United Development Company Q.P.S.C.

CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS

30 SEPTEMBER 2018

United Development Company Q.P.S.C.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
30 September 2018

Contents **Page**

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the nine months ended 30 September 2018

	Note	*For the Nine Months Ended 30 September* **2018** **(Unaudited)** **QR'000**	*2017* *(Unaudited)* *QR'000*
Revenue		**1,287,504**	1,542,848
Cost of revenue		**(658,670)**	(813,719)
Gross profit		**628,834**	729,129
Dividend income		**7,494**	1,467
Other operating income		**116,148**	63,918
Gain on sale of investment securities		**10,172**	-
Fair value loss of investment securities		**(24,335)**	(970)
Impairment loss on trade and other receivables		**(1,761)**	-
General and administrative expenses		**(191,920)**	(199,533)
Sales and marketing expenses		**(30,786)**	(27,731)
Operating profit		**513,846**	566,280
Finance income		**30,469**	38,882
Finance costs		**(132,994)**	(136,917)
Net finance cost		**(102,525)**	(98,035)
Net share of results of associates		**4,962**	14,132
Profit for the period		**416,283**	482,377
Attributable to:			
Equity holders of the Company		**384,684**	435,860
Non-controlling interests		**31,599**	46,517
Profit for the period		**416,283**	482,377
Basic earnings per share			
Basic earnings per share	6	**1.09**	1.23

The attached notes 1 to 17 form part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 30 September 2018

		For the Nine Months Ended 30 September	
	Note	***2018 (Unaudited) QR'000***	*2017 (Unaudited) QR'000*
Profit for the period		**416,283**	482,377
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Net change in fair value of available-for-sale financial assets		**-**	1,294
Net change in cash flow hedge reserve		**-**	190
Total comprehensive income for the period		**416,283**	483,861
Attributable to:			
Equity holders of the Company		**384,684**	437,344
Non-controlling interests		**31,599**	46,517
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**416,283**	483,861

The attached notes 1 to 17 form part of these condensed consolidated interim financial statements.

United Development Company Q.P.S.C.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	Note	*30 September 2018 (Reviewed) QR'000*	*31 December 2017 (Audited) QR'000*
Assets			
Non-current assets			
Property, plant and equipment	7	**2,997,893**	3,052,891
Investment properties	8	**9,290,161**	9,249,691
Intangible assets	9	**1,060**	5,776
Investment in associates	10	**293,038**	308,077
Investment securities	11	**59,321**	61,833
Accounts and other receivables	12	**304,471**	295,202
Deferred costs		**189,820**	-
Total non-current assets		**13,135,764**	12,973,470
Current assets			
Inventories		**1,151,700**	1,387,148
Work In Progress		**308,831**	122,141
Deferred costs		**16,445**	-
Accounts and other receivables	12	**2,256,095**	2,124,745
Cash and cash equivalents	13	**1,425,071**	1,733,960
Total current assets		**5,158,142**	5,367,994
TOTAL ASSETS		**18,293,906**	18,341,464
Equity and liabilities			
Equity			
Share capital	14	**3,540,862**	3,540,862
Legal reserve		**1,675,843**	1,637,375
Other reserves	15	**1,204,207**	1,222,941
Retained earnings		**4,374,314**	4,674,435
Equity attributable to equity holders of the Company		**10,795,226**	11,075,613
Non-controlling interest		**278,779**	460,007
Total equity		**11,074,005**	11,535,620
Liabilities			
Non-current liabilities			
Interest bearing loans and borrowings	16	**2,980,563**	3,616,373
Retention payable		**18,200**	11,551
Accounts and other payables		**124,691**	110,093
Deferred revenue		**652,137**	-
Employees' end of service benefits		**37,725**	37,590
Total non-current liabilities		**3,813,316**	3,775,607
Current liabilities			
Accounts and other payables		**2,332,030**	2,327,790
Deferred revenue		**51,236**	-
Interest bearing loans and borrowings	16	**871,610**	548,655
Retentions payable		**151,709**	153,792
Total current liabilities		**3,406,585**	3,030,237
Total liabilities		**7,219,901**	6,805,844
TOTAL EQUITY AND LIABILITIES		**18,293,906**	18,341,464

These condensed consolidated interim financial statements were approved by the Board of Directors and were signed on their behalf by the following on 17 October 2018.

Ibrahim Jassim Al-Othman
President and Chief Executive Officer

Turki Mohammed Khaled Al Khater
Chairman of the Board

The attached notes 1 to 17 form part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2018

	Attributable to the equity holders of the Company						
	Share capital QR'000	***Legal reserve QR'000***	***Other reserves (Note 15) QR'000***	***Retained earnings QR'000***	***Total QR'000***	***Non-controlling interest QR'000***	***Total equity QR'000***
Balance at 1 January 2018 (Audited)	3,540,862	1,637,375	1,222,941	4,674,435	11,075,613	460,007	11,535,620
Adjustments for the initial application of IFRS 15 (Note 3 a i)	-	-	-	(221,515)	(221,515)	(212,827)	(434,342)
Adjustments for the initial application of IFRS 9 (Note 3 a ii)	-	-	(18,734)	17,786	(948)	-	(948)
Adjusted balance at 1 January 2018 (Audited)	3,540,862	1,637,375	1,204,207	4,470,706	10,853,150	247,180	11,100,330
Total comprehensive income for the period							
Profit for the period	-	-	-	384,684	384,684	31,599	416,283
Other comprehensive income	-	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	384,684	384,684	31,599	416,283
Transfer to legal reserve	-	38,468	-	(38,468)	-	-	-
Dividend declared	-	-	-	(442,608)	(442,608)	-	(442,608)
Total transactions with owners	-	38,468	-	(481,076)	(442,608)	-	(442,608)
Balance at 30 September 2018 (Unaudited)	**3,540,862**	**1,675,843**	**1,204,207**	**4,374,314**	**10,795,226**	**278,779**	**11,074,005**

The attached notes 1 to 17 form part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the nine months ended 30 September 2018

	Attributable to the equity holders of the Company						
	Share capital QR'000	*Legal reserve QR'000*	*Other reserves QR'000*	*Retained earnings QR'000*	*Total QR'000*	*Non-controlling interest QR'000*	*Total equity QR'000*
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	-	-	-	435,860	435,860	46,517	482,377
Other comprehensive income							
Transfer of revaluation gain	-	-	(148,130)	148,130	-	-	-
Net change in cash flow hedge reserve	-	-	190	-	190	-	190
Net change in fair value of available-for-sale financial assets	-	-	1,294	-	1,294	-	1,294
Total other comprehensive income	-	-	(146,646)	148,130	1,484	-	1,484
Total comprehensive income for the period	-	-	(146,646)	583,990	437,344	46,517	483,861
Transfer to legal reserve	-	43,586	-	(43,586)	-	-	-
Dividend declared	-	-	-	(442,608)	(442,608)	(21,021)	(463,629)
Total transactions with owners	-	43,586	-	(486,194)	(442,608)	(21,021)	(463,629)
Balance at 30 September 2017 (Unaudited)	3,540,862	1,627,121	1,129,329	4,595,613	10,892,925	437,128	11,330,053

The attached notes 1 to 17 from part of these unaudited condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months ended 30 September 2018

	Note	*30 September 2018*	*30 September 2017*
CASH FLOWS FROM OPERATING ACTIVITIES		***(Unaudited)***	*(Unaudited)*
	Note	***QR'000***	*QR'000*
Profit for the period		**416,283**	482,377
Adjustments for:			
Net share of results of associates		**(4,962)**	(14,132)
Depreciation	7	**79,882**	67,301
Write off of property, plant & equipment	7	**2,665**	-
Amortization of intangible asset	9	**235**	830
Write off of intangible asset	9	**4,481**	-
(Profit) / loss on disposal of property, plant and equipment		**(143)**	1,715
Loss on disposal of investment property		**-**	1,736
Net finance costs		**(102,525)**	98,035
Dividend income		**(7,494)**	(1,467)
Impairment of trade and other receivables		**1,761**	-
Fair value loss of investment securities		**24,335**	-
Gain on sale and impairment of investment securities		**(10,172)**	970
Provision for employees' end of service benefits		**6,142**	6,347
Operating profit before working capital changes		**410,488**	643,712
Changes in working capital:			
Inventories		**235,448**	454,331
Work in progress		**(186,690)**	(26,931)
Accounts and other receivables		**(346,884)**	150,179
Accounts and other payables		**499,052**	(230,163)
Retentions payable		**4,566**	(4,969)
Cash from operating activities		**615,980**	986,159
Finance cost paid		**(132,994)**	(137,482)
Employees' end of service benefits paid		**(6,006)**	(4,586)
Net cash flows from operating activities		**476,980**	844,091
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	7	**(27,910)**	(34,888)
Additions to investment securities		**(29,269)**	-
Proceeds from sale of property, plant and equipment		**504**	610
Acquisition of intangible assets	9	**-**	(91)
Finance income received		**30,469**	39,115
Dividend income received		**2,374**	1,467
Additions to investment properties	8	**(58,785)**	250
Movement in time deposits maturing after three months		**(202,825)**	(829,816)
Net proceeds from sale of investment securities		**17,619**	41,444
Dividend received from associate companies		**20,000**	26,000
Net cash flow used in investing activities		**(247,823)**	(788,642)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from term loans	16	**98,617**	877,910
Repayment of term loans	16	**(417,426)**	(1,161,522)
Dividend paid		**(422,062)**	(460,443)
Net cash flow used in financing activities		**(740,871)**	(744,055)
Net decrease in cash and cash equivalents		**(511,714)**	(688,606)
Cash and cash equivalents at the beginning of the period		**884,312**	1,094,799
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	13	**372,598**	406,193

The attached notes 1 to 17 form part of these condensed consolidated interim financial statements.

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 nine months period ended 30 September 2018 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates. Information regarding the Group's structure is provided in Note 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, 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.

The condensed consolidated interim financial statements of United Development Company Q.P.S.C. for the nine months ended 30 September 2018 were authorised for issue in accordance with a resolution of the Board of the Directors.

2 BASIS OF ACCOUNTING

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 2017.

This is the first year in which the Group's financial statements have applied IFRS 9 and IFRS 15. Changes to significant accounting policies are described in Note 3.

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 2017 are available upon request from the Company's registered office or at www.udcqatar.com.

3 SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Group's consolidated financial statements, as at and for the year ended 31 December 2017.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2018.

a. Changes in accounting policies

During the current period, the Group adopted the below new and amended International Financial Reporting Standards ("IFRS") and improvements to IFRS that are effective for annual periods beginning on 1 January 2018:

- IFRS 15 "Revenue from Contracts with Customers"
- IFRS 9 "Financial Instruments"
- Amendments to IAS 40 "Transfers of Investment Property"
- Annual improvements to IFRSs 2014-2016 Cycle "Amendments to IFRS 1 and IAS 28"
- IFRIC 22 Foreign Currency Transactions and Advances consideration.

The adoption of the above new and amended IFRS and improvements to IFRS had no significant impact on the condensed consolidated interim financial statements, except for IFRS 15 and IFRS 9.

i) IFRS 15 "Revenue from Contracts with Customers"

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

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

The following table summarises the impact of transition to IFRS 15 on retained earnings at 1 January 2018:

	Note	Impact of adopting IFRS 15 at 1 January 2018 *QR'000*
Retained earnings		
Initial capacity revenue	(1)	(310,829)
Sale of Energy Transfer Stations (ETS)	(2)	(123,513)
Impact of 1 January 2018		**(434,342)**

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a. Changes in accounting policies (continued)

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

Type of services	**Nature, timing of satisfaction of performance obligations, significant payment terms**	**Nature of change in accounting Policy**
Initial capacity revenue (1)	These are one-time non-refundable fees charged to customers on the service commencement date as per the service agreement. This is fully collected from the customer in advance on the service commencement date	Under IAS 18, this was recognized on the service commencement date. The Group does not consider initial capacity revenue as a separate performance obligation in line with the requirements of IFRS 15. Therefore, the initial capacity revenue and its related costs will be recognized over the term of the contract with the customers. The impact of this change on items other than revenue is an increase in deferred costs / deferred revenue relating to costs incurred / customer receipts that will be realized over the term of the contract with the customers.
Sale of Energy Transfer Stations (ETS) (2)	ETS are installed at the customer's premises in order to receive cooling services. This is a one-time fees charged to the customers on date of substantial completion of the ETS and is fully collected from the customer in advance on the aforementioned date.	Under IAS 18, this was recognized on date of substantial completion of ETS. The Group does not consider sale of ETS as a separate performance obligation in line with the requirements of IFRS 15. Therefore, the revenue from sale of ETS and its related costs will be recognized over the term of the contract with the customers. The impact of this change on items other than revenue is an increase in deferred costs / deferred revenue relating to costs incurred / customer receipts that will be realized over the term of the contract with the customers.
Revenue from the sale of completed properties (land, townhouses, apartments and villas)	Revenue is recognized when the control of the completed properties are transferred to the buyer.	No significant impact
Service charges	Revenue from the service charges levied on property owners. The income is recognized over the corresponding business year.	No significant impact
Revenue from services	Revenue from rendering services is recognized over the period by reference to the stage of completion of the transaction.	No significant impact
Fee income	The income is recognized upon rendering of service.	No significant impact
Rental income	Revenue is recognized on a monthly basis based on the period of contract and the space occupied.	No significant impact
Revenue from sale of goods (restaurant sales)	Revenue is recognized when the control of the goods are transferred to the buyer.	No significant impact

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a. Changes in accounting policies (continued)

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

The following tables summarise the impacts of adopting IFRS 15 on the Group's condensed consolidated statement of financial position as at 30 September 2018 and its condensed consolidated statement of profit or loss and other comprehensive income for the nine months then ended for each of the line items affected. There was no material impact on the Group's condensed consolidated statement of cash flows for the nine months period ended 30 September 2018.

Condensed consolidated statement of financial position	**As reported at 30 September 2018**	**Adjustments due to adoption of IFRS 15**	**Amounts without adoption of IFRS 15 at 30 September 2018**
	QR'000	***QR'000***	***QR'000***
ASSETS			
Non-current assets			
Deferred costs	189,820	(189,820)	-
Total non-current assets	13,135,764	(189,820)	12,945,944
Current assets			
Deferred costs	16,445	(16,445)	-
Total current assets	5,158,142	(16,445)	5,141,697
Total assets	**18,293,906**	**(206,265)**	**18,087,641**
EQUITY AND LIABILITIES			
Equity			
Retained earnings	4,374,314	257,767	4,632,081
Non-controlling interest	278,779	247,658	526,437
Total equity	11,074,005	505,425	11,579,430
Non-current liabilities			
Deferred revenue	652,137	(652,137)	-
Total non-current liabilities	3,813,316	(652,137)	3,161,179
Current liabilities			
Deferred revenue	51,236	(51,236)	-
Total current liabilities	3,406,585	(51,236)	3,355,349
Total liabilities	7,219,901	(703,373)	6,516,528
Total equity and liabilities	**18,293,906**	**(197,948)**	**18,095,958**

Condensed consolidated statement of profit or loss and other comprehensive income	**As reported at 30 September 2018** ***QR'000***	**Adjustments due to adoption of IFRS 15** ***QR'000***	**Amounts without adoption of IFRS 15 at 30 September 2018** ***QR'000***
Revenue	1,287,504	81,097	1,368,601
Cost of revenue	(658,670)	(9,961)	(668,631)
Gross profit	**628,834**	**71,136**	**699,970**
Net Profit	**416,283**	**71,136**	**487,419**
Total comprehensive income	**416,283**	**71,136**	**487,419**

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a. Changes in accounting policies (continued)

ii) IFRS 9 "Financial Instruments"

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

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

	Other reserves	*Retained earnings*	*Non-controlling interest*
	QR'000	*QR'000*	*QR'000*
Adjustments on initial application of IFRS 9			
Recognition of expected credit losses under IFRS 9	-	(948)	-
Reclassification of investment securities	(18,734)	18,734	-
Impact on 1 January 2018	**(18,734)**	**17,786**	**-**

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

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

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

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

	Note	*Original classification under IAS 39*	*New classification under IFRS 9*	*Original carrying amount under IAS 39*	*New carrying amount under IFRS 9*
				QR'000	*QR'000*
Investment securities	a	Available-for-sale	FVTPL	61,833	61,833
Accounts and other receivables	b	Loans and receivables	Amortized cost	2,419,947	2,418,999
Cash and cash equivalents				1,733,960	1,733,960
				4,215,740	**4,214,792**

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

b) Accounts and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost as per IFRS 9. An increase of QR 948,079 in the provision for impairment of these accounts and other receivable was recognised in opening retained earnings at 1 January 2018 on transition to IFRS 9.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a. Changes in accounting policies (continued)

ii) IFRS 9 “Financial Instruments” (continued)

(ii) Impairment of financial assets

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

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

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

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

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

Impact of the new impairment model
For financial assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of IFRS 9’s impairment requirements at 1 January 2018 results in an additional impairment allowance amounted to QR 948 thousand.

(iii) Transition

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. 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 September 2018. 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

	Country of incorporation	*% equity interest*	
		2018	*2017*
Qatar District Cooling Company Q.C.S.C.	Qatar	**51**	51
Ronautica Middle East W.L.L.	Qatar	**100**	100
The Pearl Qatar Company W.L.L.	Qatar	**100**	100
Hospitality Development Company W.L.L.	Qatar	**100**	100
United Fashion Company W.L.L.	Qatar	**100**	100
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 280,638 thousands as at 30 September 2018 (31 December 2017: QR 460,007 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 32,730 thousands (2017: QR 33,767 thousands).

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 W.L.L. was increased from QR 30 million to QR 100 million. The increase in capital was fully paid by the Group, which increased its equity interest from 60% to 88%. During 2009, the Group purchased the non-controlling interest of Ronautica Middle East W.L.L., which increased its equity interest from 88% to 100%.

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 and China Square was completed during 2017. The operations of Urban Restaurant Development L.L.C (90%) also discontinued its operation in 2017.

United Fashion Company W.L.L. (UFC) was engaged in fashion retailing. The mandate of the Company was to acquire top international names for brand franchising and operating in the Middle East. The Company ceased operations during 2017.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Basis of consolidation (continued)

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

Abraj Al-Mutahida's activity is in the development of real estate properties. During 2016, the name of the company was changed from "Abraj Quartier Company". to "Abraj Al-Mutahida".

United Facilities Management Company W.L.L. was engaged in facility management activity. The Company ceased operations during 2017.

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

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

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

Insure plus W.L.L. activity is insurance agency and providing technical services and risk related services.

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

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

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

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

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

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

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.

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 described in the last annual financial statements, except for new significant judgements and key sources of estimation uncertainty related to the application of IFRS 15 and IFRS 9, which are described in Note 3.a.

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 2017.

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.

	For the Nine Months Ended 30 September	
	2018	*2017*
	(Unaudited)	*(Unaudited)*
Profit for the period attributable to the equity holders of the Company (QR'000)	**384,684**	435,860
Weighted average number of shares outstanding during the period ('000)	**354,086**	354,086
Basic and diluted earnings per share (QR)	**1.09**	1.23

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.

7 PROPERTY, PLANT AND EQUIPMENT

	30 September 2018 (Unaudited) QR'000	*31 December 2017 (Audited) QR'000*
Net carrying value at 1 January	**3,052,891**	3,231,194
Additions for the period / year	**27,910**	40,043
Revaluation gain	**-**	81,698
Net transfers	**-**	(204,965)
Depreciation for the period / year	**(79,882)**	(92,653)
Net disposal	**(361)**	(2,426)
Written-off	**(2,665)**	-
Net carrying value at the end of the period/year	**2,997,893**	3,052,891

8 INVESTMENT PROPERTIES

	30 September 2018 (Unaudited) QR'000	*31 December 2017 (Audited) QR'000*
Balance at 1 January	9,249,691	8,861,377
Additions - development costs incurred during the year	58,785	32,898
Net transfers	(18,315)	365,881
Disposal		(1,985)
Fair value loss		(8,480)
Balance at the end of the period / year	**9,290,161**	9,249,691

9 INTANGIBLE ASSETS

	30 September 2018 (Unaudited) QR'000	*31 December 2017 (Audited) QR'000*
Balance at 1 January	**5,776**	6,838
Additions	**-**	38
Amortisation for the period / year	**(235)**	(1,100)
Written-off	**(4,481)**	-
Balance at the end of the period / year	**1,060**	5,776

10 INVESTMENTS IN ASSOCIATES

The Group has the following investments in associate companies:

	Country of incorporation	*Shareholding*	***30 September 2018 (Unaudited) QR'000***	*31 December 2017 (Audited) QR'000*
Middle East Dredging Company Q.S.C. (a)	Qatar	45.9%	**-**	-
Al-Seef Limited Q.S.C.(b)	Qatar	20%	**240,272**	257,932
United Readymix W.L.L. (c)	Qatar	32%	**52,766**	50,145
			293,038	308,077

(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 INVESTMENT SECURITIES

	30 September 2018 (Unaudited) QR'000	*31 December 2017 (Audited) QR'000*
Investment securities at Fair Value Through Profit or Loss (FVPL)	**59,321**	-
Available-for-sale investment securities	**-**	61,833
	59,321	61,833

12 ACCOUNTS AND OTHER RECEIVABLES

	30 September 2018 (Unaudited) QR'000	*31 December 2017 (Audited) QR'000*
Accounts receivables, Net	**1,625,879**	1,527,835
Amounts due from related parties	**15,809**	11,253
Other receivables, prepayments and advances	**918,878**	880,859
	2,560,566	2,419,947
Presented in the condensed consolidated statement of financial position as:		
Current assets	**2,256,095**	2,124,745
Non-current assets	**304,471**	295,202
	2,560,566	2,419,947

13 CASH AND CASH EQUIVALENTS

	30 September 2018 (Unaudited) QR'000	*31 December 2017 (Audited) QR'000*
Cash at bank and in hand	**370,519**	158,470
Time deposits	**1,054,552**	1,575,490
Total cash and bank balances	**1,425,071**	1,733,960
Less: reserves / time deposits maturing after 90 days	**(1,052,473)**	(849,648)
Cash and cash equivalents as per statement of cash flows	**372,598**	884,312

Time deposits carry interest at commercial rates.

14 SHARE CAPITAL

	30 September 2018 (Unaudited) QR'000	*31 December 2017 (Audited) QR'000*
Authorised, issued and fully paid up capital: 354,086,248 ordinary shares of QR 10 each (2017 : 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 September 2018, the authorised share capital comprised 354,086,248 ordinary shares (2017: 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.

15 OTHER RESERVES

	Fair value reserve QR'000	***Cash flow hedge reserve QR'000***	***Asset revaluation reserve QR'000***	***Total 30 September 2018 (Unaudited) QR'000***	*Total 31 December 2017 (Audited) QR'000*
Balance at 1 January (Audited)	18,734	(7,842)	1,212,049	1,222,941	1,275,975
Adjustments on initial application of IFRS 9 – Note 3.a.ii	(18,734)	-	-	(18,734)	-
Decrease	-	-	-	-	(53,034)
Balance at the end of the period/year	**-**	**(7,842)**	**1,212,049**	**1,204,207**	1,222,941

Fair value reserve
The Group has designated former available-for-sale investments at the date of initial application as measured at FVTPL. Hence, the accumulated fair value reserve related to these investments were reclassified to retained earnings.

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

	30 September 2018 (Unaudited) QR'000	*31 December 2017 (Audited) QR'000*
Balance at 1 January	**4,192,484**	4,547,236
Drawdowns	**98,617**	890,470
Repayments	**(417,425)**	(1,245,222)
	3,873,676	4,192,484
Less: Unamortized finance cost associated with raising finance	**(21,503)**	(27,456)
Balance at the end of the period / year	**3,852,173**	4,165,028
Presented in the condensed consolidated statement of financial position as:		
Current liability	**871,610**	548,655
Non-current liability	**2,980,563**	3,616,373
	3,852,173	4,165,028

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 September 2018.