

United Development Company Q.P.S.C.

**Condensed consolidated
interim financial statements
as at 30 September 2020**

United Development Company Q.P.S.C.
Condensed consolidated interim financial statements
As at 30 September 2020

Contents

	Page
Condensed consolidated statement of profit or loss and other comprehensive income	1
Condensed consolidated statement of financial position	2
Condensed consolidated statement of changes in equity	3
Condensed consolidated statement of cash flows	4
Notes to the condensed consolidated interim financial statements	5 – 16

United Development Company Q.P.S.C.

Condensed consolidated statement of profit or loss and other comprehensive income for the nine-month period ended 30 September 2020

	Note	Nine-month period ended 30 September	
		2020 (Unaudited) QR'000	2019 (Unaudited) QR'000
Revenue			
Cost of revenue		849,389	1,341,073
		(468,444)	(736,407)
Gross profit		380,945	604,666
Dividend income			
Other operating income		1,128	1,356
Fair value (loss)/gain on investment securities	12	44,981	51,129
Provision for impairment on trade receivables		(10,714)	2,039
General and administrative expenses		(49,579)	(1,860)
Sales and marketing expenses		(202,397)	(216,554)
		(4,617)	(22,040)
Operating profit		159,747	418,736
Finance income			
Finance cost		46,063	32,324
Net finance cost		(86,178)	(120,185)
		(40,115)	(87,861)
Net share of results of associates			
Net profit for the period	11	3,725	12,457
		123,357	343,332
Net profit attributable to:			
Equity holders of the Parent			
Non-controlling interests		95,976	318,903
		27,381	24,429
		123,357	343,332
Other comprehensive income			
Total comprehensive income for the period		-	-
		123,357	343,332
Total comprehensive income attributable to:			
Equity holders of the Parent			
Non-controlling interests		95,976	318,903
		27,381	24,429
		123,357	343,332
Earnings per share attributable to equity holders of the Parent:			
Basic and diluted earnings per share (QR)	6	0.027	0.090

The attached notes from 1 to 34 form part of these condensed consolidated interim financial statements.

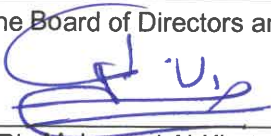
United Development Company Q.P.S.C.

Condensed consolidated statement of financial position as at 30 September 2020

	Note	30 September 2020 (Unaudited) QR'000	31 December 2019 (Audited) QR'000
Assets			
Non-current assets			
Property, plant and equipment	7	2,901,831	2,974,758
Investment properties	8	9,444,855	9,460,268
Right-of-use assets	9	8,218	5,616
Intangible assets	10	265	449
Investment in associates	11	49,093	48,568
Investment securities	12	51,963	62,677
Accounts and other receivables	15	648,813	589,584
Deferred costs	14	115,353	128,577
Total non-current assets		13,220,391	13,270,497
Current assets			
Inventories, net	13	973,082	939,978
Work in progress		1,274,623	720,002
Accounts and other receivables	15	1,826,889	1,955,425
Deferred costs	14	17,604	17,600
Cash and bank balances	16	1,611,273	1,298,366
Total current assets		5,703,471	4,931,371
Total assets		18,923,862	18,201,868
Equity and liabilities			
Equity			
Share capital	17	3,540,862	3,540,862
Legal reserve		1,739,385	1,729,787
Other reserve	18	1,212,049	1,212,049
Retained earnings		4,340,467	4,431,132
Equity attributable to equity holders of the parent		10,832,763	10,913,830
Non-controlling interest		353,100	325,719
Total equity		11,185,863	11,239,549
Liabilities			
Non-current liabilities			
Loans and borrowings	19	3,278,005	1,508,651
Accounts and other payables	20	94,232	84,427
Retention payable	21	64,294	21,787
Deferred revenue	22	633,618	676,202
Employees' end-of-service benefits	23	46,846	45,264
Lease liabilities	24	5,927	4,518
Total non-current liabilities		4,122,922	2,340,849
Current liabilities			
Loans and borrowings	19	548,534	1,851,584
Accounts and other payables	20	2,886,326	2,587,023
Retention payable	21	121,507	126,332
Deferred revenue	22	56,225	55,318
Lease liabilities	24	2,485	1,213
Total current liabilities		3,615,077	4,621,470
Total liabilities		7,737,999	6,962,319
Total equity and liabilities		18,923,862	18,201,868

These condensed consolidated interim financial statements were approved by the Board of Directors and signed on their behalf on 28 October 2020 by:


Ibrahim Jassim Al-Othman
President and Chief Executive Officer


Turki Bin Mohamed Al-Khater
Chairman of the Board

The attached notes from 1 to 34 form part of these condensed consolidated interim financial statements.

United Development Company Q.P.S.C.

Condensed consolidated statement of changes in equity for the nine-month period ended 30 September 2020

	Attributable to equity holders of the Parent					Non-controlling interest	Total equity
	Share capital	Legal reserve	Other reserves	Retained earnings	Total	QR'000	QR'000
	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000
Balance at 1 January 2019 (Audited)	3,540,862	1,687,457	1,212,049	4,414,833	10,855,201	290,911	11,146,112
Net profit for the period	-	-	-	318,903	318,903	24,429	343,332
Other comprehensive income for the period	-	-	-	-	-	-	-
Transfer to legal reserve	-	31,890	-	(31,890)	-	-	-
Dividend paid (Note 31)	-	-	-	(354,086)	-	-	-
Balance at 30 September 2019 (Unaudited)	3,540,862	1,719,347	1,212,049	4,347,760	10,820,018	315,340	11,135,358
Balance at 1 January 2020 (Audited)	3,540,862	1,729,787	1,212,049	4,431,132	10,913,830	325,719	11,239,549
Net profit for the period	-	-	-	95,976	95,976	27,381	123,357
Other comprehensive income for the period	-	-	-	-	-	-	-
Transfer to legal reserve	-	9,598	-	(9,598)	-	-	-
Dividend paid (Note 31)	-	-	-	(177,043)	-	-	-
Balance at 30 September 2020 (Unaudited)	3,540,862	1,739,385	1,212,049	4,340,467	10,832,763	353,100	11,185,863

United Development Company Q.P.S.C.

Condensed consolidated statement of cash flows for the nine-month period ended 30 September 2020

	Note	Nine-month period ended 30 September	
		2020 (Unaudited) QR'000	2019 (Unaudited) QR'000
Operating activities:			
Net profit for the period		123,357	343,332
Adjustments:			
Net share of results in associates	11	(3,725)	(12,457)
Depreciation on property, plant and equipment	7	78,644	82,687
Amortisation of intangible assets	10	184	71
Amortisation of right-of-use assets	9	2,736	795
Net finance costs		40,115	87,861
Dividend income		(1,128)	(1,356)
Loss on disposal of property, plant and equipment		2,706	1,228
Provision for impairment of trade receivables		49,579	1,860
Provision for impairment of property and equipment		-	1,250
Fair value loss/(gain) on investment securities	12	10,714	(2,039)
Provision for employees' end-of-service benefits	23	6,897	13,591
Operating profit before changes in working capital		310,079	516,823
Changes in working capital:			
Inventories		(7,079)	175,301
Work in progress		(554,621)	(199,215)
Accounts and other receivables		26,533	(333,539)
Accounts and other payables		296,493	518,159
Retention payable		37,682	(15,782)
Deferred revenue and cost, net		(28,457)	20,854
Cash generated from operating activities		80,630	682,601
Finance costs paid		(65,427)	(115,418)
Employees' end-of-service benefits paid	23	(5,315)	(3,515)
Net cash generated from operating activities		9,888	563,668
Investing activities:			
Additions to property, plant and equipment	7	(8,423)	(27,345)
Proceeds from disposal of property and equipment		-	120
Finance income received		39,258	27,105
Additions to investment properties	8	(10,612)	(20,356)
Repayment of lease liabilities	24	(3,038)	(969)
Movement in time deposits maturing after three months		(146,370)	218,907
Dividend received from associate and other investees		4,328	7,756
Net cash (used in)/generated from investing activities		(124,857)	205,218
Financing activities:			
Proceeds from loans and borrowings		572,287	100,295
Repayment of loans and borrowings		(113,738)	(416,745)
Dividend	31	(177,043)	(354,086)
Net cash generated from/(used in) financing activities		281,506	(670,536)
Net increase in cash and cash equivalents		166,537	98,350
Cash and cash equivalents at the beginning of the period		300,897	272,693
Cash and cash equivalents at the end of the period	16	467,434	371,043

The attached notes from 1 to 34 form part of these condensed consolidated interim financial statements.

United Development Company Q.P.S.C.

Notes to the condensed consolidated interim financial statements for the nine-month period ended 30 September 2020

1. Corporate information and principal activities

United Development Company Q.P.S.C. (the "Company") (the "Parent") 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-month period ended 30 September 2020 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 3.1.

The principal activity of the Group is to contribute and invest in infrastructure and utilities, urban development, environment related businesses, marina and related services, hospitality and leisure, business management 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 "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 condensed consolidated interim financial statements of the Group for the nine-month period ended 30 September 2020 were authorised for issue in accordance with approval of the Board of the Directors on 28 October 2020.

2. Basis of preparation

The condensed consolidated interim financial statements of the Group have been prepared in accordance with International Accounting Standard 34: *Interim Financial Reporting*.

The condensed consolidated interim financial statements have been prepared on a historical cost basis, except for land categorised as property, plant and equipment, investment securities and investment properties that are presented at fair value in accordance with IFRS.

These condensed consolidated interim financial statements are presented in Qatari Riyals (QR), which is the Group's functional currency. All financial information is presented in Qatari Riyals and all values are rounded to the nearest thousands unless and otherwise indicated.

These condensed consolidated interim financial statements do not include all the information required in the annual consolidated financial statements and should be read in conjunction with the Group consolidated financial statements as at 31 December 2019.

The consolidated financial statements of the Group as at and for the year ended 31 December 2019 are available upon request from the Company's registered office or at the Company's website www.udcqatar.com.

The critical estimates and judgments used in the preparation of these condensed consolidated interim financial statements are consistent with those used in the Group's consolidated financial statements for the year ended 31 December 2019, except for those discussed in Note 34, which is primarily arising due to the impact of the coronavirus (Covid-19).

3. Significant accounting policies

The accounting policies applied in these condensed consolidated interim financial statements are the same as those that were applied in the consolidated financial statements of the Group as at and for the year ended 31 December 2019.

A number of new standards are effective from 1 January 2020, but they do not have a material effect on the Group's financial statements

United Development Company Q.P.S.C.

Notes to the condensed consolidated interim financial statements for the nine-month period ended 30 September 2020 (continued)

3. Significant accounting policies (continued)

3.1 Basis of consolidation

Subsidiaries are entities controlled by the Group. The financial statements of the subsidiaries are included in these condensed consolidated interim financial statements from the date that control commences until that date that control ceases. The Group consolidates all the entities where it has the power to govern the financial and operating policies. All balances and transactions between Group entities included in these condensed consolidated interim financial statements have been eliminated upon consolidation.

Upon 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 upon loss of control is recognised in the condensed consolidated statement of profit or loss. If the Group retains any interest in the previous subsidiary, such interest is measured at fair value as at the date control is lost. Subsequently it is accounted as an equity-accounted investee or as a financial asset under IFRS 9 depending on the level of influence retained.

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

The condensed consolidated interim financial statements comprise the financial statements of the Company and all its subsidiaries as at 30 September 2020. The financial statements of the subsidiaries are prepared for the same reporting period as the parent Company using consistent accounting policies. The condensed consolidated interim financial statements include the financial statements of the Parent, and its subsidiaries listed in the following table:

Name of the entity	Country of incorporation	% equity interest	
		2020	2019
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
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.

On 15 September 2020, the Company announced its potential intent to purchase the shares of the 44% non-controlling interests in Qatar District Cooling Company Q.C.S.C.

The accumulated balance of non-controlling interest disclosed in the condensed consolidated statement of financial position of QR 353.1 million as at 30 September 2020 (31 December 2019: QR 325.7 million) 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 non-controlling interest for the nine-month period ended 30 September 2020 amounted to QR 27.4 million (2019: QR 24.4 million).

United Development Company Q.P.S.C.

Notes to the condensed consolidated interim financial statements for the nine-month period ended 30 September 2020 (continued)

3. Significant accounting policies (continued)

3.1 Basis of consolidation (continued)

Ronautica Middle East W.L.L. is involved in the 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.'s activity is real estate investments.

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 (100%), Flavour of Mexico L.L.C (100%), The Rising Sun L.L.C (95.68%), Wafflemaster Restaurant L.L.C (100%), Isla Mexican Kitchen W.L.L. (100%), Arabeque Restaurant W.L.L.(100%), The Circle Café W.L.L. (100%), Bread and Crumbs W.L.L. (100%) and Alison Nelson's Chocolate Bar W.L.L. (100%) in its consolidated financial statements.

United Fashion Company W.L.L. 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 Company W.L.L.'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.'s activity is to provide cleaning related services.

Insure plus W.L.L.'s activity is an insurance agency and providing technical 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.

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

4. Estimates and judgments

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, liabilities, income and expenses. Actual results may differ from these estimates. The critical estimates and judgments used in the preparation of these condensed consolidated interim financial statements are consistent with those used in the Group's consolidated financial statements for the year ended 31 December 2019 except for those disclosed in note 34.

United Development Company Q.P.S.C.

Notes to the condensed consolidated interim financial statements for the nine-month period ended 30 September 2020 (continued)

5. Financial risk management

The Group financial risk management objectives and policies are consistent with those disclosed in the Group's consolidated financial statements for the year ended 31 December 2019.

6. Basic and diluted earnings per share

Basic and diluted earnings per share is calculated by dividing the net profit for the year attributable to equity holders of the parent by the weighted average number of shares outstanding during the year. There were no instruments or items that could cause a dilutive effect on the earnings per share calculation.

	Nine-month period ended 30 September	
	2020	2019
	(Unaudited)	(Unaudited)
Profit for the year attributable to equity holders of the Parent (QR'000)	95,976	318,903
Weighted average number of outstanding shares during the period ('000)	3,540,862	3,540,862
Basic and diluted earnings per share (QR)	0.027	0.090

7. Property, plant and equipment

	30 September 2020	31 December 2019
	(Unaudited)	(Audited)
	QR'000	QR'000
Balance at the beginning of the period/year	2,974,758	3,026,216
Additions	8,423	63,089
Transfers, net	-	(1,748)
Disposals	(2,706)	(2,430)
Depreciation for the period/year	(78,644)	(110,369)
Balance at the end of the period/year	2,901,831	2,974,758

8. Investment properties

	30 September 2020	31 December 2019
	(Unaudited)	(Audited)
	QR'000	QR'000
Balance at the beginning of the period/year	9,460,268	9,434,550
Additions during the period/year	10,612	37,915
Transfers, net	(26,025)	(31,870)
Fair value gains	-	19,673
Balance at the end of the period/year	9,444,855	9,460,268

9. Right-of-use assets

	30 September 2020	31 December 2019
	(Unaudited)	(Audited)
	QR'000	QR'000
Balance at the beginning of the period/year	5,616	6,367
Additions	5,338	981
Amortisation for the period/year	(2,736)	(1,732)
Balance at the end of the period/year	8,218	5,616

United Development Company Q.P.S.C.

Notes to the condensed consolidated interim financial statements for the nine-month period ended 30 September 2020 (continued)

10. Intangible assets

	30 September 2020 (Unaudited) QR'000	31 December 2019 (Audited) QR'000
Balance at the beginning of the period/year	449	586
Amortisation for the period/year	(184)	(137)
Balance at the end of the period/year	265	449

11. Investment in associate

	30 September 2020 (Unaudited) QR'000	31 December 2019 (Audited) QR'000
Balance at the beginning of the period/year	48,568	43,441
Share of profit for the period/year	3,725	11,527
Dividend received	(3,200)	(6,400)
Balance at the end of the period/year	49,093	48,568

Investment in associate represents the Group's shareholding of 32% in United Readymix W.L.L., a company incorporated in the State of Qatar, engaged in the production and sale of ready-mix concrete and other building materials.

12. Investment securities

	30 September 2020 (Unaudited) QR'000	31 December 2019 (Audited) QR'000
Balance at the beginning of the period/year	62,677	60,581
Fair value (loss)/gain	(10,714)	2,096
Balance at the end of the period/year	51,963	62,677
Quoted shares inside Qatar	28,939	29,197
Quoted shares outside Qatar	23,024	33,480
	51,963	62,677

13. Inventories

	30 September 2020 (Unaudited) QR'000	31 December 2019 (Audited) QR'000
Land and properties	936,515	907,514
Construction works in progress	27,456	16,102
Material and spare parts	8,577	15,718
Food, beverage and consumables	534	644
	973,082	939,978

14. Deferred costs

These represent costs incurred in respect of connection revenue and one-time capacity revenue that is recognised on a straight-line basis over the term of the contracts with the customers, which is in line with the recognition of revenue from these sources.

United Development Company Q.P.S.C.

Notes to the condensed consolidated interim financial statements for the nine-month period ended 30 September 2020 (continued)

15. Accounts and other receivables

	30 September 2020 (Unaudited) QR'000	31 December 2019 (Audited) QR'000
Non-current:		
Accounts receivable	609,796	550,761
Long term deposits	39,017	38,823
	<u>648,813</u>	<u>589,584</u>
Current:		
Accounts receivable, net	949,133	1,198,349
Advances to contractors	279,186	125,529
Amounts due from related parties (Note 25)	9,998	9,503
Prepayments and accruals	28,070	30,811
Others	560,502	591,233
	<u>1,826,889</u>	<u>1,955,425</u>

16. Cash and bank balances

	30 September 2020 (Unaudited) QR'000	31 December 2019 (Audited) QR'000
Cash in hand and bank balances	467,434	156,515
Time deposits	1,143,839	1,141,851
Cash and bank balances at the end of the period/year	1,611,273	1,298,366
Less: Time deposits with original maturities greater than 90 days	(1,143,839)	(997,469)
Cash and cash equivalents at the end of the period/year	<u>467,434</u>	<u>300,897</u>

17. Share capital

At the reporting date, share capital represents 3,540,862,500 authorised, issued and fully paid ordinary shares of QR 1 each. As per instructions of the Qatar Financial Markets Authority, the Extraordinary General Assembly on 26 February 2019 approved a 10 for 1 share split whereby 10 new shares with a par value of QR 1 each were exchanged for each old share with a par value of QR 10. This was affected on 3 July 2019 causing an increase in the number of authorised and issued shares from 354,086,248 to 3,540,862,500.

18. Other reserve

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

19. Loans and borrowings

	30 September 2020 (Unaudited) QR'000	31 December 2019 (Audited) QR'000
Loans and borrowings	3,837,186	3,378,637
Unamortised costs associated with raising finance	(10,647)	(18,402)
	<u>3,826,539</u>	<u>3,360,235</u>
Presented as:		
Non-current liabilities	3,278,005	1,508,651
Current liabilities	548,534	1,851,584
	<u>3,826,539</u>	<u>3,360,235</u>

United Development Company Q.P.S.C.

Notes to the condensed consolidated interim financial statements for the nine-month period ended 30 September 2020 (continued)

20. Accounts and other payables

	30 September 2020 (Unaudited) QR'000	31 December 2019 (Audited) QR'000
Non-current:		
Master community reserve fund	94,232	84,427
Current:		
Accounts payable	171,084	135,788
Accrued contract costs	579,492	630,359
Advances and deposits received from customers	1,660,783	1,456,663
Other accruals	183,421	130,721
Other liabilities	291,546	233,492
	2,886,326	2,587,023

21. Retention payable

Retention payable represents amounts withheld from payments to contractors as per contractual terms. These amounts are payable upon completion of work and satisfactory discharge of obligations by the relevant contractors.

22. Deferred revenue

Deferred revenue represents connection fees and one-time capacity revenues that will be recognised in the statement of profit or loss on a straight-line basis over the term of the contracts with customers. Related direct costs are recognised into the statement of profit or loss at the same time (Note 14).

23. Employees' end-of-service benefits

	30 September 2020 (Unaudited) QR'000	31 December 2019 (Audited) QR'000
Balance at the beginning of the period/year	45,264	36,704
Charge for the period/year	6,897	15,511
Payments made during the period/year	(5,315)	(6,951)
Balance at the end of the period/year	46,846	45,264

24. Lease liabilities

	30 September 2020 (Unaudited) QR'000	31 December 2019 (Audited) QR'000
Balance at the beginning of the period/year	5,731	6,367
Additions	5,338	981
Lease payments during the period/year	(3,038)	(1,923)
Interest expense on lease liabilities	381	306
Balance at the end of the period/year	8,412	5,731
Presented as:		
Non-current liabilities	5,927	4,518
Current liabilities	2,485	1,213
	8,412	5,731

25. Related parties

Note 3.1 and Note 11 provide information about the Group structure for subsidiaries and associates respectively. During the period certain transactions have occurred with related parties on the same commercial terms and conditions as third parties. Pricing policies and terms of these transactions are approved by the Group's management.

United Development Company Q.P.S.C.

Notes to the condensed consolidated interim financial statements for the nine-month period ended 30 September 2020 (continued)

25. Related parties (continued)

Balances with the related parties and nature of significant transactions and amounts involved are as follows:

	30 September 2020 (Unaudited) QR'000	31 December 2019 (Audited) QR'000
<u>Amounts due from related parties</u>		
United Readymix W.L.L.	4,254	6,508
National Central Cooling Company P.J.S.C	5,744	2,995
	<u>9,998</u>	<u>9,503</u>

26. Contingent liabilities

	30 September 2020 (Unaudited) QR'000	31 December 2019 (Audited) QR'000
Bank guarantees and bonds	<u>7,207</u>	<u>7,044</u>

The Group anticipates that no material liability will arise from the above guarantees which are issued in the ordinary course of business.

A court case is ongoing between the Company and a developer. The developer has filed a case against the Company and the Company has filed a counter claim against the developer, each seeking compensation for the recovery of costs incurred and damages suffered.

The developer's case was decreed by the court in their favour, but the Company has appealed against the judgement. No profit or loss on this project has been recognised by the Company but based on the assessment of the Company's lawyers, no material additional liability is expected to arise from this case.

27. Capital commitments

	30 September 2020 (Unaudited) QR'000	31 December 2019 (Audited) QR'000
Contractual commitments to contractors and suppliers	<u>2,778,111</u>	<u>1,329,871</u>

28. Financial instruments

The significant accounting policies and methods adopted, including the criteria for recognition, basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are the same as those that were applied in the consolidated financial statements of the Group as at and for the year ended 31 December 2019.

29. Fair values measurement

Financial assets consist of investment securities, cash and bank balances and receivables. Financial liabilities consist of loans and borrowings, payables.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Differences can therefore arise between book value under historical cost method and fair value estimates.

United Development Company Q.P.S.C.

Notes to the condensed consolidated interim financial statements for the nine-month period ended 30 September 2020 (continued)

29. Fair values measurement (continued)

Fair value hierarchy

The Company 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 which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The management considers the carrying amounts of the financial assets and financial liabilities recognised in these condensed consolidated interim financial statements are approximate to their fair values. The entire portfolio of investment securities (Note 12) is classified as Level 1, property, plant and equipment (Note 7) is classified as Level 2 and investment properties (Note 8) are classified under Level 2 and Level 3.

30. 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:

<u>Reportable segment</u>	<u>Nature of operations</u>
Urban development	Real estate development and construction activities
Hospitality and leisure	Investment and development of hotel, leisure facilities and selling of luxurious items
Infrastructure and utilities	Construction and management of district cooling systems and marina activities
Other operations	Providing information technology solutions and other services

The accounting policies of the reportable segments are the same as described in note 3.

Information regarding the results of each reportable segment is included below. 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), which does not have any material operations outside Qatar. Majority of the Group assets are in the State of Qatar. Accordingly, there is no distinctly identifiable geographical segment in the Group as at 30 September 2020.

United Development Company Q.P.S.C.

Notes to the condensed consolidated interim financial statements for the nine-month period ended 30 September 2020 (continued)

30. Operating segments (continued)

	Urban development QR'000	Hospitality and leisure QR'000	Infrastructure and utilities QR'000	Others QR'000	Inter-segment elimination QR'000	Total QR'000
<u>30 September 2020 (Unaudited)</u>						
Revenue	454,200	13,809	314,606	100,327	(33,553)	849,389
Finance income	38,539	4	5,843	1,677	-	46,063
Finance costs	(75,439)	(59)	(17,481)	-	6,801	(86,178)
Depreciation and amortisation	(23,734)	(2,031)	(45,667)	(386)	(7,010)	(78,828)
Net share of results in associates	3,725	-	-	-	-	3,725
Profit/(loss) for the period	40,736	(9,034)	58,149	26,461	7,045	123,357
<u>30 September 2019 (Unaudited)</u>						
Revenue	930,518	17,595	318,762	111,041	(36,843)	1,341,073
Finance income	22,142	-	8,498	1,684	-	32,324
Finance costs	(102,810)	-	(17,375)	-	-	(120,185)
Depreciation and amortisation	(33,163)	(2,136)	(47,119)	(340)	-	(82,758)
Net share of results in associates	12,457	-	-	-	-	12,457
Profit/(loss) for the period	282,018	(7,391)	62,178	25,612	(19,085)	343,332
<u>30 September 2020 (Unaudited)</u>						
Segment assets	16,547,038	17,722	2,317,509	590,074	(548,481)	18,923,862
Segment liabilities	6,207,296	87,824	1,495,635	199,102	(251,858)	7,737,999
<u>31 December 2019 (Audited)</u>						
Segment assets	15,474,227	24,610	2,360,704	561,750	(219,423)	18,201,868
Segment liabilities	5,261,754	114,598	1,596,978	168,317	(179,328)	6,962,319

United Development Company Q.P.S.C.

Notes to the condensed consolidated interim financial statements for the nine-month period ended 30 September 2020 (continued)

31. Dividend

On 3 March 2020, the Company held its annual general meeting for the year 2019 which, among other things, approved a cash dividend of 5% of share capital amounting to QR 177 million. On 26 February 2019, the Company held its annual general meeting for the year 2018 which, among other things, approved a cash dividend of 10% of share capital amounting to QR 354 million.

32. Income tax

On 12 December 2019, a new Income Tax Executive Regulations (ER) were introduced. The Group has performed its preliminary assessment and concluded that the tax liability arising from these new regulations is not material and hence, no adjustment has been made in these condensed consolidated interim financial statements. A detailed impact assessment will be performed at the year end and accordingly any financial impact will be trued up in the year-end financial statements.

33. Comparative information

Certain comparative figures have been reclassified to conform to the presentation in the current period condensed consolidated interim financial statements. However, such reclassifications did not have any effect on the net profit and net equity of the comparative year.

34. Impact of Covid-19

The coronavirus outbreak ("Covid-19") at the beginning of 2020 has brought about a deceleration of the economic activity in the State of Qatar. Fiscal and monetary authorities, both domestic and international, have announced various support measures across the globe to counter possible adverse implications.

During the nine-month period ended 30 September 2020, the Group has waived off three months' rent for its leasing contracts with retail tenants and charges relating to the district cooling services provided to its customers in the hospitality industry. The Group will continue to closely monitor as the situation progresses and has activated its business continuity planning and other risk management practices to manage any associated risk that may arise impacting business operations and financial performance in 2020.

In light of the rapidly escalating situation, the Group has considered whether any adjustments and changes in judgments, estimates, and risk management are required to be considered and reported in the condensed consolidated interim financial statements. Below are the key assumptions about the future and other sources of estimation uncertainties:

(a) Impairment of non-financial assets

The Group has considered impairment indicators and significant uncertainties impacting its property, plant and equipment and right-of-use assets and concluded that there is no material impact at the reporting date.

(b) Useful lives of property, plant and equipment and intangible assets

Management has reviewed the estimated useful lives of property, plant and equipment and intangible assets by considering the current economic conditions and has concluded that the current useful lives are still appropriate.

(c) Expected Credit Losses ("ECL") and impairment of financial assets at amortised costs

The uncertainties caused by Covid-19 has required the Group to update the inputs and assumptions used for the determination of expected credit losses ("ECLs") as at 30 September 2020. ECLs were estimated based on a range of forecast economic conditions as at that date and considering that the situation is fast evolving, the Group has considered the impact of higher volatility in the forward-looking macro-economic factors, when determining the severity and likelihood of economic scenarios for ECL determination. During the nine-month period ended 30 September 2020, the Company made a provision amounting to QR 49.5 million.

(d) Fair value of investment properties

The general risk environment in which the Group operates has heightened during the period, which is largely due to the continued level of overall uncertainty of the future impact Covid-19 worldwide. This environment could have a significant impact upon property valuations. The Group's investment properties were valued by professionally qualified individuals employed by the Group.

United Development Company Q.P.S.C.

Notes to the condensed consolidated interim financial statements for the nine-month period ended 30 September 2020 (continued)

34. Impact of Covid-19 (continued)

(d) Fair value of investment properties (continued)

The outbreak of Covid-19 has resulted in the real estate market experiencing significantly lower levels of transactional activities and liquidity in the State of Qatar. As at the reporting date, there was a shortage of market evidence for comparison purpose therefore, less weight has been given to recent market evidence while carrying out the valuations. The current response to Covid-19 means that the valuer is faced with an unprecedented set of circumstances on which to base a judgment. The valuation across all investment properties are therefore, reported on best case basis given current circumstances. Consequently, less certainty – and a higher degree of caution – should be attached to the valuations than would normally be the case. Moreover, valuation methodology used for investment properties at the reporting date remains the same as used at 31 December 2019.

(e) Going concern

The Group has performed an assessment of whether it is a going concern in the light of current economic conditions and all available information about future risks and uncertainties. The projections have been prepared covering the Group's future performance, capital and liquidity. The impact of Covid-19 may continue to evolve, but at the present time the projections show that the Group has sufficient resources to continue in operational existence and its going concern position remains largely unaffected and unchanged from 31 December 2019. As a result, these condensed consolidated interim financial statements have been appropriately prepared on a going concern basis.

Further, the Group has assessed the impact of any operational disruptions, including any contractual challenges and changes in business or commercial relationships among the Group entities, customers and suppliers, to determine if there is any potential increase in contingent liabilities and commitments (Notes 26 and 27).