ministry of Municipality and Environment.</i>	
<p>The Group entered into an agreement with the Ministry of Municipality and Environment (MME) (“the Agreement”) to develop a labour camp on land leased from the MME. The Agreement requires the Group to build and operate a labour camp for a period of 27 years. At the end of the lease term, the land, along with the labour camp, will be transferred to the MME. The Agreement was originally assessed to be in the scope of IFRIC 12, Service Concession Arrangements.</p> <p>As disclosed in note 16 to the consolidated financial statements of the Group for the year ended December 31, 2019, MME and the Group agreed to amend certain terms of the Agreement. Management assessed the impact of the amendment and concluded that the amended agreement is no longer in the scope of IFRIC 12 Service Concession Arrangements. Accordingly, the intangible asset was derecognized and an investment property was recognized and subsequently measured at fair value.</p> <p>We considered this matter to be a key audit matter because of the significant judgments applied and the interaction of a number of accounting standards impacting this matter.</p>	<p>We obtained the amendment to the Agreement and reviewed the key terms of the amendment.</p> <p>We obtained management’s assessment of the accounting impact of the amendment.</p> <p>We reviewed the accounting impact of the amendment for appropriateness.</p> <p>We determined if the disclosure of the impact of the amendment was in accordance with IFRSs.</p>

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

<i>Key Audit Matters</i>	<i>How the matter was addressed in our audit</i>
<i>First-time adoption of IFRS 16 Leases</i>	
<p>The Group adopted IFRS 16 Leases with effect from January 1, 2019, which resulted in changes to the accounting policies. The Group has elected not to restate comparative information in accordance with the transitional provisions contained within IFRS 16</p> <p>The impact of IFRS 16 is a change in the accounting policy for operating leases. This change in accounting policy results in right-of-use assets and lease liabilities being recognized in the statement of financial position. The incremental borrowing rate (“IBR”) method has been applied where the implicit rate in a lease is not readily determinable.</p> <p>The adoption of IFRS 16 has resulted in changes to processes, systems and controls.</p> <p>Because of the number of judgments which have been applied and the estimates made in determining the impact of IFRS 16, this area is considered as a key audit matter.</p> <p>The transitional impact of IFRS 16 has been disclosed in note 49 to the consolidated financial statements.</p>	<p>We obtained an understanding of the Group’s adoption of IFRS 16 and identified the internal controls including entity level controls adopted by the Group for the accounting, processes and systems under the new accounting standard.</p> <p>We assessed the design and implementation of key controls pertaining to the application of IFRS 16.</p> <p>We assessed the appropriateness of the discount rates applied in determining lease liabilities.</p> <p>We verified the accuracy of the underlying lease data by agreeing a representative sample of leases to original contracts or other supporting information and checked the integrity and mechanical accuracy of the IFRS 16 calculations for each lease sampled through recalculation of the expected IFRS 16 adjustment.</p> <p>We considered the completeness of the lease data by testing the reconciliation of the Group’s lease liability to operating lease commitments disclosed in the 2018 financial statements and by considering if we had knowledge of any other contracts which may contain a lease.</p> <p>We determined if the disclosures made in the financial statements pertaining to leases, including disclosures relating to the transition to IFRS 16, were in compliance with IFRSs.</p>

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Other matter

The consolidated financial statements of the Group for the year ended December 31, 2018 were audited by another auditor who expressed an unmodified opinion on those statements on February 25, 2019.

Other Information

Management is responsible for the other information. The other information comprises the Director's report, but does not include the consolidated financial statements and our auditor's report thereon. We have not received the Director's report upto the date of this auditor's report.

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosure are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Report on Other Legal and Regulatory Requirements

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

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

Doha – Qatar
March 11, 2020

For Deloitte & Touche
Qatar Branch



Midhat Salha

Partner

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