

Al Qudra Holding PSC and its subsidiaries

**Board of directors' report and consolidated financial statements
for the year ended 31 December 2018**

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BOARD OF DIRECTORS' REPORT

For the year ended 31st December, 2018

On behalf of the Board, I am pleased to present the consolidated audited financial statements of Al Qudra Holding PSC and its subsidiaries (the "Group") for the year ended 31st of December, 2018.

The principal activities of the Group continued to be diversified investments in commercial and retail development, staff accommodation, hospitality, and master project development.

The Group reported a consolidated profit of AED 221 million for the year ended 31st of December, 2018. The net equity attributable to shareholders is AED 2,296 million, and retaining a return of 25 fils per share.

Commercial and Retail Development:

2018 has been an active year for our project development business. AED 1 billion tourist destination development "The Traditional Souq" is under construction and it is on schedule to be completed by first quarter of 2020.

Traditional Souq is considered one of the most important venue that reinforces national identity and promotes the values, concepts and traditions of Arabian culture, in addition to being an important economic tourist destination.

This waterfront project is located between the Maqtaa Bridge and Al Khaleej Al Arabi Street, overlooking the Sheikh Zayed Grand Mosque. The Souq will span over 245,000 square meters and will include retail outlets, including heritage and non-heritage stores, open air amphitheater, cinemas as well as a hospitality segment with a four star hotel and villas.

Staff accommodation:

Moon Flower Complex was completed in December, 2018. It is a modern residential city consisting of retail sections, restaurants, leisure center, health care service and furnished apartments. The complex spans an area of 205,225 square meters with a total built up area of 352,000 square meters that can accommodate 10,000 staff.

In addition to Moon Flower Complex, the Group also operates Construction Workers Residential City, a labor camp located in Al Mafraq, only 45km from the heart of Abu Dhabi.

Construction Workers Residential City can accommodate 32,190 beds, and entails six accommodation clusters designed around a central facility. Five out of the six clusters have labor's accommodation and the sixth is designed for technicians and supervisors. The project has three kitchens and 17 dining halls with each serving around 650 person at a time and this facility is fully leased.

The Construction Workers Residential City and Moon Flower Complex form an integral part of the Group's strategy to secure sustainable income for the future years.

Hospitality:

In Morocco, our first boutique three star Smart Hotel operating in a niche market of Rabat continued to deliver exceptional results. In 2018 we purchased a plot of land to develop our second hotel to form part of this chain of budget hotels and it is expected to be delivered by the second quarter of 2020.

The development of Kasr Al Bahr, a five star luxury hotel and resort in Rabat is on schedule to be completed by the fourth quarter of 2020. This hotel will be operated by Four Seasons, it will have 228 deluxe rooms, three presidential suites, five signature restaurants together with a conference hall that can accommodate 1,450 seated guests. The estimated cost is approximately AED 525 million.

In Abu Dhabi, Holiday Inn Abu Dhabi maintained its market share with an average occupancy rate of 80%. With the completion of our second four star hotel currently under construction in the Traditional Souq, it will further enhance our hospitality portfolio.

Master project development:

Following the completion of commercial villas project phase I, Al Qudra completed the land subdivision of 3,006 plots under commercial villas phase II, a joint venture project known as Barary Ain Al Faya as part of an on-going development of Ain Al Fayda. The project duration is approximately three years with anticipated profit in the range of AED 750 million after completing its infrastructure.

2018 marked the "Year of Zayed", the year of giving. Al Qudra's motto is to share its success with the community and as such Al Qudra continued its corporate social responsibility by sponsoring Al Ain Sports and Cultural Club, CinemaVision (an Emirati movie producer) and UAE Wrestling & Judo Federation events.

Al Qudra diversified its corporate social responsibility in 2018 by sponsoring a one-year tuition fees of a student in Rashid Center for Disabled as well as sponsoring the "Emirati Women-Future is Now" conference.

2018 has been a challenging yet fruitful year. While we are facing a few headwinds in the year to come, we believe we will deliver an exceptional result to the shareholders in 2019. On this note I would like to thank my fellow board members and the staff for their dedication and loyalty.

Release:

The Directors propose to discharge the Chairman and Members of the Board of Directors, Management and the External Auditors from liabilities related to the performance of their duties for the year ended 31st December, 2018.

**On behalf of the Board
Al Qudra Holding PSC**





Independent auditor's report to the shareholders of Al Qudra Holding PSC

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Al Qudra Holding PSC (“the Company”) and its subsidiaries (together “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.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates. We have fulfilled our other ethical responsibilities in accordance with those requirements and the IESBA Code.

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Douglas O Mahony, Rami Sarhan, Jacques Fakhoury and Mohamed ElBorno are registered as practising auditors with the UAE Ministry of Economy



Independent auditor's report to the shareholders of Al Qudra PSC (continued)

Emphasis of matter

We draw attention to Note 7 to the consolidated financial statements, which indicates that the Group has a plot of land in Syrian Arab Republic. Our opinion is not modified in respect of this matter.

Our audit approach

Overview

Key audit matters

- Valuation of investment properties
- Revenue recognition on contract variation

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the directors made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

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



Independent auditor's report to the shareholders of Al Qudra Holding PSC (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the Key audit matter
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Valuation of investment properties

In the consolidated statement of financial position the Group's investment properties are carried at AED 3.8 billion as at 31 December 2018 (2017: AED 2.5 billion) which represents 61% of total assets. During the year, the Group has recognised a net fair value gain of AED 326 million relating to the revaluation of these properties.

The Group's policy is to fair value its investment properties with the valuations assessed on an annual basis. Any resulting gains or losses are recognised in the consolidated statement of comprehensive income.

The valuations of investment properties at 31 December 2018 were carried out by independent third party valuers with appropriate experience of the particular markets in which the properties are held.

In determining a property's value, the valuers take into account property-specific information such as market capitalisation, rental income and data relating to comparable properties. They also apply assumptions for expected yields and estimated market rents, which are influenced by prevailing market yields and comparable market transactions, to arrive at the fair value.

We considered this to be a key matter in our audit because the valuations of the investment properties are inherently subjective due to the significance of the estimates and judgements involved.

Refer to Note 3.6 which explains the accounting policy and Note 7 which explains the valuation methodology used by the Group and Note 5 (b) which explains the critical judgements and estimates used in valuing these investment properties.

We performed the following audit procedures over the valuation of investment properties:

- Obtained and reviewed the valuation reports prepared by the external valuers ("the Valuers").
- We assessed the Valuers' qualifications and expertise and read their terms of engagement with the Group to determine whether there were any matters that might have affected their independence or objectivity or may have imposed scope limitations upon their work.
- We tested, on a sample basis, the accuracy of the property related information supplied to the Valuers by management, and on which the valuations were based.
- We involved our own internal valuation specialists for a sample of key investment properties to assess if the valuation methods, principles and approach used were in compliance with the Royal Institute of Chartered Surveyors ('RICS') Valuation - Professional Standards and suitable for use in determining the value for the purpose of the consolidated financial statements. (The review performed by our internal valuation specialists did not constitute an independent assessment of market value).
- We have reviewed and evaluated the appropriateness and adequacy of the related disclosures in the notes to the consolidated financial statements.



Independent auditor's report to the shareholders of Al Qudra Holding PSC (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the Key audit matter
<p>Revenue recognition on contract variation</p> <p>In the consolidated statement of comprehensive income, 'Revenue from contracts with customers' includes an amount of AED 386 million which relates to additional scope of work on one contract.</p> <p>The Group's policy is to recognise revenue from contract scope variations to the extent it is highly probable that a significant reversal will not occur in the amount of revenue arising from that variation.</p> <p>We considered this to be a key audit matter because the determination of whether it is highly probable that a significant reversal of revenue will not occur, the estimation of the revenue for the scope of work and the timing of revenue recognition require the exercise of significant judgment by management and therefore are inherently subjective.</p> <p>Refer to Note 3.17 which explains the accounting policy and Note 20 which explains details around the matter.</p>	<p>We performed the following audit procedures over the revenue recognition on contract variation:</p> <ul style="list-style-type: none">➤ We reviewed the contract signed between the Group and the customer and evaluated the Group's right to claim revenue for the additional scope of work or variation.➤ We obtained the valuation report carried out by an independent external valuer (Valuer) to assess the amount of additional scope of work, which can be claimed by the Group from the customer.➤ We also assessed the Valuer's independence, qualification and expertise and read its terms of engagement with the Group to determine whether there were any matters that might have affected its objectivity or may have imposed scope limitations upon its work.➤ Further, we obtained and reviewed the claim raised by the sub-contractor (cost) in regard to the same additional scope of work to assess the appropriateness of the amount of additional scope of work relative to the revenue recognised by the Group.➤ We reviewed latest correspondence between the Group and the customer in regard to this additional scope of work.➤ We evaluated the reasonableness and appropriateness of the Group's basis for determining the additional revenue recognised and its probability of any future reversal.➤ We assessed the adequacy of the disclosures in the consolidated financial statements relation to this area to ensure compliance with the Group's accounting policies and with International Financial Reporting Standards.



Independent auditor's report to the shareholders of Al Qudra Holding PSC (continued)

Other matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2017 were audited by another auditor, whose report dated 29 March 2018, expressed an unqualified audit opinion.

Other information

The Directors are responsible for the other information. The other information comprises the Board of Directors' report (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Group's Annual Report, which is expected to be made available to us after that date.

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

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

If, based on the work we have performed on the other information that we obtained prior to date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Group's Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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



Independent auditor's report to the shareholders of Al Qudra Holding PSC (continued)

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the 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.



**Independent auditor's report to the shareholders of
Al Qudra Holding PSC (continued)**

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

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

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

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

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



**Independent auditor's report to the shareholders of
Al Qudra Holding PSC (continued)**

Report on other legal and regulatory requirements

Furthermore, as required by the UAE Federal Law No. (2) of 2015, we report that:

- (i) we have obtained all the information we considered necessary for the purposes of our audit;
- (ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
- (iii) the Group has maintained proper books of account;
- (iv) the financial information included in the Board of Directors' report is consistent with the books of account of the Group;
- (v) as disclosed in note 1 to the consolidated financial statements the Group has purchased and invested in shares during the year ended 31 December 2018;
- (vi) note 11 to the consolidated financial statements discloses material related party transactions, and the terms under which they were conducted;
- (vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the year ended 31 December 2018 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Company, its Articles of Association which would materially affect its activities or its consolidated financial position as at 31 December 2018; and
- (viii) as disclosed in note 1 to the consolidated financial statements, the Group did not make any social contributions during the year ended 31 December 2018.

PricewaterhouseCoopers
30 March 2019

A handwritten signature in blue ink, appearing to read 'Rami Sarhan', with a horizontal line underneath.

Rami Sarhan
Registered Auditor Number 1152
Abu Dhabi, United Arab Emirates

Al Qudra Holding PSC and its subsidiaries

Consolidated statement of financial position

	Note	As at 31 December	
		2018 AED'000	2017 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	337,359	314,639
Investment properties	7	3,753,511	2,484,437
Investment in associates	8	31,135	67,354
Investment in joint ventures		6,202	9,157
Financial assets at fair value through other comprehensive income	9	499,756	605,740
Trade and other receivables	10	41,096	125,156
Due from related parties	11	5,345	5,999
		<u>4,674,404</u>	<u>3,612,482</u>
Current assets			
Inventories		2,496	3,636
Development work in progress	12	494,928	398,567
Trade and other receivables	10	904,485	451,159
Due from related parties	11	15,313	28,374
Cash and bank balances	13	53,309	109,494
		<u>1,470,531</u>	<u>991,230</u>
Total assets		<u>6,144,935</u>	<u>4,603,712</u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital		808,984	808,984
Legal reserve	14	273,202	266,609
Merger reserve	15	336,465	336,465
Other reserves	16	241,895	241,961
Cumulative changes in fair value		114,526	207,413
Retained earnings		520,814	452,043
Equity attributable to Owners of the Parent		<u>2,295,886</u>	<u>2,313,475</u>
Non-controlling interests	19	164,692	147,137
Total equity		<u>2,460,578</u>	<u>2,460,612</u>

Al Qudra Holding PSC and its subsidiaries

Consolidated statement of financial position

	Note	As at 31 December	
		2018 AED'000	2017 AED'000
LIABILITIES			
Non-current liabilities			
Trade and other payables	17	527,665	243,386
Borrowings	18	1,294,549	828,596
Provision for employees' end of service benefits		14,216	12,842
		<u>1,836,430</u>	<u>1,084,824</u>
Current liabilities			
Trade and other payables	17	1,564,868	609,595
Borrowings	18	222,392	358,257
Due to related parties	11	60,667	90,424
		<u>1,847,927</u>	<u>1,058,276</u>
Total liabilities		<u>3,684,357</u>	<u>2,143,100</u>
Total equity and liabilities		<u>6,144,935</u>	<u>4,603,712</u>

The consolidated financial statements were authorised for issue by the board of directors on 28 March 2019 and signed on its behalf by:



.....
Chairman



.....
Director

Al Qudra Holding PSC and its subsidiaries

Consolidated income statement

	Note	Year ended 31 December	
		2018 AED'000	2017 AED'000
Revenue	20	589,230	501,407
Direct costs	21	<u>(443,220)</u>	<u>(193,056)</u>
Gross profit		146,010	308,351
Net gain from change in fair value of investment properties	7	325,706	898
Dividend income from financial assets held at fair value through other comprehensive income	9	48,600	45,643
General and administrative expenses	22	(148,413)	(123,619)
Selling and marketing expenses		(10,027)	(25,104)
Impairment charges	24	(95,974)	(21,190)
Share of profit on investment in associates		-	5,124
Gain on acquisition of shares in associates		-	7,787
Share of income/(loss) on investment in joint ventures		592	(269)
Other (expense)/income, net		<u>(3,736)</u>	<u>44,683</u>
Operating profit		262,758	242,304
Finance cost	18	<u>(41,899)</u>	<u>(29,867)</u>
Profit for the year		<u>220,859</u>	<u>212,437</u>
Profit attributable to:			
Owners of the Parent		203,304	202,517
Non-controlling interests	19	<u>17,555</u>	<u>9,920</u>
		<u>220,859</u>	<u>212,437</u>
Basic and diluted earnings per share	25	<u>0.251</u>	<u>0.250</u>

Al Qudra Holding PSC and its subsidiaries

Consolidated statement of comprehensive income

	Note	Year ended 31 December	
		2018 AED'000	2017 AED'000
Profit for the year		220,859	212,437
Other comprehensive income:			
<i>Items that will not be reclassified to consolidated income statement</i>			
Change in the fair value of financial assets through other comprehensive income	9	(92,887)	36,660
Transfer on disposal of financial assets measured at fair value through other comprehensive income to retained earnings	9	(1,096)	-
<i>Items that may be reclassified to consolidated income statement</i>			
Exchange differences on translation of foreign operations		(66)	2,133
Other comprehensive (loss)/income for the year		(94,049)	38,793
Total comprehensive income for the year		<u>126,810</u>	<u>251,230</u>
Total comprehensive income attributable to:			
Owners of the Parent		109,255	241,310
Non-controlling interests	19	<u>17,555</u>	<u>9,920</u>
		<u>126,810</u>	<u>251,230</u>

Al Qudra Holding PSC and its subsidiaries

Consolidated statement of changes in equity

	Attributable to Owners of the Parent							Non-controlling interests AED '000	Total equity AED '000
	Share capital AED '000	Legal reserve AED '000	Merger reserve AED '000	Other reserves AED '000	Cumulative changes in fair value AED '000	Retained earnings AED '000	Total AED '000		
At 1 January 2018	808,984	266,609	336,465	241,961	207,413	452,043	2,313,475	147,137	2,460,612
Impact of changes in new accounting policies (Note 3.2)	-	-	-	-	-	(12,131)	(12,131)	-	(12,131)
At 1 January 2018	808,984	266,609	336,465	241,961	207,413	439,912	2,301,344	147,137	2,448,481
Profit for the year	-	-	-	-	-	203,304	203,304	17,555	220,859
Other comprehensive loss for the year	-	-	-	(66)	(92,887)	(1,096)	(94,049)	-	(94,049)
Transactions with owners in their capacity as owners (Note 1)	-	-	-	-	-	(41,905)	(41,905)	-	(41,905)
Dividends declared (Note 28)	-	-	-	-	-	(72,808)	(72,808)	-	(72,808)
Transfer to legal reserve (Note 14)	-	6,593	-	-	-	(6,593)	-	-	-
At 31 December 2018	808,984	273,202	336,465	241,895	114,526	520,814	2,295,886	164,692	2,460,578
At 1 January 2017	600,000	246,357	-	(6,057)	170,753	209,843	1,220,896	(44,309)	1,176,587
Profit for the year	-	-	-	-	-	202,517	202,517	9,920	212,437
Other comprehensive income for the year	-	-	-	2,133	36,660	-	38,793	-	38,793
Business combination (Notes 15 & 16)	208,984	-	336,465	245,885	-	113,935	905,269	181,526	1,086,795
Dividends declared (Note 28)	-	-	-	-	-	(54,000)	(54,000)	-	(54,000)
Transfer to legal reserve	-	20,252	-	-	-	(20,252)	-	-	-
At 31 December 2017	808,984	266,609	336,465	241,961	207,413	452,043	2,313,475	147,137	2,460,612

The notes from 1 to 30 form an integral part of this consolidated interim financial information.

Al Qudra Holding PSC and its subsidiaries

Consolidated statement of cash flows

	Note	Year ended 31 December	
		2018 AED'000	2017 AED'000
Cash flows from operating activities			
Profit for the year		220,859	212,437
Adjustment for the acquired subsidiary profit		-	(65,134)
		<u>220,859</u>	<u>147,303</u>
Adjustments for:			
Dividend income	9	(48,600)	(45,643)
Finance cost		41,899	29,867
Charge for employees' end of service benefits		2,706	2,585
Depreciation of property, plant and equipment	6	11,376	14,665
Loss on disposal of property, plant and equipment		2,412	6,610
Impairment charges of property, plant and equipment	6	2,000	1,000
Impairment charges of development work in progress	12	15,639	19,222
Impairment charges of trade receivables	10	80,389	968
Reversal of impairment of due from related party balances	11	(2,054)	-
Share of loss on investment in joint ventures		2,955	269
Share of profit on investment in associates		-	(12,911)
Change in fair value of investment properties, net	7	(325,706)	(898)
		<u>3,875</u>	<u>163,037</u>
<i>Changes in working capital:</i>			
Inventories		1,140	(2,032)
Development work in progress		(1,000)	16,246
Trade and other receivables		(461,786)	(87,050)
Due from related parties		15,769	(7,634)
Due to related parties		(29,757)	(8,363)
Trade and other payables		512,917	69,813
Employees' end of service benefit paid, net		(1,332)	(387)
Net cash flows generated from operating activities		<u>39,826</u>	<u>143,630</u>

Al Qudra Holding PSC and its subsidiaries

Consolidated statement of cash flows (continued)

	Note	Year ended 31 December	
		2018 AED'000	2017 AED'000
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(39,609)	(28,770)
Proceed from disposal of property, plant and equipment		-	1,224
Purchase of investment properties	7(i)	(350,273)	(70,214)
Dividends received		53,708	42,585
Interest income received		-	1,801
Proceeds from redemption of financial assets at fair value through other comprehensive income	9	12,001	7,366
Margin/term deposits placed		(15,728)	(13,393)
Net cash flows used in investing activities		(339,901)	(59,401)
Cash flows from financing activities			
Loan drawdowns		491,834	56,925
Loan repayments		(161,746)	(142,692)
Finance costs paid		(39,226)	(29,616)
Dividend paid		(62,634)	(54,000)
Net cash flows generated from/(used in) financing activities		228,228	(169,383)
Net decrease in cash and cash equivalents		(71,847)	(85,154)
Net foreign exchange differences		(66)	2,728
Cash acquired from Al Rayan		-	42,813
Cash and cash equivalents at 1 January	13	95,507	135,120
Cash and cash equivalents at 31 December	13	23,594	95,507

Certain non-cash transactions relating to acquisition of NCI have been excluded from the consolidated statement of cash flows.

Al Qudra Holding PSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018

1 General information

Al Qudra Holding PSC (the “Company”) is a private joint stock company incorporated in the Emirate of Abu Dhabi, United Arab Emirates (UAE). The Company’s shares are listed on Abu Dhabi Stock Exchange market.

The Company is registered under commercial license No. CN-1002912. The registered office of the Company is located at Abu Dhabi Island, Al Salam Street, Block 48-C35, Al Qudra Holding Building, Abu Dhabi, P.O. Box 48111, U.A.E. The Company and its subsidiaries together are referred to as (“the Group”).

The Group is primarily engaged in investing in pioneering business ideas and forming strategic partnerships emanating from focused research and the expertise of its founders. The Group envisages subscribing as founder in potentially successful companies, development, management, sales and leasing of real estate projects, launch and manage educational, hospitality and health care projects and acquire controlling interests in strategic companies.

The Group has not made any social contributions during the year ended 31 December 2018.

During the year, the Company has entered into a share purchase agreement (SPA) whereas, the Company acquired 35% in Radiant & Moonflower Real Estate Development LLC for AED 635,000 thousand, being the fair value of the consideration. At the date of SPA, the carrying value of net assets transferred amounted to AED 593,095 thousand. The difference of fair value of the consideration and the carrying value of the net assets of AED 41,905 thousand was recognised in the consolidated statement of changes in equity.

These consolidated financial statements include the following direct and indirect subsidiaries:

Name of subsidiaries	Place of incorporation and operation	Percentage of ownership		Principal activities
		2018	2017	
Al Qudra Real Estate LLC	UAE	100%	100%	Real estate management.
Al Qudra Holding - Morocco	Morocco	100%	100%	General investment.
Smart Hotel Management	Morocco	100%	100%	Hotel management.
Smart Hotel Properties	Morocco	100%	100%	Hotel management.
Kasr Al Bahr	Morocco	100%	100%	Hospitality.
Atlantic Coast Hospitality	Morocco	100%	100%	General investment.
Al Qudra Holding Offshore	Morocco	100%	100%	Holding Company.
Al Qudra Holding – Syria	Syria	100%	100%	General investment.
Al Qudra Real Estate	Syria	100%	100%	Real estate management.
Al Qudra Trading LLC	UAE	100%	100%	Commercial project investment.
Dana Hospitality LLC	UAE	100%	100%	Hotel management.
Ain Al Fayda Real Estate LLC	UAE	100%	100%	Real estate management.
Al Qudra General Trading Establish	UAE	100%	100%	Commercial project investment.

Al Qudra Holding PSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

1 General information (continued)

Name of subsidiaries	Place of incorporation and operation	Percentage of ownership		Principal activities
		2018	2017	
Al Qudra Facilities Management Services LLC	UAE	100%	100%	Cleaning and general maintenance for buildings and establishments management services.
Danat Facility Management LLC	UAE	100%	100%	Facilities management services.
Holiday Inn	UAE	100%	100%	Hotel management service.
Al Qudra for Agricultural and Development Company	UAE	100%	100%	Agriculture development
Envo Scape LLC	UAE	100%	100%	Irrigation network contracting and constructing and maintaining parks and landscape design and planning activities.
Q General Investments Ltd	British Virgin Islands	100%	100%	General investment.
Al Qudra New Line Oil & Gas LLC *	UAE	50%	50%	Oil and gas and maintenance services.
Buhyarat Ain Al Fayda Real Estate LLC	UAE	100%	100%	Real estate management.
Manarah Bay Real Estate	UAE	100%	100%	Real estate management.
Q International Limited	UAE	100%	100%	General Investment.
Al Qudra Services LLC	UAE	100%	100%	Environmental plants maintenance.
Al Qudra and Ravago Investment LLC	UAE	51%	51%	General investment
Q Scape LLC	UAE	51%	51%	Building Maintenance & Landscaping.
Q Energy LLC	UAE	60%	60%	Oil & Gas equipment installation and maintenance services.
Al Qudra Education LLC	UAE	100%	100%	Education Services.
Al Qudra Holding - Algeria	UAE	100%	100%	General Investment.
Al Qudra Holding – International LLC	UAE	100%	100%	Industrial Enterprise & Financial Management.
Emirates Simulation Academy LLC	UAE	60%	60%	Construction, Operation Management and Development of Training Centre.
Q For Commercial Markets Management	UAE	60%	60%	Setup, Ownership and development of commercial Market, Parks and entertainment facilities.
Q Link Transport	UAE	85%	85%	Transportation.

Al Qudra Holding PSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

1 General information (continued)

Name of subsidiaries	Place of incorporation and operation	Percentage of ownership		Principal activities
		2018	2017	
Q Car Park LLC *	UAE	50%	50%	Developing, operating, renting and equipping of car parking.
Q Active for Technologies LLC	UAE	51%	51%	Telecommunication system installation and maintenance.
ABNIA for Industrial Holding LLC *	UAE	50%	50%	Activities of cement, glass, iron, wood and electro mechanical industries.
Al Qudra Belarus Ltd.	Belarus	100%	100%	General Investment.
Al Qudra Holding - Yemen	Yemen	100%	100%	General Investment.
Al Qudra Holding Industrial LLC	UAE	100%	100%	Consultancy in alternative power and industrial projects.
Q Parks Establishment	UAE	100%	100%	Touristic resort management & entertainment investment.
Al Qudra Health Care LLC	UAE	100%	100%	Health care & hospitality.
QP International LLC	UAE	60%	60%	Project Management.
Al Rayan Investment PSC	UAE	99.65%	99.65%	Develop, manage and invest in real estate enterprises.
Construction workers residential City LLC	UAE	65%	65%	Real Estate Investment.
Moon Flower Real Estate Development LLC	UAE	100%	100%	Real Estate Investment.
Green Precast Systems Technology LLC	UAE	100%	60%	General Contracting.
Earth Care Agricultural Products LLC	UAE	100%	100%	Agriculture Business.
Apex Residential LLC	UAE	100%	100%	Real Estate Investment.
Al Rayan Global Real Estate LLC	UAE	100%	100%	Real Estate Investment.
Q construction LLC	UAE	100%	100%	General contracting.
Radiant & Moonflower Real Estate Development LLC	UAE	100%	65%	Real Estate Investment.

*Although the Group owns 50% of the outstanding shares of Al Qudra New Line Oil & Gas LLC, Q Car Park LLC and ABNIA for Industrial Holding LLC, the investment has been classified as a subsidiary by virtue of control over the investee.

Al Qudra Holding PSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

2 Going concern

During the year ended 31 December 2018, the Group has recognised profit for the year of AED 220,859 thousand (2017: AED 212,437 thousand) and as at 31 December 2018 had retained earnings of AED 520,814 thousand (2017: AED 452,043 thousand) and net assets of AED 2,460,578 thousand (2017: AED 2,460,612 thousand). However, the Group carried net current liabilities of AED 377,396 thousand (2017: AED 67,046 thousand) at the reporting date.

The Board of Directors projected the expected future net cash inflows from operations which the existing assets will be generating and they are of the view that the future net cash inflows from operations will be sufficient for the Group to enable it to meet both its liabilities as they fall due and to carry on its business without a significant curtailment of operations in the foreseeable future. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

3 Summary of significant accounting policies

3.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and IFRS Interpretation Committee (IFRIC) interpretations applicable to companies reporting under IFRS. The consolidated financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB). These consolidated financial statements have been prepared under the historical cost convention, except for investment properties and financial assets held at fair value through other comprehensive income that have been measured at fair value.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(a) New standards and amendments – applicable 1 January 2018

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2018, have been adopted in these consolidated financial statements. The application of these revised IFRS, except where stated, have not had any material impact on the amounts reported for the current and prior years.

Al Qudra Holding PSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

3 Summary of significant accounting policies (continued)

3.1 Basis of preparation (continued)

(a) New standards and amendments – applicable 1 January 2018 (continued)

IFRS 9, 'Financial instruments' - The complete version of IFRS 9 replaces most of the guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (FVTOCI) and fair value through profit and loss (FVTPL). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value, through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The Group has adopted IFRS 9 with effect from 1 January 2018. The modified retrospective approach does not require restatement of comparative presented period. Instead the cumulative impact of applying IFRS 9 is accounted for as an adjustment to retained earnings at the start of the current accounting period in which it is first applied, known as the 'date of initial application'. The impact of IFRS 9 on the consolidated financial statements of the Group has been disclosed in Note 3.2.

IFRS 15, 'Revenue from contracts with customers' - The standard replaces IAS 11, 'Construction contracts', IAS 18, 'Revenue' and related interpretations. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use of and obtain the benefits from the good or service. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 also includes a cohesive set of disclosure requirements that will result in an entity providing users of consolidated financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

Amendment to IFRS 15, 'Revenue from contracts with customers' - The amendments comprise clarifications on identifying performance obligations, accounting for licenses of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). The IASB has also included additional practical expedients related to transition to the new revenue standard. The Group has adopted IFRS 15 with effect from 1 January 2018. The impact of IFRS 15 on the consolidated financial statements of the Group has been disclosed in Note 3.2.

Al Qudra Holding PSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

3 Summary of significant accounting policies (continued)

3.1 Basis of preparation (continued)

(a) *New standards and amendments – applicable 1 January 2018 (continued)*

Amendment to IAS 40, ‘Investment Property’ - The amendment clarified that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition of an investment property. The change must be supported by evidence. It was confirmed that a change in intention, in isolation, is not enough to support a transfer to or from the investment property.

IFRIC 22, ‘Foreign currency transactions and advance consideration’ - The interpretation considers how to determine the date of transaction when applying the standard on applying the date of transactions, IAS 21. The date of transaction determines the exchange rate to be used on initial recognition to be used on an initial recognition of a related asset, expense or income. The interpretation provides guidance for when a single payment/receipt is made, as well as for situations where multiple payments/receipts are made.

(b) *New standards and amendments – applicable 1 January 2019*

Amendment to IFRS 9, ‘Financial instrument’ - The amendment permits more assets to be measured at amortised cost than under the previous version of IFRS 9, in particular some pre-payable financial assets. The amendment also confirms that modifications in financial liabilities will result in the immediate recognition of a gain or loss.

It is unlikely that there will be any material impact on the consolidated financial statements of the Group from the adoption of above amendment on 1 January 2019.

IFRS 16, ‘Leases’ - This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a ‘right-of-use asset’ for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

For lessors, the accounting remains mainly unchanged. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

It is unlikely that there will be any material impact on the consolidated financial statements of the Group from the adoption of above new standards on 1 January 2019.

Al Qudra Holding PSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

3 Summary of significant accounting policies (continued)

3.1 Basis of preparation (continued)

(b) *New standards and amendments – applicable 1 January 2019* (continued)

There are no other relevant applicable new standards and amendments to published standards or IFRIC interpretations that have been issued but are not effective for the first time for the Group's year beginning on 1 January 2019 that would be expected to have a material impact on the consolidated financial statements of the Group.

3.2 Changes in accounting policies

As a result of the changes in the Group's accounting policies, opening retained earnings in the consolidated financial statements has been adjusted. IFRS 9 and IFRS 15 were adopted without restating comparative information. The reclassifications and the adjustments arising from the new standards are therefore not reflected in the restated consolidated statement of financial position as at 31 December 2017, but are recognised in the opening retained earnings on 1 January 2018. The adjustments are explained in more detail below.

IFRS 9 'Financial Instruments'

The Group has adopted the impairment requirements of IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the consolidated financial statements as disclosed below. As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and financial liabilities at the date of transition have been recognised in the opening retained earnings of the current year. The adoption of the impairment requirements of IFRS 9 has resulted in changes in accounting policies for impairment of financial assets.

Consolidated statement of financial position	31 December 2017 AED'000	Impact of adoption IFRS 9 AED'000	1 January 2018 AED'000
Financial assets at fair value through other comprehensive income	605,740	-	605,740
Trade and other receivables	576,315	(5,678)	570,637
Due from related parties	34,373	(6,453)	27,920
Retained earnings	452,043	(12,131)	439,912

Al Qudra Holding PSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

3 Summary of significant accounting policies (continued)

3.2 Changes in accounting policies (continued)

Reconciliation of impairment allowance balance from IAS 39 to IFRS 9

The following table reconciles the prior year's closing impairment allowance measured in accordance with the IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 expected credit loss model at 1 January 2018:

	Loan loss allowance under IAS 39 AED'000	Re- measurements AED'000	Loan loss allowance under IFRS 9 AED'000
Financial assets			
Trade and other receivables	56,704	5,678	62,382
Due from related parties	4,091	6,453	10,544
	<u>60,795</u>	<u>12,131</u>	<u>72,926</u>

IFRS 15 Revenue from contracts with customers

The IASB has issued a new standard for the recognition of revenue. IFRS 15 'Revenue from contracts with customers' outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes IAS 11 which covers construction contracts and IAS 18 which covers contracts for goods. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

The Group has adopted IFRS 15 from 1 January 2018 and applied the modified retrospective approach, which does not require restatement of comparative presented period. Instead the cumulative impact of applying IFRS 15 is accounted for as an adjustment to retained earnings at the start of the current accounting period in which it is first applied, known as the 'date of initial application', however there was no impact on the opening retained earnings. Following practical expedients available under the modified retrospective approach of IFRS 15 have been opted by the Group:

- The requirements of the new standard have been applied to contracts that are not completed as at the date of initial application (1 January 2018); and
- The Group has not restated the contracts in accordance with the revenue standard for contract modifications which took place before the date of initial application.

Al Qudra Holding PSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

3 Summary of significant accounting policies (continued)

3.2 Changes in accounting policies (continued)

IFRS 15 Revenue from contracts with customers (continued)

The Group has assessed the impact of applying the new standard on the Group's consolidated financial statements and has identified following areas that were affected:

- Variation orders will have to be accounted for prospectively or as new contracts based on the nature and price of additional products and services requested through these variation orders;
- Incremental costs of obtaining a contract are costs that the Group would not have incurred if the contract had not been obtained and are recognised as an asset if they are expected to be recovered; and
- The Group will have to include variable consideration (including claims, re-measurable contract values and discounts) in the transaction price to which it expects to be entitled from the inception of the contract. The amount of variable consideration will have to be restricted to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

During the impact assessment exercise of IFRS 15, the Group has identified contracts, which meet the above criteria. However, the impact of the above on the consolidated financial statements is not material.

3.3 Basis of consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all the relevant facts and circumstances in assessing whether it has power over an investee, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual agreements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Al Qudra Holding PSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

3 Summary of significant accounting policies (continued)

3.3 Basis of consolidation (continued)

(a) Subsidiaries (continued)

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the investee acquired in the case of a bargain purchase, the difference is recognised directly within consolidated income statement.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in consolidated income statement.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in consolidated income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Al Qudra Holding PSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

3 Summary of significant accounting policies (continued)

3.3 Basis of consolidation (continued)

(a) Subsidiaries (continued)

Business combinations arising from transfers of interests in entities that are under the control of the owners of the Group are accounted using predecessor accounting. The assets and liabilities acquired are recognised at the carrying amounts on the date of acquisition and no adjustments are made to reflect the fair values. Any difference between the consideration given for the acquisition and carrying value of assets and liabilities acquired is recognised directly in equity. No goodwill is recognised as a result of the combination.

(b) Loss of control

If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary;
- De-recognises the carrying amount of any non-controlling interests;
- De-recognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained, with the change in the carrying amount recognised in consolidated income statement;
- Recognises any surplus or deficit in consolidated income statement; and
- Reclassifies the Parent's share of components previously recognised in other comprehensive income to consolidated income statement or retained earnings, as appropriate.

(c) Non-controlling interests

Non-controlling interests (NCI) are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(d) Joint arrangements

The Group applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor.

Al Qudra Holding PSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

3 Summary of significant accounting policies (continued)

3.3 Basis of consolidation (continued)

(e) Associates

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the consolidated income statement of the investee after the date of acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to consolidated income statement where appropriate.

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

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount within impairment losses in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Upon loss of significant influence over the associate, the Group measures and recognises only retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and fair value of the retained investment and proceeds from disposal is recognised in consolidated income statement.

The financial statement 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.

Al Qudra Holding PSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

3 Summary of significant accounting policies (continued)

3.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the respective entity operates ('the functional currency'). The consolidated financial statements are presented in United Arab Emirates Dirhams ("AED"), which is the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Translation differences on non-monetary assets and liabilities such are recognised in consolidated income statement. Translation differences on non-monetary financial assets, such as equities classified at fair value through other comprehensive income, are included in other comprehensive income.

3.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are recognised in the consolidated income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated on the straight-line method, at rates calculated to allocate the cost of assets less their estimated residual value over their expected useful lives as follows:

Type of assets	Years
Buildings	40 years
Machinery and equipment	3 to 4 years
Vehicles	3 to 4 years
Office and computer' equipment	4 to 5 years
Furniture and fixtures	4 to 5 years
Leasehold improvements	lower of lease term or 4 years
Other assets	5 years

Al Qudra Holding PSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

3 Summary of significant accounting policies (continued)

3.5 Property, plant and equipment (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is included in the consolidated income statement when the asset is derecognised.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Capital work in progress

Assets in the course of construction or under inspection pending certification for their intended use, are carried at cost as capital work in progress, and transferred to property and equipment or investment properties, depending on the intention of the management, when available for use. All costs directly attributable to bringing the asset to the location and condition necessary for it to be used in the manner intended by management, are included in the cost of the asset. No depreciation is charged on such assets until available for use.

3.6 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs.

After initial recognition, investment property is carried at fair value. Investment property under construction is measured at fair value only if the fair value is considered to be reliably determinable.

Investment properties under construction for which the fair value cannot be determined reliably, but for which the Group expects that the fair value of the property will be reliably determinable when construction is completed, are measured at cost less impairment until the fair value becomes reliably determinable or construction is completed - whichever is earlier.

Fair value is based on active market prices, adjusted, if necessary, for differences in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. Valuations are performed as of the reporting date by professional valuers, who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the consolidated financial statements.

Al Qudra Holding PSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

3 Summary of significant accounting policies (continued)

3.6 Investment properties (continued)

Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and other assumptions market participants would make when pricing the property under current market conditions.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Changes in fair values are recognised in the consolidated income statement. Investment properties are derecognised when they have been disposed.

Where the Group disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the consolidated income statement.

If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

3.7 Impairment of non-financial assets

Non-financial assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation/depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses are recognised in the consolidated income statement in expense categories consistent with the function of the impaired asset.

Al Qudra Holding PSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

3 Summary of significant accounting policies (continued)

3.8 Financial instruments

The application of the new standard required the Group to apply the following new accounting policies:

Financial assets

(a) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through Other comprehensive income, or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets that whether the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the cash flows that whether contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Management determines the classification of its investment at initial recognition.

(b) Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through consolidated income statement (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in consolidated income statement.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

Al Qudra Holding PSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

3 Summary of significant accounting policies (continued)

3.8 Financial instruments (continued)

Debt instruments (continued)

- i. Financial assets at amortised cost: Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in consolidated income statement. Impairment losses are presented as separate line item in the consolidated income statement.
- ii. Financial assets at fair value through other comprehensive income (FVOCI); are carried at fair value. After initial measurement, the Group present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to the consolidated statement of comprehensive income following the derecognition of the investment. Dividends from such investments continue to be recognised in consolidated income statement as other income when the Group's right to receive payments is established.

(d) Impairment of financial assets

The Group has applied the simplified approach permitted by IFRS 9. However, simplified approach requires expected lifetime losses to be recognised from initial recognition of financial assets.

Financial liabilities

(a) Classification and subsequent measurement

Financial liabilities (including borrowings, trade and other payables and due to related parties) are initially recognised as fair value and subsequently measured at amortised cost.

(b) Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

When replacing an existing debt with a new debt from a new lender, the existing debt would be de-recognised in the consolidated statement of financial position, with the difference between the carrying amount and the fair value of the consideration paid recognised in profit or loss. However, when modifying or exchanging a debt while keeping the original lender, the International Financial Reporting Standards (IFRS) have specific guidance on whether the transaction results in a de-recognition or is accounted for differently. This analysis is driven by the question whether the modification is "substantial" or whether the original debt has been replaced by another debt with "substantially" different terms.

Al Qudra Holding PSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

3 Summary of significant accounting policies (continued)

3.8 Financial instruments (continued)

Accounting policies applied until 31 December 2017

The Group has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy, which is as follows:

Classification

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', 'other financial assets', 'due from related parties', 'other current assets' and 'cash and bank balances' in the consolidated statement of financial position.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through consolidated income statement. Financial assets carried at fair value through consolidated income statement are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Al Qudra Holding PSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

3 Summary of significant accounting policies (continued)

3.8 Financial instruments (continued)

Accounting policies applied until 31 December 2017 (continued)

(ii) Available-for-sale financial assets (continued)

After initial measurement, available-for-sale financial assets are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the fair value adjustment reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the fair value adjustment reserve to the consolidated statement of comprehensive income. Interest earned whilst holding available-for-sale financial assets is reported as interest income using effective interest rate method.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to consolidated income statement over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated statement of comprehensive income.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated statement of income as part of other income. Dividend on available-for-sale equity instruments are recognised in the consolidated statement of income as part of other income when the Group's right to receive payments is established.

Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Al Qudra Holding PSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

3 Summary of significant accounting policies (continued)

3.8 Financial instruments (continued)

Accounting policies applied until 31 December 2017 (continued)

(iii) Impairment of financial assets

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

3.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises the invoiced cost, freight and other expenses incurred in bringing the inventories to their present condition and location. Inventories are valued using the weighted average method.

Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale.

3.10 Development work in progress

Development work in progress consists of properties being developed principally for sale and is stated at the lower of cost or net realisable value. Cost comprises all direct costs attributable to the design and construction of the property. Net realisable value is the estimated selling price in the ordinary course of the business less applicable variable selling expenses.

Al Qudra Holding PSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

3 Summary of significant accounting policies (continued)

3.11 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, current accounts and time deposits with original maturities of three months or less and bank overdrafts. In the consolidated statement of financial position, bank overdrafts are shown within bank borrowings in current liabilities.

3.12 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.13 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.14 Bank borrowings

Bank borrowings are recognised initially at fair value, net of transaction costs incurred. Bank borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs 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.

Al Qudra Holding PSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

3 Summary of significant accounting policies (continued)

3.15 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in consolidated income statement in the period in which they are incurred.

3.16 Employees benefits

A provision is made for the estimated liability for employees' entitlements to annual leave and related benefits as a result of services rendered by the employees up to the reporting date. Provision is also made, using actuarial techniques, for the end of service benefits due to employees in accordance with the Labour Laws applicable in the countries in which the Group operates, for their periods of service up to the reporting date.

The provision relating to annual leave and leave passage is disclosed as a current liability and included in trade and other payables, while that relating to end of service benefits is disclosed as a non-current liability.

The defined benefit liability comprises the present value of the defined benefit obligations using a discount rate based on market yield rates. The Group has not allocated any assets to such plans.

3.17 Revenue recognition

The application of the new standard (IFRS 15) requires management to apply the following new accounting policies:

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding discounts, rebates, customer returns and other sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

(i) **Contract revenue and revenue from sale of goods**

The Group recognises revenue from contracts with customers based on a five step model as set out in IFRS 15:

1. Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Al Qudra Holding PSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

3 Summary of significant accounting policies (continued)

3.17 Revenue recognition (continued)

(i) Contract revenue and revenue from sale of goods (continued)

3. Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
5. Recognise revenue when (or as) the entity satisfies a performance obligation at a point in time or over time.

The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied. The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognising revenue. Where the criteria is met to recognise revenue overtime, the Group measures progress of its projects through the cost to complete method (input method) as it best depicts the transfer of control of products and services under each performance obligation.

When the Group satisfies a performance obligation by delivering the promised goods or services it creates a contract asset based on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives rise to a contract liability.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

Al Qudra Holding PSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

3 Summary of significant accounting policies (continued)

3.17 Revenue recognition (continued)

(i) Contract revenue and revenue from sale of goods (continued)

Contract modifications are defined as a change in the scope or price (or both) of a contract that is approved by the parties to the contract. If there is a modification to the construction contract, then the Group applies the following steps:

- The Group considers where the change is approved. A contract modification could be approved in writing, by oral agreement or implied by customary business practices. If the modification is not approved, then the parties continue to account for the existing contract under IFRS 15. If the parties to a contract have approved a change in the scope of the contract but have not yet determined the corresponding change in price, then the Group estimates the change in process;
- The Group considers whether a modification should be accounted for as a separate contract. Typically, claims and variations in a traditional construction contract context will not be accounted for as separate contracts. This is because such claims and variations do not add a distinct good or service to the contract, as additional goods or services tend to be highly inter-related with the original contract;
- If this is the case, and the construction contract qualifies for over time revenue recognition, the Group re-estimates both the contract price and the stage of completion of the contract. This may require the Group to adjust the cumulative revenue recognised to date; and
- The Group continues to account for the contract by reference to the stage of completion as modified and the new contract price.

Variations which are in the nature of extension of existing scope of work are accounted for using cumulative catch up adjustments to the cost to complete method of revenue recognition. Variation orders which require addition of distinct goods and services to the scope at discounted prices are accounted for prospectively and variation orders which require addition of distinct goods and services to the scope at standalone selling prices are accounted for as new contracts with the customers.

Claims are accounted for as variable consideration. They are included in contract revenue using the expected value or most likely amount approach (whichever is more predictive of the amount the entity expects to be entitled to receive) and it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the claim is subsequently resolved.

The Group combines two or more contracts entered into at or near the same time with the same customer and accounts for the contracts as a single contract if one or more of the following criteria are met:

- The two or more contracts entered into at or near the same time with the same customer are negotiated as a package, with a single commercial objective;
- The amount of consideration to be paid in one contract depends on the price or performance of the other contract; or
- The goods or services promised in the contracts (or some goods or services promised in each of the contracts) are a single performance obligation.

Al Qudra Holding PSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

3 Summary of significant accounting policies (continued)

3.17 Revenue recognition (continued)

(i) Contract revenue and revenue from sale of goods (continued)

If the above criteria is met, the arrangements are combined and accounted for as a single arrangement for revenue recognition.

Pre-contract cost of obtaining a contract with a customer is recognised as an asset if those costs are expected to be recovered.

(ii) Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate (“EIR”) applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(iii) Dividend income

Dividend income from investments is recognised when the rights to receive payment have been established.

(iv) Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue due to its operating nature.

(v) Income from hotel operations

Income from hotel operations comprises revenue from rooms, food and beverages and other associated services provided, and is recognised at the point when the goods are sold or services are rendered.

Al Qudra Holding PSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

3 Summary of significant accounting policies (continued)

3.17 Revenue recognition (continued)

Accounting policies applied until 31 December 2017

The Group has applied IFRS 15 retrospectively, but has elected not to restate comparative information. The impact of adopting the accounting standard did not have a material impact on the consolidated financial statements. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy, which is as follows:

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding discounts, rebates, customer returns and other sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

(a) Contract revenue

Contract revenue is recognised under the percentage-of-completion method. When the outcome of the contract can be reliably estimated, revenue is recognised by reference to the proportion that accumulated costs up to the year-end bear to the estimated total costs of the contract. When the contract is at an early stage and its outcome cannot be reliably estimated, revenue is recognised to the extent of costs incurred up to the year-end which are considered recoverable.

Revenue related to variation orders is recognised when it is probable that the customer will approve the variation and the amount of revenue arising from the variation can be reliably measured.

Claims and incentive payments are recognised as contract revenue when settled or when negotiations have reached an advanced stage such that it is probable that the customer will accept the claim and the amount can be measured reliably.

Losses on contracts are assessed on an individual contract basis and provision is made for the full amount of the anticipated losses, including any losses relating to future work on a contract, in the period in which the loss is first foreseen.

The aggregate of the costs incurred and the profit/loss recognised on each contract is compared against progress billings at the year end. Where the sum of the costs incurred and recognised profit or recognised loss exceeds the progress billings, the balance is shown under trade and other receivables as amounts 'due from customers on contracts'. Where the progress billings exceed the sum of costs incurred and recognised profit or recognised loss, the balance is shown under trade and other payables as amounts 'due to customers on contracts'. In determining contract costs incurred up to the year end, any amounts incurred including advances paid to suppliers and advance billings received from subcontractors relating to future activity on a contract are excluded.

Al Qudra Holding PSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

3 Summary of significant accounting policies (continued)

3.17 Revenue recognition (continued)

Accounting policies applied until 31 December 2017 (continued)

(b) Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity and not to the Group; and
- The costs incurred or to be incurred and amount of revenue in respect of the transaction can be measured reliably.

(c) Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate ("EIR") applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(d) Dividend income

Dividend income from investments is recognised when the rights to receive payment have been established.

(e) Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue due to its operating nature.

3.18 Contract costs

Contract costs comprise direct contract costs and other costs relating to the contracting activity in general and which can be allocated to contracts. In addition, contract costs include other costs that are specifically chargeable to the customer under the terms of the contracts.

Costs that cannot be related to contract activity or cannot be allocated to a contract are excluded from the costs of the construction contracts and are included in general and administrative expenses. A loss is recognised in the consolidated income statement when the expected contract costs exceed the total anticipated contract revenue.

Al Qudra Holding PSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

3 Summary of significant accounting policies (continued)

3.19 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Group as a lessee

Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the consolidated statement of comprehensive income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3.20 Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest thousand currency units unless otherwise stated.

Al Qudra Holding PSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

3 Summary of significant accounting policies (continued)

3.21 Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period.

3.22 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The board of the Group acts as the chief operating decision maker and assesses the consolidated financial performance and position of the Group and makes strategic decisions.

3.23 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to Owners of the Parent, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3.24 Due from/due to customers on contracts

Costs incurred plus recognised profits (less recognised losses) in excess of contract billing to customers are recognised as a receivable on the consolidated statement of financial position.

Contract billing to customers in excess of costs incurred plus recognised profits (less recognised losses) are deferred as a liability on the consolidated statement of financial position and recognition would occur over the period in which future services are performed.

Al Qudra Holding PSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

4 Financial risk management

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow and fair value interest rate risks and price risk), credit risk and liquidity risk. The Group's Board of directors and senior management oversee the management of these risks. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

(a) Market risk

During the year, there has been no change to the Group's manner in which it manages and measures the risk.

(i) Foreign exchange risk

Management considers that the Group is not exposed to a significant foreign currency risk. The following table illustrates the Group's assets and liabilities by currency.

	AED AED'000	USD AED'000	SYP AED'000	MAD AED'000	Others AED'000	Total AED'000
Assets						
31 December 2018						
Property, plant and equipment	261,960	-	-	75,273	126	337,359
Investment properties	3,660,774	-	92,737	-	-	3,753,511
Investment in associates	31,135	-	-	-	-	31,135
Investment in joint ventures	5,703	-	-	499	-	6,202
Financial assets at fair value through other comprehensive income	366,823	121,544	-	-	11,389	499,756
Trade and other receivables	938,300	-	-	-	7,281	945,581
Due from related parties	19,497	-	-	-	1,161	20,658
Inventories	2,461	-	-	-	35	2,496
Development work in progress	494,928	-	-	-	-	494,928
Cash and bank balances	48,221	-	-	-	5,088	53,309
	<u>5,829,802</u>	<u>121,544</u>	<u>92,737</u>	<u>75,772</u>	<u>25,080</u>	<u>6,144,935</u>
Liabilities						
31 December 2018						
Trade and other payables	2,078,509	-	244	13,170	610	2,092,533
Provision for employees' end of service benefits	14,216	-	-	-	-	14,216
Borrowings	1,516,941	-	-	-	-	1,516,941
Due to related parties	60,667	-	-	-	-	60,667
	<u>3,670,333</u>	<u>-</u>	<u>244</u>	<u>13,170</u>	<u>610</u>	<u>3,684,357</u>
Net position	<u>2,159,469</u>	<u>121,544</u>	<u>92,493</u>	<u>62,602</u>	<u>24,470</u>	<u>2,460,578</u>

Al Qudra Holding PSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

4 Financial risk management (continued)

4.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk

	AED AED'000	USD AED'000	SYP AED'000	MAD AED'000	Others AED'000	Total AED'000
Assets						
31 December 2017						
Property, plant and equipment	265,879	-	-	48,760	-	314,639
Investment properties	2,391,700	-	92,737	-	-	2,484,437
Investment in associates	67,354	-	-	-	-	67,354
Investment in joint ventures	7,862	-	-	-	1,295	9,157
Financial assets at fair value through other comprehensive income	412,853	175,430	-	-	17,457	605,740
Trade and other receivables	568,691	-	-	-	7,624	576,315
Due from related parties	31,822	-	-	-	2,551	34,373
Inventories	3,602	-	-	-	34	3,636
Development work in progress	398,567	-	-	-	-	398,567
Cash and bank balances	87,940	-	-	-	21,554	109,494
	<u>4,236,270</u>	<u>175,430</u>	<u>92,737</u>	<u>48,760</u>	<u>50,515</u>	<u>4,603,712</u>
Liabilities						
31 December 2017						
Trade and other payables	850,327	-	250	1,751	653	852,981
Provision for employees' end of service benefits	12,733	-	109	-	-	12,842
Borrowings	1,186,853	-	-	-	-	1,186,853
Due to related parties	90,424	-	-	-	-	90,424
	<u>2,140,337</u>	<u>-</u>	<u>359</u>	<u>1,751</u>	<u>653</u>	<u>2,143,100</u>
Net position	<u>2,095,933</u>	<u>175,430</u>	<u>92,378</u>	<u>47,009</u>	<u>49,862</u>	<u>2,460,612</u>

(ii) Cash flow and fair value interest rate risks

Interest rate risk arises on floating interest-bearing financial instruments (Note 18) recognised in the consolidated statement of financial position. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group manages these risks based on management's assessment on regular basis of available options.

Al Qudra Holding PSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

4 Financial risk management (continued)

4.1 Financial risk factors (continued)

Interest rate sensitivity analysis

For floating interest-bearing financial instruments (Note 18), the analysis is prepared assuming the amount of financial liability outstanding at the end of the reporting period was outstanding for the whole year. If interest rates had been 1% higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2018 would decrease/increase by AED 13,519 thousand (2017: profit would decrease/increase by AED 8,075 million).

(iii) Price risk

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks. The Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

The Group is not exposed to significant price risks as it does not have significant price sensitive assets and liabilities.

(b) Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities including retention receivables, trade receivables, due from related parties and balances with banks.

(i) Credit Risk management

For balances with banks, the Group deals with investment grade banks.

For trade and other receivables, the Group is only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. If wholesale customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, management assesses the credit quality of the customer, taking into account past experience and other factors.

Al Qudra Holding PSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

4 Financial risk management (continued)

4.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial due to the high credit for these banks.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been assessed on individual basis considering the history of defaults, recoveries and exposure at default. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. The loss allowances for trade receivables and contract assets as at 31 December 2018 are illustrated in Note 10.

(iii) Write off

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 365 days past due.

4.2 Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the nature of the underlying business through the Group maintains adequate bank balances and credit facilities to fund its operations. Management monitors the forecast of the Group's liquidity position on the basis of expected cash flow.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

Al Qudra Holding PSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

4 Financial risk management (continued)

4.2 Liquidity risk (continued)

	Less than one year AED'000	One to five years AED'000	More than five years AED'000	Total AED'000
As at 31 December 2018				
Financial liabilities				
Borrowings including interest	230,416	1,273,962	328,889	1,833,267
Trade and other payables (Note 27)	1,510,420	468,554	-	1,978,974
Due to related parties	60,667	-	-	60,667
	<u>1,801,503</u>	<u>1,742,516</u>	<u>328,889</u>	<u>3,872,908</u>
Financial assets held to manage liquidity risk				
Financial assets at fair value through other comprehensive income	-	499,756	-	499,756
Trade and other receivables (Note 27)	631,448	41,096	-	672,544
Due from related parties	15,313	5,345	-	20,658
Cash and bank balances	53,309	-	-	53,309
	<u>700,070</u>	<u>546,197</u>	<u>-</u>	<u>1,246,267</u>
Liquidity deficit	<u>1,101,433</u>	<u>1,196,319</u>	<u>328,889</u>	<u>2,626,641</u>
As at 31 December 2017				
Financial liabilities				
Borrowings including interest	120,397	908,163	448,264	1,476,824
Trade and other payables (Note 27)	530,242	181,517	-	711,759
Due to related parties	3,198	87,226	-	90,424
	<u>653,837</u>	<u>1,176,906</u>	<u>448,264</u>	<u>2,279,007</u>
Financial assets held to manage liquidity risk				
Financial assets at fair value through other comprehensive income	-	605,740	-	605,740
Trade and other receivables (Note 27)	335,951	125,156	-	461,107
Due from related parties	28,374	5,999	-	34,373
Cash and bank balances	109,494	-	-	109,494
	<u>473,819</u>	<u>736,895</u>	<u>-</u>	<u>1,210,714</u>
Liquidity deficit	<u>180,018</u>	<u>440,011</u>	<u>448,264</u>	<u>1,068,293</u>

Al Qudra Holding PSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

4 Financial risk management (continued)

4.3 Fair value estimation

The Group classifies its valuations of financial instruments carried at fair value and investment properties for which fair value is disclosed in the following levels of fair value hierarchy:

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

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
At 31 December 2018				
Investment properties	-	-	3,753,511	3,753,511
Financial assets at fair value through other comprehensive income	1,665	410,522	87,569	499,756
	<u>1,665</u>	<u>410,522</u>	<u>3,841,080</u>	<u>4,253,267</u>
At 31 December 2017				
Investment properties	-	-	2,484,437	2,484,437
Financial assets at fair value through other comprehensive income	4,625	489,322	111,793	605,740
	<u>4,625</u>	<u>489,322</u>	<u>2,596,230</u>	<u>3,090,177</u>

The following valuation techniques and significant unobservable inputs were used in measuring Level 3 fair value for financial instruments measured at fair value in the consolidated statement of financial position.

- (i) Valuation techniques and significant unobservable inputs

Financial assets measured at fair value through other comprehensive income

Unquoted shares

Valuation technique: The investment's fair value is estimated on the basis of an analysis of the investee's financial position and results, risk profile, prospects and other factors.

Significant unobservable input: the investee's financial position and results, risk profile, prospects and other factors used for the valuation are unobservable.

Al Qudra Holding PSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

4 Financial risk management (continued)

4.3 Fair value estimation (continued)

Unquoted shares (continued)

Inter-relationship between significant unobservable inputs and fair value: The estimated fair value would increase/(decrease) if these significant unobservable inputs were better/(worse).

During the reporting period ended 31 December 2018, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 fair value measurements.

The significant inputs to fair value investment properties are detailed in Note 7.

4.4 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry, the Group monitors capital on the basis of gearing ratio which is calculated as net debt divided by total 'equity' (as shown in the consolidated statement of financial position including non-controlling interests).

The gearing ratio of the Group at 31 December 2018 and 31 December 2017 were as follows:

	2018 AED'000	2017 AED'000
Bank borrowings	1,516,941	1,186,853
Less: cash and cash equivalents	<u>(53,309)</u>	<u>(109,494)</u>
Net debt	<u>1,463,632</u>	<u>1,077,359</u>
Total equity	<u>2,460,578</u>	<u>2,460,612</u>
Net debt to equity ratio	<u>59.5%</u>	<u>43.8%</u>

Al Qudra Holding PSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

5 Critical accounting estimates and judgements

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. The judgements, estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, including expectations of future events that are believed to be reasonable under the circumstances .

Estimates and underlying assumptions are reviewed on an on-going basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future period affected.

Critical accounting estimates, assumptions and judgement

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

(a) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's history, existing market conditions as well as forward looking estimates at the end of each reporting period. The Group has applied individual impairment on significant balances.

(b) Fair value of investment properties

Accounting estimate

The Group carries its investment properties at fair value, with changes in fair value being recognised in the consolidated income statement. Valuation methodology based on a discounted cash flow model, income capitalisation method, etc. is used to assess the fair value of the investment properties, where there is lack of comparable market data because of the nature of the properties.

The determined fair value of the investment properties is most sensitive to the discount rate used and long-term occupation rate. The key assumptions used to determine the fair value of the investment properties are further explained in Note 7.

Judgement

While estimating the fair value of investment properties, the Group made a judgement that the lease of plot of lands, upon which these investment properties are built on, will be renewed at the expiry of the existing lease term.

Al Qudra Holding PSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

5 Critical accounting estimates and judgements

(c) Valuation of unquoted equity investments carried at fair value through other comprehensive Income

Valuation of unquoted equity investments carried at fair value through other comprehensive income is normally based on recent market transactions on an arm's length basis, fair value of another instrument that is substantially the same, expected cash flows discounted at current rates for similar instruments or other valuation models.

(d) Impairment of development work in progress

Properties classified under development work in progress are assessed for impairment based on cash flows when there is indication that those assets have suffered an impairment loss. Cash flows are determined based on contractual agreements or future expected selling prices and estimations of total costs until the properties are completed. Any impairment losses determined by the Group are recorded in consolidated statement income statement.

(e) Classification of properties

In the process of classifying properties, management has made various judgments. Judgment is needed to determine whether a property qualifies as an investment property, property plant and equipment, inventory and/or land held for resale. The Group develops criteria so that it can exercise that judgment consistently in accordance with the definitions of investment property, property, plant and equipment and land held for resale. In making its judgment, management considered the detailed criteria and related guidance for the classification of properties as set out in IAS 2, IAS 16 and IAS 40.

Al Qudra Holding PSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

6 Property, plant and equipment

Cost	Land and buildings AED '000	Machinery and equipment AED '000	Vehicles AED '000	Office and computer equipment AED '000	Furniture and fixtures AED '000	Leasehold improvements AED '000	Other assets AED '000	Capital work in progress AED '000	Total AED '000
At 1 January 2017	281,426	53,415	2,595	13,347	17,594	5,539	19,449	101,626	494,991
Additions	2,619	5	235	80	2,354	-	1,780	21,697	28,770
Additions from business acquisition (Note 15)	-	-	192	72,036	2,765	-	-	-	74,993
Disposals	-	(2)	(118)	(672)	(760)	(5)	-	(7,315)	(8,872)
Reclassifications	(21,944)	2	(2)	1,101	4	-	1,182	19,657	-
Net foreign currency exchange differences	1,285	-	8	78	7	-	359	2,874	4,611
At 31 December 2017	263,386	53,420	2,910	85,970	21,964	5,534	22,770	138,539	594,493
Additions	-	188	15	1,560	3,619	-	385	33,842	39,609
Transfers	12,256	-	-	-	-	-	-	(12,256)	-
Disposals	(8)	-	(103)	(13)	(2,288)	-	-	-	(2,412)
Net foreign currency exchange differences	-	-	-	-	20	-	-	(1,121)	(1,101)
At 31 December 2018	275,634	53,608	2,822	87,517	23,315	5,534	23,155	159,004	630,589

Al Qudra Holding PSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

6 Property, plant and equipment (continued)

	Land and buildings AED '000	Machinery and equipment AED '000	Vehicles AED '000	Office and computer equipment AED '000	Furniture and fixtures AED '000	Leasehold improvements AED '000	Other assets AED '000	Capital work in progress AED '000	Total AED '000
Accumulated depreciation									
At 1 January 2017	48,427	52,289	2,183	12,675	8,583	5,539	16,531	-	146,227
Charge for the year	9,428	169	182	1,131	2,625	-	1,130	-	14,665
Disposals	-	(2)	(62)	(504)	(465)	(5)	-	-	(1,038)
Charge from business acquisition (Note 15)	-	-	184	68,242	2,749	-	-	-	71,175
Net foreign exchange differences	(394)	-	(6)	(51)	(3)	-	(181)	-	(635)
At 31 December 2017	57,461	52,456	2,481	81,493	13,489	5,534	17,480	-	230,394
Charge for the year	6,582	1,152	32	1,398	1,994	-	218	-	11,376
At 31 December 2018	64,043	53,608	2,513	82,891	15,483	5,534	17,698	-	241,770
Impairment allowance									
At 1 January 2017	-	-	-	-	-	-	-	48,460	48,460
Impairment charges (Note 21)	-	-	-	-	-	-	-	1,000	1,000
At 31 December 2017	-	-	-	-	-	-	-	49,460	49,460
Impairment charges (Note 21)	-	-	-	-	-	-	-	2,000	2,000
At 31 December 2018	-	-	-	-	-	-	-	51,460	51,460
Net book value									
At 31 December 2018	211,591	-	309	4,626	7,832	-	5,457	107,544	337,359
At 31 December 2017	205,925	964	429	4,477	8,475	-	5,290	89,079	314,639

Al Qudra Holding PSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

7 Investment properties

	Properties under development AED'000	Labour camp AED'000	Land AED'000	Building and residential apartments AED'000	Total AED'000
At 1 January 2017	-	-	336,337	89,900	426,237
Assets acquired from business combination (Note 15)	803,090	796,000	317,000	998	1,917,088
Transfers	-	-	70,000	-	70,000
Additions	53,011	-	5,998	11,205	70,214
Gain or loss on change in fair value	30,899	4,000	(13,998)	(20,003)	898
At 31 December 2017	887,000	800,000	715,337	82,100	2,484,437
Additions	943,368	-	-	-	943,368
Gain or loss on change in fair value	298,406	6,000	22,900	(1,600)	325,706
At 31 December 2018	2,128,774	806,000	738,237	80,500	3,753,511

The Group's investment properties were valued at 31 December 2018 and 31 December 2017 by independent professionally qualified valuers who hold a recognised relevant professional qualification and have experience in the locations and segments of the investment properties valued.

Some investment properties are mortgage against borrowings.

Al Qudra Holding PSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

7 Investment properties (continued)

(i) Properties under development

	Labour/staff camp	Complex	Total
At 1 January 2018	887,000	-	887,000
Additions	846,594	96,774	943,368
Gain on change in fair value	298,406	-	298,406
At 31 December 2018	<u>2,032,000</u>	<u>96,774</u>	<u>2,128,774</u>

Labour/staff camp

During the year 2012, Zones Corp provided a plot of land to Moon Flower Real Estate Development LLC ("Moon Flower"), a sub-subsidiary of the Group for a lease period of thirty years. Moon Flower is in the process of constructing labour/staff camp on this land.

The valuation has been based on the discounted cash flow approach. The main assumptions used in the valuation are, capitalisation yield rate of 12% and 10% for the 'labour and staff accommodation' and 'commercial element of the building', respectively and that the property will have 5,998 labour accommodation rooms. The property is expected to be completed during the year 2019. The estimated additional cost to complete as at 31 December 2018 AED 85,600 thousand (2017: AED 431,384 thousand).

In 2017, the Group had borrowed funds (Note 18 – Bank 1) specifically for the purpose of constructing this asset. The finance cost directly attributable to the construction of the qualifying asset being capitalised as part of the property under development amounted to AED 37,112 thousand (2017: AED 13,491 thousand).

Complex

The complex represents a new traditional souq (the Souq) situated between Al Maqta'a bridge and Khaleej Al Arabi Street located at the gateway to the Abu Dhabi. The Souq mainly comprises of commercial units and hubs which are expected to yield rental from its use. At the date of reporting, the Souq was presented at the actual cost paid.

(ii) Labour camp

The fair value of Construction Workers Residential City project (labour camp) has been based on income approach with a yield rate of 11.5%, amounted to AED 806,000 thousand (2017: AED 800,000 thousand), which has been determined based on a valuation performed by an external independent valuer.

Al Qudra Holding PSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

7 Investment properties (continued)

(ii) Labour camp (continued)

Lease revenue from this property recognised in the consolidated income statement amounted to AED 95,568 thousand (2017: AED 88,845 thousand). The lease costs incurred and presented in the consolidated income statement amounted to AED 33,557 thousand (2017: AED 24,572 thousand).

(iii) Land

The following table illustrates the details of the plots of land, which are owned by the Group:

Plot	Location	2018 AED'000	2017 AED'000
Manarah Bay (a)	Abu Dhabi, UAE	265,000	236,600
Khalifa city A (b)	Abu Dhabi, UAE	165,000	165,000
Khalifa city B (b)	Abu Dhabi, UAE	155,000	160,000
Damascus Syria (c)	Syrian Arab Republic	92,737	92,737
Reem Island plot RT6-C7 (d)	Abu Dhabi, UAE	44,000	45,000
Hydra golf walk (d)	Abu Dhabi, UAE	16,500	16,000
		<u>738,237</u>	<u>715,337</u>

(a) Manarah Bay

The fair value of Manarah Bay has been determined by considering both the direct comparison and residual approaches. As at 31 December 2018 the fair value as per the valuation report was AED 265,000 thousand (2017: AED 236,600 thousand).

(b) Khalifa city A and Khalifa city B

The Group owns two plots of land in Khalifa City A and Khalifa City B for which the Group intends to construct investment properties for rental income. The fair values of these plots were determined using comparable method after making specific adjustments.

(c) Damascus Syria

The Group holds a plot of land in Syrian Arab Republic. The Group's intention is to develop this plot in future. The plot has been valued by an independent valuer based in Lebanon who has valued the plot at AED 219,409 thousand (2017: AED 202,513 thousand). Management reduced the fair value to AED 92,737 thousand (55% reduction) considering economy downturn and devaluation of currency. Furthermore, management took into consideration the political situation.

Al Qudra Holding PSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

7 Investment properties (continued)

(iii) Land (continued)

(d) Reem Island plot RT6-C7 and Hydra golf walk

The Group owns two plots of land in Reem Island and Hydra golf walk, respectively, for which the Group intends to construct investment properties for rental income. The fair value of these plots were determined using "Direct Comparison" approach.

(iv) Buildings

Plot	Location	2018	2017
		AED'000	AED'000
Al Qudra building (a)	Abu Dhabi, UAE	50,800	52,100
Ain Al Faydah Resort (b)	Al Ain, UAE	28,700	29,000
Al Ghadeer Project - Villa	Abu Dhabi, UAE	1,000	1,000
		<u>80,500</u>	<u>82,100</u>

(a) Al Qudra building

During the year 2016, the Group transferred the Group's head office building's ground floor, mezzanine floor and floors 1-3 to investment properties as those areas of the property started were used for rental generation. The fair value of this building was determined using investment method of valuation (Income Capitalisation).

Rental income has been recognised in the consolidated income statement of AED 4,686 thousand. The direct and indirect costs incurred in the consolidated income statement amounted to AED 1,965 thousand.

(b) Ain Al Faydah Resort

The fair value had been determined using the investment method of valuation (net income capitalisation method).

Manarah Bay and Ain Al Fayda resort were initially recorded in investment properties category at a nominal value of AED 1 in accordance with the Group's accounting policy for government grants.

Al Qudra Holding PSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

8 Investment in associates

	2018 AED'000	2017 AED'000
Q Construction L.L.C. (i)	-	31,111
Sawaeed Employment L.L.C. (ii)	31,135	36,243
	<u>31,135</u>	<u>67,354</u>

The movement of investment in associate is as follows:

	As at 1 Jan AED'000	Additions/ (transfer) AED'000	Share in profit AED'000	Dividends AED'000	Gain on additional purchased AED'000	Total AED'000
2018						
Q Construction L.L.C. (i)	31,111	(31,111)	-	-	-	-
Sawaeed Employment L.L.C. (ii)	36,243	-	-	(5,108)	-	31,135
	<u>67,354</u>	<u>(31,111)</u>	<u>-</u>	<u>(5,108)</u>	<u>-</u>	<u>31,135</u>
2017						
Q Construction L.L.C. (i)	22,324	1,000	-	-	7,787	31,111
Sawaeed Employment L.L.C. (ii)	34,186	-	5,124	(3,067)	-	36,243
	<u>56,510</u>	<u>1,000</u>	<u>5,124</u>	<u>(3,067)</u>	<u>7,787</u>	<u>67,354</u>

- (i) During 2017, the Company entered into an agreement with a third party to purchase an additional 24% of equity of Q Construction L.L.C. for an amount of AED 1,000 thousand. The legal title of this 24% equity has not been transferred to the Company as at 31 December 2017. During 2018, the Group increased its share in the Q Construction L.L.C. to 100% and accordingly the investment has been classified as a subsidiary.
- (ii) Sawaeed Employment L.L.C. is treated as an associate even though the Group holds 10% of equity of the investee since the Group exercises significant influence over the operations and decision making function of the investee due to member of the Board.

9 Financial assets at fair value through other comprehensive income

	2018 AED'000	2017 AED'000
Quoted securities	1,665	4,625
Unquoted securities	498,091	601,115
	<u>499,756</u>	<u>605,740</u>

Al Qudra Holding PSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

9 Financial assets at fair value through other comprehensive income (continued)

The movement in financial assets at fair value through other comprehensive income is as follows:

	2018 AED'000	2017 AED'000
At 1 January	605,740	575,934
Purchases	-	512
Redemptions	(12,001)	(7,366)
Change in fair value, net	(93,983)	36,660
At 31 December	<u>499,756</u>	<u>605,740</u>

The dividend income recognised in consolidated income statements amounted to AED 48,600 thousand (2017: 45,643 thousand).

Fair value of certain unquoted investments have been estimated on the basis of recently concluded sales of similar investments confirmed by market intermediaries or through internal valuations.

10 Trade and other receivables

	2018 AED'000	2017 AED'000
Trade receivables (i)	630,554	265,602
Advances to contractors (ii)	146,959	70,563
Due from customers on contracts*	42,835	43,333
Retention receivables	108,641	207,428
Prepayments and other advances	126,078	44,645
Other receivables	33,285	1,448
	<u>1,088,352</u>	<u>633,019</u>
Impairment allowance	(142,771)	(56,704)
	<u>945,581</u>	<u>576,315</u>
Non-current	41,096	125,156
Current	<u>904,485</u>	<u>451,159</u>
	<u>945,581</u>	<u>576,315</u>
*Due from customers on contracts		
Contract cost plus attributable profits less recognised losses on contracts in progress at the reporting date	4,229,024	4,191,899
Less: progress billings	<u>(4,186,189)</u>	<u>(4,148,566)</u>
	<u>42,835</u>	<u>43,333</u>

Al Qudra Holding PSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

10 Trade and other receivables (continued)

Impairment allowance movement

	2018 AED'000	2017 AED'000
At 1 January 2018	56,704	55,736
Change on initial application of IFRS 9 (Note 3.2)	5,678	-
Restated balance at 1 January 2018	62,382	55,736
Impairment charge	80,389	4,165
Reversal of no longer required impairment charge	-	(3,197)
At 31 December	142,771	56,704

The ageing analysis of trade receivables is as follows:

As at 31 December	Less than 30 days	30 days to 60 days	60 days to 180 days	More than 365 days	Total
2018	387,910	6,697	58,294	177,653	630,554
2017	1,500	-	129,300	134,802	265,602

The discounting impact on non-current receivables is immaterial.

Concentration risk: The Group is exposed to a concentration risk with one of its customers individually representing 63% (2017: 48%) of the total balance of trade and other receivables. The Group does not expect any losses from this customer due as there has been no history of default in payments occurred.

- (i) Included in trade receivables is an amount of AED 386,600 thousand representing contract variation relating to the project of Government villas and associated infrastructure at Al Ain Al Fayda with Abu Dhabi Urban Planning Council (UPC) in respect of Estidama pearl 2.

At the reporting date, Management estimated an amount of AED 386,600 thousand to be recognised as revenue on the basis that this amount is recognised to the extent that it is highly probable that a significant reversal will not occur. Furthermore, the Group has involved an independent consultant to verify and certify the amount of work performed. Further, the management has also recognised an amount of AED 389,490 thousand in direct costs/trade payables representing contract variation costs incurred and claimed by the subcontractor.

- (ii) Advances to contractors include AED 100,196 thousand which represents advances paid to a contractor in respect of property under development.

The Group assessed the recoverability of advances to contractors and impaired only AED 46,763 thousand during the year 2018.

Al Qudra Holding PSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

10 Trade and other receivables (continued)

Retention receivables represent amounts withheld by the customers in accordance with contract terms and conditions. These amounts are to be released upon fulfilment of contractual obligations.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

The maximum exposure to credit risk at the reporting date is represented by the carrying amounts of each class of receivables mentioned above. The contract assets and contract liabilities are disclosed in this Note and Note 17, respectively.

The other classes within trade and other receivables do not contain impaired assets.

11 Related party balances and transactions

Related parties comprise the shareholders, directors, key management personnel and any businesses which are controlled, either directly or indirectly, or jointly controlled by them or over which they exercise significant influence. Pricing and terms of transactions with related parties are in accordance with agreements between the related parties and are approved by the Group's management.

Balances and transaction with related parties

(a) *Balance due from related parties*

	2018 AED'000	2017 AED'000
<u>Joint ventures</u>		
Al Qudra Sports Management	10,533	18,694
Barary Ain Al Fayda	294	-
	<u>10,827</u>	<u>18,694</u>
<u>Other related parties</u>		
Connection Real Estate	5,905	5,905
Projects International Dubai	6,868	6,868
SKM-Q L.L.C.	3,635	3,635
Others	1,913	3,362
	<u>18,321</u>	<u>19,770</u>
	29,148	38,464
Impairment allowance	<u>(8,490)</u>	<u>(4,091)</u>
	<u>20,658</u>	<u>34,373</u>

Al Qudra Holding PSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

11 Related party balances and transactions (continued)

Balances and transaction with related parties (continued)

(a) Balance due from related parties

	2018 AED'000	2017 AED'000
Non-current	5,345	5,999
Current	15,313	28,374
	<u>20,658</u>	<u>34,373</u>

Impairment allowance movement

	2018 AED'000	2017 AED'000
At 1 January 2018	4,091	4,091
Change on initial application of IFRS 9 (Note 3.2)	6,453	-
Restated balance at 1 January 2018	10,544	4,091
Reversal of impairment charge	(2,054)	-
At 31 December	<u>8,490</u>	<u>4,091</u>

(b) Balances due to related parties

	2018 AED'000	2017 AED'000
<u>Other related parties</u>		
Center of Excellence for Applied Research & Training	28,256	28,256
Lootah BCGas	8,467	8,467
GSE Power Systems, Inc.	8,065	8,065
Emirates Link Group	4,661	4,661
Viola Communications L.L.C.	837	1,584
Q Construction L.L.C.	-	29,500
Others	10,381	9,891
	<u>60,667</u>	<u>90,424</u>

(c) Key management compensation

	2018 AED'000	2017 AED'000
Salaries and short-term benefits	32,078	42,558
Post-employment benefits	4,063	3,196

Al Qudra Holding PSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

11 Related party balances and transactions (continued)

(d) Significant transactions with related parties

	2018 AED'000	2017 AED'000
Finance income	679	1,316
Purchases	1,859	2,866
Sales	81	409

12 Development work in progress

	2018 AED'000	2017 AED'000
Al Sadu project - Abu Dhabi (i)	376,000	375,000
Reem Downtown (ii)	111,000	-
Others	43,552	43,552
	530,552	418,552
Impairment allowance	(35,624)	(19,985)
	494,928	398,567

Impairment allowance movement

	2018 AED'000	2017 AED'000
At 1 January	19,985	763
Impairment charge (Note 24)	15,639	19,222
Balance at 31 December	35,624	19,985

Development work in progress represents development and construction costs incurred on assets under construction. As at the reporting date, the development work in progress is in a usable condition and no further impairment exists.

- (i) The Group has a plot of land located in Al Reem Island, Abu Dhabi. The plot was valued by an independent professionally qualified valuer using the direct comparison approach and no impairment was identified.
- (ii) On 19 November 2018, the Group has purchased another plot of land located in Al Reem Island, Abu Dhabi. The plot will be used to construct residential units for resale.

Al Qudra Holding PSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

13 Cash and bank balances

	2018 AED'000	2017 AED'000
Cash and bank balances	23,594	95,507
Term deposits	13,393	13,393
Margin deposits	16,322	594
	<u>53,309</u>	<u>109,494</u>

Term deposits carry an effective interest rate of 1.25% per annum (2017: 0.26% per annum).

For the purpose of consolidated statement of cash flows, cash and cash equivalents comprise:

	2018 AED'000	2017 AED'000
Cash and bank balances	53,309	109,494
Less: term deposits	(13,393)	(13,393)
Less: margin deposits	(16,322)	(594)
	<u>23,594</u>	<u>95,507</u>

14 Legal reserve

In accordance with the Group companies' Articles of Association and the UAE Federal Law No. (2) of 2015, 10% of the annual profit of respective profitable companies each year is to be transferred to a legal reserve that is non-distributable. Transfers to this reserve are required to be made until it equals at least 50% of the paid up share capital of respective companies. During the year, the Group companies' have transferred profit of AED 6,593 thousand to its legal reserve.

15 Business combination

On 12 June 2017, the Company had acquired 99.35% of the shares and voting interests in Al Rayan Investment PSC through shares swap. The Company and Al Rayan Investment PSC agreed that the share swap conversion rate would be 2.61 shares of Al Rayan Investment PSC for one share in Al Qudra Holding PSC.

Accordingly, the Company had issued 208,984 thousand shares at a par value of 1 AED each, to the shareholders of Al Rayan Investment PSC as a consideration for their shares in Al Rayan which amounted to AED 545,449 thousand.

Al Qudra Holding PSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

15 Business combination (continued)

Considering the fact that both Al Qudra Holding and Al Rayan Investment PSC are under common control as the shareholders of Al Qudra Holding own 56.99% of Al Rayan investments shares, the management decided to account for this acquisition in accordance to book value (carry-over basis) accounting on the basis that the investment has simply been moved from one part of the group to another as per IFRS 3. In applying book value accounting, an adjustment may be required in equity to reflect any difference between the consideration paid and the capital of the acquiree. The management has decided to reflect the adjustment in a capital account, called a 'merger' reserve.

	AED' 000
Shares issued in Al Qudra Holding PSC (208,984 thousand shares 1 AED each)	(208,984)
Shares acquired in Al Rayan Investments PSC (5,454 thousand 100 AED each)	545,449
Merger reserve	<u>336,465</u>

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition:

	AED'000
Property, plant and equipment	3,818
Investment properties (Note 7)	1,917,088
Financial instruments at fair value through other comprehensive income	512
Trade receivables	30,736
Cash and cash equivalent	42,813
End of service benefits	(2,315)
Long-term payables	(12,026)
Long-term due to related parties	(8,277)
Long-term bank borrowings	(613,067)
Bank borrowings	(115,150)
Trade and other payables	<u>(147,474)</u>
Total identifiable net assets acquired	<u>1,096,658</u>

Al Qudra Holding PSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

16 Other reserves

The following table shows a breakdown of the consolidated statement of changes in equity line item 'other reserves'.

	Subsidiary's reserves on acquisition AED'000	Foreign currency translation AED'000	Total AED'000
At 1 January 2017	-	(6,057)	(6,057)
Reserves acquired on business acquisition	245,885	-	245,885
Revaluation gain	-	2,133	2,133
At 31 December 2017	<u>245,885</u>	<u>(3,924)</u>	<u>241,961</u>
Revaluation loss	-	(66)	(66)
At 31 December 2018	<u><u>245,885</u></u>	<u><u>(3,990)</u></u>	<u><u>241,895</u></u>

17 Trade and other payables

	2018 AED'000	2017 AED'000
Trade payables	1,482,645	259,802
Retention payables	336,749	341,095
Provision for infrastructure construction cost	59,111	61,869
Accrued expenses	54,435	28,735
Advance from customers	54,448	79,353
Dividend payable	34,282	24,108
Accrued interest	2,924	251
Other payables	67,939	57,768
	<u>2,092,533</u>	<u>852,981</u>
Non-current	527,665	243,386
Current	<u>1,564,868</u>	<u>609,595</u>
	<u><u>2,092,533</u></u>	<u><u>852,981</u></u>

The discounting impact on non-current trade payables is immaterial.

Al Qudra Holding PSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

18 Borrowings

	Current		Non-current	
	2018 AED'000	2017 AED'000	2018 AED'000	2017 AED'000
Term loans	121,531	300,644	510,981	307,267
Islamic financing facility	85,182	55,500	783,568	521,329
Bank overdrafts	15,679	2,113	-	-
Total	<u>222,392</u>	<u>358,257</u>	<u>1,294,549</u>	<u>828,596</u>

The above facilities are taken from commercial banks in the UAE and are repayable in quarterly and semi-annual instalments of various amounts.

Details of term loans/Islamic financing are as follows:

(i) Bank 1

- During the year 2017, the Group had entered into an Islamic financing facility in accordance with Sharia compliant structure, which amounted to AED 600 million.
- The purpose of this facility is to:
 - (a) settle previous loan of the Group from another bank and;
 - (b) Finance the construction cost of the project under development project in Musaffah (Note 7).
- Profit rate: Variable profit rate of 3 months EIBOR + 3.5% margin p.a. with a minimum of 4.75% p.a.
- Repayment terms: Quarterly installments.
- Security: The term loan is secured by mortgage over the project assets amounted to AED 2,032,000 thousand, corporate guarantees and assignment of the rental proceeds.
- Maturity date: 31 January 2027.

Al Qudra Holding PSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

18 Borrowings (continued)

(ii) Bank 2

- During the year 2017, the Group renegotiated an existing term loan amounted to AED 259 million for the purpose of funding its operations. The only change in the terms was a different repayment pattern while the remaining terms remained the same. The change in terms are not significant and accordingly the original loan liability is not extinguished.
- Interest rate: Variable interest rate 3 months EIBOR + 0.5% margin p.a. with a minimum of 4% p.a.
- Repayment terms: Semi-annual installments maturing on 31 December 2021.
- Security: The term loan is secured by first-degree mortgage over a plot of land with a fair value of AED 155,000 thousand (Note 7), irrevocable corporate guarantee and irrevocable assignment of 30% of the project's receivables from the lease of labour camp (Note 7).

(iii) Bank 3

- During the year 2017, the Group renegotiated an existing term loan amounted to AED 59,962 thousand for the purpose of funding its operations.
- Interest rate: Variable interest rate of 3 months EIBOR + 3.5% margin p.a. with a minimum of 5% p.a.
- Repayment terms: Semi-annual installments with a bullet payment at the end of the repayment schedule.
- Maturity date: 31 December 2021.

(iv) Bank 4

- During the year 2013, the Group had entered into a loan agreement amounted to AED 182,827 thousand for the purpose of funding its activities.
- Interest rate: Variable interest rate of annual EIBOR + 4% margin p.a. with a minimum of 6% p.a.
- Repayment terms: Quarterly installments.
- Security: The loan is secured by a first degree mortgage over a land located in Abu Dhabi and the building over this land for a total value of AED 182,827 thousand.
- Maturity date: 31 March 2028.

(v) Bank 5

- During the year 2017, the Group had entered into an agreement for a medium term loan, non-revolving, amounted to AED 200,000 thousand for the purpose of funding its activities.
- Interest rate: Variable interest rate of 6 months EIBOR + 3.5% margin p.a. with a minimum of 5.5% p.a.
- Repayment terms: Quarterly installment.
- Security: The loan is secured by a first degree registered mortgage over Manarah Bay land located in Abu Dhabi for a total value of AED 300 million.
- Maturity date: 30 September 2022.

Al Qudra Holding PSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

18 Borrowings (continued)

Finance cost

During the year 2018, the Group incurred finance cost on its borrowings amounted to AED 41,899 thousand (2017: AED 29,867 thousand).

Net debt reconciliation

	2018 AED'000	2017 AED'000
Cash and cash equivalents	23,594	95,507
Borrowings	<u>(1,516,941)</u>	<u>(1,186,853)</u>
	<u>1,493,347</u>	<u>1,091,346</u>

	Other assets Cash and cash equivalents AED'000	Liabilities from financing activities Borrowings AED'000	Total AED'000
Net debt			
As at 1 January 2017	135,120	(1,272,620)	(1,137,500)
Cash flows	(85,435)	85,767	332
Other non-cash movements	<u>45,822</u>	<u>-</u>	<u>45,822</u>
As at 31 December 2017	95,507	(1,186,853)	(1,091,346)
Cash flows	(71,847)	(330,088)	(401,935)
Other non-cash movements	<u>(66)</u>	<u>-</u>	<u>(66)</u>
As at 31 December 2018	<u>23,594</u>	<u>(1,516,941)</u>	<u>(1,493,347)</u>

19 Non-controlling interests

Set out below is summarised financial information for each subsidiary that has non-controlling interest that is material to the Group. The amounts disclosed for each subsidiary are before intercompany eliminations.

Al Qudra Holding PSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

19 Non-controlling interests (continued)

Summarised statement of financial position

	Construction Workers Residential City		Green Precast Systems Development		Other subsidiaries	
	2018 AED'000	2017 AED'000	2018 AED'000	2017 AED'000	2018 AED'000	2017 AED'000
Non-current assets	809,292	804,784	-	-	3,332	2,018
Current assets	607,738	250,143	230	230	244	12
	<u>1,417,030</u>	<u>1,054,927</u>	<u>230</u>	<u>230</u>	<u>3,576</u>	<u>2,030</u>
Non-current liabilities	783,568	534,111	415	155,729	1,035	779
Current liabilities	130,539	67,842	12,155	12,155	1,021	99
	<u>914,107</u>	<u>601,953</u>	<u>12,570</u>	<u>167,884</u>	<u>2,056</u>	<u>878</u>
Net assets	502,923	452,974	(12,340)	(167,654)	1,520	1,152
Accumulated payable/(receivables) from non-controlling interest	<u>274,523</u>	<u>257,085</u>	<u>(68,531)</u>	<u>(67,062)</u>	<u>(41,300)</u>	<u>(42,886)</u>

Summarised statement of comprehensive income

	Construction Workers Residential City		Green Precast Systems Development		Other subsidiaries	
	2018 AED'000	2017 AED'000	2018 AED'000	2017 AED'000	2018 AED'000	2017 AED'000
Revenue	<u>105,164</u>	<u>98,048</u>	<u>-</u>	<u>-</u>	<u>101,312</u>	<u>53,726</u>
Profit/(loss) for the year	<u>51,096</u>	<u>52,859</u>	<u>(3,522)</u>	<u>(16,678)</u>	<u>329,650</u>	<u>65,554</u>
Other comprehensive income/(loss)	<u>51,096</u>	<u>52,859</u>	<u>(3,522)</u>	<u>(16,678)</u>	<u>329,650</u>	<u>65,554</u>
Profit/(loss) allocated to non- controlling interest	<u>17,884</u>	<u>18,501</u>	<u>(1,409)</u>	<u>(6,671)</u>	<u>1,080</u>	<u>(1,910)</u>

Al Qudra Holding PSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

20 Revenue

	2018 AED'000	2017 AED'000
Revenue from customers on contracts *	423,725	179,127
Income from lease	101,233	93,054
Revenue from hotel services	28,574	31,138
Revenue from sale of plots	15,760	141,792
Others	19,938	56,296
	<u>589,230</u>	<u>501,407</u>

The revenue related to hotel services, sale of plots etc. is recognised at point in time, while the remaining revenue over time.

Revenue from customers on contracts includes AED 386,600 thousand representing contract's variations relating to the project of Government villas and associated infrastructure at Al Ain Al Fayda with Abu Dhabi Urban Planning Council (UPC) in respect of Estidama pearl 2. Further details are presented in Note 10 trade and other receivables.

21 Direct costs

	2018 AED'000	2017 AED'000
Contract costs	<u>443,220</u>	<u>193,056</u>

22 General and administrative expenses

	2018 AED'000	2017 AED'000
Staff costs (Note 23)	77,187	79,012
Rent and premises costs	38,833	20,830
Depreciation (Note 6)	9,563	7,210
Professional fees	7,246	7,616
Others	15,584	8,951
	<u>148,413</u>	<u>123,619</u>

Al Qudra Holding PSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

23 Staff costs

	2018 AED'000	2017 AED'000
Salaries and other benefits	51,424	54,589
Provision for employees' end of service benefits	14,215	12,842
Directors' fees	11,548	11,581
	<u>77,187</u>	<u>79,012</u>

24 Impairment charges

	2018 AED'000	2017 AED'000
Impairment of property, plant and equipment (Note 6)	2,000	1,000
Net impairment loss on trade receivables (Note 10)	80,389	968
Reversal of impairment charge on due from related parties balances (Note 11)	(2,054)	-
Impairment of development work in progress (Note 12)	15,639	19,222
	<u>95,974</u>	<u>21,190</u>

25 Earnings per share

Earnings per share is calculated by dividing the profit attributable to the Owners of the Parent for the year ended 31 December 2018 amounting to AED 203,304 thousand (2017: AED 202,517 thousand) by the weighted average number of shares outstanding during the year of 808,984 thousand (2017: 808,984 thousand).

26 Commitments and contingent liabilities

The commitments relate to the construction of property under development (Note 7) and operating lease towards the land rent upon which the Group has constructed its criteria investment properties on.

	2018 AED'000	2017 AED'000
Within one year	994,083	808,731
More than one year to five years	306,077	166,285
Above five years	142,820	167,068
Guarantees	153,024	150,340

Al Qudra Holding PSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

27 Financial instruments by category

	2018 AED'000	2017 AED'000
Financial assets		
Financial assets at fair value through other comprehensive income	499,756	605,740
<u>Financial assets at amortised cost</u>		
Trade and other receivables (i)	672,544	461,106
Due from related parties	20,658	34,373
Cash and bank balances	53,309	109,494
	<u>746,511</u>	<u>604,973</u>
	<u>1,246,267</u>	<u>1,210,713</u>
<u>Financial liabilities at amortised cost</u>		
Trade and other payables (ii)	1,978,974	711,759
Borrowings	1,516,941	1,186,853
Due to related parties	60,667	90,424
	<u>3,556,582</u>	<u>1,989,036</u>

For the purpose of the disclosure:

- (i) trade and other receivables are presented after excluding advances to contractors and prepayments and other advances; and
- (ii) trade and other payables are presented after excluding provision for infrastructure construction cost and advance from customers

28 Dividend declared

In April 2018, the shareholders had approved a dividend during on their Annual General Meeting amounting to AED 72,808 thousand (2017: AED 54,000 thousand).

29 Segment reporting

Information regarding the Group's operating segments is set out below in accordance with IFRS 8 "Operating Segments". IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the "Executive management" who are the Chief Operating decision-makers in order to allocate resources to the segment and to assess its performance.

Al Qudra Holding PSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

29 Segment reporting (continued)

For the year ended 31 December 2018

	Real Estate	Hospitality	Labour accommodation	Others	Total
Sales of goods and services	445,149	30,685	101,312	12,084	589,230
Cost of goods and services	(427,744)	(8,751)	-	(6,725)	(443,220)
Gross profit	17,405	21,934	101,312	5,359	146,010
Net gain from change in fair value of investment properties	26,300	-	299,406	-	325,706
Dividend income	48,600	-	-	-	48,600
General and administrative expenses	(64,332)	(22,066)	(52,241)	(9,774)	(148,413)
Selling and marketing expenses	(8,694)	(1,291)	-	(42)	(10,027)
Impairment for provisions	(95,974)	-	-	-	(95,974)
Share of income/(loss) on investment in joint ventures	592	-	-	-	592
Other (expense)/income, net	(6,215)	1,438	671	370	(3,736)
Finance cost	(20,449)	(1,910)	(19,499)	(41)	(41,899)
Net segment results	(102,767)	(1,895)	329,649	(4,128)	220,859

For the year ended 31 December 2017

Sales of goods and services	380,632	33,069	53,726	33,980	501,407
Cost of goods and services	(155,894)	(9,389)	-	(27,773)	(193,056)
Gross profit	224,738	23,680	53,726	6,207	308,351
Net gain from change in fair value of investment properties	(42,000)	-	42,898	-	898
Dividend income from financial assets held at fair value through other comprehensive income	45,643	-	-	-	45,643
General and administrative expenses	(72,979)	(19,539)	(20,267)	(10,834)	(123,619)
Selling and marketing expenses	(23,010)	(2,094)	-	-	(25,104)
Impairment for provisions	(20,757)	-	(180)	(253)	(21,190)
Share of income/(loss) on investment in associate	12,911	-	-	-	12,911
Share of income/(loss) on investment in joint ventures	624	(893)	-	-	(269)
Other (expense)/income, net	49,662	(2,226)	(4,388)	1,635	44,683
Finance cost	(22,287)	(483)	(6,656)	(441)	(29,867)
Net segment results	152,545	(1,555)	65,133	(3,686)	212,437

Al Qudra Holding PSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

29 Segment reporting (continued)

	Real Estate	Hospitality	Labour accommodation	Others	Total
As at 31 December 2018					
Segment Assets	2,374,554	91,881	3,341,433	337,067	6,144,935
Segment Liabilities	1,060,356	86,860	1,851,185	685,956	3,684,356
As at 31 December 2017					
Segment Assets	2,211,164	85,826	2,119,551	187,171	4,603,712
Segment Liabilities	544,521	76,341	959,354	562,884	2,143,100

30 Exposure to Abraaj Group

	2018	2017
	AED'000	AED'000
Infrastructure Growth Capital	37,685	79,368
Abraaj Buyout Fund II	12,622	12,622
	50,307	91,990