United Development Company Q.P.S.C.

Consolidated financial statements

31 December 2018

United Development Company Q.P.S.C.

Consolidated financial statements
For the year ended 31 December 2018

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 2018, 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 2018, 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.

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.

Valuation of investment properties	
Refer note 2,4 and 10 in the consolidated financial statements	
Description of key audit matter	**How the matter was addressed in our audit**
We focused on this area because of the following reasons: • The carrying value of investment properties at the reporting date represents 51% of the Group's total assets, hence a material portion of the statement of financial position as at 31 December 2018 (2017: 50%). • Valuation of investment properties involves the use of significant judgements and estimates.	Our audit procedures in this area included, among other things: • Assessing the independent external valuer's competence, capabilities and objectivity by discussing the scope of their work and reviewing their engagement for unusual terms or fee arrangements; • 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.

INDEPENDENT AUDITOR'S REPORT (Continued)
United Development Company Q.P.S.C.

Key Audit Matters (continued)

<table>
<tr><td colspan="2">Adoption of IFRS 15 Revenue from Contracts with Customers</td></tr>
<tr><td colspan="2">Refer note 3.1 and 4 in the consolidated financial statements</td></tr>
<tr><td>Description of key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>We focused on this area because of the following reasons:
• The Group has multiple revenue streams which required a detailed assessment of performance obligations to recognise revenue under IFRS 15.
• The impact assessment of IFRS 15 involves detailed analysis of underlying data and contracts and requires thorough understanding of the provisions of the standard.
• The adoption of IFRS 15 has resulted in an adjustment of QR 485 million to the Group's retained earnings and non-controlling interests as at 1 January 2018.</td><td>Our audit procedures in this area included, among other things:
• Evaluating the appropriateness of the selection of accounting policies based on the requriements of IFRS 15 and our understanding of the different sources of revenue of the Group;
• Testing the reasonableness of the management's key judgements and estimates made in adopting IFRS 15, including selection of methods, models and assumptions;
• Assessing the appropriateness of management's revenue recognition under IFRS 15 across significant revenue steams for a sample of contracts;
• Evaluating the completeness, accuracy and relavance of disclosures required by IFRS 15.</td></tr>
</table>

Other Information

The Board of Directors is responsible for other information. Other information comprises the information included in the Company's 2018 Annual Report (the "Annual Report") but does not include the consolidated financial statements and our auditor's report thereon. Prior to the date of Auditors' report, we obtained the report of the Board of Directors which forms part of the Annual Report, and the remaining sections of 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.

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.

Other Information (continued)

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.

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

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

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

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

We communicate with 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.

INDEPENDENT AUDITOR'S REPORT (Continued)
United Development Company Q.P.S.C.

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 read the report of the Board of Directors to be included in the Annual Report, and the 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 effect on the Company's consolidated financial position or performance as at and for the year ended 31 December 2018.

6 February 2019
Doha
State of Qatar

Gopal Balasubramaniam
KPMG
Qatar Auditors Registry Number 251
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United Development Company Q.P.S.C.

Consolidated statement of income
For the year ended 31 December 2018 In Qatari Riyals '000s

	Note	2018	2017
Revenue		**1,627,391**	2,031,853
Cost of revenue		**(842,856)**	(1,065,594)
Gross profit		**784,535**	966,259
Dividend income		**2,374**	1,467
Other operating income	6	**76,422**	128,053
Gain on disposal of investment securities		**10,171**	6,166
Net fair value loss on investment securities	13	**(23,074)**	-
Impairment of available-for-sale financial assets	13	**-**	(7,144)
Impairment loss on receivables		**(10,541)**	(52,582)
Sales and marketing expenses		**(41,791)**	(28,826)
General and administrative expenses	7	**(239,092)**	(291,324)
Loss on disposal of associates		**(33,763)**	-
Operating profit		**525,241**	722,069
Fair value gain/(loss) on investment properties	10	**143,868**	(8,480)
Finance income		**43,804**	51,666
Finance costs		**(176,804)**	(181,970)
Net finance cost		**(133,000)**	(130,304)
Net share of results of associates	12	**8,437**	24,507
Profit for the year		**544,546**	607,792
Profit attributable to:			
Equity holders of the parent		**500,815**	538,396
Non-controlling interests		**43,731**	69,396
Profit for the year		**544,546**	607,792
Earnings per share			
Basic and diluted earnings per share	8	**1.41**	1.52

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2018 In Qatari Riyals '000s

	Note	2018	2017
Profit for the year		**544,546**	607,792
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		**-**	13,813
Net change in cash flow hedge reserve	21	**7,842**	(415)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Gain on revaluation of Property, Plant and Equipment		**-**	81,698
Total comprehensive income for the year		**552,388**	702,888
Total comprehensive income attributable to:			
Equity holders of the parent		**508,657**	633,492
Non-controlling interests		**43,731**	69,396
Total comprehensive income for the year		**552,388**	702,888

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

United Development Company Q.P.S.C.

Consolidated statement of financial position
As at 31 December 2018

In Qatari Riyals '000s

	Note	2018	2017
Assets			
Non-current assets			
Property, plant and equipment	9	**3,026,216**	3,052,891
Investment properties	10	**9,434,550**	9,249,691
Intangible assets	11	**586**	5,776
Investment in associates	12	**43,441**	308,077
Accounts and other receivables - long term	17	**378,815**	295,202
Investment securities	13	**60,581**	61,833
Deferred costs	16	**133,438**	-
Total non-current assets		**13,077,627**	12,973,470
Current assets			
Inventories, net	14	**1,142,539**	1,387,148
Work in progress	15	**403,975**	122,141
Deferred costs	16	**16,673**	-
Accounts and other receivables –current, net	17	**2,252,860**	2,124,745
Cash and cash equivalents	18	**1,441,122**	1,733,960
Total current assets		**5,257,169**	5,367,994
Total assets		**18,334,796**	18,341,464
Equity and liabilities			
Equity			
Issued capital	19	**3,540,862**	3,540,862
Legal reserve	20	**1,687,457**	1,637,375
Other reserves	21	**1,212,049**	1,222,941
Retained earnings		**4,414,833**	4,674,435
Equity attributable to equity holders of the parent		**10,855,201**	11,075,613
Non-controlling interests		**290,911**	460,007
Total equity		**11,146,112**	11,535,620
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	24	**2,534,700**	3,616,373
Retention payable	25	**23,004**	11,551
Accounts and other payables – long term	27	**130,042**	110,093
Deferred revenue	28	**662,623**	-
Employees' end of service benefits	26	**36,704**	37,590
Total non-current liabilities		**3,387,073**	3,775,607
Current liabilities			
Accounts and other payables	27	**2,354,650**	2,327,790
Deferred revenue	28	**57,032**	-
Interest-bearing loans and borrowings	24	**1,249,904**	548,655
Retention payable	25	**140,025**	153,792
Total current liabilities		**3,801,611**	3,030,237
Total liabilities		**7,188,684**	6,805,844
Total equity and liabilities		**18,334,796**	18,341,464

These consolidated financial statements were approved by the Board of Directors on 06 February 2019 and were signed on its behalf by the following;

Ibrahim Jassim Al-Othman	**Turki Mohammed Khaled Al Khater**
President & Chief Executive Officer	Chairman of the Board

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

United Development Company Q.P.S.C.

Consolidated statement of changes in equity
For the year ended 31 December 2018

In Qatari Riyals ‘000s

	Attributable to the equity holders of the Parent						
	Issued capital	**Legal reserve**	**Other reserves (Note 21)**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
As at 1 January 2018	3,540,862	1,637,375	1,222,941	4,674,435	11,075,613	460,007	11,535,620
Adjustments for the initial application of IFRS 15 (Note 3.1 i)	-	-	-	(272,284)	(272,284)	(212,827)	(485,111)
Adjustments for the initial application of IFRS 9 (Note 3.1 ii)	-	-	(18,734)	17,077	(1,657)	-	(1,657)
Adjusted balance at 1 January 2018 (Audited)	3,540,862	1,637,375	1,204,207	4,419,228	10,801,672	247,180	11,048,852
Total comprehensive income for the year							
Profit for the year	-	-	-	500,815	500,815	43,731	544,546
Other comprehensive (loss)/income							
Net change in cash flow hedge reserve	-	-	7,842	-	7,842	-	7,842
Total other comprehensive income	-	-	7,842	-	7,842	-	7,842
Total comprehensive income for the year	-	-	7,842	500,815	508,657	43,731	552,388
Transfer to legal reserve (Note 20)	-	50,082	-	(50,082)	-	-	-
Dividend paid (Note 22)	-	-	-	(442,608)	(442,608)	-	(442,608)
Contribution to social and sports fund (Note 23)	-	-	-	(12,520)	(12,520)	-	(12,520)
Total transactions with owners	-	50,082	-	(505,210)	(455,128)	-	(455,128)
As at 31 December 2018	**3,540,862**	**1,687,457**	**1,212,049**	**4,414,833**	**10,855,201**	**290,911**	**11,146,112**

The Consolidated Statement of changes in equity continues on next page.

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

United Development Company Q.P.S.C.

Consolidated statement of changes in equity
For the year ended 31 December 2018

In Qatari Riyals '000s

	Attributable to the equity holders of the Parent						
	Issued capital	Legal reserve	Other reserves (Note 21)	Retained earnings	Total	Non-controlling interests	Total equity
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	-	-	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 20)	-	53,840	-	(53,840)	-	-	-
Dividend paid (Note 22)	-	-	-	(442,608)	(442,608)	(21,021)	(463,629)
Contribution to social and sports fund (Note 23)	-	-	-	(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

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

United Development Company Q.P.S.C

Consolidated statement of cash flows
For the year ended 31 December 2018 In Qatari Riyals '000s

	Note	2018	2017
Operating activities			
Profit for the year		**544,546**	607,792
Adjustments to reconcile profit to net cash flows:			
Net share of results of associates	12	(8,437)	(24,507)
Depreciation	9	106,904	92,653
Amortisation	11	708	1,100
Impairment loss and write off of property, plant and equipment	9	2,665	-
Impairment loss of intangible assets	11	4,482	-
Loss on disposal of associate		33,763	-
Loss on disposal of property, plant and equipment		339	-
Gain on disposal of investment securities		(10,171)	(6,166)
Fair value loss on investment securities	13	23,074	-
Impairment loss on available-for-sale financial assets	13	-	7,144
Net impairment loss on accounts receivable	17.1	10,541	52,582
Fair value (gain) / loss on investment property	10	(143,868)	8,480
Loss on disposal of assets		-	1,816
Loss on disposal of investment property		-	1,736
Net finance cost		133,000	130,304
Dividend income	34	(2,374)	(1,467)
Provision for employees' end of service benefits	26	7,803	8,068
		702,975	879,535
Working capital adjustments:			
Accounts and other receivables - long term		73,535	73,213
Inventories		287,484	568,141
Work in progress		(281,834)	(58,221)
Accounts and other receivables – current, net		(305,081)	(68,089)
Accounts and other payables		46,809	(256,579)
Retention payable		(2,314)	(18,029)
Deferred cost & revenue		84,433	-
Cash generated from operating activities		**606,007**	1,119,971
Employees' end of service benefits paid	26	(8,689)	(5,592)
Finance cost paid		(176,804)	(178,913)
Net cash flows from operating activities		**420,514**	935,466
Investing activities			
Additions to property, plant and equipment	9	(83,259)	(40,043)
Proceeds from sale of property, plant and equipment		26	610
Proceeds from disposal of investment property		-	249
Time deposits with maturities more than three months		(318,781)	(378,564)
Additions to intangible assets	11	-	(38)
Additions to investment properties	10	(83,866)	(32,898)
Interest received		43,804	45,054
Proceed received from disposal of associate		214,352	-
Net proceeds from sale & purchase of available-for-sale financial assets		-	41,446
Net proceeds from sale of investment securities		17,618	-
Dividend received from associates & other investee companies		35,174	33,867
Additions to investment securities		(29,269)	-
Net cash flows used in investing activities		**(204,201)**	(330,317)
Financing activities			
Proceeds from interest bearing loans and borrowings		137,172	890,470
Repayment of interest bearing loans and borrowings		(525,453)	(1,245,224)
Dividend paid		(439,651)	(460,882)
Net cash flows used in financing activities		**(827,932)**	(815,636)
Net (decrease)/increase in cash and cash equivalents		(611,619)	(210,487)
Cash and cash equivalents at 1 January		884,312	1,094,799
Cash and cash equivalents at 31 December	18	**272,693**	884,312

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

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 2018 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 consolidated financial statements for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Board of Directors on 06 February 2019.

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 and investment properties 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 IFRS 15 Revenue from contracts with customers, and in particular, whether the Group had transferred the control of the completed properties to the buyer.

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;

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.

2 Basis of preparation (continued)

Judgments (continued)

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 receivables
On 1 January 2018 IFRS 9 "Financial Instruments" replaced the 'incurred loss' impairment model in IAS 39 "Financial Instruments: Recognition and Measurement" with an 'expected credit loss' (ECL) impairment model. The new impairment model requires forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. It also requires management to assign probability of default to various categories of receivables. Probability of default constitutes a key input in measuring an ECL and entails considerable judgement; it is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. In the previous year, the impairment review on trade receivables was performed only for receivables for which management had an indication for impairment. That also entailed significant judgement. It was determined by reference to past default experience of a counterparty and an analysis of the counterparty's financial situation, but the "incurred loss" model disregarded entirely the current and expected future conditions. As a result, it is expected that under the new impairment model credit losses will be recognised earlier.

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 which became effective for the annual period beginning on 1 January 2018.

- IFRS 15 "Revenue from Contracts with Customers"
- IFRS 9 "Financial Instruments"
- Disclosure Initiative (Amendments to IAS 7)
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)
- Annual Improvements to IFRSs 2014–2017 Cycle – various standards (Amendments to IFRS 12)

However, except for IFRS 15 and IFRS 9, whose effects on the Group's consolidated financial statements are explained below, the other standards and amendments did not have a material impact on the Group.

3 Changes in accounting policies and disclosures (continued)

3.1 New and amended standards and interpretations adopted by Group (continued)

i) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

The Group has adopted IFRS 15 using the cumulative effect method with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations.

The following table summarises the impact of transition to IFRS 15 on retained earnings and non-controlling interests at 1 January 2018:

	Note	Impact of adopting IFRS 15 at 1 January 2018 *QR'000*
Retained earnings		
Initial capacity revenue	(a)	(209,293)
Sale of Energy Transfer Stations (ETS)	(b)	(62,991)
Impact of 1 January 2018		**(272,284)**

	Note	Impact of adopting IFRS 15 at 1 January 2018 *QR'000*
Non-controlling interests		
Initial capacity revenue	(a)	(152,306)
Sale of Energy Transfer Stations (ETS)	(b)	(60,521)
Impact of 1 January 2018		**(212,827)**

Type of services	**Nature, timing of satisfaction of performance obligations, significant payment terms**	**Nature of change in accounting Policy**
Initial capacity revenue (a)	These are one-time non-refundable fees charged to customers on the service commencement date as per the service agreement. This is fully collected from the customer in advance on the service commencement date	Under IAS 18, this was recognized on the service commencement date. The Group does not consider initial capacity revenue as a separate performance obligation in line with the requirements of IFRS 15. Therefore, the initial capacity revenue and its related costs will be recognized over the term of the contract with the customers. The impact of this change on items other than revenue is an increase in deferred costs / deferred revenue relating to costs incurred / customer receipts that will be realized over the term of the contract with the customers.

3 Changes in accounting policies and disclosures (continued)

3.1 New and amended standards and interpretations adopted by Group (continued)

i) IFRS 15 “Revenue from Contracts with Customers” (continued)

Type of services	Nature, timing of satisfaction of performance obligations, significant payment terms	Nature of change in accounting Policy
Sale of Energy Transfer Stations (ETS) (b)	ETS are installed at the customer’s premises in order to receive cooling services. This is a one-time fee charged to the customers on date of substantial completion of the ETS and is fully collected from the customer in advance on the aforementioned date.	Under IAS 18, this was recognized on date of substantial completion of ETS. The Group does not consider sale of ETS as a separate performance obligation in line with the requirements of IFRS 15. Therefore, the revenue from sale of ETS and its related costs will be recognized over the term of the contract with the customers. The impact of this change on items other than revenue is an increase in deferred costs / deferred revenue relating to costs incurred / customer receipts that will be realized over the term of the contract with the customers.
Revenue from the sale of completed properties (land, townhouses, apartments and villas)	Revenue is recognized when the control of the completed properties are transferred to the buyer.	No significant impact
Service charges	Revenue from the service charges levied on property owners. The income is recognized over the corresponding period.	No significant impact
Revenue from services	Revenue from rendering services is recognized over the period by reference to the stage of completion of the transaction.	No significant impact
Fee income	The income is recognized upon rendering of service.	No significant impact
Rental income	Revenue is recognized on a monthly basis based on the period of contract and the space occupied.	No significant impact
Revenue from sale of goods (restaurant sales)	Revenue is recognized when the control of the goods are transferred to the buyer.	No significant impact

3 Changes in accounting policies and disclosures (continued)

3.1 New and amended standards and interpretations adopted by Group (continued)

i) IFRS 15 “Revenue from Contracts with Customers” (continued)

The following tables summarise the impacts of adopting IFRS 15 on the Group’s statement of financial position as at 31 December 2018 and its statement of profit or loss and OCI for the year then ended for each of the line items affected. There was no material impact on the Group’s statement of cash flows for the year ended 31 December 2018.

Consolidated statement of financial position	**As reported at 31 December 2018**	**Adjustments due to adoption of IFRS 15**	**Amounts without adoption of IFRS 15 at 31 December 2018**
	QR’000	***QR’000***	***QR’000***
ASSETS			
Non-current assets			
Deferred costs	133,438	(133,438)	-
Others	12,944,189	-	12,944,189
Total non-current assets	13,077,627	(133,438)	12,944,189
Current assets			
Deferred costs	16,673	(16,673)	-
Others	5,240,496	-	5,240,496
Total current assets	5,257,169	(16,673)	5,240,496
Total assets	**18,334,796**	**(150,111)**	**18,184,685**
EQUITY AND LIABILITIES			
Equity			
Retained earnings	4,414,833	316,036	4,730,869
Non-controlling interest	290,911	248,979	539,890
Others	6,440,368	-	6,440,368
Total equity	11,146,112	565,015	11,711,127
Non-current liabilities			
Deferred revenue	662,623	(662,623)	-
Others	2,724,450	-	2,724,450
Total non-current liabilities	3,387,073	(662,623)	2,724,450
Current liabilities			
Deferred revenue	57,032	(52,503)	4,529
Others	3,744,579	-	3,744,579
Total current liabilities	3,801,611	(52,503)	3,749,108
Total liabilities	7,188,684	(715,126)	6,473,558
Total equity and liabilities	**18,334,796**	**(150,111)**	**18,184,685**

3 Changes in accounting policies and disclosures (continued)

3.1 New and amended standards and interpretations adopted by Group (continued)

i) IFRS 15 "Revenue from Contracts with Customers" (continued)

Consolidated statement of profit or loss and other comprehensive income	**As reported at 31 December 2018**	**Adjustments due to adoption of IFRS 15**	**Amounts without adoption of IFRS 15 at 31 December 2018**
	QR'000	***QR'000***	***QR'000***
Revenue	1,627,391	81,097	1,708,488
Cost of revenue	(842,856)	(1,193)	(844,049)
Gross profit	784,535	**79,904**	**864,439**
Net Profit	**544,546**	**79,904**	**624,450**
Total comprehensive income	**552,388**	**79,904**	**632,292**

ii) IFRS 9 "Financial Instruments"

IFRS 9 sets out requirements for recognising and measuring financial assets and financial liabilities. This standard replaces IAS 39 "Financial Instruments: Recognition and Measurement".

The following table summarises the impact of transition to IFRS 9 on the opening balance of reserves and retained earnings and non-controlling interests.

	Other reserves	***Retained earnings***	***Non-controlling interest***
	QR'000	***QR'000***	***QR'000***
Adjustments on initial application of IFRS 9			
Recognition of expected credit losses under IFRS 9	-	(1,657)	-
Reclassification of investment securities	(18,734)	18,734	-
Impact on 1 January 2018	**(18,734)**	**17,077**	**-**

(i) Classification and measurement of financial assets and financial liabilities

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018, is as described further below.

Financial assets at amortised cost
These assets are subsequently measured at amortised costing using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Equity investments at FVTPL
These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

3 Changes in accounting policies and disclosures (continued)

3.1 New and amended standards and interpretations adopted by Group (continued)

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and financial liabilities as at 1 January 2018.

	Note	***Original classification under IAS 39***	***New classification under IFRS 9***	***Original carrying amount under IAS 39 QR'000***	***New carrying amount under IFRS 9 QR'000***
Investment securities	a	Available-for-sale	FVTPL	60,581	60,581
Accounts and other receivables	b	Loans and receivables	Amortized cost	2,633,332	2,631,675
Cash and cash equivalents		Loans and receivables	Amortized cost	1,441,122	1,441,122
				4,135,035	**4,133,378**

a) The Group has designated these investments at the date of initial application as measured at FVTPL.

(i) Classification and measurement of financial assets and financial liabilities (continued)

b) Accounts and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost as per IFRS 9. An increase of QR 1,657 thousand in the provision for impairment of these accounts and other receivable was recognised in opening retained earnings at 1 January 2018 on transition to IFRS 9.

(ii) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

The Group has elected to measure loss allowances for its financial assets at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

Measurement of ECLs
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets
At each reporting date, the Group assesses the financial assets carried at amortised cost for credit impairment. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

3 Changes in accounting policies and disclosures (continued)

3.1 New and amended standards and interpretations adopted by Group (continued)

Presentation of impairment
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. Impairment losses related to accounts and other receivables are presented in the consolidated statement of profit or loss.

Impact of the new impairment model
For financial assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of IFRS 9's impairment requirements at 1 January 2018 results in an additional impairment allowance of QR 1,657 thousand.

(iii) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied using the cumulative effect method. The Group has not restated the comparative information of prior periods. Differences in the carrying amounts of the financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 but rather those of IAS 39.

The assessment have been made on the basis of the facts and circumstances that existed at the date of initial application.

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.

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 in the process of assessing the potential impact on initial application of IFRS 16 as at 1 January 2019.

Adoption not expected to significantly 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 the Group's 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 fair value through profit or loss investment depending on the level of the influence retained.

At 31 December 2018 In Qatari Riyals '000s

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 incorporation	% equity interest **2018**	2017
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 is QR 289,052 thousands as at 31 December 2018 (2017: QR 460,735 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 44,862 thousands (2017: QR 69,465 thousands).

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

	2018	2017
Profit for the year	**84,117**	119,578
Total assets	**2,100,868**	1,819,552
Total liabilities	**1,481,547**	850,006
Total equity	**619,321**	969,546

Ronautica Middle East W.L.L. is involved in the development and operation of marinas and the 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 operations of Urban Restaurant Development L.L.C (90%) also discontinued its operation in 2018. The liquidation process for Modern Lebanese Restaurant and China Square was completed 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 2017, 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.

4 Significant accounting policies (continued)

Basis of consolidation (continued)

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.

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 IFRS 9 - 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.

4 Significant accounting policies (continued)

Investment in associates (continued)

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.

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)
Revenue is recognized when the control of the completed properties are transferred to the buyer. In jurisdictions where the Group transfers control of the completed properties in its entirety at a single point in time, revenue 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 control of the property.

Annual capacity fees
Annual capacity fees are contractually agreed with the customer and are recognised in equal monthly instalments starting from the service commencement date and at its anniversary, thereafter.

One time capacity fees
One time capacity fees are recognized on a straight-line basis over the term of the contract with the customers starting from the service commencement date as per the contract. These are one-off non-refundable fees charged to certain customers as per the service contract.

Consumption fees
For the provision of chilled water for air conditioning, revenue comprises of variable output provided to customers and is recognised at the time the service is provided. These fees are based on actual ton hours of refrigeration consumed by the customer computed at an agreed contractual rate.

Sale of Energy Transfer Stations (ETS)
Revenue from the sales of ETS is recognized on a straight-line basis over the term of the contract with the customers starting from the date the ETS is completed. Revenue from the sale of ETS is measured at the fair value of the consideration received or receivable.

4 Significant accounting policies (continued)

Revenue recognition (continued)

Expenses recoverable from tenants
Income arising from expenses recharged to tenants is recognized over the corresponding period.

Revenue from services
Revenue from rendering services is recognized over the period by reference to the stage of completion of the transaction.

Profit on sale of investment securities
On sale of investment securities, a gain is recognised as the difference between the carrying amount and the consideration received.

Interest income
Interest income is recognised using the effective interest method.

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

Fee income
The income is recognized upon rendering of service.

Rental income
Revenue is recognized on a monthly basis based on the period of contract and the space occupied..

Revenue from sale of goods (restaurant sales)
Revenue is recognized when the control of the goods are transferred to the buyer.

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.

4 Significant accounting policies (continued)

Property, plant and equipment (continued)

Recognition and measurement (continued)
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.

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.

4 Significant accounting policies (continued)

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.

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.

4 Significant accounting policies (continued)

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

Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

Classification and subsequent measurement

Financial assets -Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment: Policy applicable from 1 January 2018

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

4 Significant accounting policies (continued)

Financial instruments (continued)

Classification and subsequent measurement (continued)

Business model assessment: Policy applicable from 1 January 2018 (continued)

– the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

– how the performance of the portfolio is evaluated and reported to the Group's management;

– the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

– how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

– the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from 1 January 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

– contingent events that would change the amount or timing of cash flows;
– terms that may adjust the contractual coupon rate, including variable-rate features;
– prepayment and extension features; and
– terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

4 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets - Subsequent measurement and gains and losses: Policy applicable from 1 January 2018

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial assets – Policy applicable before 1 January 2018
The Group classified its financial assets into the loans and receivables and available for sale categories.

Financial assets – Subsequent measurement and gains and losses: Policy applicable before 1 January 2018

Loans and receivables
These assets are measured at amortised cost using the effective interest method.

Available for sale financial assets
These financial assets were measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognised in OCI and accumulated in the fair value reserve. When these assets were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.

Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its consolidated statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

4 Significant accounting policies (continued)

Derecognition (continued)

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting

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

Impairment

Non-derivative financial assets: Policy applicable from 1 January 2018

The Group recognises loss allowances for Expected Credit Losses (ECLs) on financial assets measured at amortised cost. The Group measures loss allowances at an amount equal to lifetime ECLs, except for bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition and are measured at 12-month ECLs.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

As a practical expedient, the Group calculates ECL on trade receivables using a provision matrix. The Group use its historical credit loss experience for trade receivables to estimate the lifetime expected credit losses. The provision matrix uses fixed provision rates depending on the number of days that a trade receivable is past due

The Group considers a financial asset to be in default when the customer is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

4 Significant accounting policies (continued)

Impairment (continued)

Non-derivative financial assets: Policy applicable from 1 January 2018 (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 365 days past due; or
- it is probable that the borrower will enter bankruptcy or other financial reorganization.

Presentation of impairment

Provision for impairment of trade receivables is deducted from gross carrying value of trade receivables and impairment losses relating to trade receivables are separately presented in the consolidated statement of profit or loss and other comprehensive income.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Non-derivative financial assets: Policy applicable before 1 January 2018

Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor will enter bankruptcy; or
- observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets.

Financial assets measured at amortized cost

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

4 Significant accounting policies (continued)

Impairment (continued)

Financial assets measured at amortized cost (continued)

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

Losses are recognized in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through profit or loss.

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.

Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash Generating Units (CGUs). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

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, if no impairment loss had been recognised.

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.

4 Significant accounting policies (continued)

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.

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.

4 Significant accounting policies (continued)

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.

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.

4 Significant accounting policies (continued)

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.

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.

5 Financial risk management (continued)

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.

At 31 December 2018 In Qatari Riyals '000s

6 Other operating income

	2018	2017
Fee income	**36,246**	77,323
Sundry income	**40,176**	50,730
	76,422	128,053

7 General and administrative expenses

	2018	2017
Payroll and related expenses	**149,725**	192,947
Depreciation (Note 9)	**26,358**	30,792
Rent	**4,702**	3,769
Professional charges	**4,038**	12,209
Directors remuneration	**13,500**	15,350
Other general and administrative expenses	**40,769**	36,257
	239,092	291,324

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.

	2018	2017
Profit attributable to equity holders of the parent	**500,815**	538,396
Weighted average number of ordinary shares outstanding during the year	**354,086**	354,086
Basic and diluted earnings per share (QR)	**1.41**	1.52

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.

At 31 December 2018 In Qatari Riyals '000s

9 Property, plant and equipment

	Land	Building	Boats	Plant facilities	Furniture, fixture, equipment, instruments and building improvements	Motor vehicles	Capital work in progress	Total 2018	Total 2017
Cost or valuation:									
At 1 January	989,042	222,340	9,007	2,085,857	357,899	15,032	42,328	3,721,505	3,889,494
Additions	35,419	19,643	115	2,127	24,361	289	1,305	83,259	40,043
Revaluation Gain	-	-	-	-	-	-	-	-	81,698
Transfers	-	-	(329)	37,895	688	-	(38,682)	(428)	(205,874)
Disposals	-	-	(870)	-	(4,077)	-	-	(4,947)	(83,856)
At 31 December	1,024,461	241,983	7,923	2,125,879	378,871	15,321	4,951	3,799,389	3,721,505
Depreciation and impairment:									
At 1 January	-	43,176	6,911	362,412	243,785	12,330	-	668,614	658,300
Depreciation charge for the year	-	11,941	440	66,957	26,499	1,067	-	106,904	92,653
Transfers	-	-	(329)	-	(99)	-	-	(428)	(909)
Impairment	-	-	-	-	2,665	-	-	2,665	-
Disposals	-	-	(550)	-	(4,032)	-	-	(4,582)	(81,430)
At 31 December	-	55,117	6,472	429,369	268,818	13,397	-	773,173	668,614
Net Book Value:									
At 31 December 2018	**1,024,461**	**186,866**	**1,451**	**1,696,510**	**110,053**	**1,924**	**4,951**	**3,026,216**	
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 2018 In Qatari Riyals '000s

9 Property, plant and equipment (continued)

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

	2018	2017
Cost of revenue	**80,504**	61,778
Sales and marketing expenses	**42**	83
General and administrative expenses (Note 7)	**26,358**	30,792
	106,904	92,653

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

	2018	2017
Cooling plants – Qatar District Cooling Company Q.C.S.C.	**1,841**	39,105
Others	**3,110**	3,223
	4,951	42,328

10 Investment properties

	2018	2017
Balance at 1 January	**9,249,691**	8,861,377
Additions - development costs incurred during the year	**83,866**	32,898
Net transfers	**(42,875)**	365,881
Disposal	**-**	(1,985)
Fair value gain / (loss)	**143,868**	(8,480)
Balance at 31 December	**9,434,550**	9,249,691

The Group recognised a rental income of QR 271 thousands (2017: QR 242 thousands) from investment properties during the year.

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.

At 31 December 2018 In Qatari Riyals '000s

11 Intangible assets

	Branding	Goodwill	Operating software	Others	Total
Cost:					
Balance at 1 January 2018	14,255	8,867	8,350	2,814	34,286
Additions during the year	-	-	-	-	-
Transfer	-	-	-	-	-
Write off	-	-	-	-	-
Balance at 31 December 2018	**14,255**	**8,867**	**8,350**	**2,814**	**34,286**
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

	Branding	Goodwill	Operating software	Others	Total
Amortisation and impairment:					
Balance at 1 January 2018	8,680	8,867	8,350	2,613	28,510
Amortisation for the year	686	-	-	22	708
Impairment	4,482	-	-	-	4,482
Balance at 31 December 2018	**13,848**	**8,867**	**8,350**	**2,635**	**33,700**
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
Net book value:					
At 31 December 2018	**407**	**-**	**-**	**179**	**586**
At 31 December 2017	5,575	-	-	201	5,776

12 Investment in associates

The Group has the following investments in associate companies:

	Country of incorporation	**Shareholding**	**2018 Carrying Value**	2017 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
United Readymix W.L.L. (Note c)	Qatar	32%	**43,441**	50,145
			43,441	308,077

At 31 December 2018 In Qatari Riyals '000s

12 Investment in associates (continued)

Notes:

(a) Middle East Dredging Company Q.S.C. (MEDCO) is involved in project related dredging and reclamation activities in the Gulf States and other neighbouring countries. The equity holding in MEDCO was impaired in full during 2013. According to the shareholder agreement entered during the year, the Group's beneficial interest was reduced to 5% concurrently with MEDCO's settlement of a QR 122,094 thousands loan from the Company and as a result, the investment was reclassified as a fair value through profit or loss investment.

(b) 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. The holding in Al Seef Limited was fully disposed during the year.

(c) United Readymix W.L.L. is engaged in the production and sale of ready-mix concrete and other building materials.

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.

	2018	2017
Share of associates' in the statement of financial position:		
Non-current assets	**12,053**	559,961
Current assets	**55,432**	689,836
Non-current liabilities	**(1,038)**	(165,863)
Current liabilities	**(23,006)**	(775,857)
Net assets	**43,441**	308,077
Associates' share of revenue and results:		
Group's share of revenue	**67,715**	217,394
Group's share of results of associates	**8,437**	24,507

13 Investment securities

	2018	2017
Investment securities at Fair Value Through Profit or Loss (FVPL)	**60,581**	-
Available-for-sale investment securities	**-**	61,833
	60,581	61,833

	2018	2017
Investment securities – quoted shares – Inside Qatar	**29,677**	2,607
Investment securities – quoted shares – Outside Qatar	**30,904**	55,226
Investment securities – unquoted shares	**-**	4,000
	60,581	61,833

At 31 December 2018 In Qatari Riyals '000s

13 Investment securities (continued)

Movement of the Investment securities during the year is as follows:

	2018	2017
Balance at 1 January	**61,833**	90,444
Net change in fair value	**(23,074)**	18,420
Addition	**29,269**	-
Disposal	**(7,447)**	(39,887)
Impairment loss recognised in the statement of profit or loss	**-**	(7,144)
Balance at 31 December	**60,581**	61,833

14 Inventories, net

	2018	2017
Land and properties held for trading	**1,115,118**	1,361,415
Construction work in progress – equipment	**19,018**	17,144
Material and chemical items	**910**	419
Spare-parts	**7,276**	7,517
Food, beverage and consumables	**217**	653
	1,142,539	1,387,148

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.

	2018	2017
Balance at 31 December	**403,975**	122,141

16 Deferred costs

This amount represents costs incurred in respect of connection revenue and one-time capacity revenue that will be recognized on a straight line basis over the term of the contracts with the customers similar to how revenue from these sources is recognized (Note 28).

17 Accounts and other receivables

	2018	2017
Accounts and other receivables – current, net (Note 17.1)	**2,252,860**	2,124,745
Accounts and other receivables - long term (Note 17.2)	**378,815**	295,202
	2,631,675	2,419,947

At 31 December 2018 In Qatari Riyals '000s

17 Accounts and other receivables (continued)

17.1 Accounts and other receivables – current, net

	2018	2017
Accounts receivable	**1,280,241**	1,232,633
Advances to contractors	**60,237**	99,730
Amounts due from related parties (Note a)	**9,757**	11,253
Accrued income	**13,884**	19,070
Loan receivable (Note12.(a))	**-**	122,094
Prepaid expenses and other assets	**888,741**	639,965
	2,252,860	2,124,745

As at 31 December 2018, accounts receivable amounting to QR138,603 thousands (2017:QR 128,062 thousands) were impaired and fully provided for.

	2018	2017
Balance as of 1 January	**128,062**	77,528
Net Provision for the year	**10,541**	52,582
Recoveries	**-**	(2,048)
Balance as of 31 December	**138,603**	128,062

(a) Included in the amounts due from related parties are the following balances:

	2018	2017
United Readymix W.L.L.	**6,608**	6,743
National Central Cooling Company P.J.S.C.	**3,149**	-
Middle East Dredging Company Q.S.C.	**-**	4,510
	9,757	11,253

Refer to Note 29 for the terms and conditions relating to related party transactions. Note 32 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.

17.2 Accounts and other receivables - long term

	2018	2017
Accounts receivable	**355,349**	276,909
Long term deposits (i)	**23,466**	18,293
	378,815	295,202

(i) 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.

At 31 December 2018 In Qatari Riyals '000s

18 Cash and cash equivalents

	2018	2017
Cash on hand and bank balances	**201,694**	158,470
Time deposits	**1,239,428**	1,575,490
Total cash and cash equivalents	**1,441,122**	1,733,960
Less: Time deposits maturing after 90 days	**(1,168,429)**	(849,648)
Cash and cash equivalents as per the statement of cash flows	**272,693**	884,312

Time deposits carry interest at commercial rates.

19 Issued capital

	2018	2017
Authorised, issued and fully paid up capital:		
354,086,248 ordinary shares of QR 10 each (2017 : 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 2018, the authorised share capital comprised of 354,086,248 ordinary shares (2017: 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.

20 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 50,082 thousands was transferred to the legal reserve (2017: QR 53,840 thousands).

21 Other reserves

	Fair value reserve	**Cash flow hedge reserve**	**Asset revaluation reserve**	**Total 2018**	Total 2017
Balance at 1 January	18,734	(7,842)	1,212,049	1,222,941	1,275,975
Adjustments on initial application of IFRS 9 – Note 3.a.ii	(18,734)	-	-	(18,734)	(53,034)
Increase/(decrease)	-	7,842	-	7,842	-
Balance at 31 December	**-**	**-**	**1,212,049**	**1,212,049**	1,222,941

At 31 December 2018 In Qatari Riyals '000s

21 Other reserves (continued)

(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. The carrying value of this reserve at the beginning of the year was transferred to retained earnings as a result of adoption of IFRS 9.

(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. This reserve was reclassified to profit or loss during the year due to the de-recognition of the associate.

(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:

	2018	2017
Amounts transferred to retained earnings	**-**	(148,130)
Gain on revaluation of property, plant and equipment (Note 9)	**-**	81,698
	-	(66,432)

22 Proposed dividends

The Board of Directors proposed a cash dividend of 10% of share capital amounting to QR 354,086 thousands for the year 2018 which will be subject to the approval of the shareholders at the Annual General Meeting (2017: cash dividend of 12.5% of share capital amounting to QR 442,608 thousands).

23 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 12,520 thousands for the year ended 31 December 2018 (2017: QR 13,460 thousands).

At 31 December 2018 In Qatari Riyals '000s

24 Interest-bearing loans and borrowings

	2018	2017
Loan 1	**526,932**	617,452
Loan 2	**173,646**	347,292
Loan 3	**728,000**	728,000
Loan 4	**-**	70,000
Loan 5	**233,545**	313,545
Loan 6	**440,610**	529,505
Loan 7	**688,255**	710,455
Loan 8	**247,974**	110,995
Loan 9	**765,240**	765,240
	3,804,202	4,192,484
Less: Unamortised finance cost associated with raising finance	**(19,598)**	(27,456)
Balance at 31 December	**3,784,604**	4,165,028
Presented in the consolidated statement of financial position as:		
Current liability	**1,249,904**	548,655
Non-current liability	**2,534,700**	3,616,373
	3,784,604	4,165,028

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.

(i) Loan 1: Qatar District Cooling Company obtained the following loans

(a) 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.

(b) 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.

(ii) Loan 2: In September 2015, the subsidiary, Medina Centrale Company entered into a syndicated loan facility of QR 738 million. The facility is payable in quarterly instalments commenced from November 2015 and ending in November 2019. The loan is secured against the Medina Centrale retail and residential property.

(iii) Loan 3: 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

(iv) Loan 4: This represents a general corporate facility obtained by the subsidiary, Porto Arabia Retail Company 1 in August 2011. The facility limit was QR 350 million payable semi-annually commenced from February 2013 to August 2018. The last instalment of the facility was fully repaid by the Company during the year.

(v) Loan 5: 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 is repayable in quarterly instalments commenced from October 2014 and ending on October 2021.

At 31 December 2018 In Qatari Riyals '000s

24 Interest-bearing loans and borrowings (continued)

(vi) Loan 6: 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 commenced from September 2013 and ending in October 2022. The loan was fully drawn down by the Company. The loan is secured against the Qanat Quartier retail and residential property.

(vii) Loan 7: In June 2014, the Company signed a Musharaka agreement of QR 770 million for the construction of Abraj Quartier Towers 01 & 02 at the Pearl Qatar project. The loan is repayable in quarterly instalments commenced in December 2018 and ending in September 2026. The outstanding balance as at 31 December 2018 represents the drawn down amount of the facility. The loan is secured against the Abraj Quartier Tower 1 and Tower 2 properties.

(viii) Loan 8: In December 2017, 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 2018 represents the drawn amount of the facility. The loan is secured against the Al Mutahidah Tower Project.

(ix) Loan 9: 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). 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 2018				
Loan 1	**90,219**	**362,431**	**74,282**	**526,932**
Loan 2	**173,646**	**-**	**-**	**173,646**
Loan 3	**728,000**	**-**	**-**	**728,000**
Loan 4	**-**	**-**	**-**	**-**
Loan 5	**80,000**	**153,545**	**-**	**233,545**
Loan 6	**96,625**	**343,985**	**-**	**440,610**
Loan 7	**81,414**	**404,021**	**202,820**	**688,255**
Loan 8	**-**	**247,974**	**-**	**247,974**
Loan 9	**-**	**765,240**	**-**	**765,240**
	1,249,904	**2,277,196**	**277,102**	**3,804,202**

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

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 32.

At 31 December 2018 In Qatari Riyals '000s

24 Interest-bearing loans and borrowings (continued)

Reconciliation of movement of liabilities to cash flows arising from financing activities are as follows:

	Interest bearing loans	**Retained earnings**	**Non-controlling interest**	**Total**
Balance at 1 January 2018	**4,192,484**	**4,674,435**	**460,007**	**9,326,926**
Changes from financing cash flows				
Proceeds from loans	**137,172**	**-**	**-**	**137,172**
Repayment of loans	**(525,454)**	**-**	**-**	**(525,454)**
Dividend paid	**-**	**(439,651)**	**-**	**(439,651)**
Total change from financing cash flows	**(388,282)**	**(439,651)**	**-**	**(827,933)**
Total equity related other changes	**-**	**180,049**	**(169,096)**	**10,953**
Balance at 31 December 2018	**3,804,202**	**4,414,833**	**290,911**	**8,509,946**

	Interest bearing loans	**Retained earnings**	**Non-controlling interest**	**Total**
Balance at 1 January 2017	4,547,236	4,497,817	411,632	9,456,685
Changes from financing cash flows				
Proceeds from loans	890,470	-	-	890,470
Repayment of loans	(1,245,224)	-	-	(1,245,224)
Dividend paid	-	(439,861)	(21,021)	(460,882)
Total change from financing cash flows	(354,754)	(439,861)	(21,021)	(815,636)
Total liability related other changes	-	-	-	-
Total equity related other changes	-	616,479	69,396	685,875
Balance at 31 December 2017	4,192,484	4,674,435	460,007	9,326,926

25 Retention payable

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

	2018	2017
Current	**140,025**	153,792
Non-current	**23,004**	11,551
	163,029	165,343

At 31 December 2018 In Qatari Riyals '000s

26 Employees' end of service benefits

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

	2018	2017
Balance at 1 January	**37,590**	34,795
Transfers	**-**	319
Provided during the year	**7,803**	8,068
End of service benefits paid	**(8,689)**	(5,592)
Balance at 31 December	**36,704**	37,590

27 Accounts and other payables

	2018	2017
Accounts and other payables - current (Note 27.1)	**2,354,650**	2,327,790
Accounts and other payables - long term (Note 27.2)	**130,042**	110,093
	2,484,692	2,437,883

27.1 Accounts and other payables – current

	2018	2017
Accounts payable	**81,205**	76,415
Accrued contracts costs	**682,096**	659,302
Advances received from customers	**1,145,669**	1,091,310
Other accrued expenses	**175,600**	176,145
Due to a related party (a)	**-**	59
Other payables	**270,080**	324,559
	2,354,650	2,327,790

(a) Included in the amounts due to related parties are the following balances:

	2018	2017
National Central Cooling Co P.J.S.S	-	59
	-	59

27.2 Accounts and other payables – long term

	2018	2017
Master community reserve fund	**68,258**	52,758
Customer deposits	**61,784**	57,335
	130,042	110,093

At 31 December 2018 In Qatari Riyals '000s

28 Deferred revenue

This mainly represents revenue deferred in respect of connection revenue and one-time capacity revenue that will be recognized on a straight line basis over the term of the contracts with the customers. The corresponding direct costs will be recognized in the same manner (Note 16).

29 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:

	2018	2017
Other related parties:		
Revenue	**5,802**	139,202
Associates:		
Management fee	**-**	7
Rent income	**2,065**	3,041

Amounts due from related parties are disclosed in Note 17.1 to these financial statements.

Compensation of key management personnel

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

	2018	2017
Short term benefits	**29,175**	33,989
Employees' end of service benefits	**555**	636
	29,730	34,625

The Group has provided for Directors' remuneration for the year 2018 amounting to QR 13,500 thousands (2017: QR 15,350 thousands) which is subject to the approval of the shareholders at the Annual General Meeting.

30 Contingent liabilities

	2018	2017
Bank guarantees and bonds	**7,871**	6,375

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

A court case is ongoing between the Company and a developer. The developer has filed a case against the Company and the Company has filed a counter claim against the developer, each seeking compensation for the recovery of costs incurred and damages suffered.

The developer's case was initially decreed by the court in its favor but the Company has appealed against the judgement and the appeal is now in its initial stages. No profit or loss on this project has been recognized by the Company but based on the assessment of the Company's lawyers, no material additional liability is expected to arise from this case.

At 31 December 2018 In Qatari Riyals '000s

31 Capital commitments

	2018	2017
Contractual commitments to contractors/suppliers	**557,336**	686,289

32 Financial instruments and risk management

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

Financial instruments consist 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	
	2018	2017
Accounts and other receivables	**1,729,050**	1,760,912
Bank balances	**1,441,122**	1,733,960
	3,170,172	3,494,872

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 17) 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 17 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.

The Group uses an allowance matrix to measure the expected credit losses (ECL) of trade receivables from individual customers, which comprise a very large number of small balances. Loss rates are calculated using the roll rate method based on the probability of a receivable progressing through different ageing buckets. The loss given default is assessed based on the historical pattern of write-offs and nature of the business operations of the respective business segment.

At 31 December 2018 In Qatari Riyals '000s

32 Financial instruments and risk management (continued)

Impairment losses (continued)

Below is the break-up of provision for impairment of receivables as at the reporting date

	2018	2017
Accounts recerivable – Trading and rental	**136,540**	128,062
Accounts receivable – property sales	**2,063**	-
Total	**138,603**	128,062

The following table provides information about the exposure to credit risk and ECLs for accounts receivables as at 31 December 2018:

	Weighted average loss rate	**Gross carrying amount**	**Loss allowance**
Neither past due nor impaired	**5%**	**38,644**	**1,804**
Past due 1-90 days	**9%**	**87,710**	**7,676**
Past due 91-180 days	**17%**	**45,558**	**7,540**
Past due 181-365 days	**22%**	**100,428**	**22,592**
Past due more than 365 days	**54%**	**178,648**	**96,928**
Total		**450,988**	**136,540**

The accounts receivable from property sales represents the receivables related to the sale of land and property units against which the underlying property is held as a security. The management considers the value of the underlyng property when assessing the ECL provision. As of the reporting date only one customer's receivable balance was above the value of the underlying property and the mangement has made a provision of QR 2,063 thousands against this customer. Below is the gross ageing of the amount due from customers at the end of the reporting date.

	2018	**2017**
Neither past due nor impaired	**737,899**	917,889
Past due more than 365 days	**585,306**	186,706
Total	**1,323,205**	1,104,595

At 31 December 2018 In Qatari Riyals '000s

32 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 2018	**Carrying amount**	**Contractual cash flows**	**Less than 12 months**	**2- 5 years**	**More than 5 years**
Non-derivative financial liabilities					
Retention payable	**163,029**	**(163,029)**	**(140,025)**	**(23,004)**	**-**
Employees' end of service benefits	**36,704**	**(36,704)**	**-**	**-**	**(36,704)**
Accounts and other payables	**1,626,996**	**(1,626,996)**	**(1,496,954)**	**(130,042)**	**-**
Interest bearing loans and borrowings	**3,804,202**	**(3,804,202)**	**(1,249,904)**	**(2,554,298)**	**-**
	5,630,931	**(5,630,931)**	**(2,886,883)**	**(2,707,344)**	**(36,704)**

31 December 2017	Carrying amount	Contractual cash flows	Less than 12 months	2- 5 years	More than 5 years
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)	(1,437,093)	(165,343)	-
Interest bearing loans and borrowings	4,192,484	(4,192,484)	(548,655)	(3,308,657)	(335,172)
	5,997,853	(5,997,853)	(2,139,540)	(3,485,551)	(372,762)

Market risk

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

	Carrying Amount	
	2018	2017
Fixed and Variable rate instruments		
Time deposits	**1,239,428**	1,575,490
Term loans	**(3,804,202)**	(4,192,484)
	(2,564,774)	(2,616,994)

At 31 December 2018 In Qatari Riyals '000s

32 Financial instruments and risk management (continued)

Market risk (continued)

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**
31 December 2018		
+100 basis points	**(38,042)**	**(38,042)**
-100 basis points	**38,042**	**38,042**
31 December 2017		
+100 basis points	(41,924)	(41,924)
-100 basis points	41,924	41,924

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	**2018**	2017
Qatar market	+10%	**2,968**	261
International markets	+10%	**3,090**	5,523
Qatar market	-10%	**(2,968)**	(261)
International markets	-10%	**(3,090)**	(5,523)

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

At 31 December 2018 In Qatari Riyals '000s

33 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:

	2018	2017
Net change in fair value of available-for-sale financial assets	**-**	13,813

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 2018 and 31 December 2017:

	Carrying amounts		Fair values	
	2018	2017	**2018**	2017
Financial assets				
Cash and cash equivalents	**1,441,122**	1,733,960	**1,441,122**	1,733,960
Accounts and other receivables	**2,631,675**	2,419,947	**2,631,675**	2,419,947
Investment securities	**60,581**	-	**60,581**	-
Available-for-sale financial assets	**-**	61,833	**-**	61,833
	4,133,378	4,215,740	**4,133,378**	4,215,740
Financial liabilities				
Accounts and other payables	**2,484,692**	2,437,883	**2,484,692**	2,437,883
Interest bearing loans and borrowings	**3,784,604**	4,165,028	**3,784,604**	4,165,028
Retention payable	**163,029**	165,343	**163,029**	165,343
	6,432,325	6,768,254	**6,432,325**	6,768,254

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).

At 31 December 2018 In Qatari Riyals '000s

33 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 2018					
Investment securities	2018	60,581	-	-	60,581
Investment properties	2018	-	-	9,434,550	9,434,550
Property, plant and equipment	2018	-	-	1,024,461	1,024,461
		60,581	**-**	**10,459,011**	**10,519,592**
31 December 2017					
Available-for-sale financial assets	2017	57,833	-	-	57,833
Investment properties	2017	-	-	9,249,691	9,249,691
Property, plant and equipment	2017	-	-	989,042	989,042
		57,833	-	10,238,733	10,296,566

34 Finance income and expense

	2018	2017
Interest income on bank deposits	**43,804**	51,666
Dividend income on investment securities	**2,374**	1,467
Finance income	**46,178**	53,133
Interest expense on financial liabilities	**(176,804)**	(181,970)
Finance expense	**(176,804)**	(181,970)
Net finance expense	**(130,626)**	(128,837)

35 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.

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.

35 Operating segments (continued)

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).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 2018.

At 31 December 2018 In Qatari Riyals '000s

35 Operating segments (continued)

	Urban Development		Hydro Carbon & Energy		Hospitality & Leisure		Infrastructure & Utilities		Others		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
External revenue	**1,051,089**	1,453,930	**-**	-	**24,707**	23,971	**430,967**	420,076	**182,539**	238,809	**1,689,302**	2,136,786
Inter segment revenue	**9,959**	18,335	**-**	-	**-**	374	**23,808**	33,397	**28,144**	52,827	**61,911**	104,933
Interest income	**31,757**	43,862			**10**	299	**10,042**	5,537	**1,995**	1,968	**43,804**	51,666
Interest expense	**152,772**	164,697	**-**	-	**-**	-	**24,032**	17,273	**-**	-	**176,804**	181,970
Depreciation	**46,223**	36,602	**-**	-	**2,478**	3,494	**57,693**	50,945	**510**	1,612	**106,904**	92,653
Profit/(loss) for the year	**470,574**	330,257	**-**	-	**(24,803)**	(14,360)	**99,887**	148,575	**46,439**	68,367	**592,097**	532,839
Share of profit of associates	**8,437**	12,808	**-**	11,699	**-**	-	**-**	-	**-**	-	**8,437**	24,507
Reportable segment assets	**15,951,049**	16,002,606	**-**	-	**20,984**	44,646	**2,138,546**	1,843,753	**180,806**	142,382	**18,291,385**	18,033,387
Investment in associates	**43,441**	50,145	**-**	257,932	**-**	-	**-**	-	**-**	-	**43,411**	308,077
Reportable segment liabilities	**5,542,723**	5,831,576	**-**	-	**9,755**	16,595	**1,497,185**	848,104	**139,021**	109,569	**7,188,684**	6,805,844

At 31 December 2018 In Qatari Riyals '000s

35 Operating segments (continued)

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

	2018	2017
Revenue		
Total revenue for reportable segments	**1,689,302**	2,136,786
Elimination of inter-segment revenue	**(61,911)**	(104,933)
Consolidated revenue	**1,627,391**	2,031,853

	2018	2017
Profit or loss		
Total profit or loss for reportable segments	**592,097**	532,839
Elimination of inter-segment profits	**(55,988)**	50,446
Net share of results of associates	**8,437**	24,507
Consolidated profit for the year	**544,546**	607,792

	2018	2017
Assets		
Total assets for reportable segments	**18,291,385**	18,033,387
Investments in associates	**43,411**	308,077
Consolidated total assets	**18,334,796**	18,341,464

	2018	2017
Liabilities		
Total liabilities for reportable segments	**7,188,684**	6,805,844
Consolidated total liabilities	**7,188,684**	6,805,844

36 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.