QATARI DIAR UK LIMITED

Annual Directors' Report and Financial Statements

Registered number 06569590

For the year ended 31 December 2018

Contents

Strategic Report

The directors, in preparing this Strategic Report, have complied with s414C of the Companies Act 2006.

Principal activities

Qatari Diar UK Limited's ('the Company') principal activity is to provide supervisory and administrative services to the Qatari Diar Real Estate Investment Company (QDREIC)'s investments in joint ventures.

Business review

The Statement of Comprehensive Income is set out on page 6 and shows the result for the year. The Company made a loss of £1,995,352 for the year ended 31 December 2018 (31 December 2017: loss of £959,191).

Despite there being a loss the directors are satisfied with the financial performance and the position of the Company the year ended 31 December 2018 for the reasons detailed under the 'Going Concern' assessment within the Directors' Report.

The directors are not recommending a dividend to be paid for the year ended 31 December 2018 (2017: £Nil)

Key performance indicators

A range of performance indicators are used to monitor and manage the business. Those that are particularly important in monitoring the Company's progress in generating value for the shareholders are considered to be key performance indicators (KPIs). These KPIs measure past performance and also provide management with information to allow them to manage the business into the future. Turnover and profit indicate the volume of sales and its profitability.

	2018 £	2017 £
Revenue	3,225,674	10,713,892
Loss for the year	(1,995,352)	(959,191)

Revenues are generated from services provided to related companies under the terms of specific agreements for the provision of services. These agreements are based on market standard terms and conditions.

Post Balance Sheet Events

At the date of this report, the Company is not aware of any post balance sheet events that would affect the financial statements for the year ended 31 December 2018.

Principal Risks and Uncertainties

As detailed within the 'Directors' Report' and 'Notes to the financial statements', due to a corporate restructure in 2017 a significant number of contracts and all employees were transferred to another corporate entity under common control. As a result, risks relating to employment and certain contracts were also transferred.

The risk detailed below, are therefore, deemed to be the most significant:

Liquidity risk

Liquidity risk is the risk that the Company may be unable to meet its short- and long-term financial demands. Qatari Diar Real Estate Investment Company, the ultimate parent, has confirmed to Company that it will continue to support the Company for a period of at least twelve months from the date the financial statements are signed and therefore the liquidity risk is insignificant.

Strategic Report (Continued)

Principal Risks and Uncertainties (Continued)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company's credit risk exposure and mitigation management requirements are minimal due to the vast majority of receivables being with a sister company in the Qatari Diar Group. The Company's policy on cash balances is to hold these with reputable finance institutions and at the balance sheet date all the Company's cash at bank was placed with a counterparty with an A-1+ Standard & Poor's credit rating.

Market risk

The Company focuses on the development advisory services relating to real estate projects. There is limited market risk to the Company as the most of the work for the Company relates to projects which have the support of the ultimate parent company (QDREIC) who have confirmed that they will provide finance to enable the build out of the project.

For and on behalf of the Board

Jean Lamothe
Director

Directors' report

The directors of Qatari Diar UK Limited (the 'Company') present their directors' report and financial statements for the year ended 31 December 2018. The report and financial statements are prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption.

Going concern

Due to a corporate restructure in 2017 a significant number of contracts were novated to another corporate entity under common control. As a result, the company has seen a significant reduction in revenue and performance. The company also has a negative balance sheet with most liabilities owed to entities also under a common control.

Despite the above, the current business plan is to continue to service the remaining contracts this company has undertaken with the financial and operational support of its parent company QDREIC and other entities under common control. QDREIC has provided a letter of support for a period of one year from the signing of the 2018 financial statements.

Given this support, the Directors believe it is appropriate for the Company to prepare its accounts on a going concern basis. In addition, as the nature of the entity is to provide supervisory and administrative services to QDREIC's investments in joint ventures, the directors are of the view that there is no material impact on the Company as a result of COVID-19.

Dividends

There were no interim dividends paid in the current year or prior year. The directors do not recommend to propose the payment of a dividend for the year ended 31 December 2018. (2017: Nil)

Directors

The following directors have held office during the financial year and to the date of this report:

Jean Lamothe
Fahad Al Asmakh (resigned 14 March 2019)
Nabeel Al Buenain (resigned 28 November 2018)
Abdulla Al Ajail (resigned 28 November 2018)
Tariq Al Abdulla (appointed 28 November 2018)
Abdulla Hamad Al Attiyah (appointed 14 March 2019)

Political contribution.

The Company incurred no political expenditure (2017: £nil) during the year.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware of; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditor

Following the resignation of Deloitte LLP as auditor, Ernst & Young LLP were appointed as auditor to the company on 22 August 2019. In accordance with s485 of the Companies Act 2006, a resolution to reappoint Ernst & Young LLP as auditor will be proposed.

By order of the Board

Jean Lamothe
Director
5th June 2020

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Qatari Diar UK Limited

Opinion

We have audited the financial statements of Qatari Diar UK Limited (the 'company') for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flow and the related notes 1 to 18, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report to the members of Qatari Diar UK Limited (Continued)

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company'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 directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 (UK) 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 financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Claire Johnson (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
Date: 5th June 2020

Statement of Comprehensive Income

For the year ended 31 December 2018

	Note	2018	2017
		£	**£**
Revenue	2	3,225,674	10,713,892
Cost of sales	3	(5,273,985)	(11,674,858)
Gross profit/(loss)		(2,048,311)	(960,966)
Net finance income		52,959	1,246
Profit/(loss) before tax	4	(1,995,352)	(959,720)
Taxation credit	7	-	529
Total comprehensive income / (loss) for the year		(1,995,352)	(959,191)

The results of the Company are derived entirely from continuing operations.

There was no income and expense for the current financial year other than that reported in the statement of comprehensive income.

Statement of Financial Position
As at 31 December 2018

	Note	2018 £	2017 £
Non-current assets			
Property, plant and equipment	8	220,667	322,220
		220,667	322,220
Current assets			
Trade and other receivables	10	5,745,054	4,925,266
Amount due from related companies	15	87,859	91,882
Amount due from parent company	15	791,872	791,871
Cash and cash equivalents	11	1,006,506	1,233,673
		7,631,291	7,042,692
Total assets		7,851,958	7,364,912
Current liabilities			
Trade and other payables	12	(1,340,569)	(1,993,998)
Amount due to related companies	15	(10,129,889)	(6,994,062)
		(11,470,458)	(8,988,060)
Total liabilities		(11,470,458)	(8,988,060)
Net liabilities		(3,618,500)	(1,623,148)
Equity			
Share capital	13	1	1
Retained earnings		(3,618,501)	(1,623,149)
Total equity		(3,618,500)	(1,623,148)

These financial statements were approved by the board of directors on 5th June 2020 and were signed on its behalf by:

Jean Lamothe
Director

Company registration number 06569590

Statement of Changes in Equity
For the year ended 31 December 2018

	Share capital	Retained earnings	Total equity
	£	£	£
Balance at 31 December 2016	1	(663,958)	(663,957)
Total Comprehensive loss for the year	-	(959,191)	(959,191)
Balance at 31 December 2017	1	(1,623,149)	(1,623,148)
Total Comprehensive loss for the year	-	(1,995,352)	(1,995,352)
Balance at 31 December 2018	**1**	**(3,618,501)**	**(3,618,500)**

Statement of Cash Flow

For the year ended 31 December 2018

	Note	2018 £	2017 £
Cash flows from operating activities			
(Loss)/profit before tax		(1,995,352)	(959,720)
Adjustments for:			
Depreciation, amortisation and impairment	8	101,553	739,591
Finance income		(52,959)	(1,246)
		(1,946,758)	(221,375)
Decrease/(increase) in trade and other receivables		(819,789)	(226,010)
(Decrease)/increase in trade and other payables		(653,429)	(2,147,942)
Cash flow used in operations		(3,419,976)	(2,595,327)
Net cash flow used in operating activities		(3,419,976)	(2,595,327)
Cash flows used in investing activities			
Purchase of property, plant and equipment	8	-	(11,397)
Sale of property, plant and equipment	8	-	591,311
Interest received		52,959	1,246
Net cash flow generated from investing activities		52,959	581,160
Cash flows from financing activities			
Increase/(Decrease) in intercompany funding		3,139,850	2,004,165
Net cash generated from financing activities		3,139,850	2,004,165
Net decrease in cash and cash equivalents		(227,167)	(10,002)
Cash and cash equivalents at beginning of the year		1,233,673	1,243,675
Cash and cash equivalents at the end of the year		1,006,506	1,233,673

Notes to the financial statements

General Information

Qatari Diar UK Limited (the "Company") is a private company limited by shares which is incorporated and domiciled in the UK. The address of the registered office is 16 Grosvenor Street, London, W1K 4QF.

1 Accounting Policies

Basis of Preparation

The financial statements have been prepared and approved by the board in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The financial statements are presented in Sterling because that is the currency of the primary economic environment in which the company operates and is prepared on the historical cost basis. No rounding has been applied. The accounting policies set out below have, unless otherwise stated, been applied consistently as presented in these financial statements.

New and amended standards and interpretations

IFRS 9 Financial Instruments

The company has adopted IFRS 9 with effect from the 1 January 2018. IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, de-recognition of financial instruments, impairment of financial assets and hedge accounting. There have been no adjustments required to the company's income statement or balance sheet as a result of adopting IFRS 9.

On the 1 January 2018 (the date of initial application of IFRS 9), the company assessed whether it intends to hold financial assets to collect the contractual cash flows, or whether it intends to sell them before maturity and has classified its financial instruments into the appropriate IFRS 9 categories. There is no net impact on the income statement or balance sheet as a result of these changes.

Financial Asset	**Classification – IAS39**	**Classification – IFRS 9**	**Measurement**
Cash and cash equivalent	Amortised Cost	Financial asset at amortised cost	Amortised cost
Trade and other receivables	Loans and receivables	Financial asset at amortised cost	Amortised cost
Intercompany loans	Loans and receivables	Financial asset at amortised cost	Amortised cost

The company's financial assets are subject to the standard's new expected credit loss model for assessing impairment. The company applies the simplified approach to measuring expected credit losses by calculating a lifetime expected loss allowance for all trade receivables and intercompany loans. There has been no adjustment to the loss allowance on 1 January 2018 as the impact of adopting the revised accounting policy is not material.

IFRS 15 Revenue from contracts with customers

The company adopted IFRS 15 Revenue from Contracts with Customers on 1 January 2018.

IFRS 15 Revenue from Contracts with Customers supersedes IAS 11 Construction contracts, IAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for goods or services.

IFRS 15 requires entities to exercise judgement, taking into consideration all the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

There have been no significant changes to the financial statements following the adoption of IFRS 15.

Notes to the financial statements (Continued)

1 Accounting Policies (continued)

Standards issued but not yet effective

The new and amended standards and interpretation that are issued, but not yet effective, up to the date of issuance of the financial statements are disclosed below. The company intends to adopt the new and amended standards and interpretations, if applicable, when they become effective.

New standards and amendments	Effective date:
IFRS 16 Leases	1 January 2019
IFRS 17 Insurance Contracts	1 January 2021
IFRIC Interpretation 23 Uncertainty over Income Tax Treatment	1 January 2019
Amendments to IFRS 9 Prepayments Features with Negative Compensation	1 January 2019
Amendments to IAS 28 Long-term Interest in Associate and Joint Ventures	1 January 2019
Amendments to IAS 19 Plan Amendment, Curtailment or Settlement	1 January 2019

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a lease, SIC-15 operating leases-incentives and SIC-17 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 sets out principles for the recognition, measurement, presentation and disclosure of the leases and requires lessees to account for all leases under a single on-balance sheet model similar to accounting for leases under IAS 17.

The standard includes two recognition exemptions for lessees – leases of 'low value' assets (i.e. printers, computers) and short-term leases (i.e. less than 12 months).

Besides the impact of IFRS 16 stated below, management do not consider that the new standards, amendments to standards and interpretations not yet effective for the period ended 31 December 2018 will have a material impact on the financial statements.

<u>IFRS 16 Leases</u>

At the commencement date of the lease, a lessee will recognise a liability to make a lease payment (i.e. right of use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right of use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (i.e. change in lease term, change in future payments or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17.

The company is likely to adopt the modified retrospective approach with any transitional adjustments made within the opening retained earnings in 2019. The company will also elect to use the exemptions proposed by the standard for short term leases and low value assets.

Sub Leases

IFRS 16 requires a lessor to classify leases as either operating or finance based on the extent to which the lease transfers the risks and rewards incidental to ownership of an underlying asset.

Paragraph B58 of IFRS 16 requires an intermediate lessor to classify a sublease as a finance or operating lease as follows:

Notes to the financial statements (Continued)

1 Accounting Policies (continued)

Sub Leases (continued)

- If the head lease is accounted for as a short term lease, the sublease is classified as an operating lease
- Otherwise, the sublease is classified by reference to the right-of-use asset arising from the head lease.

The company has performed an impact assessment of IFRS 16 which indicates the following impact:

- The sub-leases contain elements of both finance and operating leases
- Recognition of a non-current right of use asset and net investment in sub-lease £2.0 million.
- Recognition of a non-current right of use liability £2.4 million.
- Reduction in opening retained earnings 2019 £0.4 million.

Going concern

Due to a corporate restructure in 2017 a significant number of contracts were novated to another corporate entity under common control. As a result, the company has seen a significant reduction in revenue and performance. The company also has a negative balance sheet with most liabilities owed to entities also under a common control.

Despite the above, the current business plan is to continue to service the remaining contracts this company has undertaken with the financial and operational support of its parent company QDREIC and other entities under common control. QDREIC has provided a letter of support for a period of one year from the signing of the 2018 financial statements.

Given this support, the Directors believe it is appropriate for the Company to prepare its accounts on a going concern basis. In addition, as the nature of the entity is to provide supervisory and administrative services to QDREIC's investments in joint ventures, the directors are of the view that there is no material impact on the Company as a result of COVID-19.

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, trade and other payables as well as amounts due/from related parties.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. Given the nature of trade and other receivables, and their short length of time between the origination and settlement, their amortised cost is the same as the fair value on date of origination.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. Given the nature of trade and other payables, and their short length of time between the origination and settlement, their amortised cost is the same as the fair value on date of origination.

Amounts due/from related parties

Amounts due/from related parties are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Notes to the financial statements (Continued)

1 Accounting Policies (Continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Property, plant and equipment (continued)

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to the profit and loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

- plant and equipment - 3 years
- fixtures and fittings - 5 years
- IT equipment - 3 years (grouped within plant and equipment).

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Operating lease payments

Payments made under operating leases are recognised in the profit and loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss as an integral part of the total lease expense.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Impairments

The carrying amounts of the company's financial assets are reviewed at each balance sheet date for expected credit losses; a financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the credit risk.

If at the balance sheet date, there is a significant change to the credit risk of a financial asset the lifetime expected credit loss will be recognised. If the credit risk of a financial asset has not increased significantly at the balance sheet date, then the company will only recognise impairments equal to 12 months expected credit losses.

Notes to the financial statements (Continued)

1 Accounting Policies (Continued)

Revenue and cost of sales

A transfer pricing margin is applied to the operating cost charged to profit and loss in respect of the service the company provides to entities under common control.

The company's business activity is that described in the Directors' Report.

Cost of sales arise from the services that the company provides. Revenue from contracts is recognised, in accordance with IFRS 15 Revenue from Contracts with Customers, when the company deems the performance obligations of the contract have been met. The amount of revenue recorded reflects the consideration that the company expects to be entitled to in exchange for those services.

Financing income and expenses

Financing expenses comprise interest payable, finance charges on shares classified as liabilities and finance leases, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss. Financing income comprise interest receivable on funds invested, dividend income, unwinding of the discount on services with a significant financing component and net foreign exchange gains.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Critical Accounting Judgement

The preparation of the financial statements in conformity with IFRS that requires the use of certain critical accounting estimates and judgements. It also requires management to exercise judgement in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and impairment, transfer pricing, recoverability of intercompany and including expectations of future events that are believed to be reasonable under the circumstances. The key estimates and judgements are:

Key Estimates

- Useful economic lives of property, plant and equipment;
- Certain Accruals.

Key Judgements

- Recoverability of receivables;
- Indications of impairment on Financial Assets.

Notes to the financial statements (Continued)

2 Revenue	2018 £	2017 £
Rendering of services		
- to parent company	-	2,187,874
- to related companies	-	5,867,959
- to third parties	3,225,674	2,415,466
- Gain on sale of PPE	-	242,593
	3,225,674	10,713,892

3 Cost of sales

Cost of sales arise from the services that the company provides.

4 Operating loss

Included in the operating loss are the following amounts	2018 £	2017 £
Audit of financial statements	9,000	8,200
Staff costs	2,348,827	4,497,106
Depreciation	101,553	364,609
Amortisation of intangible asset	-	374,982

5 Staff numbers and costs

As at the year ended 31 December 2018, the average number of employees excluding directors was Nil (2017: 51 up to 1st September 2017). All employees were transferred to Qatari Diar Europe LLP under the TUPE process on 1 September 2017.

The salary cost recorded in the year of £2,348,827 relates to a historical PAYE settlement concerning secondees.

The aggregate payroll costs of these persons were as follows:	2018 £	2017 £
Wages and salaries	2,348,827	4,235,539
Social security costs	-	1,029,330
Employer contribution towards pension	-	218,051
	2,512,161	5,482,920

6 Directors' remuneration

	2018 £	2017 £
Directors' emoluments	-	941,869
	-	941,869

Notes to the financial statements (Continued)

7 Taxation

Recognised in profit and loss	2018 £	2017 £
Current tax expense		
Current year charge	-	-
Prior year adjustment	-	(529)
Current tax (credit) / charge	-	(529)
Deferred tax expense		
Current year charge	-	-
Prior year adjustment	-	-
Adjustment due to change in tax rate on opening deferred tax asset	-	-
Deferred tax charge	-	-
Total tax (credit) / charge	-	(529)

Reconciliation of total tax charge/(credit)	2018 £	2017 £
Loss for the year before tax	(1,995,352)	(959,720)
Tax at the UK standard corporation tax rate of 19% (2017: 19.25%)	(379,117)	(184,746)
Prior year adjustment	-	(529)
		-
Expenses not taxable/expenses not deductible	23,112	70,187
Non qualifying assets	-	72,286
Deferred tax asset not recognised	356,006	42,273
Total tax (credit)/charge	-	(529)

Notes to the financial statements (Continued)

8 Property, plant and equipment and intangible assets

	Intangible asset (Lease Premium)	Plant and equipment	Fixtures and fittings	Total
	£	£	£	£
Cost				
Balance at 1 January 2018	1,001,054	590,844	1,310,290	**2,902,188**
Additions during the year	-	-	-	-
Disposals during the year	-	-	-	-
Balance at 31 December 2018	**1,001,054**	**590,844**	**1,310,290**	**2,902,188**
Depreciation				
Balance at 1 January 2018	(1,001,054)	(589,160)	(989,754)	**(2,579,968)**
Depreciation charge for the year	-	(1,423)	(100,130)	**(101,553)**
Balance at 31 December 2018	**(1,001,054)**	**(590,583)**	**(1,089,884)**	**(2,681,521)**
Net book value				
At 31 December 2018	**-**	**261**	**220,406**	**220,667**
At 31 December 2017	-	1,684	320,536	322,220

9 Obligations under leasing agreements

The lease premium relates to the acquisition of a short-term leasehold interest which ends on 4 February 2022 at 77 Grosvenor Street, London. This premium was fully amortized as at 31 December 2017. There are no terms of renewal, purchase options, escalation clauses or restrictions imposed in the lease.

Company as lessor

The company has entered into leases on its investment property. The leases have a term of 4 to 8 years and include clauses to enable periodic upward revisions of the rental charge according to the prevailing market conditions. Further minimum rent receivables under non-cancellable leases as at 31 December 2018 are as follows:

	2018	2017
	£	£
Not later than one year	977,630	867,943
Later than one year and not later than five years	1,187,448	2,165,078
Later than five years	-	-
	2,165,078	3,033,021

Company as lessee

The total of future minimum lease payments (based upon the latest rent review) under non-cancellable operating leases for each of the following periods is set out below:

Notes to the financial statements (Continued)

9 Obligations under leasing agreements (Continued)

Company as lessee (continued)

	2018 £	2017 £
Obligations over leasing agreements:		
Not later than one year	825,900	838,700
Later than one year and not later than five years	1,651,800	2,269,500
Later than five years	-	-
	2,477,700	3,108,200

	2018 £	2017 £
Rental expense in the year:		
Fifth (2017 only), ground & lower ground floors	990,092	1,761,497

10 Trade and other receivables

	2018 £	2017 £
Refundable deposit	2,520,966	3,320,140
Other receivables	2,829,829	1,306,673
Prepayments	246,125	298,453
Accrued income	109,688	
VAT repayable	38,446	-
	5,745,054	4,925,266

The carrying amounts of trade and other receivables is considered approximate to their fair value.

11 Cash & cash equivalent

	2018 £	2017 £
Unrestricted cash	743,256	970,423
Restricted cash	263,250	263,250
	1,006,506	1,233,673

The restricted cash balance relates to call deposits.

12 Trade and other payables

	2018 £	2017 £
Current		
Trade payables	330,705	142,376
VAT payable	-	211,464
Accrued expenses	500,050	1,061,243
Deferred income	246,564	315,665
Rent deposit	263,250	263,250
	1,340,569	1,993,998

Notes to the financial statements (Continued)

12 Trade and other payables (Continued)

The carrying amounts of trade and other payables is considered approximate to their fair value.

13 Share capital

Allotted, called up and fully paid

	2018 £	2017 £
1 ordinary share of £1	1	1

The Company has only one class of ordinary shares which carry no right to fixed income.

14 Financial instruments

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material

Trade and other payables

The fair value of trade and other payables is estimated as the present value of the future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date.

Market risk – foreign currency risk

There is no risk to the company from exposure to foreign currency risk as all transactions are in sterling. The total exposure at the balance sheet date is reflected as amounts due to parent company.

There is no material difference between the carrying value and fair value of any of the company's financial instruments.
The Company's main financial instruments comprise the following assets and liabilities summarised in the table below:

	Notes	2018 £	2017 £
Financial assets carried at amortised cost			
Cash and cash equivalents		1,006,506	1,233,673
Trade and other receivables	10	5,745,054	4,925,266
Amounts due from related companies	14	87,859	91,882
Amounts due from parent companies	14	791,872	791,871
		7,631,291	7,042,692

	Notes	2018 £	2017 £
Financial liabilities carried at amortised cost			
Trade and other payables	11	1,340,569	1,993,998
Amounts due to related companies	14	10,129,889	6,994,062
		11,470,458	8,988,060

Notes to the financial statements (Continued)

15 Related party transactions

The Company has a related party relationship with its parent company, group undertakings and its directors. Particulars of transactions, arrangement and agreements involving related parties are as follows:

Related party	Amount of transaction during the year 2018 £	Balance at 31 December 2018 £	Details of transaction
Parent Company			
Qatari Diar Real Estate Investment Company	-	791,872	Provision of market research advisory services
Related companies			
Qatari Diar US Real Estate Company	750	750	Intercompany Loan
Tasleem (UK) Limited	-	13,665	Intercompany Loan
Qatari Diar Europe (Chancery) Ltd	-	1,134	Intercompany Loan
Project Russet (Holding Company)	17,300	60,300	Intercompany Loan
Qatari Diar Hotel Property & Investment Montenegro	-	26	Intercompany Loan
GS 16 Sarl	-	10,009	Intercompany Loan
Chelsea Barracks (1-3) GP LLP	300	300	Intercompany Loan
CB Foundations	375	375	Intercompany Loan
30 GS GP LLP	100	100	Intercompany Loan
Qatari Diar UK Holdings LP	300	300	Intercompany Loan
Chelsea Barracks (4) GP LLP	300	300	Intercompany Loan
Chelsea Barracks (5) GP LLP	300	300	Intercompany Loan
Chelsea Barracks (6) GP LLP	300	300	Intercompany Loan
Qatari Diar Jersey Ltd	(13,099)	-	Intercompany Loan
QD Triangle (Holding Company) Ltd	(8,792)	-	Intercompany Loan
Qatari Diar Development (UK) Company	(2,512,161)	(7,081,241)	Intercompany Loan
Qatari Diar Europe LLP	(1,667,841)	(3,048,648)	Intercompany Loan

Notes to the financial statements (Continued)

15 Related party transactions (continued)

Related party	Amount of transaction during the year 2017 £	Balance at 31 December 2017 £	Details of transaction
Parent Company			
Qatari Diar Real Estate Investment Company	1,263,683	791,871	Provision of market research advisory services
Related companies			
Qatari Diar US Real Estate Company	(65,782)	133	Intercompany Loan
Tasleem (UK) Limited	(50,664)	13,665	Intercompany Loan
Project Russet (Holding Company)	43,000	43,000	Intercompany Loan
Qatari Diar Hotel Property & Investment Montenegro	26	26	Intercompany Loan
GS 16 Sarl	10,009	10,009	Intercompany Loan
Chelsea Barracks (1-3) GP LLP	2,023	2,023	Intercompany Loan
Qatari Diar Jersey Ltd	(46,846)	13,100	Intercompany Loan
QD Triangle (Holding Company) Ltd	196	8,792	Intercompany Loan
Qatari Diar Development (UK) Company	(734,814)	(4,569,081)	Intercompany Loan
Qatari Diar Europe Sarl	10	1,134	
GPS Holdings	(25)	-	
Qatari Diar Europe LLP	(2,424,981)	(2,424,981)	Intercompany Loan

All amounts are interest free and repayable on demand.

No amounts were paid to the Company's directors (2017: £941,869).

16 Ultimate parent company and parent company of larger group

The Company is a wholly owned subsidiary undertaking of Qatari Diar Real Estate Investment Company which is the ultimate parent company incorporated in Qatar.

The only group in which the results of the Company are consolidated is Qatari Diar Real Estate Investment Company incorporated in Qatar. The consolidated financial statements of QDREIC are not available to the public.

Notes to the financial statements (Continued)

17 Financial Risk Management

The following describes pertinent risks and the applied risk management. These risks are managed through a process of ongoing identification, measurement and monitoring.

The Company is responsible for implementing the risk strategy and policy, including the identification and evaluation on a continuous basis of all significant risks to the business and the design and implementation of appropriate internal controls to minimise them. This is executed through various planning/strategy meetings, continuous reviews of the business plan, and analysis of the monthly management accounts by the senior management.

Capital management

The capital structure of the Company consists of equity, which includes loans and cash and cash equivalents. The Company continues to monitor the balance of the capital structure considering the issue of debt. The Company is not subject to any externally imposed capital requirements. Qatari Diar Real Estate Investment Company, the ultimate parent, has confirmed to Company that it will continue to support the Company for a period of at least twelve months from the date the financial statements are signed.

Liquidity risk

Liquidity risk is the risk that the Company may be unable to meet its short and long term financial demands. Qatari Diar Real Estate Investment Company, the ultimate parent, has confirmed to Company that it will continue to support the Company for a period of at least twelve months from the date the financial statements are signed and therefore the liquidity risk is insignificant.

The table below summarises the maturity profile of the company's financial liabilities based on contractual undiscounted payments.

31 December 2018	**On Demand**	**Less than 1 year**	**1 to 5 years**	**Total**
	£	**£**	**£**	**£**
Amounts due to related companies	10,129,889	-	-	10,129,889
Trade and other payables	1,340,569	-	-	1,340,569
	11,470,458	-	-	11,470,458

31 December 2017	**On Demand**	**Less than 1 year**	**1 to 5 years**	**Total**
	£	**£**	**£**	**£**
Amounts due to related companies	6,994,062	-	-	6,994,062
Trade and other payables	1,993,998	-	-	1,993,998
	8,988,060	-	-	8,988,060

Interest rate risk

The Company is not exposed to any interest rate risk.

Notes to the Financial Statements (Continued)

17 Financial Risk Management (continued)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company's credit risk exposure and mitigation management requirements are minimal due to the vast majority of receivables being with a sister company in the Qatari Diar Group. The Company's policy on cash balances is to hold these with reputable finance institutions and at the balance sheet date all the Company's cash at bank was placed with a counterparty with an A-1+ Standard & Poor's credit rating.

The carrying value of financial assets recorded in the financial statements represents the Company's maximum exposure to credit risk.

There has been no credit loss allowance during the year as all balances are deemed recoverable. The company continuously monitors the recoverability of receivable amounts.

Foreign currency risk

When the Company undertakes transactions denominated in foreign currencies; it is consequently exposed to exchange rate fluctuations. The Company currently has no exposure to foreign currency exchange rate movements as all assets and liabilities are denominated in sterling.

Market risk

The Company focuses on the development advisory services relating to real estate projects. There is limited market risk to the Company as the most of the work for the Company relates to projects which have the support of the ultimate parent company (QDREIC) who have confirmed that they will provide finance to enable the build out of the project.

Concentration of risk

Concentration risks include those that threaten the supply chain or ability to deliver the completion of a project and its subsequent effect on the management of that project by the Company. If a key customer base or supplier experiences turmoil this can negatively impact on performance.

18 Post Balance Sheet Events

At the date of this report, the Company is not aware of any events arising post year end that would affect the balances and transactions as detailed in the financial statements for the year ended 31 December 2018.