

QATARI DIAR UK LIMITED

Annual Directors' Report and Financial Statements

Registered number 06569590

For the year ended 31 December 2017



Contents

Strategic report	1
Directors' report	2-3
Statement of directors responsibilities	4
Report of the independent auditor to the shareholder of Qatari Diar UK Limited	5-6
Statement of Comprehensive Income	7
Statement of Financial Position	8
Statement of Changes in Equity	9
Statement of Cash Flow	10
Notes to the financial statements	11-24

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 act as a market research advisor focusing on existing and potential investment opportunities for Qatari Diar Real Estate Investment Company (QDREIC). In addition the Company provides supervisory and administrative services to group companies and QDREIC investments in joint ventures. The QDREIC group reorganised its UK affairs during the year which resulted in the company transferring the majority of its business to a sister company, Qatari Diar Europe LLP as from 1st September 2017. It is considered likely that the company's reduced activities will continue during the year ended 31 December 2018, therefore the directors believe it is appropriate for the Company to prepare its accounts on a going concern basis.

Business review

The Statement of Comprehensive Income is set out on page 7 and shows the result for the period. The Company made a loss of £959,191 for the year ended 31 December 2017 (31 December 2016: loss of £455,204).

Key performance indicators

A range of performance indicators is 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.

	2017	2016
	£	£
Revenue	10,713,892	10,971,483
Loss for the year	(959,191)	(455,204)

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 events that would affect the financial statements for the year ending 31 December 2017.

For and on behalf of the Board


Jean Lamothe
Director

17 May 2019

Directors' report

The directors of the Company present their directors' report and audited financial statements for the year ended 31 December 2017. The annual report comprises the strategic report and directors' report, which together provide the information required by the Companies Act 2006. The financial statements have been prepared under International Financial Reporting Standards, as adopted by the European Union.

Going concern

In 2017, the Board of QDREIC approved a corporate restructuring, which took place on the 1st September 2017 and which resulted in a substantial change to the Company's principle activity. All the employees of the Company were transferred to a newly set up sister company, Qatari Diar Europe LLP, via a TUPE transfer. Whilst the majority of the physical assets and current assets and liabilities of the Company were transferred to the Qatari Diar Europe LLP, specific assets/liabilities in relation to 77 Grosvenor Street and Joint Ventures have remained in the Company.

Although the principle activities of the Company have changed, the entity will remain active for the coming financial year. QDREIC will provide a letter of support for a period of one year from the signing of the 2017 financial statements. Whilst the nature of the business of the Company will change, the Directors believe it is appropriate for the Company to prepare its financial statements on a going concern basis.

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 2017. (2016: Nil)

Registered Address

The registered address of Qatari Diar UK Limited is 16 Grosvenor Street, London, W1K 4QF, United Kingdom.

Directors

The following directors have held office during the financial year and subsequently:
Khaled Mohamed Ebrahim Al-Sayed (appointed since 27/02/2013, resigned on 02/05/2017)
Sheikh Jassim Hamad Al Thani (appointed since 19/08/2013, resigned 18/12/2017)
Fahad Al Asmakh (appointed since 25/08/2015, resigned 14/03/2019)
Jean Lamothe (appointed since 22/09/2016)
Nabeel Al Buenain (appointed since 02/05/2017, resigned 28/11/2018)
Abdulla Al Ajail (appointed since 01/06/2018, resigned 28/11/2018)
Tariq Al Abdulla (appointed since 28/11/2018)
Abdulla Hamad Al Attiyah (appointed since 14/03/2019)

Company Secretary

Ann Hodgetts (appointed since 11/12/2014, resigned on 08/06/2018)
Catrin Powell (appointed since 18/01/2011, resigned on 04/05/2018)
Andrew Walsh (appointed since 04/06/2018)

Political contribution

The Company incurred no political expenditure (2016: £nil) during the year.

Disclosure of information to auditor

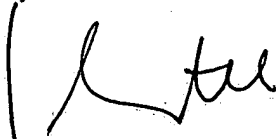
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make 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.

Directors' report (continued)

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will not be reappointed and Ernst & Young LLP will therefore be in office for 2018.

By order of the Board



Jean Lamothe
Director

17 May 2019

Statement of directors' responsibilities

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

The directors confirm that they have complied with the above requirements in preparing the 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, International Accounting Standard 1 requires that directors:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with 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
- Make an assessment of the Company's ability to continue as a going concern.

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.

Report of the independent auditor to the shareholder of Qatari Diar UK Limited

Opinion

In our opinion the financial statements of Qatari Diar UK Limited ("the Company"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.
- Have been properly prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of the Company 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.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as issued by the European Union.

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.

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 Financial Reporting Council (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 are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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 group's or the parent 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.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and 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 this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they present true and fair view, in all material respects, 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinion 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 Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

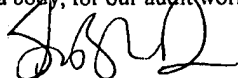
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.

We have nothing to report in respect of these matters.

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.



Siobhan Durcan, BA, ACA, FCCA (Senior Statutory Auditor)
Statutory Auditor for and on behalf of Deloitte LLP
St Helier, Jersey
Date: 22 May 2019

Statement of Comprehensive Income
For the year ended 31 December 2017

	Note	2017	2016
		£	£
Revenue	2	10,713,892	10,971,483
Cost of sales	3	(11,674,858)	(10,881,121)
		<hr/>	<hr/>
Gross (loss)/profit		(960,966)	90,362
Administrative expenses		-	-
Net finance income		1,246	2,647
		<hr/>	<hr/>
(Loss)/profit before tax		(959,720)	93,009
Taxation credit/(charge)	7	529	(548,213)
		<hr/>	<hr/>
Loss for the year		<u>(959,191)</u>	<u>(455,204)</u>

The results of the Company are derived entirely from continuing activities. There was no income and expense for the current financial year other than that reported in the statement of comprehensive income.

The notes on pages 11 to 24 form part of the Financial Statements.

Statement of Financial Position
As at 31 December 2017

	Note	2017	2016
		£	£
Non-current assets			
Property, plant and equipment	8	322,220	1,266,743
Intangible asset	8	-	374,982
Deferred tax asset	7	-	-
		322,220	1,641,725
Current assets			
Trade and other receivables	10	4,925,266	4,699,256
Amount due from related companies	14	91,882	199,935
Amount due from parent company	14	791,871	-
Cash and bank balances		1,233,673	1,243,675
		7,042,692	6,142,866
Total assets		7,364,912	7,784,591
Current liabilities			
Trade and other payables	11	(1,415,083)	(4,141,940)
Corporation tax payable	7	-	(529)
Deferred income		(315,665)	-
Rent deposit		(263,250)	-
Amount due to parent company	14	-	(471,812)
Amount due to related companies	14	(6,994,062)	(3,834,267)
Total liabilities		(8,988,060)	(8,448,548)
Net liabilities		(1,623,148)	(663,957)
Equity			
Share capital	12	1	1
Retained earnings		(1,623,149)	(663,958)
Total equity		(1,623,148)	(663,957)

These financial statements were approved by the board of directors on 17 May 2019 and were signed on its behalf by:


Jean Lamothe
Director

Company registration number 06569590

The notes on pages 11 to 24 form part of the Financial Statements.

Statement of Changes in Equity
For the year ended 31 December 2017

	Share capital £	Retained earnings £	Total equity £
Balance at 31 December 2015	1	(208,754)	(208,753)
Total Comprehensive loss for the year	-	(455,204)	(455,204)
<hr/>			
Balance at 31 December 2016	1	(663,958)	(663,957)
Total Comprehensive loss for the year	-	(959,191)	(959,191)
<hr/>			
Balance at 31 December 2017	1	(1,623,149)	(1,623,148)

The notes on pages 11 to 24 form part of the Financial Statements.

Statement of Cash Flow
For the year ended 31 December 2017

	Note	2017 £	2016 £
Cash flows from operating activities			
(Loss)/profit before tax		(959,720)	93,009
<i>Adjustments for:</i>			
Depreciation, amortisation and impairment	8	739,591	335,766
Finance income		(1,246)	(2,647)
Tax adjustment in respect of prior years		-	(37,505)
		<u>(221,375)</u>	<u>388,623</u>
Increase in trade and other receivables		(226,010)	(927,084)
(Decrease)/increase in trade and other payables		(2,726,857)	305,315
Increase in deferred income		315,665	-
		<u>(2,858,577)</u>	<u>(233,146)</u>
Cash flow used in operations		(2,858,577)	(233,146)
Net cash flow used in operating activities		<u>(2,858,577)</u>	<u>(233,146)</u>
Cash flows used in investing activities			
Purchase of property, plant and equipment	8	(11,397)	(749,967)
Sale of property, plant and equipment	8	591,311	-
Interest received		1,246	2,647
		<u>581,160</u>	<u>(747,320)</u>
Net cash flow used in investing activities		581,160	(747,320)
Cash flows from financing activities			
Increase/(Decrease) in intercompany funding		2,004,165	(3,114,652)
Increase in rent deposit		263,250	-
		<u>2,267,415</u>	<u>(3,114,652)</u>
Net cash generated/(used) from financing activities		2,267,415	(3,114,652)
Net decrease in cash and cash equivalents		(10,002)	(4,095,118)
Cash and cash equivalents at beginning of the year		1,243,675	5,338,793
		<u>1,233,673</u>	<u>1,243,675</u>
Cash and cash equivalents at the end of the year		<u>1,233,673</u>	<u>1,243,675</u>

The notes on pages 11 to 24 form part of the Financial Statements.

Notes to the financial statements

1 Accounting Policies

Qatari Diar UK Limited (the "Company") is a private company incorporated and domiciled in England, UK.

Accounting Policies

The Company financial statements have been prepared and approved by the board in accordance with International Financial Reporting Standards as it applies to the financial statements of the Company for the year end 31 December 2017.

The financial statements are presented in Sterling because that is the currency of the primary economic environment in which the Company operates and are prepared on the historical cost basis. The accounting policies set out below have, unless otherwise stated, been applied consistently to all years presented in these financial statements.

Going concern

In 2017, the Board of QDREIC approved a corporate restructuring, which took place on the 1st September 2017 and which resulted in a substantial change to the Company's principle activity. All the employees of the Company were transferred to a newly set up sister company, Qatari Diar Europe LLP, via a TUPE transfer. Whilst the majority of the physical assets and current assets and liabilities of the Company were transferred to the Qatari Diar Europe LLP, specific assets/liabilities in relation to 77 Grosvenor Street and Joint Ventures have remained in the Company.

Although the principle activities of the Company have changed, the entity will remain active for the coming financial year. QDREIC have provided a letter of support for a period of one year from the signing of the 2017 financial statements. Whilst the nature of the business of the Company will change, the Directors believe it is appropriate for the Company to prepare its accounts on a going concern basis.

Foreign currency

Transactions in foreign currencies are translated to Sterling at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to Sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in profit and loss except for differences arising on the retranslation of qualifying cash flow hedges, which are recognised directly in equity. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to Sterling at foreign exchange rates ruling at the dates the fair value was determined.

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.

Notes to the financial statements (continued)

1 Accounting policies (continued)

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.

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

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.

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.

Intangible assets

Intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Amortisation is charged to the profit and loss on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- lease premium - over the term of the lease of 13 years.

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 assets are reviewed at each balance sheet date to determine whether there is any indication of impairment; a financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit and loss.

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 its group companies.

The Company's business activity is that described in the Strategic Report, and accordingly all revenue is generated within the group of QDREIC.

Cost of sales arise from the services that the Company provides to its group companies which the Company's main source of revenue and accounted for on an accrual basis. Revenue is recognised in accordance with IAS 18. Revenue from the sale of services has been recognised when the amount of revenue can be measured reliably, it is probable that future economic benefits will occur, the stage of completion of the transaction at the end of the reporting period can be measured reliably and the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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, 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.

Notes to the financial statements (continued)

1 Accounting policies (continued)

De-recognition criteria

The Company will derecognise an asset or liability when one of the following occur:

- A financial asset (or part of a financial asset) is derecognised when:
 - The rights to the cash flows from the asset expire;
 - The rights to the cash flows from the asset and substantially all risks and rewards of ownership of the asset are transferred;
 - An obligation to transfer the cash flows from the asset is assumed and substantially all risks and rewards are transferred;
 - Substantially all the risks and rewards are neither transferred nor retained but control of the asset is transferred;
- If the Company retains control of the asset but does not retain or transfer substantially all the risks and rewards, the asset is recognised to the extent of the entity's continuing involvement;
- A financial liability is removed from the balance sheet only when it is extinguished – that is, when the obligation specified in the contract is discharged or cancelled – or expires; or
- A transaction is accounted for as a collateralised borrowing if the transfer does not satisfy the conditions for de-recognition.

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. Significant judgement has been made on the accounting of the Long Term Incentive Plans (see note 15). There are no key sources of estimation uncertainty.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Application of new and revised international financial reporting standards

The following new and revised IFRSs, which became effective for annual periods beginning on or after January 1, 2017, have been adopted in these financial statements.

Amendments to IAS 7 Disclosure Initiative

The Company has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. The application of these amendments has had no impact on the Company's financial statements.

Amendments to IAS 12 Income Taxes Recognition of Deferred Tax Assets for Unrealised Losses

The Company has applied these amendments for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference. The application of these amendments has had no impact on the Company's financial statements.

Annual Improvements to IFRS Standards 2014–2016 Cycle – Amendments to IFRS 12

The Company has applied the amendments to IFRS 12 included in the Annual Improvements to IFRSs 2014-2016 Cycle for the first time in the current year. The other amendments included in this package are not yet mandatorily effective and they have not been early adopted by the Company.

IFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests.

The application of these amendments has had no effect on the Company's financial statements as none of the Group's interests in these entities are classified, or included in a disposal group that is classified, as held for sale.

New and amended standards and interpretations - not yet effective

New standards, amendments to standards and interpretations not yet effective for the year ended 31 December 2017 and which have not been applied in preparing these consolidated financial statements are as follows:

- IFRS 9 Financial Instruments introduces an impairment requirement based on an expected credit loss ("ECL") model which replaces the IAS 39 incurred loss model. The ECL model applies to debt instruments accounted for at amortised cost or at fair value through profit or loss, most loan commitments, financial guarantee contracts, contract assets under IFRS 15 and lease receivables under IAS 17 or IFRS 16. With the exception of purchased or originated credit impairment financial assets, expected credit losses are required to be measured through a loss allowance equal to either the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date) or full lifetime credit losses (expected credit losses that result from all possible default events over the life of the financial instrument). The requirements are to recognise 12-month ECL on initial recognition and thereafter as long as there is no significant deterioration in credit risk. If there has been a significant increase in credit risk on an individual or collective basis, then there is a requirement to recognise lifetime ECL. There is also a rebuttable presumption that the credit risk has increased significantly when contractual payments are more than 30 days past due. The application of IFRS 9 may change the measurement and presentation of many financial instruments, depending on their contractual cash flows, and the impairment requirements will generally result in earlier recognition of credit losses. The effective date is for periods beginning on or after 1 January 2018.
- IFRS 15 Revenue from Contracts with Customers, provides a single, principles based five-step model to apply to all contracts with customers and will supersede IAS 18 Revenue and IAS 11 Construction Contracts. The effective date of IFRS 15 is for periods beginning on or after 1 January 2018 and will be applicable to the Company.

Management have not performed an assessment of the impact that the above standards in issue but not yet effective will have on the results and position of the Company. Prior to the production of the year ended 31 December 2018 financial statements an assessment will be performed.

Notes to the financial statements (continued)

2	Revenue	2017 £	2016 £
	Rendering of services		
	- to parent company	2,187,874	2,188,079
	- to related companies	5,867,959	7,028,518
	- to third parties	2,415,466	1,754,886
	- Gain on sale of PPE	242,593	-
		<u>10,713,892</u>	<u>10,971,483</u>

3 Cost of sales

This is made up of the costs incurred by the Company which are recharged to related companies.

4 Operating profit

Included in the operating profit are the following amounts	2017 £	2016 £
Audit of financial statements		
Staff costs	8,200	10,900
Depreciation	4,497,106	5,482,920
Amortisation of intangible asset	364,609	259,253
	374,982	76,513

5 Staff numbers and costs

The average number of employees during the year (excluding directors) up to 1st September 2017, when all employees were transferred under the TUPE process to Qatari Diar Europe LLP, was 51. As at the year ended 31 December 2017, employee numbers were nil (2016: 47).

The aggregate payroll costs of these persons were as follows:	2017 £	2016 £
Wages and salaries	3,880,277	4,235,539
Social security costs	490,371	1,029,330
Employer contribution towards pension	126,458	218,051
	<u>4,497,106</u>	<u>5,482,920</u>

6 Directors' remuneration

Directors' emoluments	2017 £	2016 £
	<u>941,869</u>	<u>674,243</u>
	<u>941,869</u>	<u>674,243</u>

Notes to the financial statements (continued)

7 Taxation

	2017	2016
	£	£
Recognised in profit and loss		
<i>Current tax expense</i>		
Current year charge	-	529
Prior year adjustment	(529)	37,505
	(529)	37,505
Current tax (credit)/charge	(529)	38,034
<i>Deferred tax expense</i>		
Current year charge	-	548,148
Prior year adjustment	-	(60,134)
Adjustment due to change in tax rate on opening deferred tax asset	-	22,165
	-	510,179
Deferred tax charge	-	510,179
Total tax (credit)/charge	(529)	548,213

	2017	2016
	£	£
Reconciliation of total tax charge/(credit)		
(Loss)/Profit for the year before tax	(959,720)	93,009
Tax at the UK standard corporation tax rate of 19.25% (2016: 20%)	(184,746)	18,602
Prior year adjustment	(529)	(22,629)
Expenses not taxable/expenses not deductible	70,187	12,579
Expenses deductible for tax purposes	-	5,428
Reduction in tax rate	-	22,165
Utilization of tax losses and group relief surrendered	-	-
Non qualifying asset	72,286	27,384
Deferred tax asset not recognised	42,273	484,684
	42,273	484,684
Total tax (credit)/charge	(529)	548,213

Recognised in the balance sheet

Deferred tax (asset)/liability

	Tax losses	Accelerated capital allowances	Pensions movement	Total
	£	£	£	£
Balance at 1 January 2016	(508,417)	3,462	(5,224)	(510,179)
Prior year adjustment	(20,410)	(39,724)	-	(60,134)
Charge for the year	528,827	36,262	5,224	570,313
	528,827	36,262	5,224	570,313
Balance at 31 December 2016	-	-	-	-
	-	-	-	-
Prior year adjustment	-	-	-	-
Charge for the year	-	-	-	-
	-	-	-	-
Balance at 31 December 2017	-	-	-	-
	-	-	-	-

Notes to the financial statements (continued)

7 Taxation (Continued)

The tax charge reversal in 2017 relating to the prior year tax credit of £529 has not been shown in the Statement of Cash Flows and instead it has been shown net.

8 Property, plant and equipment and intangible assets

	Intangible asset (Lease premium) £	Intangible Total £	Plant and equipment £	Fixtures and fittings £	Motor Vehicle	PPE Total £
Cost						
Balance at 1 January 2017	1,001,054	1,001,054	919,022	1,298,893	263,133	2,481,048
Additions during the year	-	-	-	11,397	-	11,397
Disposals during the year	-	-	(328,178)	-	(263,133)	(591,311)
Balance at 31 December 2017	1,001,054	1,001,054	590,844	1,310,290	-	1,901,134
Amortisation/Depreciation						
Balance at 1 January 2017	(626,072)	(626,072)	(646,177)	(568,128)	-	(1,214,305)
Amortisation/depreciation charge for the year	(374,982)	(374,982)	57,017	(421,626)	-	(364,609)
Balance at 31 December 2017	(1,001,054)	(1,001,054)	(589,160)	(989,754)	-	(1,578,914)
Net book value						
At 31 December 2017	-	-	1,684	320,536	-	322,220
At 31 December 2016	374,982	374,982	272,845	730,765	263,133	1,226,743

The gain on the sale of Property Plant and Equipment (PPE) during the year can be calculated as follows, sale of PPE of £591,311 which had a written down value of £348,718 which resulted in a gain of £242,593.

Notes to the financial statements (continued)

Property, plant and equipment and intangible assets (continued)

	Intangible asset (Lease premium) £	Intangible Total £	Plant and equipment £	Fixtures and fittings £	Motor Vehicle	PPE Total £
Cost						
Balance at 1 January 2016	1,001,054	1,001,054	671,745	1,059,336	-	1,731,081
Additions during the year	-	-	247,277	239,557	263,133	749,967
Balance at 31 December 2016	1,001,054	1,001,054	919,022	1,298,893	263,133	2,481,048
Amortisation/Depreciation						
Balance at 1 January 2016	(549,559)	(549,559)	(576,329)	(378,723)	-	(955,052)
Amortisation/Depreciation charge for the year	(76,513)	(76,513)	(69,848)	(189,405)	-	(259,253)
Balance at 31 December 2016	(626,072)	(626,072)	(646,177)	(568,128)	-	(1,214,305)
Net book value						
At 31 December 2016	374,982	374,982	272,845	730,765	263,133	1,266,743
At 31 December 2015	451,495	451,495	95,416	680,613	-	776,029

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 is being amortised over the term of the lease. There are no terms of renewal, purchase options, escalation clauses or restrictions imposed in the lease.

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:

	2017 £	2016 £
Obligations over leasing agreements:		
Not later than one year	838,700	1,478,260
Later than one year and not later than five years	2,269,500	5,913,040
Later than five years	-	120,293
	<u>3,108,200</u>	<u>7,511,593</u>

Notes to the financial statements (continued)

9 Obligations under leasing agreements (Continued)

	2017 £	2016 £
Rental expense in the year:		
Fifth, ground & lower ground floors	1,761,497	939,380
	1,761,497	939,380
	1,761,497	939,380

10 Trade and other receivables

	2017 £	2016 £
Refundable deposit	3,320,140	3,320,140
Other receivables	1,306,673	309,673
Prepayments	298,453	654,603
Accrued income	-	414,840
	4,925,266	4,699,256
	4,925,266	4,699,256

11 Trade and other payables

	2017 £	2016 £
Current		
Trade payables	142,376	78,166
VAT and salary taxes payable	211,464	859,165
Accrued expenses	1,061,243	3,204,609
	1,415,083	4,141,940
	1,415,083	4,141,940

Notes to the financial statements (continued)

12 Share capital

Allotted, called up and fully paid

	2017	2016
	£	£
1 ordinary share of £1	1	1

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

13 Fair values of 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 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 at 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.

14 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 £	Balance at 31 December £	Details of transaction
2017			
Qatari Diar Real Estate Investment Company	1,263,683	791,871	Provision of market research advisory services
Qatari Diar Development (UK) Company	(734,814)	(4,569,081)	Provision of office sharing and administrative services to sister company
Qatari Diar US Real Estate Company	(65,782)	133	Provision of services to sister company
Tasleem (UK) Limited	(50,664)	13,665	Provision of services to sister company

Notes to the financial statements (continued)

Related party transactions (continued)

Qatari Diar Europe Sarl	10	1,134	Money lent to sister company
Project Russet (Holding Company)	43,000	43,000	Money lent to sister company
Qatari Diar Hotel Property & Investment Montenegro	26	26	Money lent to sister company
GPS Holdings	(25)	-	Money lent to sister company
Qatari Diar Jersey Limited	(46,846)	13,100	Money lent to sister company
QD Triangle (Holding Company) Limited	196	8,792	Money lent to sister company
Qatari Diar Europe LLP	(2,424,981)	(2,424,981)	Money lent to sister company
GS 16 Sarl	10,009	10,009	Money lent to sister company
Chelsea Barracks (1-3) GP LLP on behalf of Chelsea Barracks (1-3) LP	2,023	2,023	Money lent to sister company

Related party

Related party	Amount transaction £	of Balance at 31 December £	Details of transaction
2016			
Qatari Diar Real Estate Investment Company	2,132,994	(471,812)	Provision of market research advisory services
Qatari Diar Development (UK) Company	1,532,975	(3,834,267)	Provision of office sharing and administrative services to sister company
Qatari Diar US Real Estate Company	(551,282)	65,915	Provision of services to sister company
Tasleem (UK) Limited	365	64,329	Provision of services to sister company
Qatari Diar Europe Sarl	(2,656)	1,124	Money lent to sister company
GPS Holdings	(42,860)	25	Money lent to sister Company
Qatari Diar Jersey Ltd	47,180	59,946	Money lent to sister Company

Notes to the financial statements (continued)

Related party (continued)

QD Triangle (Holding Company) Limited	8,596	8,596	Money lent to sister company
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All amounts are interest free and repayable on demand.

Amounts paid to directors are disclosed in Note 6.

15 Long Term Incentive Plan

The cost of sales figure includes an accrual for £496,658 for Long Term Incentive Plans (LTIPs) of employees. These LTIPs were issued on 1st April 2015 and 1st April 2016 and have a 3 year vesting period.

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.

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.

Notes to the Financial Statements (continued)

17 Financial Risk Management (continued)

Interest rate risk

The Company is not exposed to any interest rate risk.

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.

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 2017.