

United Development Company Q.P.S.C.

**CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS**

30 JUNE 2017

United Development Company Q.P.S.C.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2017

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Independent auditor's report on review of condensed consolidated interim financial statements

To the Board of Directors
United Development Company Q.P.S.C.
Doha
State of Qatar

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of United Development Company Q.P.S.C. (the "Company") as at 30 June 2017, the interim condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the interim financial statements ("the condensed consolidated interim financial statements"). The Board of Directors is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements as at 30 June 2017 are not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

Other matter

The Company's condensed consolidated interim financial statements as at 30 June 2016 were reviewed, and the consolidated financial statements as at and for the year ended 31 December 2016 were audited, by another auditor whose reports dated 18 July 2016 and 7 February 2017 respectively expressed an unmodified review conclusion and audit opinion thereon.

18 July 2017
Doha
State of Qatar

Gopal Balasubramaniam
KPMG
Qatar Auditors Registry Number 251
Licensed by QFMA: External
Auditor's License No. 120153

United Development Company Q.P.S.C.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017

	<i>Note</i>	<i>For the Six Months Ended 30 June</i>	
		<i>2017</i> <i>(Reviewed)</i> <i>QR'000</i>	<i>2016</i> <i>(Reviewed)</i> <i>QR'000</i>
Revenue		1,074,205	811,488
Cost of revenue		(602,046)	(335,193)
Gross profit		472,159	476,295
Dividend income		1,467	17,659
Other operating income		59,065	79,725
Loss on sale and impairment of available-for-sale financial assets		(957)	(16,879)
General, administrative, sales and marketing expenses		(162,974)	(168,767)
Operating profit		368,760	388,033
Finance income		26,817	16,511
Finance costs		(89,417)	(60,640)
Net finance cost		(62,600)	(44,129)
Net share of results of associates		11,529	9,073
Profit for the period		317,689	352,977
Attributable to:			
Equity holders of the Company		283,949	331,811
Non-controlling interests		33,740	21,166
Profit for the period		317,689	352,977
Basic earnings per share			
Basic earnings per share	6	0.80	0.94

The attached notes 1 to 19 form part of these condensed consolidated interim financial statements.

United Development Company Q.P.S.C.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

		<i>For the Six Months Ended 30 June</i>	
		2017	2016
	<i>Note</i>	(Reviewed)	<i>(Reviewed)</i>
		QR'000	<i>QR'000</i>
Profit for the period		317,689	352,977
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Net change in fair value of available-for-sale financial assets	15	(5,239)	(101,842)
Total comprehensive income for the period		312,450	251,135
Attributable to:			
Equity holders of the Company		278,710	229,969
Non-controlling interests		33,740	21,166
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		312,450	251,135

The attached notes 1 to 19 form part of these condensed consolidated interim financial statements.

United Development Company Q.P.S.C.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Note	30 June 2017 (Reviewed) QR'000	31 December 2016 (Audited) QR'000
Assets			
Non-current assets			
Property, plant and equipment	7	3,038,052	3,231,194
Investment properties	8	9,023,757	8,861,377
Intangible assets	9	6,376	6,838
Investment in associates	10	305,113	316,385
Available-for-sale financial assets	11	42,802	90,444
Accounts and other receivables	12	449,945	368,415
Total non-current assets		12,866,045	12,874,653
Current assets			
Inventories		1,612,492	1,997,627
Work In Progress		52,263	20,034
Accounts and other receivables	12	1,899,882	2,265,087
Cash and cash equivalents	13	1,972,499	1,565,883
Total current assets		5,537,136	5,848,631
TOTAL ASSETS		18,403,181	18,723,284
Equity and liabilities			
Equity			
Share capital	14	3,540,862	3,540,862
Legal reserve		1,611,930	1,583,535
Other reserves	15	1,122,606	1,275,975
Retained earnings		4,458,893	4,497,817
Equity attributable to equity holders of the Company		10,734,291	10,898,189
Non-controlling interest		424,351	411,632
Total equity		11,158,642	11,309,821
Liabilities			
Non-current liabilities			
Interest bearing loans and borrowings	16	3,120,917	3,272,796
Retention payable		21,555	17,545
Accounts and other payables		95,584	88,344
Employees' end of service benefits		37,808	34,795
Total non-current liabilities		3,275,864	3,413,480
Current liabilities			
Accounts and other payables		2,547,361	2,589,031
Interest bearing loans and borrowings	16	1,263,619	1,245,125
Retentions payable		157,695	165,827
Total current liabilities		3,968,675	3,999,983
Total liabilities		7,244,539	7,413,463
TOTAL EQUITY AND LIABILITIES		18,403,181	18,723,284

These condensed consolidated interim financial statements were approved by the Board of Directors and were signed on their behalf by the following on 18 July 2017.

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Ibrahim Jassim Al-Othman
President and Chief Executive Officer

Turki Mohammed Khaled Al-Khater
Chairman of the Board

The attached notes 1 to 19 form part of these condensed consolidated interim financial statements.

United Development Company Q.P.S.C.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	<i>Attributable to the equity holders of the Company</i>					<i>Non-controlling interest</i> <i>QR'000</i>	<i>Total equity</i> <i>QR'000</i>
	<i>Share capital</i> <i>QR'000</i>	<i>Legal reserve</i> <i>QR'000</i>	<i>Other reserves</i> <i>(Note 15)</i> <i>QR'000</i>	<i>Retained earnings</i> <i>QR'000</i>	<i>Total</i> <i>QR'000</i>		
Balance at 1 January 2017 (Audited)	3,540,862	1,583,535	1,275,975	4,497,817	10,898,189	411,632	11,309,821
Total comprehensive income for the period							
Profit for the period	-	-	-	283,949	283,949	33,740	317,689
Other comprehensive income							
Transfer of revaluation gain	-	-	(148,130)	148,130	-	-	-
Net change in fair value of available-for-sale financial assets	-	-	(5,239)	-	(5,239)	-	(5,239)
Total other comprehensive income	-	-	(153,369)	148,130	(5,239)	-	(5,239)
Total comprehensive income for the period	-	-	(153,369)	432,079	278,710	33,740	312,450
Transfer to legal reserve	-	28,395	-	(28,395)	-	-	-
Dividend declared	-	-	-	(442,608)	(442,608)	(21,021)	(463,629)
Total transactions with owners	-	28,395	-	(471,003)	(442,608)	(21,021)	(463,629)
Balance at 30 June 2017 (Reviewed)	3,540,862	1,611,930	1,122,606	4,458,893	10,734,291	424,351	11,158,642

The attached notes 1 to 19 form part of these condensed consolidated interim financial statements.

United Development Company Q.P.S.C.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2017

	<i>Attributable to the equity holders of the Company</i>				<i>Non-controlling interest</i> <i>QR'000</i>	<i>Total equity</i> <i>QR'000</i>	
	<i>Share capital</i> <i>QR'000</i>	<i>Legal reserve</i> <i>QR'000</i>	<i>Other reserves</i> <i>(Note 15)</i> <i>QR'000</i>	<i>Retained earnings</i> <i>QR'000</i>			<i>Total</i> <i>QR'000</i>
Balance at 1 January 2016 (Audited)	<u>3,540,862</u>	<u>1,521,213</u>	<u>1,594,006</u>	<u>4,257,545</u>	<u>10,913,626</u>	<u>372,925</u>	<u>11,286,551</u>
Total comprehensive income for the period							
Profit for the period	-	-	-	331,811	331,811	21,166	352,977
Other comprehensive income							
Net change in fair value of available-for-sale financial assets	-	-	(101,842)	-	(101,842)	-	(101,842)
Total other comprehensive income	-	-	(101,842)	-	(101,842)	-	(101,842)
Total comprehensive income for the period	<u>-</u>	<u>-</u>	<u>(101,842)</u>	<u>331,811</u>	<u>229,969</u>	<u>21,166</u>	<u>251,135</u>
Transfer to legal reserve	-	33,181	-	(33,181)	-	-	-
Dividend declared	-	-	-	(531,129)	(531,129)	(19,404)	(550,533)
Change in non-controlling interest	-	-	-	(467)	(467)	467	-
Total transactions with owners	<u>-</u>	<u>33,181</u>	<u>-</u>	<u>(564,777)</u>	<u>(531,596)</u>	<u>(18,937)</u>	<u>(550,533)</u>
Balance at 30 June 2016 (Reviewed)	<u>3,540,862</u>	<u>1,554,394</u>	<u>1,492,164</u>	<u>4,024,579</u>	<u>10,611,999</u>	<u>375,154</u>	<u>10,987,153</u>

The attached notes 1 to 19 form part of these condensed consolidated interim financial statements.

United Development Company Q.P.S.C.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	<i>Notes</i>	30 June 2017 (Reviewed) QR'000	30 June 2016 (Reviewed) QR'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		317,689	352,977
Adjustments for:			
Net share of results of associates		(11,529)	(9,073)
Depreciation	7	39,480	35,401
Amortization of intangible asset	9	553	1,122
Loss / (profit) on disposal of property, plant & equipment		1,814	(2,380)
Net finance costs		62,600	44,129
Dividend income		(1,467)	(17,659)
Loss on sale and impairment of available-for-sale financial assets		957	16,879
Provision for employees' end of service benefits		4,818	4,627
		414,915	426,023
Operating profit before working capital changes			
Changes in working capital:			
Inventories		401,720	72,098
Work in progress		(32,229)	-
Accounts and other receivables		288,024	(247,033)
Accounts and other payables		(45,963)	(114,328)
Retentions payable		(4,122)	3,895
		1,022,345	140,655
Cash from operating activities			
Finance cost paid		(86,076)	(62,600)
Employees' end of service benefits paid		(2,155)	(7,113)
		934,114	70,942
Net cash flows from operating activities			
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	7	(27,219)	(317,980)
Proceeds from sale of property, plant and equipment		510	2,676
Acquisition of intangible assets	9	(91)	(5,995)
Finance income received		22,468	19,015
Dividend income received		1,467	17,659
Additions to investment property	8	(408)	(1,453)
Movement in time deposits maturing after three months		127,991	359,640
Net proceeds from sale of available-for-sale financial assets		41,446	151,791
Dividend received from associate companies		22,801	10,560
		188,965	235,913
Net cash flow from investing activities			
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from term loans	16	94,631	283,152
Repayment of term loans	16	(232,634)	(361,356)
Dividend paid		(450,469)	(536,209)
		(588,472)	(614,413)
Net cash flow used in financing activities			
Net increase / (decrease) in cash and cash equivalents		534,607	(307,558)
Cash and cash equivalents at the beginning of the period		1,094,799	1,053,570
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD			
	13	1,629,406	746,012

The attached notes 1 to 19 form part of these condensed consolidated interim financial statements.

United Development Company Q.P.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

At 30 June 2017

1 CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

United Development Company Q.P.S.C. (the “Company”) was incorporated as a Qatari Shareholding Company in accordance with the Emiri Decree No. 2 on 2 February 1999 and whose shares are publicly traded. The registered office of the Company is situated in Doha, State of Qatar and its registered office address is P.O box 7256. The condensed consolidated interim financial statements of the Group as at and for the six months period ended 30 June 2017 comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”) and the Group’s interest in associates. Information regarding the Group’s structure is provided in Note 3.

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

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

The condensed consolidated interim financial statements of United Development Company Q.P.S.C. for the six months ended 30 June 2017 were authorised for issue in accordance with a resolution of the Board of the Directors.

2 STATEMENT OF COMPLIANCE

The condensed consolidated interim financial statements are prepared in accordance with International Accounting Standard (IAS) 34 “Interim Financial Reporting”.

The condensed consolidated interim financial statements do not include all of the information required in the annual consolidated financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at 31 December 2016.

The condensed consolidated interim financial statements are prepared and presented in Qatari Riyals rounded to nearest thousands (QR’000) except when otherwise indicated.

The consolidated financial statements of the Group as at and for the year ended 31 December 2016 are available upon request from the Company’s registered office or at www.udcqatar.com.

United Development Company Q.P.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

At 30 June 2017

3 SIGNIFICANT ACCOUNTING POLICIES

New standards, interpretations and amendments

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of new standards and interpretations which became effective as of 1 January 2017, as noted below:

- Disclosure Initiative - Amendments to IAS 7 (Effective 1 January 2017)
- Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12 (Effective 1 January 2017)

The adoption of these amendments had no significant impact on the condensed consolidated interim financial statements of the Group.

Standards, amendments and interpretations issued but not yet effective

The new standards, amendments to standards and interpretations, which have been issued but are not yet effective for the period ended 30 June 2017 and have not been early applied in preparing these condensed consolidated interim financial statements, were as follows:

- IFRS 15 Revenue from Contracts with Customers (Effective 1 January 2018)
- IFRS 9 Financial Instruments (Effective 1 January 2018)
- IFRS 16 Leases (Effective 1 January 2019)

Basis of consolidation

The condensed consolidated interim financial statements comprise the financial statements of United Development Company Q.P.S.C. and all its subsidiaries as at 30 June 2017. The financial statements of the subsidiaries are prepared for the same reporting period as that of the parent company, using consistent accounting policies. Below is a list of subsidiaries included in the financial statements

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

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

The accumulated balance of non-controlling interest disclosed in the statement of financial position of QR 425,039 thousands as at 30 June 2017 (31 December 2016: QR 412,292 thousands) relates to the 49% equity interest in Qatar District Cooling Company Q.C.S.C that is not owned by the Group. Profit allocated to the non-controlling interest amounted to QR 33,767 thousands (2016: QR 21,049 thousands).

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

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

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

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

HDC took the decision to discontinue the operations of Modern Lebanese Restaurant L.L.C (90%) and China Square L.L.C (80.01%), respectively from 31 May 2014 and 30 September 2015. The liquidation process for Modern Lebanese Restaurant is still ongoing, while the liquidation process for China Square was completed during the prior year.

United Fashion Company W.L.L. (UFC) is engaged in fashion retailing. The mandate of the Company is to acquire top international names for brand franchising and operating in the Middle East. UFC consolidates Rony Nacouzi (60%) in its consolidated financial statements. During the year 2011, the capital of the company was increased from QR 18.250 million to QR 80 million.

The operation of Hiref Middle East W.L.L. which had a 51% stake in 2014 was officially closed as of 30 September 2014 and the liquidating process is still ongoing. During 2016 the operation of Rony Nacouzi was sold to a third party.

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

Abraj Al-Mutahida W.L.L. activity is in the development of real estate properties.

United Facilities Management Company W.L.L. is engaged in facility management activity.

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

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

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

Insure plus W.L.L. activity is to provide technical services and risk related services of an insurance nature to the Group.

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

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

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

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

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

Leisure and Resorts Company W.L.L. activity is in the operation and development of hotels and resorts.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The Group consolidates all the entities where it has the power to govern the financial and operating policies.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated statement of profit or loss and within equity in the consolidated statement of financial position, separately from Company shareholders' equity.

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interest and the other components of equity related to the subsidiary. Any surplus or deficit recognised on the loss of control is recognised in the consolidated statement of profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date control is lost. Subsequently it is accounted for as equity accounted investee or as an available-for-sale financial asset depending on the level of the influence retained.

4 ESTIMATES

The preparation of condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2016.

5 FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at 31 December 2016.

6 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit for the period attributable to the owners of the Company by the weighted average number of shares outstanding during the period.

	<i>For the Six Months Ended</i>	
	<i>30 June</i>	
	<i>2017</i>	<i>2016</i>
	<i>(Reviewed)</i>	<i>(Reviewed)</i>
Profit for the period attributable to the equity holders of the Company (QR'000)	<u>283,949</u>	<u>331,811</u>
Weighted average number of shares outstanding during the period ('000)	<u>354,086</u>	<u>354,086</u>
Basic and diluted earnings per share (QR)	<u><u>0.80</u></u>	<u><u>0.94</u></u>

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

United Development Company Q.P.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

At 30 June 2017

7 PROPERTY, PLANT AND EQUIPMENT

	<i>30 June 2017 (Reviewed) QR'000</i>	<i>31 December 2016 (Audited) QR'000</i>
Net carrying value at 1 January	3,231,194	4,499,199
Additions for the period / year	27,219	449,656
Transfers	(178,557)	(1,602,739)
Depreciation for the period / year	(39,480)	(101,992)
Net disposal	(2,324)	(8,827)
Write-offs	-	(4,103)
	<u>3,038,052</u>	<u>3,231,194</u>
Net carrying value at the end of the period/year	3,038,052	3,231,194

8 INVESTMENT PROPERTIES

	<i>30 June 2017 (Reviewed) QR'000</i>	<i>31 December 2016 (Audited) QR'000</i>
Balance at 1 January	8,861,377	8,704,709
Additions	408	4,356
Transfers	161,972	152,312
	<u>9,023,757</u>	<u>8,861,377</u>
Balance at the end of the period / year	9,023,757	8,861,377

9 INTANGIBLE ASSETS

	<i>30 June 2017 (Reviewed) QR'000</i>	<i>31 December 2016 (Audited) QR'000</i>
Balance at 1 January	6,838	3,678
Additions	91	1,404
Net transfers	-	4,250
Write off	-	(295)
Amortisation for the period / year	(553)	(2,199)
	<u>6,376</u>	<u>6,838</u>
Balance at the end of the period / year	6,376	6,838

United Development Company Q.P.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

At 30 June 2017

10 INVESTMENTS IN ASSOCIATES

The Group has the following investments in associate companies:

	<i>Country of incorporation</i>	<i>Shareholding</i>	<i>30 June 2017 (Reviewed) QR'000</i>	<i>31 December 2016 (Audited) QR'000</i>
Middle East Dredging Company Q.S.C. (a)	Qatar	45.9%	-	-
Al-Seef Limited Q.S.C.(b)	Qatar	20%	251,348	256,648
United Readymix W.L.L. (c)	Qatar	32%	53,765	59,737
			305,113	316,385

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

11 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<i>30 June 2017 (Reviewed) QR'000</i>	<i>31 December 2016 (Audited) QR'000</i>
Available-for-sale financial assets – quoted shares – Inside Qatar	2,561	2,770
Available-for-sale financial assets – quoted shares – Outside Qatar	36,241	83,674
Available-for-sale financial assets – unquoted shares	4,000	4,000
	42,802	90,444

As of 30 June 2017, unquoted equity investments are carried at cost due to non-availability of quoted market prices or other reliable measures of fair value.

12 ACCOUNTS AND OTHER RECEIVABLES

	<i>30 June 2017 (Reviewed) QR'000</i>	<i>31 December 2016 (Audited) QR'000</i>
Accounts receivables, Net	1,405,413	1,534,862
Amounts due from related parties	25,604	25,287
Other receivables, prepayments and advances	918,810	1,073,353
	2,349,827	2,633,502
Presented in the condensed consolidated statement of financial position as:		
Current assets	1,899,882	2,265,087
Non-current assets	449,945	368,415
	2,349,827	2,633,502

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13 CASH AND CASH EQUIVALENTS

	<i>30 June 2017 (Reviewed) QR'000</i>	<i>31 December 2016 (Audited) QR'000</i>
Cash at bank and in hand	559,549	290,116
Time deposits	1,412,950	1,275,767
Total cash and cash equivalents	1,972,499	1,565,883
Less: reserves / time deposits maturing after 90 days	(343,093)	(471,084)
Cash and cash equivalents as per statement of cash flows	1,629,406	1,094,799

Time deposits carry interest at commercial rates.

14 SHARE CAPITAL

	<i>30 June 2017 (Reviewed) QR'000</i>	<i>31 December 2016 (Audited) QR'000</i>
Authorised, issued and fully paid up capital: 354,086,248 ordinary shares of QR 10 each (2016 : 354,086,248 shares of QR 10 each)	3,540,862	3,540,862
Number of shares ('000)		
On issue as at the beginning of the period/year	354,086	354,086
On issue as at the end of the period/year	354,086	354,086

At 30 June 2017, the authorised share capital comprised 354,086,248 ordinary shares (2016: 354,086,248 ordinary shares). All shares have a par value of QR 10 and all issued shares are fully paid. The holders of ordinary shares are entitled to receive dividends, as declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Group's residual assets.

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15 OTHER RESERVES

	<i>Fair value reserve QR'000</i>	<i>Cash flow hedge reserve QR'000</i>	<i>Asset revaluation reserve QR'000</i>	<i>Total 30 June 2017 (Reviewed) QR'000</i>	<i>Total 31 December 2016 (Audited) QR'000</i>
Balance at 1 January (Audited)	4,921	(7,427)	1,278,481	1,275,975	1,594,006
Decrease	<u>(5,239)</u>	<u>-</u>	<u>(148,130)</u>	<u>(153,369)</u>	<u>(318,031)</u>
Balance at the end of the period/year	<u>(318)</u>	<u>(7,427)</u>	<u>1,130,351</u>	<u>1,122,606</u>	<u>1,275,975</u>

Fair value reserve

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

Cash flow hedge reserve

The cash flow hedge reserve represents the Group's share of other comprehensive income of an associate.

Asset revaluation reserve

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

16 INTEREST BEARING LOANS AND BORROWINGS

	<i>30 June 2017 (Reviewed) QR'000</i>	<i>31 December 2016 (Audited) QR'000</i>
Balance at 1 January	4,547,236	4,840,091
Drawdowns	94,631	356,160
Repayments	<u>(232,634)</u>	<u>(649,015)</u>
	4,409,233	4,547,236
Less: Unamortized finance cost associated with raising finance	<u>(24,697)</u>	<u>(29,315)</u>
Balance at the end of the period / year	<u>4,384,536</u>	<u>4,517,921</u>
Presented in the condensed consolidated statement of financial position as:		
Current liability	1,263,619	1,245,125
Non-current liability	<u>3,120,917</u>	<u>3,272,796</u>
	<u>4,384,536</u>	<u>4,517,921</u>

17 OPERATING SEGMENTS

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

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

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

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

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

Other operations include providing advertising and information technology solution services. .

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

Geographical segments

The Group has not diversified its activities outside of the State of Qatar except for United Development Investment Company (established in Cayman Island) and Porto Arabia Retail Company 1 (established in Cayman Island). However, these companies do not have any material operations outside Qatar and therefore the majority of the Group's assets are located in Qatar. Accordingly, there are no distinctly identifiable geographical segments in the Group for the period ended 30 June 2017.

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17 OPERATING SEGMENTS (CONTINUED)

	<i>Urban Development</i>		<i>Hydro Carbon & Energy</i>		<i>Hospitality & Leisure</i>		<i>Infrastructure & Utilities</i>		<i>Others</i>		<i>Total</i>	
	<i>30 June 2017 (Reviewed) QR'000</i>	<i>30 June 2016 (Reviewed) QR'000</i>	<i>30 June 2017 (Reviewed) QR'000</i>	<i>30 June 2016 (Reviewed) QR'000</i>	<i>30 June 2017 (Reviewed) QR'000</i>	<i>30 June 2016 (Reviewed) QR'000</i>	<i>30 June 2017 (Reviewed) QR'000</i>	<i>30 June 2016 (Reviewed) QR'000</i>	<i>30 June 2017 (Reviewed) QR'000</i>	<i>30 June 2016 (Reviewed) QR'000</i>	<i>30 June 2017 (Reviewed) QR'000</i>	<i>30 June 2016 (Reviewed) QR'000</i>
External revenue	772,346	551,670	-	-	12,327	27,283	185,901	150,157	103,631	82,378	1,074,205	811,488
Inter segment revenue	12,412	12,647	-	-	195	188	15,052	11,699	36,240	38,979	63,899	63,513
Interest income	23,280	14,129	-	-	291	181	2,299	1,381	947	820	26,817	16,511
Interest expense	83,079	54,378	-	-	-	161	6,338	6,101	-	-	89,417	60,640
Depreciation	14,894	9,831	-	-	1,619	2,836	21,907	21,728	1,060	1,006	39,480	35,401
Profit/(loss) for the period	229,396	304,974	-	-	(5,751)	(11,841)	70,498	49,632	56,270	28,593	350,413	371,358
Net share of results of associates	6,829	2,673	4,700	6,400	-	-	-	-	-	-	11,529	9,073

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17 OPERATING SEGMENTS (CONTINUED)

Reconciliations of reportable segment revenues and profit or loss:

Revenue

	<i>30 June 2017 (Reviewed) QR'000</i>	<i>30 June 2016 (Reviewed) QR'000</i>
Total revenue for reportable segments	1,138,104	875,001
Elimination of inter-segment revenue	(63,899)	(63,513)
Consolidated revenue	<u>1,074,205</u>	<u>811,488</u>

Profit or loss

	<i>30 June 2017 (Reviewed) QR'000</i>	<i>30 June 2016 (Reviewed) QR'000</i>
Total profit or loss for reportable segments	350,413	371,358
Elimination of inter-segment profits	(44,253)	(27,454)
Net share of results of associates	11,529	9,073
Consolidated profit for the period	<u>317,689</u>	<u>352,977</u>

18 FINANCIAL INSTRUMENTS

Fair values

Set out below is a comparison of the carrying amounts and fair value of the Group's financial instruments as at 30 June 2017 and 31 December 2016:

	<i>Carrying amounts</i>		<i>Fair values</i>	
	<i>30 June 2017 (Reviewed) QR'000</i>	<i>31 December 2016 (Audited) QR'000</i>	<i>30 June 2017 (Reviewed) QR'000</i>	<i>31 December 2016 (Audited) QR'000</i>
Financial assets				
Cash and cash equivalents	1,972,499	1,565,883	1,972,499	1,565,883
Accounts and other receivables, net	2,349,827	2,633,502	2,349,827	2,633,502
Available-for-sale financial assets	42,802	90,444	42,802	90,444
	<u>4,365,128</u>	<u>4,289,829</u>	<u>4,365,128</u>	<u>4,289,829</u>
Financial liabilities				
Accounts and other payables	2,642,945	2,677,375	2,642,945	2,677,375
Interest bearing loans and borrowings	4,384,536	4,517,921	4,384,536	4,517,921
Retentions payable	179,250	183,372	179,250	183,372
	<u>7,206,731</u>	<u>7,378,668</u>	<u>7,206,731</u>	<u>7,378,668</u>

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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18 FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique.

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: Other techniques for which all inputs that have a significant effect on the recorded fair value that are observable, either directly or indirectly; and
- Level 3: Techniques which use inputs that have a significant effect on the recorded fair values that are not based on observable market data.

As at 30 June 2017 and 31 December 2016, the Group held the following classes of assets measured at fair value:

	<i>30 June 2017</i>			
	<i>(Reviewed)</i> <i>QR'000</i>	<i>Level 1</i> <i>QR'000</i>	<i>Level 2</i> <i>QR'000</i>	<i>Level 3</i> <i>QR'000</i>
Available-for-sale financial assets	38,802	38,802	-	-
Investment property	9,023,757	-	-	9,023,757
Property, plant and equipment	907,344	-	-	907,344
	<u>9,969,903</u>	<u>38,802</u>	<u>-</u>	<u>9,931,101</u>
	<i>31 December 2016</i>			
	<i>(Audited)</i> <i>QR'000</i>	<i>Level 1</i> <i>QR'000</i>	<i>Level 2</i> <i>QR'000</i>	<i>Level 3</i> <i>QR'000</i>
Available-for-sale financial assets	86,444	86,444	-	-
Investment property	8,861,377	-	-	8,861,377
Property, plant and equipment	907,344	-	-	907,344
	<u>9,855,165</u>	<u>86,444</u>	<u>-</u>	<u>9,768,721</u>

19 CONTINGENCIES AND COMMITMENTS

The Group has contingencies and capital commitments in the form of bank guarantees, letters of credit and contractual commitments to contractors and suppliers. The Group anticipates that no material liability will arise from these guarantees and letters of credit, which are issued in the normal course of business.

In 2015, the Group entered into an agreement to provide a financing facility of QR 247 million to its affiliate, Middle East Dredging Company Q.S.C. As at 30 June 2017, the Group has disbursed QR 122 million related to this facility.