

United Development Company Q.P.S.C

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

31 March 2018

United Development Company Q.P.S.C

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

For the Three months period ended 31 March 2018

	<i>For the three months Period Ended 31 March</i>	
	2018	2017
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	QR'000	QR'000
Revenue	528,483	768,508
Cost of revenue	<u>(239,024)</u>	<u>(479,912)</u>
Gross profit	289,459	288,596
Dividend income	1,174	1,245
Other operating income	37,589	55,262
Gain on sale of investment securities	11,000	5,938
General, administrative, sales and marketing expenses	<u>(89,357)</u>	<u>(83,182)</u>
Operating profit	249,865	267,859
Finance income	10,725	13,994
Finance costs	<u>(44,371)</u>	<u>(44,935)</u>
Net finance cost	(33,646)	(30,941)
Net share of results of associates	<u>3,394</u>	<u>7,032</u>
Profit for the period	219,613	243,950
Profit attributable to :		
Equity holders of the parent	214,516	230,766
Non-controlling interests	<u>5,097</u>	<u>13,184</u>
Profit for the period	219,613	243,950
Earnings per share		
Basic and diluted earnings per share	6 0.61	<u>0.65</u>

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

United Development Company Q.P.S.C**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**

For the Three months period ended 31 March 2018

	<i>For the Three months Period Ended 31 March</i>	
	<i>2018</i>	<i>2017</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>QR'000</i>	<i>QR'000</i>
Profit for the period	219,613	243,950
Other comprehensive income		
<i>Other comprehensive (loss)/profit to be reclassified to profit or loss in subsequent periods:</i>		
Net change in cash flow hedge reserve	(502)	-
Net change in fair value of available-for-sale financial assets	-	(3,942)
Total comprehensive income for the period	219,111	240,008
Total comprehensive income attributable to:		
Equity holders of the parent	214,014	226,824
Non-controlling interests	5,097	13,184
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	219,111	240,008

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

United Development Company Q.P.S.C

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	<i>Note</i>	31 March 2018 (Unaudited) QR'000	31 December 2017 (Audited) QR'000
Assets			
Non-current assets			
Property, plant and equipment	7	3,027,982	3,052,891
Investment properties	8	9,268,308	9,249,691
Intangible assets	9	1,217	5,776
Investment in associates	10	311,471	308,077
Accounts and other receivables - long term		224,748	295,202
Investment securities	11	86,394	61,833
Total non-current assets		12,920,120	12,973,470
Current assets			
Inventories, net		1,255,540	1,387,148
Work In Progress		173,342	122,141
Accounts and other receivables – current, net		2,376,430	2,124,745
Cash and cash equivalents	12	1,236,612	1,733,960
Total current assets		5,041,924	5,367,994
TOTAL ASSETS		17,962,044	18,341,464
Equity and liabilities			
Equity			
Share capital	13	3,540,862	3,540,862
Legal reserve		1,658,826	1,637,375
Other reserves	14	1,203,705	1,222,941
Retained earnings		4,218,578	4,674,435
Equity attributable to equity holders of the parent		10,621,971	11,075,613
Non-controlling interest		248,881	460,007
Total equity		10,870,852	11,535,620
Liabilities			
Non-current liabilities			
Interest bearing loans and borrowings	15	3,025,632	3,616,373
Retention payable		16,974	11,551
Accounts and other payables – long term		116,517	110,093
Deferred Revenue		674,263	-
Employees' end of service benefits		39,528	37,590
Total non-current liabilities		3,872,914	3,775,607
Current liabilities			
Accounts and other payables		2,062,832	2,327,790
Interest bearing loans and borrowings	15	1,001,816	548,655
Retentions payable		153,630	153,792
Total current liabilities		3,218,278	3,030,237
Total liabilities		7,091,192	6,805,844
TOTAL EQUITY AND LIABILITIES		17,962,044	18,341,464

These interim condensed consolidated financial statements were approved by the Board of Directors on 29th April 2018 and were signed on their behalf by the following:

.....
Ibrahim Jassim Al-Othman
President and Chief Executive Officer

.....
Turki Mohammed Khaled Al Khater
Chairman of the Board

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

United Development Company Q.P.S.C

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Three months period ended 31 March 2018

	<i>Attributable to equity holders of the parent</i>				<i>Total</i> <i>QR'000</i>	<i>Non-</i> <i>controlling</i> <i>interest</i> <i>QR'000</i>	<i>Total</i> <i>equity</i> <i>QR'000</i>
	<i>Issued</i> <i>Capital</i> <i>QR'000</i>	<i>Legal</i> <i>reserve</i> <i>QR'000</i>	<i>Other</i> <i>reserves</i> <i>(Note 14)</i> <i>QR'000</i>	<i>Retained</i> <i>earnings</i> <i>QR'000</i>			
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
Reclassification IFRS 9	-	-	(18,734)	18,734	-	-	-
Adjustment relating to IFRS 15	-	-	-	(225,049)	(225,049)	(216,223)	(441,272)
Restated opening balance	3,540,862	1,637,375	1,204,207	4,468,120	10,850,564	243,784	11,094,348
Total comprehensive income for the period							
Profit for the period	-	-	-	214,516	214,516	5,097	219,613
Other comprehensive income							
Net change in cash flow hedge reserve	-	-	(502)	-	(502)	-	(502)
Total other comprehensive income	-	-	(502)	-	(502)	-	(502)
Total comprehensive income for the period	-	-	(502)	214,516	214,014	5,097	219,111
Transfer to legal reserve	-	21,451	-	(21,451)	-	-	-
Dividend paid	-	-	-	(442,607)	(442,607)	-	(442,607)
Total transactions with equity holders	-	21,451	-	(464,058)	(442,607)	-	(442,607)
Balance at 31 March 2018 (Unaudited)	3,540,862	1,658,826	1,203,705	4,218,578	10,621,971	248,881	10,870,852

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

United Development Company Q.P.S.C

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the Three months period ended 31 March 2018

	<i>Attributable to equity holders of the parent</i>				<i>Total</i> <i>QR'000</i>	<i>Non-</i> <i>controlling</i> <i>interest</i> <i>QR'000</i>	<i>Total</i> <i>equity</i> <i>QR'000</i>
	<i>Issued</i> <i>Capital</i> <i>QR'000</i>	<i>Legal</i> <i>reserve</i> <i>QR'000</i>	<i>Other</i> <i>reserves</i> <i>(Note 14)</i> <i>QR'000</i>	<i>Retained</i> <i>earnings</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	-	-	-	230,766	230,766	13,184	243,950
Other comprehensive income							
Transfer of Revaluation Gain	-	-	(148,130)	148,130	-	-	-
Net change in fair value of available-for-sale financial assets	-	-	(3,942)	-	(3,942)	-	(3,942)
Total other comprehensive income	-	-	(152,072)	148,130	(3,942)	-	(3,942)
Total comprehensive income for the period	-	-	(152,072)	378,896	226,824	13,184	240,008
Transfer to legal reserve	-	23,077	-	(23,077)	-	-	-
Dividend paid	-	-	-	(442,608)	(442,608)	(21,021)	(463,629)
Total transactions with equity holders	-	23,077	-	(465,685)	(442,608)	(21,021)	(463,629)
Balance at 31 March 2017 (Unaudited)	3,540,862	1,606,612	1,123,903	4,411,028	10,682,405	403,795	11,086,200

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

United Development Company Q.P.S.C

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the Three months period ended 31 March 2018

	31 March 2018 (Unaudited) QR'000	31 March 2017 (Unaudited) QR'000
	<i>Note</i>	
OPERATING ACTIVITIES		
Profit for the period	219,613	243,950
<i>Adjustments to reconcile profit to net cash flows:</i>		
Net share of results of associates	(3,394)	(7,032)
Depreciation	25,900	25,642
Amortization/write off of intangible assets	4,559	275
Loss/(Gain) on disposal of property, plant & equipment	139	(41)
Loss on write off of property, plant & equipment	4,215	-
Gain on sale of investment securities / available-for-sale financial assets	(11,000)	(5,938)
Net finance costs	33,646	30,941
Dividend income	(1,174)	(1,245)
Provision for employees' end of service benefits	2,825	2,713
	<u>275,329</u>	<u>289,265</u>
<i>Working capital adjustments:</i>		
Accounts and other receivables - long term	70,454	5,357
Inventories, net	116,191	385,401
Work In Progress	(51,201)	(12,392)
Accounts and other receivables – current, net	(251,685)	327,538
Accounts and other payables	(77,963)	(107,203)
Retention payable	5,261	(4,547)
	<u>86,386</u>	<u>883,419</u>
Cash generated from operating activities	86,386	883,419
Finance cost paid	(46,384)	(43,441)
Employees' end of service benefits paid	(1,452)	(1,203)
	<u>38,550</u>	<u>838,775</u>
Net cash flows from operating activities	38,550	838,775
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(5,525)	(7,205)
Additions to intangible assets	-	(91)
Proceeds from sale of property, plant and equipment	181	87
Interest received	10,725	17,441
Dividend received from associates	-	4,800
Dividend received from other investee companies	1,174	1,245
Proceeds from sale of investment securities/available-for-sale financial assets	15,000	34,090
Additions to investment properties	3,200	(325)
Time deposits with maturities more than three months	593,315	(1,003,291)
	<u>618,070</u>	<u>(953,249)</u>
Net cash flow from/(used in) investing activities	618,070	(953,249)
FINANCING ACTIVITIES		
Proceeds from interest bearing loans and borrowings	26,302	68,526
Repayment of interest bearing loans and borrowings	(165,895)	(148,931)
Dividend paid	(421,060)	(450,466)
	<u>(560,653)</u>	<u>(530,871)</u>
Net cash flows used in financing activities	(560,653)	(530,871)
Net decrease in cash and cash equivalents	95,967	(645,345)
Cash and cash equivalents at the beginning of the period	12 <u>884,312</u>	<u>1,094,799</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	12 <u>980,279</u>	<u>449,454</u>

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

United Development Company Q.P.S.C

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2018

1 CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

United Development Company Q.P.S.C. (the “Company”) was incorporated as a Qatari Public Shareholding Company in accordance with the Emiri Decree No 2 on 2 February 1999 whose shares are publicly traded. The registered office of the Company is situated in Doha and its registered office address is P.O box 7256, Doha, State of Qatar. The interim condensed consolidated financial statements of the Company as at and for the three months ended 31 March 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 and 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 “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, school and hospital with related infrastructure and community facilities. The reclamation and the development of the land is being performed on a mix use development basis which was substantially completed in 2011.

The interim condensed consolidated financial statements of the Group for the Three months period ended 31 March 2018 were authorised for issue in accordance with a resolution of the Board of the Directors on 29 April 2018.

2 STATEMENT OF COMPLIANCE

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

They do not include all of the information required for a full annual consolidated financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2017.

The interim condensed consolidated financial statements are prepared and presented in Qatari Riyals rounded to nearest thousands, 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.

United Development Company Q.P.S.C

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2018

3 SIGNIFICANT ACCOUNTING POLICIES

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards and interpretations effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

The following amended accounting standards became effective in 2018 and have been adopted by the Group in preparation of these interim condensed financial statements as applicable. Whilst they did not have any impact on these interim condensed financial statements, they may require additional disclosures in the annual financial statements for the year ended 31 December 2018.

IFRS 9 Financial Instruments

IFRS 9 is effective for annual periods beginning on or after 1 January 2018. The Group adopted IFRS 9 on 1 January 2018 and do not restate the comparative information. IFRS 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities, a new model based on expected credit losses for recognising loan loss provisions and provides for simplified hedge accounting by aligning hedge accounting more closely with an entity's risk management methodology.

Classification and measurement

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which financial assets are managed and the underlying cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: (a) measured at Amortised Cost (AC), Fair Value through Other Comprehensive Income (FVTOCI) and Fair Value through Profit or Loss (FVTPL). Under IFRS 9, derivatives embedded in contracts where the host is a financial asset are no longer bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. The group adopts Fair Value through Profit or Loss for financial assets.

Expected credit losses

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. The new impairment model will apply to financial assets measured at amortised cost or FVTOCI, except for investments in equity instruments. A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk (SICR);
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing groups of similar financial assets for the purposes of measuring ECL; and
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL.

Financial liabilities

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in its credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

Hedge accounting

IFRS 9's hedge accounting requirements are designed to align the accounting more closely to the risk management framework; permit a greater variety of hedging instruments; and remove or simplify some of the rule-based requirements in IAS 39. The elements of hedge accounting: fair value, cash flow and net investment hedges are retained.

Disclosure

IFRS 9 also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of IFRS 9.

These amendments did not have any material impact on the Groups net exposure to credit risk.

United Development Company Q.P.S.C

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2018

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards, interpretations and amendments adopted by the Group (continued)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018.

Under IFRS 15, revenue will be recognised when a customer obtains control of the units, which is in line with the current revenue recognition. Based on Group's assessment, significant changes are not expected in the application of IFRS 15.

These amendments did not have any material impact on the Groups revenue recognition policy except for the subsidiary, Qatar District Cooling Company. The impact of such change is disclosed in the statement of changes in equity.

Standards issued but not yet effective

IFRS 16 Leases

IFRS 16 introduces a single, on-balance sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard- i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

The Group is currently assessing the estimated impact on initial application on IFRS 16 as at 1 January 2019.

Adoption not expected to impact the consolidated financial statements

<i>Effective for year ending 31 December 2019</i>	<i>Amendments to IAS 28 long term interest in associates and joint ventures</i>
<i>Effective date to be determined</i>	<i>Amendments to IFRS 4 on applying IFRS 9 with IFRS 4 Insurance contracts Amendments to IFRS 10 and IAS 28 on sale or contribution of assets between an investor and its associate or joint venture</i>

United Development Company Q.P.S.C

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2018

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

The interim condensed consolidated financial statements comprise the financial statements of United Development Company Q.P.S.C. and all its subsidiaries as at 31 March 2018. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Below is a list of subsidiaries included in the financial statements:

	Country of incorporation	% equity interest	
		2017	2016
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
Medina 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 Solutions Company W.L.L.	Qatar	100	100
Porto Arabia Retail Company 1	Cayman Island	100	100
Leisure and Resorts 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.

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 O.M.C activity is in the real estate sector.

Hospitality Development Company O.M.C. (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%) 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%), 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 Development Company Q.P.S.C

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2018

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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.

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 to operate and develop hotels and resorts.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 income and within equity in the consolidated statement of financial position, separately from parent 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 income. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that the 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.

United Development Company Q.P.S.C

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2018

4 ESTIMATES

The preparation of interim financial statements requires management to make judgements, 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 this interim condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimating uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2017.

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 and for the year ended 31 December 2017.

6 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for the period attributable to the ordinary equity holders of the Parent by the weighted average number of shares outstanding during the period.

	<i>For the Three months Period Ended 31 March</i>	
	<i>2018 (Unaudited) QR'000</i>	<i>2017 (Unaudited) QR'000</i>
Profit for the period attributable to the ordinary equity holders of the Parent	<u>214,516</u>	<u>230,766</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>0.61</u>	<u>0.65</u>

There were no potentially dilutive 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

	<i>31 March 2018 (Unaudited) QR'000</i>	<i>31 December 2017 (Audited) QR'000</i>
Net book value at 1 January	3,052,891	3,231,194
Additions for the period / year	5,525	40,043
Revaluation gain	-	81,698
Transfers	-	(204,965)
Depreciation for the period / year	(25,900)	(92,653)
Net disposal	(319)	(2,426)
Write off	<u>(4,215)</u>	<u>-</u>
Net carrying value at the end of the period/year	<u>3,027,982</u>	<u>3,052,891</u>

United Development Company Q.P.S.C

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2018

8 INVESTMENT PROPERTIES

	<i>31 March 2018 (Unaudited) QR'000</i>	<i>31 December 2017 (Audited) QR'000</i>
Balance at 1 January	9,249,691	8,861,377
Additions - development costs incurred during the period/year	3,200	32,698
Net Transfers	15,417	365,881
Disposal	-	(1,985)
Fair value loss	-	(8,480)
	<u>9,268,308</u>	<u>9,249,691</u>

9 INTANGIBLE ASSETS

	<i>31 March 2018 (Unaudited) QR'000</i>	<i>31 December 2017 (Audited) QR'000</i>
Balance at 1 January	5,776	6,838
Additions	-	38
Write off	(4,481)	-
Amortisation for the period / year	(78)	(1,100)
	<u>1,217</u>	<u>5,776</u>

10 INVESTMENTS IN ASSOCIATES

The Group has the following investments in associate companies:

	<i>Country of incorporation</i>	<i>Shareholding</i>	<i>31 March 2018 (Unaudited) QR'000</i>	<i>31 December 2017 (Audited) QR'000</i>
Middle East Dredging Company Q.S.C. (note a)	Qatar	45.9%	-	-
Al-Seef Limited Q.S.C. (note b)	Qatar	20%	258,804	257,932
United Readymix W.L.L. (note c)	Qatar	32%	52,667	50,145
			<u>311,471</u>	<u>308,077</u>

Notes:

- (a) Middle East Dredging Company Q.S.C. (the associate) 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.

United Development Company Q.P.S.C

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2018

11 INVESTMENT SECURITIES

IFRS 9: Fair Value Through profit or loss	<i>31 March 2018 (Unaudited) QR'000</i>	<i>31 December 2017 (Audited) QR'000</i>
Investment securities – quoted shares – Inside Qatar	30,254	-
Investment securities – quoted shares – Outside Qatar	<u>56,140</u>	<u>-</u>
	<u>86,394</u>	<u>-</u>
	<i>31 March 2018 (Unaudited) QR'000</i>	<i>31 December 2017 (Audited) QR'000</i>
IFRS 39:		
Available-for-sale financial assets – quoted shares – Inside Qatar	-	2,607
Available-for-sale financial assets – quoted shares – Outside Qatar	-	55,226
Available-for-sale financial assets – unquoted shares	<u>-</u>	<u>4,000</u>
	<u>-</u>	<u>61,833</u>

12 CASH AND CASH EQUIVALENTS

	<i>31 March 2018 (Unaudited) QR'000</i>	<i>31 December 2017 (Audited) QR'000</i>
Cash on hand and bank balances	1,236,612	1,733,960
Less: Reserves/time deposits maturing after 90 days	<u>(256,333)</u>	<u>(849,648)</u>
Cash and cash equivalents as per statement of cash flows	<u>980,279</u>	<u>884,312</u>
Time deposits carry interest at commercial rates.		

13 ISSUED CAPITAL

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

At 31 March 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. All issued shares are fully paid. The holders of ordinary shares are entitled to receive dividend, 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.

United Development Company Q.S.C

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2018

14 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 31 March 2018 (Unaudited) QR'000</i>	<i>Total 31 December 2017 (Audited) QR'000</i>
Balance at 1 January (Audited)	18,734	(7,842)	1,212,049	1,222,941	1,275,975
Reclassification IFRS 9	(18,734)	-	-	(18,734)	-
Decrease	-	(502)	-	(502)	(53,034)
Balance at the end of the period/year	<u>-</u>	<u>(8,344)</u>	<u>1,212,049</u>	<u>1,203,705</u>	<u>1,222,941</u>

Fair value reserve

The fair value reserve is used to record the changes, other than impairment losses in the fair value of available-for-sale financial assets. The application of IFRS 9 where the Group opted for the Fair Value through Profit or Loss (FVTPL) method and consequently the fair value reserve was reversed to retained earnings as of 1 January 2018.

Cash flow hedge reserve

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

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.

15 INTEREST BEARING LOANS AND BORROWINGS

	<i>31 March 2018 (Unaudited) QR'000</i>	<i>31 December 2017 (Audited) QR'000</i>
Balance at 1 January	4,192,484	4,547,237
Drawdowns/utilization	26,302	890,471
Repayments	(165,895)	(1,245,224)
	<u>4,052,891</u>	<u>4,192,484</u>
Less: Unamortized finance cost associated with raising finance	<u>(25,443)</u>	<u>(27,456)</u>
Balance at the end of the period/year	<u>4,027,448</u>	<u>4,165,028</u>
Presented in the statement of financial position as:		
Current liability	1,001,816	548,655
Non-current liability	<u>3,025,632</u>	<u>3,616,373</u>
	<u>4,027,448</u>	<u>4,165,028</u>

United Development Company Q.P.S.C

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2018

16 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 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 service and master community services.

Performance is measured based on segment profit, as included in the internal management reports that are reviewed by the Management. Segment profit is used to measure performance as management believes that 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 majority of the Group assets are located in Qatar. Accordingly there are no distinctly identifiable geographical segments in the Group for the period ended 31 March 2018.