###### United Development Company Q.P.S.C.

**CONSOLIDATED FINANCIAL STATEMENTS**

## 31 DECEMBER 2017

###### United Development Company Q.P.S.C.

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

|  |  |  |
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**INDEPENDENT AUDITOR’S REPORT**

**TO THE SHAREHOLDERS OF UNITED DEVELOPMENT COMPANY Q.P.S.C.**

**Report on the Audit of the Consolidated Financial Statements**

*Opinion*

We have audited the accompanying consolidated financial statements of United Development Company Q.P.S.C. (the “Company”) and its subsidiaries (together “the Group”), which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statements of income, profit or loss and other comprehensive income, statement of changes in equity and cash flows for the year then ended, and notes comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

*Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (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 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 these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Other Matter*

The consolidated financial statements of the Group for the year ended 31 December 2016 were audited by another auditor who expressed an unqualified opinion on those consolidated financial statements on 7 February 2017.

*Key Audit Matters*

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

**INDEPENDENT AUDITOR’S REPORT TO THE SHAREHOLDERS OF**

**UNITED DEVELOPMENT COMPANY Q.P.S.C. (CONTINUED)**

**Report on the Audit of the Consolidated Financial Statements (continued)**

*Key Audit Matters (continued)*

**Valuation of investment properties** – refer to note 2, 4 and 10 in the consolidated financial statements

We focused on this area because of the following reasons:

* The carrying value of investment properties at the reporting date represents 50% of the Group’s total assets, hence a material portion of the statement of financial position as at 31 December 2017 (2016: 47%).
* Valuation of investment properties involves the use of significant judgements and estimates.

We perfomed the following audit procedures in order to address the key audit matter:

* Assessing the independent external valuer's competence, capabilities and objectivity by discussing the scope of their work and reviewing their engagement terms;
* Inspecting the valuation reports and assessing whether any matters identified in them have a potential impact on the amounts recorded and /or the disclosure in the consolidated financial statements;
* Agreeing the property information in the valuation by tracing a sample of inputs to the underlying property records held by the Group;
* Involving our own valuation specialist to assist us in the following matters:
* assessing the consistency of the valuation basis and appropriateness of the methodology used, based on generally accepted valuation practices;
* evaluating the appropriateness of the discount rates used, which included comparing the discount rate with sector averages for the relevant markets in which the Group operates.
* Assessing the adequacy of the Group’s disclosure in relation to the valuation of investment properties by reference to the requirements of the relevant accounting standards.

*Other Information*

The Board of Directors is responsible for other information. Other information comprises the information included in the Company’s 2017 Annual Report (the “Annual Report”) but does not include the consolidated financial statements and our auditor’s report thereon. The annual report is expected to be made avaiable to us after the date of this auditor’s report.

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

**INDEPENDENT AUDITOR’S REPORT TO THE SHAREHOLDERS OF**

**UNITED DEVELOPMENT COMPANY Q.P.S.C. (CONTINUED)**

**Report on the Audit of the Consolidated Financial Statements (continued)**

*Other Information (continued)*

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.

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

*Responsibilities of the Board of Directors for the Consolidated Financial Statements*

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

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the 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 the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

*Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements*

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

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

* Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
* Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
* Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
* Conclude on the appropriateness of management’s use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

**INDEPENDENT AUDITOR’S REPORT TO THE SHAREHOLDERS OF**

**UNITED DEVELOPMENT COMPANY Q.P.S.C. (CONTINUED)**

**Report on the Audit of the Consolidated Financial Statements (continued)**

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

* Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
* Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

**Report on Other Legal and Regulatory Requirements**

We have obtained all the information and explanations we considered necessary for the purposes of our audit. The Company has maintained proper accounting records and its consolidated financial statements are in agreement therewith. Furthermore, the physical count of the Company’s inventories was carried out in accordance with established principles. We have not been provided with the report of the Board of Directors to determine whether there is any financial information contained therein is in agreement with the books and records of the Company. We are not aware of any violations of the Qatar Commercial Companies Law No. 11 of 2015 or the terms of the Company’s Articles of Association and any amendments thereto having occurred during the year which might have had a material adverse effect on the Company’s consolidated financial position or performance as at and for the year ended 31 December 2017.

|  |  |
| --- | --- |
| 07 February 2018 | Gopal Balasubramaniam |
| Doha | KPMG |
| State of Qatar | Qatar Auditors Registry Number 251Licensed by QFMA: External Auditor’s license No. 120153 |

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2017

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **2017** |  | 2016 |
|  | *Note* | **QR’000** |  | QR’000 |
|  |  |  |  |  |
| Revenue  |  | **2,031,853** |  | 2,390,773 |
| Cost of revenue |  | **(1,065,594)** |  | (1,349,362) |
|  |  |  |  |  |
| **Gross profit** |  | **966,259** |  | 1,041,411 |
|  |  |  |  |  |
|  |  |  |  |  |
| Dividend income |  | **1,467** |  | 17,659 |
| Other operating income | 6 | **128,053** |  | 137,216 |
| Profit/(Loss) on sale of available-for-sale financial assets |  | **6,166** |  | (23,021) |
| Impairment of available-for-sale financial assets | 13 | **(7,144)** |  | (24,504) |
| Sales and marketing expenses |  | **(81,408)** |  | (71,503) |
| General and administrative expenses | 7 | **(291,324)** |  | (335,014) |
|  |  |  |  |  |
| **Operating profit**  |  | **722,069** |  | 742,244 |
|  |  |  |  |  |
| Fair value loss on investment properties  |  | **(8,480)** |  | - |
|  |  |  |  |  |
| Finance income |  | **51,666** |  | 36,876 |
| Finance costs |  | **(181,970)** |  | (123,008) |
|  |  |  |  |  |
| **Net finance cost** |  | **(130,304)** |  | (86,132) |
|  |  |  |  |  |
| Net share of results of associates | 12 | **24,507** |  | 24,750 |
|  |  |  |  |  |
| **Profit for the year** |  | **607,792** |  | 680,862 |
|  |  |  |  |  |
| **Profit attributable to:** |  |  |  |  |
| Equity holders of the parent |  | **538,396** |  | 623,218 |
| Non-controlling interests |  | **69,396** |  | 57,644 |
|  |  |  |  |  |
| **Profit for the year** |  | **607,792** |  | 680,862 |
|  |  |  |  |  |
| **Earnings per share** |  |  |  |  |
| Basic and diluted earnings per share  | 8 | **1.52** |  | 1.76 |

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **2017** |  | 2016 |
|  | *Note* | **QR’000** |  | QR’000 |
|  |  |  |  |  |
| **Profit for the year** |  | **607,792** |  | 680,862 |
|  |  |  |  |  |
| **Other comprehensive (loss)/ income** |  |  |  |  |
| *Other comprehensive (loss)/ income to be reclassified to profit or loss in subsequent periods:* |  |  |  |  |
| Net change in fair value of available-for-sale financial assets | 20 | **13,813** |  | (91,563) |
| Net change in cash flow hedge reserve | 20 | **(415)** |  | 84 |
|  |  |  |  |  |
| *Other comprehensive income not to be reclassified to profit or loss in subsequent periods:* |  |  |  |  |
| Gain on revaluation of Property, Plant and Equipment | 20 | **81,698** |  | - |
|  |  |  |  |  |
| **Total comprehensive income for the year** |  | **702,888** |  | 589,383 |
|  |  |  |  |  |
| **Total comprehensive income attributable to:** |  |  |  |  |
| Equity holders of the parent |  | **633,492** |  | 531,739 |
| Non-controlling interests |  | **69,396** |  | 57,644 |
|  |  |  |  |  |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** |  | **702,888** |  | 589,383 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **2017** |  | 2016 |
|  | *Note* | **QR’000** |  | QR’000 |
|  |  |  |  |  |
| **Assets** |  |  |  |  |
| **Non-current assets** |  |  |  |  |
| Property, plant and equipment | 9 | **3,052,891** |  | 3,231,194 |
| Investment properties | 10 | **9,249,691** |  | 8,861,377 |
| Intangible assets | 11 | **5,776** |  | 6,838 |
| Investment in associates | 12 | **308,077** |  | 316,385 |
| Accounts and other receivables - long term  | 16 | **295,202** |  | 368,415 |
| Available-for-sale financial assets | 13 | **61,833** |  | 90,444 |
| **Total non-current assets** |  | **12,973,470** |  | 12,874,653 |
|  |  |  |  |  |
| **Current assets** |  |  |  |  |
| Inventories, net | 14 | **1,387,148** |  | 1,997,627 |
| Work In Progress | 15 | **122,141** |  | 20,034 |
| Accounts and other receivables –current, net | 16 | **2,124,745** |  | 2,265,087 |
| Cash and cash equivalents | 17 | **1,733,960** |  | 1,565,883 |
| **Total current assets** |  | **5,367,994** |  | 5,848,631 |
|  |  |  |  |  |
| **Total assets**  |  | **18,341,464** |  | 18,723,284 |
|  |  |  |  |  |
| **Equity and liabilities** |  |  |  |  |
| **Equity** |  |  |  |  |
| Issued capital | 18 | **3,540,862** |  | 3,540,862 |
| Legal reserve | 19 | **1,637,375** |  | 1,583,535 |
| Other reserves | 20 | **1,222,941** |  | 1,275,975 |
| Retained earnings |  | **4,674,435** |  | 4,497,817 |
| **Equity attributable to equity holders of the parent** |  | **11,075,613** |  | 10,898,189 |
|  |  |  |  |  |
| Non-controlling interests |  | **460,007** |  | 411,632 |
|  |  |  |  |  |
| **Total equity** |  | **11,535,620** |  | 11,309,821 |
|  |  |  |  |  |
| **Liabilities** |  |  |  |  |
| **Non-current liabilities** |  |  |  |  |
| Interest-bearing loans and borrowings | 23 | **3,616,373** |  | 3,272,796 |
| Retention payable | 24 | **11,551** |  | 17,545 |
| Accounts and other payables – long term | 26 | **110,093** |  | 88,344 |
| Employees’ end of service benefits | 25 | **37,590** |  | 34,795 |
| **Total non-current liabilities** |  | **3,775,607** |  | 3,413,480 |
|  |  |  |  |  |
| **Current liabilities** |  |  |  |  |
| Accounts and other payables  | 26 | **2,327,790** |  | 2,589,031 |
| Interest-bearing loans and borrowings | 23 | **548,655** |  | 1,245,125 |
| Retention payable | 24 | **153,792** |  | 165,827 |
| **Total current liabilities** |  | **3,030,237** |  | 3,999,983 |
|  |  |  |  |  |
| **Total liabilities**  |  | **6,805,844** |  | 7,413,463 |
|  |  |  |  |  |
| **Total equity and liabilities** |  | **18,341,464** |  | 18,723,284 |

These consolidated financial statements were approved by the Board of Directors on 07 February 2018 and were signed on their behalf by the following;

|  |  |  |  |
| --- | --- | --- | --- |
| Ibrahim Jassim Al-OthmanPresident & Chief Executive Officer |  |  | Turki Mohammed Khaled Al Khater Chairman of the Board |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | ***Attributable to the equity holders of the Parent*** |  |  |  |  |
|  | *Issued* *capital* |  | *Legal**reserve* |  | *Other reserves (Note 20)* |  | *Retained**earnings* |  | *Total* |  | *Non-controlling interests* |  | *Total* *equity* |
|  | *QR’000* |  | *QR’000* |  | *QR’000* |  | *QR’000* |  | *QR’000* |  | *QR’000* |  | *QR’000* |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **As at 1 January 2017** | 3,540,862 |  | 1,583,535 |  | 1,275,975 |  | 4,497,817 |  | 10,898,189 |  | 411,632 |  | 11,309,821 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Total comprehensive income for the year**  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Profit for the year | - |  | - |  | - |  | 538,396 |  | 538,396 |  | 69,396 |  | 607,792 |
| **Other comprehensive (loss)/income** |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net change in fair value of available-for-sale financial assets | - |  | - |  | 13,813 |  | - |  | 13,813 |  | - |  | 13,813 |
| Revaluation gain on property, plant & equipment | - |  | - |  | 81,698 |  | - |  | 81,698 |  | - |  | 81,698 |
| Transfer of revaluation gain | - |  | - |  | (148,130) |  | 148,130 |  | - |  | - |  | - |
| Net change in cash flow hedge reserve | - |  | - |  | (415) |  | - |  | (415) |  | - |  | (415) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Total other comprehensive income** | - |  | - |  | (53,034) |  | 148,130 |  | 95,096 |  | - |  | 95,096 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Total comprehensive income for the year** | - |  | - |  | (53,034) |  | 686,526 |  | 633,492 |  | 69,396 |  | 702,888 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Transfer to legal reserve (Note 19) | - |  | 53,840 |  | - |  | (53,840) |  | - |  | - |  | - |
| Dividend paid (Note 21) | - |  | - |  | - |  | (442,608) |  | (442,608) |  | (21,021) |  | (463,629) |
| Contribution to social and sports fund (Note 22) | - |  | - |  | - |  | (13,460) |  | (13,460) |  | - |  | (13,460) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Total transactions with owners** | - |  | 53,840 |  | - |  | (509,908) |  | (456,068) |  | (21,021) |  | (477,089) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **As at 31 December 2017** | **3,540,862** |  | **1,637,375** |  | **1,222,941** |  | **4,674,435** |  | **11,075,613** |  | **460,007** |  | **11,535,620** |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2017

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | *Attributable to the equity holders of the Parent* |  |  |  |  |
|  | *Issued* *capital* |  | *Legal**reserve* |  | *Other reserves (Note 20)* |  | *Retained**earnings* |  | *Total* |  | *Non-controlling interests* |  | *Total* *equity* |
|  | *QR’000* |  | *QR’000* |  | *QR’000* |  | *QR’000* |  | *QR’000* |  | *QR’000* |  | *QR’000* |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| As at 1 January 2016 | 3,540,862 |  | 1,521,213 |  | 1,594,006 |  | 4,257,545 |  | 10,913,626 |  | 372,925 |  | 11,286,551 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Total comprehensive income for the year  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Profit for the year | - |  | - |  | - |  | 623,218 |  | 623,218 |  | 57,644 |  | 680,862 |
| Other comprehensive loss |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net change in fair value of available-for-sale financial assets | - |  | - |  | (91,563) |  | - |  | (91,563) |  | - |  | (91,563) |
| Impairment of previously revalued property, plant and equipment | - |  | - |  | (226,552) |  | 226,552 |  | - |  | - |  | - |
| Change in cash flow hedge reserve | - |  | - |  | 84 |  | - |  | 84 |  | - |  | 84 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Total other comprehensive loss | - |  | - |  | (318,031) |  | 226,552 |  | (91,479) |  | - |  | (91,479) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Total comprehensive income for the year | - |  | - |  | (318,031) |  | 849,770 |  | 531,739 |  | 57,644 |  | 589,383 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Transfer to legal reserve (Note 19) | - |  | 62,322 |  | - |  | (62,322) |  | - |  | - |  | - |
| Dividend paid  | - |  | - |  | - |  | (531,129) |  | (531,129) |  | (19,404) |  | (550,533) |
| Contribution to social and sports fund (Note 22) | - |  | - |  | - |  | (15,580) |  | (15,580) |  | - |  | (15,580) |
| Change in non-controlling interests | - |  | - |  | - |  | (467) |  | (467) |  | 467 |  | - |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Total transactions with owners | - |  | 62,322 |  | - |  | (609,498) |  | (547,176) |  | (18,937) |  | (566,113) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| As at 31 December 2016 | 3,540,862 |  | 1,583,535 |  | 1,275,975 |  | 4,497,817 |  | 10,898,189 |  | 411,632 |  | 11,309,821 |

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **2017** |  | 2016 |
|  | *Note* | **QR’000** |  | QR’000 |
|  |  |  |  |  |
| **Operating activities** |  |  |  |  |
| Profit for the year |  | **607,792** |  | 680,862 |
| *Adjustments to reconcile profit to net cash flows:* |  |  |  |  |
| Net share of results of associates | 12 | **(24,507)** |  | (24,750) |
| Depreciation | 9 | **92,653** |  | 101,992 |
| Amortisation | 11 | **1,100** |  | 2,199 |
| Impairment loss and write off of property, plant and equipment  | 7a | **-** |  | 4,103 |
| Impairment loss and write off of intangible assets | 11 | **-** |  | 295 |
| (Profit)/loss on sale of available-for-sale financial assets |  | **(6,166)** |  | 23,021 |
| Impairment loss on available-for-sale financial assets  | 13 | **7,144** |  | 24,504 |
| Net impairment loss on accounts receivable | 16.1 | **52,582** |  | 37,736 |
| Fair value loss on investment property | 10 | **8,480** |  | - |
| Loss/(Gain) on disposal of assets |  | **1,816** |  | (678) |
| Loss on disposal of investment property |  | **1,736** |  | - |
| Net finance cost |  | **130,304** |  | 86,132 |
| Dividend income | 32 | **(1,467)** |  | (17,659) |
| Provision for employees’ end of service benefits | 25 | **8,068** |  | 8,273 |
|  |  | **879,535** |  | 926,030 |
| *Working capital adjustments:*  |  |  |  |  |
| Accounts and other receivables - long term |  | **73,213** |  | (150,034) |
| Inventories |  | **568,141** |  | 817,328 |
| Work In Progress |  | **(58,221)** |  | (20,034) |
| Accounts and other receivables – current, net |  | **(68,089)** |  | (980,014) |
| Accounts and other payables |  | **(256,579)** |  | (67,850) |
| Retention payable |  | **(18,029)** |  | (90,540) |
|  |  |  |  |  |
| Cash generated from operating activities |  | **1,119,971** |  | 434,886 |
|  |  |  |  |  |
| Employees’ end of service benefits paid | 25 | **(5,592)** |  | (12,146) |
| Finance cost paid |  | **(178,913)** |  | (128,281) |
|  |  |  |  |  |
| **Net cash flows from operating activities** |  | **935,466** |  | 294,459 |
|  |  |  |  |  |
| **Investing activities** |  |  |  |  |
| Additions to property, plant and equipment | 9 | **(40,043)** |  | (449,656) |
| Proceeds from sale of property, plant and equipment |  | **610** |  | 9,505 |
| Proceeds from disposal of investment property |  | **249** |  | - |
| Time deposits with maturities more than three months |  | **(378,564)** |  | 752,693 |
| Additions to intangible assets  | 11 | **(38)** |  | (1,404) |
| Additions to investment properties  | 10 | **(32,898)** |  | (4,356) |
| Interest received |  | **45,054** |  | 30,284 |
| Dividend & disposal proceed received from associates |  | **32,400** |  | 17,050 |
| Net proceeds from sale & purchase of available-for-sale financial assets |  | **41,446** |  | 212,325 |
| Dividend received from other investee companies |  | **1,467** |  | 17,659 |
|  |  |  |  |  |
| **Net cash flows (used in) / from investing activities** |  | **(330,317)** |  | 584,100 |
|  |  |  |  |  |
| **Financing activities** |  |  |  |  |
| Proceeds from interest bearing loans and borrowings |  | **890,470** |  | 356,160 |
| Repayment of interest bearing loans and borrowings |  | **(1,245,224)** |  | (649,012) |
| Dividend paid |  | **(460,882)** |  | (544,478) |
|  |  |  |  |  |
| **Net cash flows used in financing activities** |  | **(815,636)** |  | (837,330) |
|  |  |  |  |  |
| **Net (decrease)/increase in cash and cash equivalents** |  | **(210,487)** |  | 41,229 |
|  |  |  |  |  |
| Cash and cash equivalents at 1 January |  | **1,094,799** |  | 1,053,570 |
|  |  |  |  |  |
| **Cash and cash equivalents at 31 December** | 17 | **884,312** |  | 1,094,799 |

**1 CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES**

United Development Company Q.P.S.C. (the “Company”) was incorporated as a Qatari Public Shareholding Company in accordance with the Emiri Decree No 2 on 2 February 1999 whose shares are publicly traded. The registered office of the Company is situated in Doha and its registered office address is P.O box 7256, Doha, State of Qatar. The consolidated financial statements of the Company as at and for the year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”) and the Group’s interest in associates. Information regarding the Group’s structure is provided in Note 4.

The principal activity of the Group is to contribute and invest in infrastructure and utilities, hydrocarbon and energy, urban development, environment related businesses, marina and related services, hospitality and leisure, business management and providing information technology solutions.

Pursuant to the Emiri Decree No 17 of 2004, the Company has been provided with a right to develop an island off the shore of Qatar for the sale and/or lease of properties. The Company is presently engaged in the development of this area known as “Pearl Qatar project”. The Pearl Qatar project involves reclamation of land covering an area of 985 acres (4.2 million square meters) into a manmade island and the development of the island into various districts comprising housing beachfront villas, town homes, luxury apartments, retail shopping complex, penthouses, five star hotels, marinas and schools with related infrastructure and community facilities. The reclamation and the development of the land is being performed on a mix use development basis which was substantially completed in 2011.

The consolidated financial statements for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the Board of Directors on 07 February 2018.

#### 2 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 Standard Board (IASB).

The consolidated financial statements have been prepared on a historical cost basis, except for land categorised as property, plant and equipment, investment properties and available-for-sale financial assets that are presented at fair value in accordance with IFRS.

These consolidated financial statements are presented in Qatari Riyals, which is the Group’s functional currency. All financial information is presented in Qatari Riyals and all values are rounded to the nearest thousands unless and otherwise indicated.

**Judgments**

In the process of applying the Group’s accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

*Revenue recognition for real estate units*

In making their judgment, management considered detailed criteria for the recognition of revenue from the sale of real estate units as set out in IAS 18 Revenue, and in particular, whether the Group had transferred the significant risks and rewards associated with ownership of real estate units to the buyer.

*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.

*Classification of investment property or inventory*

Property is classified as investment property or inventory based on the following criteria:

* Investment property comprises of land and buildings which are not occupied, not held for use by the Group in its operations, nor for sale in the ordinary course of business, but held primarily to earn rental income and capital appreciation;

#### 2 BASIS OF PREPARATION (CONTINUED)

**Judgments (continued)**

*Classification of investment property or inventory (continued)*

* Inventory comprises of land and residential properties that are held for sale in the ordinary course of business. Principally these residential properties represent those that the Group develops and intends to sell before or on completion of construction.

*Transfer of real estate units from inventory to investment properties*

The Group sells real estate assets in the ordinary course of business. In the event of an actual change in the use of the property, the carrying amount of real estate assets is transferred and any differences between the fair value of a real estate unit and its carrying amount is recognised in the statement of profit or loss at transfer date.

*Useful lives of property, plant and equipment*

The Group’s management determines the estimated useful life of property, plant and equipment for the purpose of determining depreciation. This estimate is determined after considering the expected usage of the asset or its physical wear and tear. Management periodically reviews the estimated useful life and depreciation method of an asset to ensure that the method and the period of depreciation is consistent with the expected pattern of economic benefits associated from the asset.

*Impairment of trade and other receivables*

An estimate of the collectible amount of trade and other receivables is made when the collection of the full amount is no longer probable. For individually significant amounts, the estimate is performed on an individual basis. Amounts which are not individually significant but which are past due are assessed collectively and an impairment provision applied for amounts past due for more than 365 days.

**Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below:

*Fair value of property (land classified as property plant and equipment and investment property)*

The fair value of land and investment property is determined by independent real estate valuation experts using recognised valuation techniques. These techniques comprise both the Yield Method and the Discounted Cash Flow Method. In some cases, the fair values are determined based on recent real estate transactions with similar characteristics and location to those of the Group assets.

**3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

**3.1 New and amended standards and interpretations adopted by Group**

The accounting policies adopted are consistent with those of the previous financial year except for the following standards effective for the annual period beginning on 1 January 2017. These standards and amendments, did not have any material impact to the Group.

* Disclosure Initiative (Amendments to IAS 7)
* Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)
* Annual Improvements to IFRSs 2014–2016 Cycle – various standards (Amendments to IFRS 12)

**3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)**

**3.2 Standards issued but not yet effective**

A number of new standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following standards are expected to have a material impact on the Group’s financial statements in the period of initial application.

**Adoption expected to impact the Group’s consolidated financial statements:**

***IFRS 9 Financial Instruments***

In July 2014, the International Accounting Standards Board issued the final version of IFRS 9 Financial Instruments.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group currently plans to apply IFRS 9 initially on 1 January 2018.

The Group will adopt IFRS 9 on 1 January 2018 and will not restate the comparative information. IFRS 9 will replace IAS 39 Financial Instruments: Recognition and Measurement and introduces new requirements for the classification and measurement of financial assets and financial liabilities, a new model based on expected credit losses for recognising loan loss provisions and provides for simplified hedge accounting by aligning hedge accounting more closely with an entity’s risk management methodology.

***Classification and measurement***

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which financial assets are managed and the underlying cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: (a) measured at Amortised Cost (AC), Fair Value through Other Comprehensive Income (FVTOCI) and Fair Value through Profit or Loss (FVTPL). Under IFRS 9, derivatives embedded in contracts where the host is a financial asset are no longer bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

***Expected credit losses***

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with a forward-looking ‘expected credit loss’ (ECL) model. The new impairment model will apply to financial assets measured at amortised cost or FVTOCI, except for investments in equity instruments. A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

* Determining criteria for significant increase in credit risk (SICR);
* Choosing appropriate models and assumptions for the measurement of ECL;
* Establishing groups of similar financial assets for the purposes of measuring ECL; and
* Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL.

***Financial liabilities***

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in its credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

***Hedge accounting***

IFRS 9’s hedge accounting requirements are designed to align the accounting more closely to the risk management framework; permit a greater variety of hedging instruments; and remove or simplify some of the rule-based requirements in IAS 39. The elements of hedge accounting: fair value, cash flow and net investment hedges are retained.

***Disclosure***

IFRS 9 also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group’s disclosures about its financial instruments particularly in the year of the adoption of IFRS 9.

The Group is currently assessing the estimated impact on initial application on IFRS 9 as at 1 January 2018.

**3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)**

**3.2 Standards issued but not yet effective (continued)**

***IFRS 15 Revenue from Contracts with Customers***

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

Under IFRS 15, revenue will be recognised when a customer obtains control of the units, which is inline with the current revenue recognition. Based on Group’s assessment, significant changes are not expected in the application of IFRS 15.

The group is currently assessing the estimated impact on initial application of IFRS 15 as at 1 Janaury 2018

***IFRS 16 Leases***

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

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

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

The Group is currently assessing the estimated impact on initial application on IFRS 16 as at 1 January 2019.

***Adoption not expected to impact the consolidated financial statements***

|  |  |
| --- | --- |
| *Effective for year ending 31 December 2018* | * *Amendments to IFRS 2 on classification and measurement of share based payment transactions*
 |
| *Effective for year ending 31 December 2019* | * *Amendments to IAS 28 long term interest in associates and joint ventures*
 |
| *Effective date to be determined* | * *Amendments to IFRS 4 on applying IFRS 9 with IFRS 4 Insurance contracts*
* *Amendments to IFRS 10 and IAS 28 on sale or contribution of assets between an investor and its associate or joint venture*
 |

**4 SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

#### Basis of consolidation

The consolidated financial statements comprise the financial statements of United Development Company Q.P.S.C. and all its subsidiaries as at 31 December each year. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

* Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
* Exposure, or rights, to variable returns from its involvement with the investee and
* The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

* The contractual arrangement with the other vote holders of the investee
* Rights arising from other contractual arrangements
* The Group’s voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 profit or loss and within equity in the consolidated statement of financial position, separately from the parent shareholders’ equity.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that the control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of the influence retained.

**4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### Basis of consolidation (continued)

The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. The consolidated financial statements include the financial statements of United Development Company Q.P.S.C. and its subsidiaries listed in the following table:

|  |  |  |
| --- | --- | --- |
|  | Country of | % equity interest  |
|  | incorporation | **2017** |  | 2016 |
|  |  |  |  |  |
| Qatar District Cooling Company Q.C.S.C  | Qatar | **51** |  | 51 |
| Ronautica Middle East W.L.L. | Qatar | **100** |  | 100 |
| The Pearl Qatar Company W.L.L. | Qatar | **100** |  | 100 |
| Hospitality Development Company W.L.L. | Qatar | **100** |  | 100 |
| United Fashion Company W.L.L. | Qatar  | **100** |  | 100 |
| Medina Centrale Company W.L.L. | Qatar | **100** |  | 100 |
| Abraj Al-Mutahida Company W.L.L. | Qatar | **100** |  | 100 |
| United Facilities Management Company W.L.L. | Qatar | **100** |  | 100 |
| Scoop Media and Communication Company W.L.L. | Qatar | **100** |  | 100 |
| Pragmatech Company W.L.L. | Qatar | **100** |  | 100 |
| Glitter W.L.L. | Qatar | **100** |  | 100 |
| Insure Plus W.L.L. | Qatar | **100** |  | 100 |
| Madina Innova W.L.L. | Qatar | **100** |  | 100 |
| The Pearl Owners Corporation W.L.L. | Qatar | **100** |  | 100 |
| United Development Investment Company | Cayman Island | **100** |  | 100 |
| United Technology Solutions Company W.L.L. | Qatar | **100** |  | 100 |
| Porto Arabia Retail Company 1 | Cayman Island | **100** |  | 100 |
| Leisure and Resorts W.L.L. | Qatar | **100** |  | 100 |

Qatar District Cooling Company Q.C.S.C, is a material partly owned subsidiary of the Group and is engaged in the construction, owning and operation of district cooling systems. It consolidates Installation Integrity 2006 W.L.L. (100%) and Cool Tech Qatar W.L.L. (100%) in its consolidated financial statements.

The accumulated balance of material non-controlling interest disclosed in the statement of financial position of QR 460,735 thousands as at 31 December 2017 (2016: QR 412,292 thousands) relates to the 49% equity interest in Qatar District Cooling Company Q.C.S.C that is not owned by the Group. Profit allocated to the material non-controlling interest amounted to QR 69,465 thousands (2016: QR 57,822 thousands).

The summarised financial information of this subsidiary is provided below: This information is based on amounts before inter-company eliminations.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **2017** |  | 2016 |
|  |  | **QR’000** |  | QR’000 |
|  |  |  |  |  |
| Profit for the year |  | **119,578** |  | 105,424 |
|  |  |  |  |  |
| Total assets |  | **1,819,552** |  | 1,809,419 |
| Total liabilities |  | **850,006** |  | 916,551 |
| Total equity |  | **969,546** |  | 892,868 |

Ronautica Middle East W.L.L. is involved in the development, operation of marina and sale of marine related equipment. During 2008, the capital of Ronautica Middle East W.L.L. was increased from QR 30 million to QR 100 million. The increase in capital was fully paid by the Group, which increased its equity interest from 60% to 88%. During 2009, the Group purchased the non-controlling interest of Ronautica Middle East W.L.L., which increased its equity interest from 88% to 100%.

**4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### Basis of consolidation (continued)

The Pearl Qatar Company W.L.L. activity is in the real estate sector.

Hospitality Development Company W.L.L. (HDC) is engaged in the investment and management of restaurants and sales and purchases of fast moving consumer goods in the hospitality sector. HDC consolidates Lebanese Restaurants Development L.L.C (84%), Flavour of Mexico L.L.C (90%), The Rising Sun L.L.C (95.68%), Urban Restaurant Development L.L.C (90%) and Wafflemaster Restaurant L.L.C (100%) in its consolidated financial statements. During the year 2011, the capital of the company was increased from QR 18.250 million to QR 50 million.

HDC took the decision to discontinue the operations of Modern Lebanese Restaurant L.L.C (90%), China Square L.L.C (80.01%), respectively from 31 May 2014 and 30 September 2015. The liquidation process for Modern Lebanese Restaurant and China Square was completed during the year. The operations of Urban Restaurant Development L.L.C (90%) also discontinued its operation in 2017.

United Fashion Company W.L.L. (UFC) was engaged in fashion retailing. The mandate of the Company was to acquire top international names for brand franchising and operating in the Middle East. The Company ceased operations during 2017.

Medina Centrale Company W.L.L. is engaged in the investment of real estate properties.

Abraj Al-Mutahida’s activity is in the development of real estate properties. During 2016, the name of the company was changed from “Abraj Quartier Company”. to “Abraj Al-Mutahida”.

United Facilities Management Company W.L.L. was engaged in facility management activity. The Company ceased operations during 2017.

Scoop Media and Communication Company W.L.L. activity is in the advertising sector.

PragmaTech Company W.L.L. activity is in providing information technology solutions. During the year 2012, a decision was taken to close this company’s branch in Lebanon.

Glitter W.L.L. activity is to provide cleaning related services.

Insure plus W.L.L. activity is insurance agency and providing technical services and risk related services.

Madina Innova W.L.L. is engaged in providing registry and master community services at the Pearl Qatar.

The Pearl Owners Corporation W.L.L. is engaged in property management support services.

United Development Investment Company is engaged in development and investment of real estate activities.

United Technology Solutions W.L.L. is engaged in providing information technology solutions.

Porto Arabia Retail Company 1 is engaged in real estate rental activities.

Leisure and Resorts W.L.L. activity is to operate and develop hotels and resorts.

**Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquirer. If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

**4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of consolidation (continued)**

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 - Financial Instrument: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in profit or loss or as a change to other comprehensive income. If the contingent consideration that is classified as equity is not remeasured, subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of its assets acquired and all of the liabilities assumed and reviews the procedures used to measure amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

**Investment in associates**

Associates are those entities in which the Group has a significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies. The Group’s investments in its associates are accounted for under the equity method of accounting.

Under the equity method, the investment in associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise the change in the Group’s share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment individually.

The consolidated statement of profit or loss reflects the Group’s share of the results of operations of the associate. Any change in other comprehensive income of those investees is presented as part of the Group’s other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate. The financial statements of the associates are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

When the Group’s share of losses exceeds its interest in an associate, the carrying amount of that interest, including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Upon loss of the significant influence over the associate, the Group measures and recognizes any retained investments at its fair value. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of retained investments and proceeds from disposal is recognized in the statement of profit or loss.

#### Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing these consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group’s interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

**4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the executive decision makers. The executive decision makers, who are responsible for the allocation of resources and assessing the performance of operating segments, have been identified as the Board of Directors.

#### Revenue recognition

*Revenue from the sale of completed properties (land, townhouses, apartments and villas)*

The Group applies IAS 18 revenue recognition principles to recognise the revenue from the sale of properties and accordingly the following conditions should be satisfied to recognise a sale:

1. the entity has transferred to the buyer the significant risks and rewards of ownership of the properties
2. the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties sold;
3. the amount of revenue can be measured reliably;
4. it is probable that the economic benefits associated with the transaction will flow to the entity; and
5. the costs incurred or to be incurred in respect of the transaction can be measured reliably.

In jurisdictions where the Group transfers risks and rewards of ownership of the property in its entirety at a single point in time, revenue of and the associated costs are recognized at that point of time. Although this trigger is determined by reference to the sales contract and the relevant local laws, and so may differ from transaction to transaction, in general the Group determines the point of recognition of revenue to be the time at which the buyer is entitled to take possession of the property.

*Revenue from the sale of goods and chilled water*

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods and services have passed to the buyer and the amount of revenue can be measured reliably.

For the sale of chilled water, revenue comprises of available capacity and variable output provided to customers and is recognized when services are provided.

*Service charges and expenses recoverable from tenants*

Income arising from expenses recharged to tenants is recognized in the period in which the compensation becomes receivable.

*Revenue from services*

Revenue from rendering services is recognized by reference to the stage of completion of the transaction at the reporting date when the outcome of the transaction can be reliably estimated.

*Profit on sale of available-for-sale financial assets*

On sale of available-for-sale financial assets, a gain is recognised as the difference between the carrying amount and the sum of:

1. consideration received and
2. any cumulative gain previously recognised directly in equity.

*Interest income*

Interest income is recognised using the effective interest rate method, under which the rate used exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Interest income is included in finance income in the statement of profit or loss.

*Dividend income*

Dividend income is recognised when the right to receive the dividend is established which is generally when shareholders approve dividends.

*Fee income*

Fee income is recognised on a time proportion basis when realized.

**4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### Revenue recognition (continued)

*Rental income*

Rental income from investment properties and the leasing of berths is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income over the term of the lease.

*Revenue from sale of goods (restaurant sales)*

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and trade discounts. Revenue is recognised when persuasive evidence exists, that the significant risks and rewards of ownership have been transferred to the buyer; recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

**Property, plant and equipment**

*Recognition and measurement*

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Land is measured at fair value.

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

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

Any revaluation surplus is recognized in the statement of other comprehensive income and presented in the revaluation reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss, in which case the increase is recognized in the statement of profit or loss. A revaluation deficit is recognized in the statement of profit or loss, except where the deficit directly offsets a previous surplus on the same asset which is directly offset against the surplus in the asset revaluation reserve.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in the statement of profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

Valuations are performed frequently enough to ensure that the fair value of the revalued assets do not differ materially from its carrying value.

*Reclassification to investment properties*

When the use of a property changes from owner-occupied to investment property, the property is re-measured to fair value and reclassified as investment property. Property that is being constructed for future use as investment property is accounted for at fair value. Any gain arising on re-measurement is recognised in profit or loss to the extent the gain reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognised in other comprehensive income and presented in the revaluation reserve in equity to the extent that an amount had previously been included in the revaluation reserve relating to the specific property, with any remaining loss recognised immediately in profit or loss.

**4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property, plant and equipment (continued)**

*Subsequent costs*

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if recognition criteria are met. All other repair and maintenance costs are recognised in profit or loss as incurred.

*Depreciation*

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

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, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land is not depreciated.

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

Buildings, plant and facilities 20 – 50 years

Building improvements 3 – 7 years

Furniture, fixtures, equipment and instruments 3 – 7 years

Motor vehicles and boats 5 – 8 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

**Intangible assets**

The Group recognises intangible assets arising from corporate branding, a brand strategy development arrangement where it has the right to charge for usage of brand strategy, development cost of technical know-how and computer software. These intangible assets are measured at cost upon initial recognition. Following initial recognition, the intangible asset is measured at cost, less accumulated amortisation and accumulated impairment losses. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the profit or loss as incurred.

Computer software which is not an integral part of hardware is recognised as an intangible asset and is amortised over its estimated useful life of 5 years as determined by the Group’s management. Corporate branding and brand strategy development cost is amortised over its estimated useful life of between 8 and 12 years as determined by the Group’s management. Development cost of technical know-how is amortised over its estimated useful life of 5 years as determined by the Group management. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

**Capital work–in-progress**

The cost of capital work-in-progress consists of the contract value, directly attributable costs of developing and bringing the project assets to the location and condition necessary for them to be capable of operating in the manner intended by management. The costs of capital work-in-progress will be transferred to tangible and intangible non-current asset classifications when these assets reach their working condition for their intended use. The carrying values of capital work in progress 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.

**4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investment properties**

Investment property comprises completed property and property under construction or re-development held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequent to the initial recognition, investment property is stated at fair value with gains or losses arising from changes in fair value included in the statement of profit or loss in the year which they arises.

Cost includes expenditure that is directly attributable to the acquisition of investment property. The cost of self-constructed investment property includes the cost of materials and direct labour and any other costs directly attributable to bringing the investment property to a working condition for their intended use. Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in the statement of profit or loss. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

Any expenditure that results in the maintenance of property to an acceptable standard or specification is treated as repairs and maintenance and is expensed in the period in which it is incurred.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

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

**Borrowing costs**

The Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. For the purpose of determining interest available for capitalization, the costs related to these borrowings are reduced by any investment income on the temporary investment of the borrowings.

The capitalization of borrowing costs will cease once the asset is ready for its intended use. All other interest is recognised in the statement of profit or loss.

Financial instruments

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

*Non-derivative financial assets*

The Group initially recognises accounts and other receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

Non-derivative financial assets comprise investments in equity securities, accounts and other receivables, cash and cash equivalents.

*Financial assets*

***Initial recognition and measurement***

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, AFS financial assets, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

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

**4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial instruments (continued)**

***Subsequent measurement***

For purposes of subsequent measurement, financial assets are classified in four categories:

* Financial assets at fair value through profit or loss
* Loans and receivables
* Held-to-maturity investments
* Available-for-sale financial assets

The Group derecognizes a financial asset when the contractual right to the cash flows from the asset expires, or it transfers the right to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risk and rewards of the financial asset are transferred.

Non-derivative financial assets are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

***Financial assets carried at amortised cost***

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

*Financial liabilities*

*Non-derivative financial liabilities*

All the financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amount presented in the 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.

Non-derivative financial liabilities comprise term loans, accounts and other payables and retention payable.

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 interest method. The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

***Derecognition of financial assets***

A financial asset is primarily derecognised when:

* the right to receive cash flows from the asset have expired or;
* the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass through’ arrangement; and
* either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

***Impairment of financial assets***

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events that has occurred after the initial recognition of the asset, has a negative effect on the estimated future cash flows of that asset and can be estimated reliably.

**4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Impairment of financial assets (continued)***

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for the management’s judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted at the original effective interest rate. All impairment losses are recognized in the statement of profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in profit or loss.

***Derecognition financial liabilities***

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

***Offsetting of financial instruments***

Financial assets and liabilities are offset and the net amount presented in the 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.

Impairment of non-financial assets

The carrying amounts of the Group’s non-financial assets other than investment property and inventories are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists the asset’s recoverable amount is estimated. An assets recoverable amount is the highest of an asset fair value less costs of disposal and its value in use.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of profit or loss. Impairment losses recognised 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. An impairment loss in respect of goodwill is not reversed.

In respect of other assets, impairment losses recognised 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 amortisation, if no impairment loss had been recognised.

**Fair value measurement**

The Group measures financial instruments and non-financial assets such as investment properties, at fair value at each consolidated financial position date. Fair value related disclosures for financial instruments and non-financial instruments that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

* property, plant and equipment in Note 9
* investment properties in Note 10
* available-for-sale financial assets in Note 13
* quantitative disclosures of fair value measurement hierarchy in Note 31

**4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair value measurement (continued)**

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

* in the principal market for the asset or liability; or
* in the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

The Group determines the policies and procedures for both recurring fair value measurement such as unquoted available-for-sale financial assets, and for non-recurring measurement. At each reporting date, the Group analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group’s accounting policies.

The Group, in conjunction with the Group’s external valuers, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

*Available-for-sale financial assets*

For investments actively traded in organised financial markets, fair value is determined by reference to quoted market bid prices at the close of business at the reporting date. Where the investments are not traded in an active market, traded in small volumes or where there is no quoted market price, a reasonable estimate of fair value is determined by reference to current market value of a similar investment or is based on the expected discounted cash flows. Investments whose fair value cannot be reliably measured are carried at cost less any impairment in value.

*Accounts and other receivables*

The fair value of accounts and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest.

*Non-derivative financial liabilities*

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

**4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair value measurement (continued)**

*Investment property*

The Group values its investment property portfolio. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

In the absence of current prices in an active market, the valuations are prepared by considering the estimated rental value of the property. A market yield is applied to the estimated rental value to arrive at the gross property valuation. When actual rents differ materially from the estimated rental value, adjustments are made to reflect actual rents.

Valuations reflect, when appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, the allocation of maintenance and insurance responsibilities between the Group and the lessee, and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time.

**Available-for-sale financial assets**

The Group’s investments in equity securities are classified as available-for-sale financial assets. After initial recognition, investments which are classified “available-for-sale – quoted” are measured at fair value and changes therein, other than impairment losses and foreign exchange gains and losses on available-for-sale financial assets (refer to note 20), are recognised directly in equity.

On de-recognition or impairment, the cumulative gain or loss previously reported in equity is included in the profit or loss for the year.

Due to the nature of the cash flows arising from the Group’s unquoted investments, the fair value of investments cannot be reliably measured and consequently, these investments are carried at cost, less provision for impairment losses, if any. Available-for-sale instruments are recognised and derecognised on a trade date basis, when the Group becomes or ceases to be a party to the contractual provisions of the instrument.

**Accounts and other receivables**

Accounts and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

**Inventories**

Inventories are measured at the lower of cost or net realisable value. The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated cost necessary to make the sale.

**Cash and cash equivalents**

Cash and cash equivalents consist of cash, bank balances and short term original deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

**Interest bearing loans and borrowings**

All the term loans are initially recognised at the fair value of the consideration received plus directly attributable transaction costs. After initial recognition, interest bearing term loans are subsequently measured at amortised cost using the effective interest rate method.

**4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Fees paid on the establishment of the loan facility are recognised as a transaction cost of the loan to the extent that it is probable that 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 a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

**Employees’ end of service benefits**

The Group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees’ final salary and the length of service, subject to the completion of a minimum service period, calculated under the provisions of the Qatar Labour Law and is payable upon resignation or termination of employment. The expected costs of these benefits are accrued over the period of employment.

**Accounts and other payables**

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

**Provisions**

Provisions are recognised when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and reliably measured.

Provisions are measured at present value of expenditure expected to be required to settle the obligation at the end of the reporting period, using the rate that reflect the current market assessments of the time value of money and the risk specific to the obligation.

Provision are reviewed at each statement of financial position date and adjust to reflect the current best estimate. If it is no longer probable that an out flow resource embodying economic benefits will be required to settle the obligation the provision is reversed.

*Onerous contracts*

Present obligation arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable cost of meeting the obligation under the contract exceed the economic benefits expected to be received from the contract.

**Contingencies**

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

**Foreign currency translation**

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are recognised in the profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

**Current versus non-current classification**

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification.

**4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Current versus non-current classification (continued)**

An asset is current when it is:

* Expected to be realised or intended to sold or consumed in the normal operating cycle;
* Held primarily for the purpose of trading; or
* Expected to be realised within twelve months after the reporting period, or cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when:

* It is expected to be settled in normal operating cycle;
* It is held primarily for the purpose of trading;
* It is due to be settled within twelve months after the reporting period, or
* There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

**Discontinued operations**

A discontinued operation is a component of the Group’s business that represents a separate geographical area of operations that has been disposed of or is held for sale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held-for-sale.

Assets and liabilities of discontinued operations are considered as disposal groups and classified as held-for-sale. Impairment loss on initial classification to held-for-sale and subsequent gain or loss on re-measurement are recognised in profit or loss.

The disposal group is re-measured in accordance with the Group’s accounting policies immediately before classification as held-for-sale. Therefore, generally the disposal group is measured at the lower of its carrying amount and fair value less costs to sell. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

**Cash dividend and non-cash distribution to equity holders of the parent**

The Company recognises a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the Qatar Commercial Companies’ Law No. 11 of 2015, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity. Non-cash distributions are measured at the fair value of the assets to be distributed with fair value remeasurement recognised directly in equity. Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the statement of profit or loss.

**5 FINANCIAL RISK MANAGEMENT**

The Group’s principal financial liabilities comprise loans and borrowings, accounts and other payables. The main purpose of these financial liabilities is to finance the Group’s operations and to provide guarantees to support its operations. The Group has trade and other receivables, and cash and short-term deposits that arrive directly from its operations.

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

* Credit risk
* Liquidity risk
* Market risk

Quantitative disclosures are included throughout these consolidated financial statements. The Board of Directors has the overall responsibility for the establishment and oversight of the Group’s risk management frame work.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group’s receivables from customers and investment securities.

**5 FINANCIAL RISK MANAGEMENT (CONTINUED)**

***Accounts and other receivables***

The Group’s exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group’s customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk. The majority of the Group’s revenue is attributable to customers originating from the Gulf Cooperative Council States. There is no concentration of credit risk attributable to a single customer.

Properties sold are subject to retention of title clauses, so that in the event of non-payment the Group may have a secured claim. The Group does not require additional collateral in respect of accounts and other receivables.

Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

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 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 uses activity-based costing to cost its products and services, which assists it in monitoring cash flow requirements and optimising its cash return on investments. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group’s income or the value of its holdings of financial instruments.

*Currency risk*

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currency of Group entities. The majority of the Group’s transactions are denominated in the functional currency of the Group’s entities or currencies with a fixed exchange rate to the functional currency.

*Equity price risk*

The Group monitors equity securities based on the market indices. Material investments are managed by the Group on individual basis and all buy and sell decisions are approved by the Board of Directors. The equity securities performance is actively monitored and managed on a fair value basis.

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in market interest rates. The Group’s exposure to the risk of change in the market interest rate relates primarily to the Group’s interest bearing loans and borrowings. The Group adopts a policy of ensuring that interest rate exposures are reviewed regularly.

Capital management

The Board of Directors’ 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. The Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The Group objectives when managing capital are:

* To safeguard the Group’s ability to continue as going concern, so that it can continue to provide return 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 ensure that it meets financial covenants attached to the interest bearing loans and borrowings.

**6 OTHER OPERATING INCOME**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2017** |  | 2016 |
|  | **QR’000** |  | QR’000 |
|  |  |  |  |
| Fee income | **77,323** |  | 42,563 |
| Sundry income | **50,730** |  | 94,653 |
|  |  |  |  |
|  | **128,053** |  | 137,216 |

**7 GENERAL AND ADMINISTRATIVE EXPENSES**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2017** |  | 2016 |
|  | **QR’000** |  | QR’000 |
|  |  |  |  |
| Payroll and related expenses | **192,947** |  | 205,626 |
| Depreciation (Note 9) | **30,792** |  | 27,250 |
| Rent | **3,769** |  | 13,000 |
| Professional charges | **12,209** |  | 22,008 |
| Directors remuneration  | **15,350** |  | 16,800 |
| Impairment and write off of property, plant and equipment and intangible asset (Note a) | **-** |  | 4,398 |
| Other general and administrative expenses | **36,257** |  | 45,932 |
|  |  |  |  |
|  | **291,324** |  | 335,014 |

***Notes***

1. Impairment loss and write off of property and plant and equipment and intangible asset :

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2017** |  | 2016 |
|  | **QR’000** |  | QR’000 |
|  |  |  |  |
| Write offs of property, plant and equipment (Note 9) | **-** |  | 4,103 |
| Write off of Intangible Asset (Note 11) | **-** |  | 295 |
|  |  |  |  |
|  | **-** |  | 4,398 |

**8 BASIC AND DILUTED EARNINGS PER SHARE**

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2017** |  | 2016 |
|  | **QR’000** |  | QR’000 |
|  |  |  |  |
| Profit attributable to equity holders of the parent | **538,396** |  | 623,218 |
|  |  |  |  |
| Weighted average number of ordinary shares outstanding during the year | 354,086 |  | 354,086 |
|  |  |  |  |
| **Basic and diluted earnings per share (QR)**  | **1.52** |  | 1.76 |

There were no potentially dilutive shares outstanding at any time during the year. Therefore, the diluted earnings per share are equal to the basic earnings per share.

**9 PROPERTY, PLANT AND EQUIPMENT**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | *Land* |  | *Building* |  | *Boats* |  | *Plant facilities* |  | *Furniture, fixture, equipment, instruments and building improvements* |  | *Motor vehicles* |  | *Capital work in progress* |  | *Total* *2017* |  | *Total* *2016* |
|  | *QR’000* |  | *QR’000* |  | *QR’000* |  | *QR’000* |  | *QR’000* |  | *QR’000* |  | *QR’000* |  | *QR’000* |  | *QR’000* |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Cost or valuation:** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| At 1 January | 907,344 |  | 437,071 |  | 8,692 |  | 1,714,999 |  | 392,942 |  | 22,439 |  | 406,007 |  | 3,889,494 |  | 5,104,524 |
| Additions | - |  | - |  | 315 |  | 1,541 |  | 18,327 |  | 445 |  | 19,415 |  | 40,043 |  | 449,656 |
| Revaluation Gain | 81,698 |  | - |  | - |  | - |  | - |  | - |  | - |  | 81,698 |  | - |
| Transfers  | - |  | (205,125) |  | - |  | 369,317 |  | 12,542 |  | 486 |  | (383,094) |  | (205,874) |  | (1,596,052) |
| Write-offs | - |  | - |  | - |  | - |  | - |  | - |  | - |  | - |  | (27,328) |
| Disposals | - |  | (9,606) |  | - |  | - |  | (65,912) |  | (8,338) |  | - |  | (83,856) |  | (41,306) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| At 31 December | 989,042 |  | 222,340 |  | 9,007 |  | 2,085,857 |  | 357,899 |  | 15,032 |  | 42,328 |  | 3,721,505 |  | 3,889,494 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Depreciation and impairment:** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| At 1 January | - |  | 51,921 |  | 6,359 |  | 301,831 |  | 279,177 |  | 19,012 |  | - |  | 658,300 |  | 605,325 |
| Depreciation charge for the year | - |  | 861 |  | 552 |  | 60,581 |  | 29,512 |  | 1,147 |  | - |  | 92,653 |  | 101,992 |
| Transfers | - |  | - |  | - |  | - |  | (1,396) |  | 487 |  | - |  | (909) |  | 6,687 |
| Impairment  | - |  | - |  | - |  | - |  | - |  | - |  | - |  | - |  | - |
| Write-offs | - |  | - |  | - |  | - |  | - |  | - |  | - |  | - |  | (23,225) |
| Disposals | - |  | (9,606) |  | - |  | - |  | (63,508) |  | (8,316) |  | - |  | (81,430) |  | (32,479) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| At 31 December | - |  | 43,176 |  | 6,911 |  | 362,412 |  | 243,785 |  | 12,330 |  | - |  | 668,614 |  | 658,300 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Net Book Value:** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **At 31 December 2017** | **989,042** |  | **179,164** |  | **2,096** |  | **1,723,445** |  | **114,114** |  | **2,702** |  | **42,328** |  | **3,052,891** |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| At 31 December 2016 | 907,344 |  | 385,150 |  | 2,333 |  | 1,413,168 |  | 113,765 |  | 3,427 |  | 406,007 |  |  |  | 3,231,194 |

**9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

The depreciation charge has been disclosed in the consolidated financial statements as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2017** |  | 2016 |
|  | **QR’000** |  | QR’000 |
|  |  |  |  |
| Cost of revenue | **61,778** |  | 74,595 |
| Sales and marketing expenses | **83** |  | 147 |
| General and administrative expenses (Note 7) | **30,792** |  | 27,250 |
|  |  |  |  |
|  | **92,653** |  | 101,992 |

1. The district cooling system plant and related facilities are being constructed on the freehold land owned by the Group and leasehold land.
2. The revaluation of the land in the West Bay area and Pearl Qatar was carried out by an independent external valuer in 2017.
3. Capital work in progress comprises of the costs incurred in respect of the following:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2017** |  | 2016 |
|  | **QR’000** |  | QR’000 |
|  |  |  |  |
| Cooling plants – Qatar District Cooling Company Q.C.S.C. | **39,105** |  | 387,371 |
| Properties under development | **-** |  | 13,960 |
| Others | **3,223** |  | 4,676 |
|  |  |  |  |
|  | **42,328** |  | 406,007 |

1. The Group did not write-off any of its assets during the year (2016: QR 4,103 thousands)

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2017** |  | 2016 |
|  | **QR’000** |  | QR’000 |
|  |  |  |  |
|  |  |  |  |
| Write offs |  |  |  |
| General and administration expenses (Note 7a) | **-** |  | 4,103 |
|  |  |  |  |
|  | **-** |  | 4,103 |

**10 INVESTMENT PROPERTIES**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2017** |  | 2016 |
|  | **QR’000** |  | QR’000 |
|  |  |  |  |
| Balance at 1 January | **8,861,377** |  | 8,704,709 |
| Additions - development costs incurred during the year | **32,898** |  | 4,356 |
| Net transfers  | **365,881** |  | 152,312 |
| Disposal | **(1,985)** |  | - |
| Fair value loss | **(8,480)** |  | - |
|  |  |  |  |
| Balance at 31 December  | **9,249,691** |  | 8,861,377 |

During the year the Group did not capitalised borrowing costs (2016: QR 284,807 thousands).

The fair value of most of the investment properties is determined primarily on the basis of valuations carried out by accredited independent valuers. The independent valuers are members of a professional valuers associations and have the appropriate qualifications and experience in valuing these types of investment properties. The fair value of some properties were determined on the basis of internal valuations carried out by the management with the help of qualified personnel. The valuation was mainly determined using the market comparable approach and discounted cash flow method in accordance with RICS valuation standards, adopting the IFRS basis of fair value and using established principles and valuation techniques.

The transfers to investment properties resulted from a change in managements’ business plan to use these properties to generate rental income for the Group in future periods.

**11 INTANGIBLE ASSETS**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | *Branding* |  | *Goodwill* |  | *Operating software* |  | *Others* |  | *Total* |
|  | *QR’000* |  | *QR’000* |  | *QR’000* |  | *QR’000* |  | *QR’000* |
|  |  |  |  |  |  |  |  |  |  |
| ***Cost:*** |  |  |  |  |  |  |  |  |  |
| Balance at 1 January 2017 | 14,217 |  | 8,867 |  | 8,350 |  | 2,814 |  | 34,248 |
| Additions during the year | 38 |  | - |  | - |  | - |  | 38 |
| Transfer | - |  | - |  | - |  | - |  | - |
| write off | - |  | - |  | - |  | - |  | - |
|  |  |  |  |  |  |  |  |  |  |
| Balance at 31 December 2017 | **14,255** |  | **8,867** |  | **8,350** |  | **2,814** |  | **34,286** |
|  |  |  |  |  |  |  |  |  |  |
| Balance at 1 January 2016 | 8,563 |  | 8,867 |  | 8,727 |  | 2,814 |  | 28,971 |
| Additions during the year | 1,404 |  | - |  | - |  | - |  | 1,404 |
| Transfer | 4,250 |  | - |  | - |  | - |  | 4,250 |
| write off | - |  | - |  | (377) |  | - |  | (377) |
|  |  |  |  |  |  |  |  |  |  |
| Balance at 31 December 2016 | 14,217 |  | 8,867 |  | 8,350 |  | 2,814 |  | 34,248 |

**11 INTANGIBLE ASSETS (CONTINUED)**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | *Branding* |  | *Goodwill* |  | *Operating software* |  | *Others* |  | *Total* |
|  | *QR’000* |  | *QR’000* |  | *QR’000* |  | *QR’000* |  | *QR’000* |
|  |  |  |  |  |  |  |  |  |  |
| ***Amortisation and impairment:*** |  |  |  |  |  |  |  |  |  |
| Balance at 1 January 2017 | 7,603 |  | 8,867 |  | 8,350 |  | 2,590 |  | 27,410 |
| Amortisation for the year | 1,077 |  | - |  | - |  | 23 |  | 1,100 |
|  |  |  |  |  |  |  |  |  |  |
| **Balance at 31 December 2017** | **8,680** |  | **8,867** |  | **8,350** |  | **2,613** |  | **28,510** |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
| Balance at 1 January 2016 | 6,099 |  | 8,867 |  | 7,760 |  | 2,567 |  | 25,293 |
| Amortisation for the year | 1,504 |  | - |  | 672 |  | 23 |  | 2,199 |
| Write- off | - |  | - |  | (82) |  | - |  | (82) |
|  |  |  |  |  |  |  |  |  |  |
| Balance at 31 December 2016 | 7,603 |  | 8,867 |  | 8,350 |  | 2,590 |  | 27,410 |
|  |  |  |  |  |  |  |  |  |  |
| **Net book value:** **At 31 December 2017** | **5,575** |  | - |  | **-** |  | **201** |  | **5,776** |
|  |  |  |  |  |  |  |  |  |  |
| At 31 December 2016 | 6,614 |  | - |  | - |  | 224 |  | 6,838 |

**12 INVESTMENT IN ASSOCIATES**

The Group has the following investments in associate companies:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  | **2017** |  | 2016 |
|  |  |  | **QR’000** |  | QR’000 |
|  | ***Country of incorporation*** | ***Shareholding*** | ***Carrying Value*** |  | *Carrying Value* |
|  |  |  |  |  |  |
| Middle East Dredging Company Q.S.C. (Note a) | Qatar | 45.9% | **-** |  | - |
| Al-Seef Limited Q.S.C (Note b) | Qatar | 20% | **257,932** |  | 256,648 |
| United Readymix W.L.L. (Note c) | Qatar | 32% | **50,145** |  | 59,737 |
|  |  |  |  |  |  |
|  |  |  | **308,077** |  | 316,385 |

*Notes:*

1. Middle East Dredging Company Q.S.C. (the associate) is involved in project related dredging and reclamation activities in the Gulf States and other neighbouring countries. The equity holding in the associate was impaired in full during 2013.
2. Al-Seef Limited Q.S.C. is engaged in production and selling of Linear Alkyl Benzene (LAB), downstream petrochemical products and essential feedstock to worldwide detergent manufacturing industries.
3. United Readymix W.L.L. is engaged in the production and sale of ready-mix concrete and other building materials.

**12 INVESTMENT IN ASSOCIATES (CONTINUED)**

The net share of the results of associates represents the Group’s share of the associates’ net profit/(loss) for the year. The following table represents the summarized financial information of the Group's investments in associates.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2017** |  | 2016 |
|  | **QR’000** |  | QR’000 |
| Share of associates' in the statement of financial position: |  |  |  |
| Non-current assets | **559,961** |  | 576,312 |
| Current assets | **689,836** |  | 701,632 |
| Non-current liabilities | **(165,863)** |  | (167,699) |
| Current liabilities | **(775,857)** |  | (793,860) |
|  |  |  |  |
| Net assets | **308,077** |  | 316,385 |
|  |  |  |  |
| **Associates' share of revenue and results:** |  |  |  |
| Group’s share of revenue  | **217,394** |  | 243,533 |
|  |  |  |  |
| Group’s share of results of associates | **24,507** |  | 24,750 |

**13 AVAILABLE-FOR-SALE FINANCIAL ASSETS**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2017** |  | 2016 |
|  | **QR’000** |  | QR’000 |
|  |  |  |  |
| Available-for-sale financial assets – quoted shares – Inside Qatar  | **2,607** |  | 2,770 |
| Available-for-sale financial assets – quoted shares – Outside Qatar | **55,226** |  | 83,674 |
| Available-for-sale financial assets – unquoted shares | **4,000** |  | 4,000 |
|  |  |  |
|  | **61,833** |  | 90,444 |

As of 31 December 2017, unquoted equity investments are carried at cost due to non-availability of quoted market prices or other reliable measures of fair value.

Movement of the available-for-sale financial assets during the year is as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2017** |  | 2016 |
|  | **QR’000** |  | QR’000 |
|  |  |  |  |
| Balance at 1 January | **90,444** |  | 449,456 |
| Net change in fair value  | **18,420** |  | (91,563) |
| Addition | **-** |  | 18,098 |
| Disposal | **(39,887)** |  | (261,043) |
| Impairment loss recognised in the statement of profit or loss | **(7,144)** |  | (24,504) |
|  |  |  |
| Balance at 31 December | **61,833** |  | 90,444 |

**14 INVENTORIES, NET**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2017** |  | **2016** |
|  | **QR’000** |  | **QR’000** |
|  |  |  |  |
| Land and properties held for trading | **1,361,415** |  | 1,970,129 |
| Construction work in progress – equipment | **17,144** |  | 13,216 |
| Material and chemical items | **419** |  | 397 |
| Spare-parts | **7,517** |  | 13,105 |
| Food, beverage and consumables | **653** |  | 780 |
|  |  |  |  |
|  | **1,387,148** |  | 1,997,627 |

**15 WORK IN PROGRESS**

This represents cost incurred by the Group in respect of properties that are being currently developed for the purpose of sale.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2017** |  | 2016 |
|  | **QR’000** |  | QR’000 |
|  |  |  |  |
|  |  |  |  |
| Balance at 31 December | **122,141** |  | 20,034 |

**16 ACCOUNTS AND OTHER RECEIVABLES**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2016** |  | 2015 |
|  | **QR’000** |  | QR’000 |
|  |  |  |  |
| Accounts and other receivables – current, net (Note 16.1) | **2,124,745** |  | 2,265,087 |
| Accounts and other receivables - long term (Note 16.2) | **295,202** |  | 368,415 |
|  |  |  |  |
|  | **2,419,947** |  | 2,633,502 |

**16.1 Accounts and other receivables – current, net**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2017** |  | 2016 |
|  | **QR’000** |  | QR’000 |
|  |  |  |  |
| Accounts receivable | **140,437** |  | 127,511 |
| Amounts due from customers | **1,092,196** |  | 1,407,351 |
| Advances to contractors | **99,730** |  | 30,680 |
| Amounts due from related parties (Note a) | **11,253** |  | 25,287 |
| Accrued income | **19,070** |  | 12,456 |
| Loan receivable (Note16.2.i) | **122,094** |  | - |
| Prepaid expenses and other assets | **639,965** |  | 661,802 |
|  |  |  |  |
|  | **2,124,745** |  | 2,265,087 |

As at 31 December 2017, accounts receivable amounting to QR128,062 thousands (2016: QR 77,528 thousands) were impaired and fully provided for.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2017** |  | 2016 |
|  | **QR’000** |  | QR’000 |
|  |  |  |  |
| Balance as of 1 January | **77,528** |  | 41,422 |
| Net Provision for the year | **52,582** |  | 37,736 |
| Recoveries | **(2,048)** |  | (1,630) |
|  |  |  |  |
| Balance as of 31 December  | **128,062** |  | 77,528 |

**16 ACCOUNTS AND OTHER RECEIVABLES (CONTINUED)**

**16.1 Accounts and other receivables – current, net (continued)**

1. Included in the amounts due from related parties are the following balances:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2017** |  | 2016 |
|  | **QR’000** |  | QR’000 |
|  |  |  |  |
| United Readymix W.L.L. | **6,743** |  | 16,166 |
| Middle East Dredging Company Q.S.C. | **4,510** |  | 2,932 |
| Lebanese Restaurants Development W.L.L. | **-** |  | 3,201 |
| Flavour of Mexico W.L.L. | **-** |  | 1,264 |
| Food Scope America | **-** |  | 1,097 |
| Urban Restaurant Development W.L.L. | **-** |  | 627 |
|  |  |  |  |
|  | **11,253** |  | 25,287 |

Refer to Note 27 for the terms and conditions relating to related party transactions. During the year, the Group has written off an amount of QR 6,189 Thousand. Accounts receivable is non-interest bearing and as at 31 December 2017, the analysis of accounts receivables and amounts due from customers that were past due but not impaired is set out below:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | ***Neither past due nor impaired*** |  | ***Past due but not impaired*** |  | ***Total***  |  | *Total* |
|  | ***2017*** |  | ***2017*** |  | ***2017*** |  | *2016* |
|  | ***QR’000*** |  | ***QR’000*** |  | ***QR’000*** |  | *QR’000* |
|  |  |  |  |  |  |  |  |
| Accounts receivable | **18,869** |  | **121,568** |  | **140,437** |  | 127,511 |
| Amounts due from customers | **485,921** |  | **606,275** |  | **1,092,196** |  | 1,407,351 |
|  |  |  |  |  |  |  |  |
|  | **504,790** |  | **727,843** |  | **1,232,633** |  | 1,534,862 |

Note 30 on credit risk of accounts receivable, explains how the Group manages and measures credit quality of accounts receivable that are neither past due nor impaired.

**16.2 Accounts and other receivables - long term**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2017** |  | 2016 |
|  | **QR’000** |  | QR’000 |
|  |  |  |  |
| Accounts receivable | **276,909** |  | 228,209 |
| Long term loan receivable (i) | **-** |  | 122,094 |
| Long term deposits (ii) | **18,293** |  | 18,112 |
|  |  |  |  |
|  | **295,202** |  | 368,415 |

1. In 2015, the Group entered into an agreement to provide a financing facility to its associate, Middle East Dredging Company Q.S.C, (MEDCO) a related party. Based on the agreement signed by the Company with MEDCO this amount is expected be settled in 2018 and accordingly the amount has been classified as a current receivable. (refer note 16.1)
2. This amount represents the deposit paid for the purpose of obtaining utilities services by the subsidiary, Qatar District Cooling Company Q.C.S.C. This deposit will be released upon the discontinuation of the service provided for each cooling plant.

**17 CASH AND CASH EQUIVALENTS**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2017** |  | 2016 |
|  | **QR’000** |  | QR’000 |
|  |  |  |  |
| Cash on hand and bank balances | **158,470** |  | 290,116 |
| Time deposits  | **1,575,490** |  | 1,275,767 |
|  |  |  |  |
| Total cash and cash equivalents | **1,733,960** |  | 1,565,883 |
| Less: Reserves / Time deposits maturing after 90 days | **(849,648)** |  | (471,084) |
|  |  |  |  |
| Cash and cash equivalents as per the statement of cash flows | **884,312** |  | 1,094,799 |

Time deposits carry interest at commercial rates.

**18 ISSUED CAPITAL**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2017** |  | 2016 |
|  | **QR’000** |  | QR’000 |
| *Authorised, issued and fully paid up capital:* |  |  |  |
| 354,086,248 ordinary shares of QR 10 each (2016 : 354,086,248 ordinary shares of QR 10 each) | **3,540,862** |  | 3,540,862 |

|  |  |  |  |
| --- | --- | --- | --- |
| **Number of shares** |  |  |  |
| On issue at 1 January (thousands) | **354,086** |  | 354,086 |
|  |  |  |  |
| On issue at 31 December (thousands) | **354,086** |  | 354,086 |

At 31 December 2017, the authorised share capital comprised of 354,086,248 ordinary shares (2016: 354,086,248 ordinary shares), all shares have a par value of QR 10. All issued shares are fully paid. The holders of ordinary shares are entitled to receive a dividend, as declared from time to time and are entitled to one vote per share at meetings of the Group. All shares rank equally with regard to the Group’s residual assets.

**19 LEGAL RESERVE**

In accordance with Qatar Commercial Companies’ Law No. 11 of 2015, 10% of the profits for the year are transferred to a legal reserve. Transfers may cease when the reserve totals 50% of the paid up share capital. The reserve is not available for distribution, except in the circumstances stipulated by the Qatar Commercial Companies’ Law No. 11 of 2015. In 2006, the Company capitalized QR 57,280 thousands from legal reserve in order to issue bonus shares for 2005.

During the year, an amount of QR 53,840 thousands was transferred to the legal reserve (2016: QR 62,322 thousands).

**20 OTHER RESERVES**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | ***Fair value reserve*** |  | ***Cash flow hedge reserve*** |  | ***Asset revaluation reserve*** |  | ***Total******2017*** |  | *Total 2016* |
|  | ***QR’000*** |  | ***QR’000*** |  | ***QR’000*** |  | ***QR’000*** |  | *QR’000* |
|  |  |  |  |  |  |  |  |  |  |
| Balance at 1 January  | **4,921** |  | **(7,427)** |  | **1,278,481** |  | **1,275,975** |  | 1,594,006 |
| (Decrease)/ increase | **13,813** |  | **(415)** |  | **(66,432)** |  | **(53,034)** |  | (318,031) |
|  |  |  |  |  |  |  |  |  |  |
| **Balance at 31 December** | **18,734** |  | **(7,842)** |  | **1,212,049** |  | **1,222,941** |  | 1,275,975 |

(a) **Fair value reserve**

The fair value reserve is used to record the changes, other than impairment losses in the fair value of available-for-sale financial assets.

(b) **Cash flow hedge reserve**

The cash flow hedge reserve represents the Group’s share of cash flow hedge reserve from one of the associates.

(c) **Asset revaluation reserve**

The asset revaluation reserve is used to record increases in the fair value of property, plant and equipment that were subject to fair valuation and decreases to the extent that such decreases relates to an increase on the same asset previously recognised in equity.

The movement in asset revaluation reserve during the year is as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2017** |  | 2016 |
|  | **QR’000** |  | QR’000 |
|  |  |  |  |
| Amounts transferred to retained earnings  | **(148,130)** |  | - |
| Gain on revaluation of property, plant and equipment (Note 9) | **81,698** |  | - |
|  |  |  |  |
|  | **(66,432)** |  | - |

**21 PROPOSED DIVIDENDS**

The Board of Directors proposed a cash dividend of 12.5% of share capital amounting to QR 442,608 thousands for the year 2017 which will be subject to the approval of the shareholders at the Annual General Meeting (2016: cash dividend of 12.5% of share capital amounting to QR 442,608 thousands).

**22 SOCIAL AND SPORTS FUND**

Qatar Law No. 13 of 2008 requires all Qatari listed shareholding companies to pay 2.5% of net profit to a social and sports fund. In pursuant to this Law and further clarifications for the Law issued in 2010, the Group has made an appropriation of QR 13,460 thousands for the year ended 31 December 2017 (2016: QR 15,580 thousands).

**23 INTEREST-BEARING LOANS AND BORROWINGS**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2017** |  | 2016 |
|  | **QR’000** |  | QR’000 |
|  |  |  |  |
| Loan 1 | **617,452** |  | **668,908** |
| Loan 2 | **-** |  | **764,925** |
| Loan 3 | **347,292** |  | **520,937** |
| Loan 4 | **728,000** |  | **728,000** |
| Loan 5 | **70,000** |  | **140,000** |
| Loan 6 | **313,545** |  | **393,545** |
| Loan 7 | **529,505** |  | **610,670** |
| Loan 8 | **710,455** |  | **709,340** |
| Loan 9 | **110,995** |  | **10,911** |
| Loan 10 | **765,240** |  | - |
|  |  |  |  |
|  | **4,192,484** |  | **4,547,236** |
|  |  |  |  |
| Less: Unamortised finance cost associated with raising finance | **(27,456)** |  | **(29,315)** |
|  |  |  |  |
| ***Balance at 31 December*** | **4,165,028** |  | **4,517,921** |
|  |  |  |  |
| Presented in the consolidated statement of financial position as: |  |  |  |
| Current liability | **548,655** |  | **1,245,125** |
| Non-current liability | **3,616,373** |  | **3,272,796** |
|  |  |  |  |
|  | **4,165,028** |  | **4,517,921** |

The loans carry interest at variable rates of Qatar Central Bank repo rate and/or LIBOR plus or minus a margin. The finance costs associated with the raising of funds represents arrangement, agency and participation fees.

1. Loan 1: Qatar District Cooling Company (Qatar Cool) obtained the following loans
2. On 8 January 2015, the Company entered into a contract with a local bank for obtaining a loan facility of US$ 165.3 million. The loan is repayable by semi-annual instalments commencing on 31 March 2015 with maturity on 31 March 2024 and bears an interest rate at LIBOR plus margin.
3. On 8 January 2015, the Company entered into a contract with a local bank for obtaining a loan facility of US$ 72.5 million. The loan is repayable by semi-annual instalments commencing on 31 March 2015 with maturity on 31 March 2026 and bears an interest rate of LIBOR plus margin.

Both loans are secured against the project assets and other tangible assets of the chilling plants of Qatar Cool. Additionally, all revenues from the chilling plants and insurance proceeds have been assigned in favour of the lenders.

1. Loan 2: In August 2014, the Company signed a syndicated loan agreement of USD 210 million with a group of local and regional banks for corporate purposes available for 3 years. The facility was fully drawn by the Company. The outstanding balance of the facility was paid in full during the year upon its maturity.

1. Loan 3: In September 2015, the subsidiary, Medina Centrale Company fully settled its existing syndicated loan facility of QR 765 million and US$ 27.4 million and entered into a new syndicated loan facility of QR 738 million. The new facility is payable in quarterly instalments commencing from November 2015 and ending in November 2019.
2. Loan 4: This represents a corporate banking facility obtained by the Company in March 2016 for QR 728 million. The loan was fully drawn by the Company and is payable in full in March 2019
3. Loan 5: This represents a general corporate facility obtained by the subsidiary, Porto Arabia Retail Company 1 in August 2011. The facility limit is QR 350 million payable semi-annually commencing from February 2013 to August 2018. The facility was fully drawn by the Company.

**23 INTEREST-BEARING LOANS AND BORROWINGS (CONTINUED)**

1. Loan 6: This represents a general corporate facility that was signed by the Company in September 2014 for an amount of QR 630 million. The loan was fully drawn by the Company and repayable in quarterly instalments commencing from October 2014 and ending on October 2021.
2. Loan 7: This represents a loan obtained by the Company amounting to QR 1.546 billion in July 2013 for the purpose of financing the purchase of residential units at the Qanat Quartier Project in the Pearl-Qatar Island from the Pearl-Qatar Real Estate Fund. The loan is repayable in quarterly instalments commencing from September 2013 and ending in October 2022. The loan was fully drawn down by the Company.
3. Loan 8: In June 2014, the Company signed a Musharaka agreement of QR 855 million for the construction of Abraj Quartier Office Towers 01 & 02 at the Pearl Qatar project. The principal amount was revised from QR 855 million to QR 770 million in 2016. The loan is repayable in quarterly instalments commencing December 2018 and ending in September 2026. The outstanding balance as at 31 December 2017 represents the drawn down amount of the facility.

1. Loan 9: In December 2016, the Company signed a project finance loan of QR 730 million for the construction of Al Mutahidah Towers at the Viva Bahriya precinct in the Pearl-Qatar island. The loan is repayable in quarterly instalments commencing from March 2020 and ending in December 2021. The outstanding balance as at 31 December 2017 represents the drawn amount of the facility.

1. Loan 10: In Aug 2017 the Company signed a facility agreement of QAR 766.5 Million for general corporate purposes that is available for three years (drawn 765.24 Million ). The facility was signed to renew the USD 210 million general corporate facility that matured during the year. This is a revolving facility which UDC can opt for renewal or settlement on or before the maturity date.

The maturity profiles of the term loans are as follows:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | ***1 Year*** |  | ***2-5 years*** |  | ***Over 5 years*** |  | ***Total*** |
| ***31 December 2017*** | ***QR’000*** |  | ***QR’000*** |  | ***QR’000*** |  | ***QR’000*** |
|  |  |  |  |  |  |  |  |
| Loan 1 | **90,520** |  | **452,600** |  | **74,332** |  | **617,452** |
| Loan 2 | **-** |  | **-** |  | **-** |  | **-** |
| Loan 3 | **173,646** |  | **173,646** |  | **-** |  | **347,292** |
| Loan 4 | **-** |  | **728,000** |  | **-** |  | **728,000** |
| Loan 5 | **70,000** |  | **-** |  | **-** |  | **70,000** |
| Loan 6 | **80,000** |  | **233,545** |  |  |  | **313,545** |
| Loan 7 | **88,895** |  | **440,610** |  | **-** |  | **529,505** |
| Loan 8 | **45,594** |  | **404,021** |  | **260,840** |  | **710,455** |
| Loan 9 | **-** |  | **110,995** |  | **-** |  | **110,995** |
| Loan 10 | **-** |  | **765,240** |  | **-** |  | **765,240** |
|  |  |  |  |  |  |  |  |
|  | **548,655** |  | **3,308,657** |  | **335,172** |  | **4,192,484** |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | ***1 Year*** |  | ***2-5 years*** |  | ***Over 5 years*** |  | *Total* |
| *31 December 2016* | *QR’000* |  | *QR’000* |  | *QR’000* |  | *QR’000* |
|  |  |  |  |  |  |  |  |
| Loan 1 | 75,389 |  | 361,286 |  | 232,233 |  | 668,908 |
| Loan 2 | 764,925 |  | - |  | - |  | 764,925 |
| Loan 3 | 173,646 |  | 347,291 |  | - |  | 520,937 |
| Loan 4 | - |  | 728,000 |  | - |  | 728,000 |
| Loan 5 | 70,000 |  | 70,000 |  | - |  | 140,000 |
| Loan 6 | 80,000 |  | 313,545 |  | - |  | 393,545 |
| Loan 7 | 81,165 |  | 401,960 |  | 127,545 |  | 610,670 |
| Loan 8 | - |  | 254,788 |  | 454,552 |  | 709,340 |
| Loan 9 | - |  | 10,911 |  | - |  | 10,911 |
|  |  |  |  |  |  |  |  |
|  | **1,245,125** |  | **2,487,781** |  | **814,330** |  | **4,547,236** |

This note provides information regarding the contractual terms of the Group’s term loans, which are measured at amortised cost. For more information about the Group’s exposure to interest rate and liquidity risk, refer to Note 30.

**24 RETENTION PAYABLE**

Retention payable represents amounts withheld from the payments to contractors. These amounts will be settled upon completion of the maintenance period subject to satisfactory discharge of the obligations of the contractors. This has been disclosed in the consolidated statement of financial position as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  | ***2017*** |  | *2016* |
|  | ***QR’000*** |  | *QR’000* |
|  |  |  |  |
| Current  | **153,792** |  | 165,827 |
| Non-current  | **11,551** |  | 17,545 |
|  |  |  |  |
|  | **165,343** |  | 183,372 |

**25 EMPLOYEES’ END OF SERVICE BENEFITS**

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

|  |  |  |  |
| --- | --- | --- | --- |
|  | ***2017*** |  | *2016* |
|  | ***QR’000*** |  | *QR’000* |
|  |  |  |  |
| Balance at 1 January  | **34,795** |  | 38,213 |
| Transfers | **319** |  | 455 |
| Provided during the year | **8,068** |  | 8,273 |
| End of service benefits paid | **(5,592)** |  | (12,146) |
|  |  |  |  |
| Balance at 31 December  | **37,590** |  | 34,795 |

**26 ACCOUNTS AND OTHER PAYABLES**

|  |  |  |  |
| --- | --- | --- | --- |
|  | ***2017*** |  | *2016* |
|  | ***QR’000*** |  | *QR’000* |
|  |  |  |  |
| Accounts and other payables - current (Note 26.1) | **2,327,790** |  | 2,589,031 |
| Accounts and other payables - long term (Note 26.2) | **110,093** |  | 88,344 |
|  |  |  |  |
|  | **2,437,883** |  | 2,677,375 |

**26.1 Accounts and other payables – current**

|  |  |  |  |
| --- | --- | --- | --- |
|  | ***2017*** |  | *2016* |
|  | ***QR’000*** |  | *QR’000* |
|  |  |  |  |
| Accounts payable  | **76,415** |  | 94,632 |
| Accrued contracts costs | **659,302** |  | 915,066 |
| Advances received from customers | **1,091,310** |  | 1,009,367 |
| Other accrued expenses  | **176,145** |  | 168,439 |
| Due to a related party  | **59** |  | 46 |
| Other payables | **324,559** |  | 401,481 |
|  |  |  |  |
|  | **2,327,790** |  | 2,589,031 |

1. Included in the amounts due to related parties are the following balances:

|  |  |  |  |
| --- | --- | --- | --- |
|  | ***2017*** |  | *2016* |
|  | ***QR’000*** |  | *QR’000* |
|  |  |  |  |
| National Central Cooling Co P.J.S.S | 59 |  | 45 |
| Cool Tech Energy Water Treatment L.L.C | - |  | 1 |
|  |  |  |  |
|  | 59 |  | 46 |

**26 ACCOUNTS AND OTHER PAYABLES (CONTINUED)**

**26.2 Accounts and other payables – long term**

|  |  |  |  |
| --- | --- | --- | --- |
|  | ***2017*** |  | *2016* |
|  | ***QR’000*** |  | *QR’000* |
|  |  |  |  |
| Master community reserve fund  | **52,758** |  | 38,884 |
| Customer deposits | **57,335** |  | 49,460 |
|  |  |  |  |
|  | **110,093** |  | 88,344 |

**27 RELATED PARTY DISCLOSURES**

**Related party transactions**

Note 4 provides information about the Group structure including subsidiaries and associates. During the year, certain transactions have occurred with related parties on the same commercial basis and conditions as other non-related parties. Pricing policies and terms of these transactions are approved by the Group’s management.

Transactions with related parties included in the consolidated statement of income are as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  | ***2017*** |  | *2016* |
|  | ***QR’000*** |  | *QR’000* |
| **Other related parties:** |  |  |  |
| Revenue | **139,202** |  | 5,265 |
| **Associates:** |  |  |  |
| Management fee  | **7** |  | 25 |
|  |  |  |  |
| Rent income | **3,041** |  | 3,553 |

Amounts due from related parties are disclosed in Note 16.1 and 16.2 to these financial statements.

**Compensation of key management personnel**

The details of compensation and remuneration to key management personnel are as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  | ***2017*** |  | *2016* |
|  | ***QR’000*** |  | *QR’000* |
|  |  |  |  |
| Short term benefits | **33,989** |  | 32,409 |
| Employees’ end of service benefits | **636** |  | 971 |
|  |  |  |  |
|  | **34,625** |  | 33,380 |

The Group has provided for Directors’ remuneration for the year 2017 amounting to QR 15,350 thousands (2016: QR 16,800 thousands) which is subject to the approval by the shareholders at the Annual General Meeting.

**28 CONTINGENT LIABILITIES**

|  |  |  |  |
| --- | --- | --- | --- |
|  | ***2017*** |  | *2016* |
|  | ***QR’000*** |  | *QR’000* |
|  |  |  |  |
| Bank guarantees and bonds | **6,375** |  | 5,927 |
|  |  |  |  |
| Letters of credit | **-** |  | 964 |

The Group anticipates that no material liability will arise from the above guarantees and letter of credits, which are issued in the ordinary course of business.

There is a case decreed in favour of a developer, against which the Company’s management has appealed against.  However, based on the assessment of the Company’s lawyers, no material additional liability is expected to arise from this case. In addition to this, there are some other cases filed against the company which are in appeal stage and the management doesn’t expect any material liability to arise from these cases.

**29 CAPITAL COMMITMENTS**

|  |  |  |  |
| --- | --- | --- | --- |
|  | ***2017*** |  | *2016* |
|  | ***QR’000*** |  | *QR’000* |
|  |  |  |  |
| Contractual commitments to contractors/suppliers | **686,289** |  | 626,622 |

**30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

Accounting policies for financial assets and liabilities are set out in Note 4.

Financial instruments comprise of cash and bank balances, time deposits, accounts receivable, other receivables, due from / to related parties and accounts and other payables.

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 financial assets which consist principally of accounts receivable, amounts due from customers, advances to contractors, amounts due from related parties and bank balances. Accounts receivable, amounts due from customers and amounts due from related parties are shown net of provision for doubtful receivables and bank balances are held with reputed banks.

As at the reporting date, there were no significant concentrations of credit risk. The Group has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

*Exposure to credit risk*

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

|  |  |
| --- | --- |
|  | ***Carrying amount*** |
|  | ***2017*** |  | *2016* |
|  | ***QR’000*** |  | *QR’000* |
|  |  |  |  |
| Accounts and other receivables  | **1,760,912** |  | 1,959,244 |
| Bank balances | **1,733,960** |  | 1,565,493 |
|  |  |  |  |
|  | **3,494,872** |  | 3,524,737 |

The maximum exposure to credit risk for accounts and other receivables at the reporting date by geographic region was equal to accounts receivable amount disclosed in the consolidated statement of financial position.

Included in the Group’s receivables are customer balances which are past due but not impaired at the end of the reporting date (refer to Note 16) for which no allowance has been provided for as there was no significant change in the credit quality of the customers and the amounts are still considered recoverable.

Impairment losses

Except as disclosed in Note 16 to these consolidated financial statements, based on the management’s assessment and historic default rates, the Group believes that no impairment allowance is necessary in respect of accounts receivable and amounts due from customers.

**30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**

Liquidity risk

The following are the contractual maturities of financial liabilities and the impact of netting agreements:

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| ***31 December 2017*** | ***Carrying amount*** |  | ***Contractual cash flows*** |  | ***Less than 12 months*** |  | ***2- 5 years*** |  | ***More than 5 years*** |
|  | ***QR’000*** |  | ***QR’000*** |  | ***QR’000*** |  | ***QR’000*** |  | ***QR’000*** |
|  |  |  |  |  |  |  |  |  |  |
| ***Non-derivative financial liabilities*** |  |  |  |  |  |  |  |  |  |
| Retention payable | **165,343** |  | **(165,343)** |  | **(153,792)** |  | **(11,551)** |  | **-** |
| Employees’ end of service benefits | **37,590** |  | **(37,590)** |  | **-** |  | **-** |  | **(37,590)** |
| Accounts and other payables | **1,602,436** |  | **(1,602,436)** |  | **(1,602,436)** |  | **-** |  | **-** |
| Interest bearing loans and borrowings | **4,192,484** |  | **(4,192,484)** |  | **(548,655)** |  | **(3,308,657)** |  | **(335,172)** |
|  |  |  |  |  |  |  |  |  |  |
|  | **5,997,853** |  | **(5,997,853)** |  | **(2,304,883)** |  | **(3,320,208)** |  | **(372,762)** |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| *31 December 2016* | *Carrying amount* |  | *Contractual cash flows* |  | *Less than 12 months* |  | *2- 5 years* |  | *More than 5 years* |
|  | *QR’000* |  | *QR’000* |  | *QR’000* |  | *QR’000* |  | *QR’000* |
|  |  |  |  |  |  |  |  |  |  |
| *Non-derivative financial liabilities* |  |  |  |  |  |  |  |  |  |
| Retention payable | 183,372 |  | (183,372) |  | (165,827) |  | (17,545) |  | - |
| Employees’ end of service benefits | 34,795 |  | (34,795) |  | - |  | - |  | (34,795) |
| Accounts and other payables | 1,593,870 |  | (1,593,870) |  | (1,593,870) |  | - |  | - |
| Interest bearing loans and borrowings | 4,547,236 |  | (4,547,236) |  | (1,245,125) |  | (2,487,781) |  | (814,330) |
|  |  |  |  |  |  |  |  |  |  |
|  | 6,359,273 |  | (6,359,273) |  | (3,004,822) |  | (2,505,326) |  | (849,125) |

**Market risk**

*Interest rate risk*

At the reporting date the interest rate profile of the Group’s interest-bearing financial instruments was:

|  |  |
| --- | --- |
|  | ***Carrying Amount*** |
|  | ***2017*** |  | *2016* |
|  | ***QR’000*** |  | *QR’000* |
| **Fixed and Variable rate instruments** |  |  |  |
| Time deposits | **1,575,490** |  | 1,275,767 |
| Term loans | **(4,192,484)** |  | (4,547,236) |
|  |  |  |  |
|  | **(2,616,994)** |  | (3,271,469) |
|  |  |  |  |

*Sensitivity analysis*

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and profit or loss by the amount shown below. This analysis assumes that all other variables remain constant.

|  |  |  |  |
| --- | --- | --- | --- |
| ***Change in variable***  | ***Impact on net profit*** |  | ***Impact on equity*** |
|  | ***QR’000*** |  | ***QR’000*** |
| ***31 December 2017*** |  |  |  |
| +100 basis points  | **(41,924)** |  | **(41,924)** |
|  |  |  |  |
| -100 basis points | **41,924** |  | **41,924** |
|  |  |  |  |
| ***31 December 2016*** |  |  |  |
| +100 basis points  | (45,472) |  | (45,472) |
|  |  |  |  |
| -100 basis points | 45,472 |  | 45,472 |

**30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**

*Currency risk*

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. All time deposits are designated in Qatar Riyals. The Group’s exposure towards currency risk is minimal as majority of the foreign currency financial assets and liabilities are denominated in currencies that have a fixed exchange rate with its functional currency.

*Equity price risk*

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), where those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

*Sensitivity analysis*

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on the equity of the Group.

|  |  |  |
| --- | --- | --- |
|  |  | ***Impact on equity*** |
|  | ***Changes in variables*** | ***2017*** | *2016* |
|  |  | ***QR’000*** | *QR’000* |
|  |  |  |  |
| Qatar market | +10% | **261** | 277 |
| International markets | +10% | **5,523** | 8,367 |
|  |  |  |  |
| Qatar market | -10% | **(261)** | (277) |
| International markets | -10% | **(5,523)** | (8,367) |

The method used for deriving sensitivity information and significant variables did not change from the previous period.

**31 FAIR VALUES OF FINANCIAL INSTRUMENTS AND ASSETS**

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash and bank balances, available-for-sale financial assets and receivables. Financial liabilities consist of term loans, payables, and accrued expenses.

The fair values of financial instruments, with the exception of certain available-for-sale financial assets carried at cost, are not materially different from their carrying values.

**Change in fair value recognised directly in equity:**

|  |  |  |  |
| --- | --- | --- | --- |
|  | ***2017*** |  | *2016* |
|  | ***QR’000*** |  | *QR’000* |
|  |  |  |  |
| Net change in fair value of available-for-sale financial assets | **13,813** |  | (91,563) |

**Fair values**

Set out below is a comparison of the carrying amounts and fair value of the Group’s financial instruments as at 31 December 2017 and 31 December 2016:

|  |  |  |  |
| --- | --- | --- | --- |
|  | *Carrying amounts*  |  | *Fair values*  |
|  | ***2017*** |  | *2016* |  | ***2017*** |  | *2016* |
|  | ***QR’000*** |  | *QR’000* |  | ***QR’000*** |  | *QR’000* |
|  |  |  |  |  |  |  |  |
| **Financial assets** |  |  |  |  |  |  |  |
| Cash and cash equivalents | **1,733,960** |  | 1,565,883 |  | **1,733,960** |  | 1,565,883 |
| Accounts and other receivables | **2,419,945** |  | 2,633,502 |  | **2,419,945** |  | 2,633,502 |
| Available-for-sale financial assets  | **61,833** |  | 90,444 |  | **61,833** |  | 90,444 |
|  |  |  |  |  |  |  |  |
|  | **4,215,738** |  | 4,289,829 |  | **4,215,738** |  | 4,289,829 |
|  |  |  |  |  |  |  |  |
| **Financial liabilities** |  |  |  |  |  |  |  |
| Accounts and other payables | **2,437,883** |  | 2,677,375 |  | **2,437,883** |  | 2,677,375 |
| Interest bearing loans and borrowings | **4,165,028** |  | 4,517,921 |  | **4,165,028** |  | 4,517,921 |
| Retention payable | **165,343** |  | 183,372 |  | **165,343** |  | 183,372 |
|  |  |  |  |  |  |  |  |
|  | **6,768,254** |  | 7,378,668 |  | **6,768,254** |  | 7,378,668 |

***Fair value hierarchy***

The table below analyses financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

* Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
* Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
* Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**31 FAIR VALUES OF FINANCIAL INSTRUMENTS AND ASSETS (CONTINUED)**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Assets** | **Date of valuation** | ***Level 1******QR’000*** |  | ***Level 2******QR’000*** |  | ***Level 3******QR’000*** |  | ***Total******QR’000*** |
|  |  |  |  |  |  |  |  |  |
| ***31 December 2017*** |  |  |  |  |  |  |  |  |
| Available-for-sale financial assets | 31 Dec 2017 | **57,833** |  | - |  | - |  | **57,833** |
| Investment properties | 31 Dec 2017 | - |  | - |  | **9,249,691** |  | **9,249,691** |
| Property, plant and equipment | 31 Dec 2017 | - |  | - |  | **989,042** |  | **989,042** |
|  |  |  |  |  |  |  |  |  |
|  |  | **57,833** |  | **-** |  | **10,238,733** |  | **10,296,566** |
|  |  |  |  |  |  |  |  |  |
| *31 December 2016* |  |  |  |  |  |  |  |  |
| Available-for-sale financial assets | 31 Dec 2016 | 86,444 |  | - |  | - |  | 86,444 |
| Investment properties | 31 Dec 2016 | - |  | - |  | 8,861,377 |  | 8,861,377 |
| Property, plant and equipment | 31 Dec 2011 |  |  |  |  | 907,344 |  | 907,344 |
|  |  |  |  |  |  |  |  |  |
|  |  | 86,444 |  | - |  | 9,768,721 |  | 9,855,165 |

**32 FINANCE INCOME AND EXPENSE**

|  |  |  |  |
| --- | --- | --- | --- |
|  | ***2017*** |  | *2016* |
|  | ***QR’000*** |  | *QR’000* |
|  |  |  |  |
| Interest income on bank deposits | **51,666** |  | 36,876 |
| Dividend income on available-for-sale financial assets | **1,467** |  | 17,659 |
|  |  |  |  |
| **Finance income** | **53,133** |  | 54,535 |
|  |  |  |  |
| Interest expense on financial liabilities  | **(181,970)** |  | (123,008) |
|  |  |  |  |
| **Finance expense** | **(181,970)** |  | (123,008) |
|  |  |  |  |
| **Net finance expense**  | **(128,837)** |  | (68,473) |

**33 OPERATING SEGMENTS**

The Group has four reportable segments, as described below, which are the Group’s strategic business units. The strategic business units offer different products and services, and are managed separately because they require separate business strategies. For each of the strategic business units, the Group reviews internal management reports on a regular basis. The following summary describes the operations in each of the Group’s reportable segments:

*Urban development:* This includes real estate development and constructions activities.

*Hydrocarbon & energy:* This includes production and sale of chemicals and hydrocarbon materials.

*Hospitality & leisure:* This includes investment and development of hotel, leisure facilities and selling of luxurious items.

*Infrastructure & utilities:* This includes construction and management of district cooling systems and marina activities.

Other operations include providing information technology solution services and master community services. The accounting policies of the reportable segments are the same as described in note 4.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit, as included in the internal management reports that are reviewed by the Management. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm’s length basis.

**Geographical segments**

The Group has not diversified its activities outside of the State of Qatar except for United Development Investment Company (established in Cayman Island) and Porto Arabia Retail Company 1 (established in Cayman Island). However these companies do not have any material operations outside Qatar and therefore majority of the Group assets are located in Qatar. Accordingly there are no distinctly identifiable geographical segments in the Group for the year ended 31 December 2017.

**33 OPERATING SEGMENTS (CONTINUED)**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | *Urban Development* |  | *Hydro Carbon & Energy* |  | *Hospitality & Leisure* |  | *Infrastructure & Utilities* |  | *Others* |  | *Total* |
|  | ***2017*** |  | *2016* |  | ***2017*** |  | *2016* |  | ***2017*** |  | *2016* |  | ***2017*** |  | *2016* |  | ***2017*** |  | *2016* |  | ***2017*** |  | *2016* |
|  | ***QR’000*** |  | *QR’000* |  | ***QR’000*** |  | *QR’000* |  | ***QR’000*** |  | *QR’000* |  | ***QR’000*** |  | *QR’000* |  | ***QR’000*** |  | *QR’000* |  | ***QR’000*** |  | *QR’000* |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| External revenue | **1,435,595** |  | 1,799,156 |  | **-** |  | - |  | **23,597** |  | 39,035 |  | **386,679** |  | 346,317 |  | **185,982** |  | 206,265 |  | **2,031,853** |  | 2,390,773 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Inter segment revenue | **18,335** |  | 34,540 |  | **-** |  | - |  | **374** |  | 304 |  | **33,397** |  | 22,843 |  | **52,827** |  | 76,934 |  | **104,933** |  | 134,621 |
| Interest income | **43,862** |  | 31,024 |  |  |  | - |  | **299** |  | 809 |  | **5,537** |  | 3,052 |  | **1,968** |  | 1,991 |  | **51,666** |  | 36,876 |
| Interest expense | **164,697** |  | 110,763 |  | **-** |  | - |  | **-** |  | - |  | **17,273** |  | 12,245 |  | **-** |  | - |  | **181,970** |  | 123,008 |
| Depreciation  | **36,602** |  | 52,156 |  | **-** |  | - |  | **3,494** |  | 4,428 |  | **50,945** |  | 43,600 |  | **1,612** |  | 1,808 |  | **92,653** |  | 101,992 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Profit/(loss) for the year | **330,257** |  | 482,183 |  |  |  | - |  | **(14,360)** |  | (16,014) |  | **148,575** |  | 122,643 |  | **68,367** |  | 98,811 |  | **532,839** |  | 687,623 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Share of profit of associates | **12,808** |  | 14,721 |  | **11,699** |  | 10,057 |  | **-** |  | - |  | **-** |  | - |  | **-** |  | (28) |  | **24,507** |  | 24,750 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Reportable segment assets | **16,002,606** |  | 16,296,579 |  | **-** |  | - |  | **44,646** |  | 102,376 |  | **1,843,753** |  | 1,815,944 |  | **142,382** |  | 192,000 |  | **18,033,387** |  | 18,406,899 |
| Investment in associates | **50,145** |  | 59,737 |  | **257,932** |  | 256,648 |  | **-** |  | - |  | **-** |  | - |  | **-** |  | - |  | **308,077** |  | 316,385 |
| Reportable segment liabilities | **5,831,576** |  | 6,386,422 |  | **-** |  | - |  | **16,595** |  | 12,189 |  | **848,104** |  | 916,091 |  | **109,569** |  | 98,761 |  | **6,805,844** |  | 7,413,463 |

**33 OPERATING SEGMENTS (CONTINUED)**

**Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items**

|  |  |  |  |
| --- | --- | --- | --- |
|  | ***2017*** |  | *2016* |
| **Revenue** | ***QR’000*** |  | *QR’000* |
|  |  |  |  |
| Total revenue for reportable segments | **2,136,786** |  | 2,525,394 |
| Elimination of inter-segment revenue  | **(104,933)** |  | (134,621) |
|  |  |  |  |
| Consolidated revenue | **2,031,853** |  | 2,390,773 |

|  |  |  |  |
| --- | --- | --- | --- |
|  | ***2017*** |  | *2016* |
| **Profit or loss** | ***QR’000*** |  | *QR’000* |
|  |  |  |  |
| Total profit or loss for reportable segments | **532,839** |  | 687,623 |
| Elimination of inter-segment profits  | **50,446** |  | (31,511) |
| Net share of results of associates | **24,507** |  | 24,750 |
|  |  |  |  |
| Consolidated profit for the year | **607,792** |  | 680,862 |

|  |  |  |  |
| --- | --- | --- | --- |
|  | ***2017*** |  | *2016* |
| **Assets** | ***QR’000*** |  | *QR’000* |
|  |  |  |  |
| Total assets for reportable segments | **18,033,387** |  | 18,406,899 |
| Investments in associates | **308,077** |  | 316,385 |
|  |  |  |  |
| Consolidated total assets | **18,341,464** |  | 18,723,284 |

|  |  |  |  |
| --- | --- | --- | --- |
|  | ***2017*** |  | *2016* |
| **Liabilities** | ***QR’000*** |  | *QR’000* |
|  |  |  |  |
| Total liabilities for reportable segments | **6,805,844** |  | 7,413,463 |
|  |  |  |  |
| Consolidated total liabilities | **6,805,844** |  | 7,413,463 |

**34 COMPARATIVE INFORMATION**

Certain comparative figures have been reclassified to conform to the presentation in the current year’s consolidated financial statements. However, such reclassifications did not have any effect on the net profit and equity of the comparative year.