United Development Company Q.P.S.C.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2016

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF UNITED DEVELOPMENT COMPANY Q.P.S.C.

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of United Development Company Q.P.S.C. (the "Company") and its subsidiaries (referred together as the "Group") as of 30 June 2016 and related interim condensed consolidated statement of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and the related explanatory notes.

The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Firas Qoussous
of Ernst & Young
Auditor's Registration No. 236

Date: 18 July 2016
Doha

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2016

		For the Six Months Ended 30 June	
	Note	***2016 (Reviewed) QR'000***	*2015 (Reviewed) QR'000*
Revenue		**811,488**	1,011,447
Cost of revenue		**(335,193)**	(354,357)
Gross profit		**476,295**	657,090
Dividend income		**17,659**	20,021
Other operating income		**79,725**	109,870
Loss on sale and impairment loss of available-for-sale financial assets		**(16,879)**	-
General, administrative, sales and marketing expenses		**(168,767)**	(172,929)
Operating profit		**388,033**	614,052
Finance income		**16,511**	16,633
Finance costs		**(60,640)**	(67,026)
Net finance cost		**(44,129)**	(50,393)
Net share of results of associates		**9,073**	13,409
Profit for the period		**352,977**	577,068
Attributable to:			
Equity holders of the parent		**331,811**	557,181
Non-controlling interests		**21,166**	19,887
Profit for the period		**352,977**	577,068
Basic earnings per share			
Basic earnings per share	6	**0.94**	1.57

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

		For the Six Months Ended 30 June	
	Note	***2016 (Reviewed) QR'000***	*2015 (Reviewed) QR'000*
Profit for the period		**352,977**	577,068
Other comprehensive (loss)/profit			
Other comprehensive (loss)/profit to be reclassified to profit or loss in subsequent periods:			
Net change in fair value of available-for-sale financial assets	15	**(101,842)**	404
Net change in cash flow hedge reserve		**-**	(159)
Total comprehensive income for the period		**251,135**	577,313
Attributable to:			
Equity holders of the parent		**229,969**	557,426
Non-controlling interests		**21,166**	19,887
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**251,135**	577,313

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2016

	Notes	*30 June 2016 (Reviewed) QR'000*	*31 December 2015 (Audited) QR'000*
Assets			
Non-current assets			
Property, plant and equipment	7	**4,690,398**	4,499,199
Investment properties	8	**8,691,253**	8,704,709
Intangible assets	9	**8,551**	3,678
Investment in associates	10	**307,113**	308,600
Accounts and other receivables - long term	12	**140,206**	140,165
Available-for-sale financial assets	11	**168,871**	449,456
Total non-current assets		**14,006,392**	14,105,807
Current assets			
Inventories		**1,397,383**	1,369,647
Accounts and other receivables – current, net	12	**1,646,756**	1,385,514
Cash and cash equivalents	13	**1,610,149**	2,277,347
Total current assets		**4,654,288**	5,032,508
TOTAL ASSETS		**18,660,680**	19,138,315
Equity and liabilities			
Equity			
Share capital	14	**3,540,862**	3,540,862
Legal reserve		**1,554,394**	1,521,213
Other reserves	15	**1,492,164**	1,594,006
Retained earnings		**4,024,579**	4,257,545
Equity attributable to equity holders of the parent		**10,611,999**	10,913,626
Non-controlling interest		**375,154**	372,925
Total equity		**10,987,153**	11,286,551
Liabilities			
Non-current liabilities			
Interest bearing loans and borrowings	16	**4,213,081**	3,429,677
Retention payable		**121,003**	100,139
Accounts and other payables – long term		**78,594**	69,175
Employees' end of service benefits		**36,250**	38,213
Total non-current liabilities		**4,448,928**	3,637,204
Current liabilities			
Accounts and other payables		**2,547,781**	2,663,773
Interest bearing loans and borrowings	16	**520,014**	1,377,014
Retentions payable		**156,804**	173,773
Total current liabilities		**3,224,599**	4,214,560
Total liabilities		**7,673,527**	7,851,764
TOTAL EQUITY AND LIABILITIES		**18,660,680**	19,138,315

These interim condensed consolidated financial statements were approved by the Board of Directors and were signed on their behalf by the following on 18 July 2016.

Ibrahim Jassim Al-Othman President and Chief Executive Officer	Abdulrahman Abdullah Al-Abdulghani Vice Chairman of the Board

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
For the six months ended 30 June 2016

	Attributable to the equity holders of the parent						
	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 2015 (Audited)	3,540,862	1,452,249	1,680,128	4,098,763	10,772,002	347,045	11,119,047
Profit for the period	-	-	-	557,181	557,181	19,887	577,068
Other comprehensive income							
Net change in fair value of available-for-sale financial assets	-	-	404	-	404	-	404
Net change in cash flow hedge reserve	-	-	(159)	-	(159)	-	(159)
Total other comprehensive income	-	-	245	-	245	-	245
Total comprehensive income for the period	-	-	245	557,181	557,426	19,887	577,313
Transfer to legal reserve	-	55,718	-	(55,718)	-	-	-
Dividend declared	-	-	-	(442,608)	(442,608)	(19,404)	(462,012)
Total transactions with owners	-	55,718	-	(498,326)	(442,608)	(19,404)	(462,012)
Balance at 30 June 2015 (Reviewed)	3,540,862	1,507,967	1,680,373	4,157,618	10,886,820	347,528	11,234,348

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Notes	***30 June 2016 (Reviewed) QR'000***	*30 June 2015 (Reviewed) QR'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		**352,977**	577,068
Adjustments for:			
Net share of results of associates		**(9,073)**	(13,409)
Depreciation	7	**35,401**	38,177
Amortization and write off of intangible asset	9	**1,122**	735
(Profit)/Loss on disposal of property, plant & equipment		**(2,380)**	59
Net finance costs		**44,129**	50,393
Dividend income		**(17,659)**	(20,021)
Loss on disposal of assets held for sale		**-**	2,816
Loss on sale and impairment of available-for-sale financial assets		**16,879**	-
Write off of assets		**-**	610
Provision for employees' end of service benefits		**4,627**	7,590
Operating profit before working capital changes		**426,023**	644,018
Changes in working capital:			
Inventories		**72,098**	155,354
Accounts and other receivables		**(247,033)**	(50,311)
Accounts and other payables		**(114,328)**	(242,244)
Retentions payable		**3,895**	(10,264)
Cash from operating activities		**140,655**	496,553
Finance cost paid		**(62,600)**	(69,004)
Proceeds from disposal of assets held for sale		**-**	13,719
Employees' end of service benefits paid		**(7,113)**	(2,160)
Net cash flows from operating activities		**70,942**	439,108
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	7	**(317,980)**	(234,795)
Proceeds from sale of property, plant and equipment		**2,676**	255
Acquisition of intangible assets	9	**(5,995)**	(8)
Finance income received		**19,015**	15,275
Dividend income received		**17,659**	20,021
Additions to investment property	8	**(1,453)**	(36,468)
Movement in time deposits maturing after three months		**359,640**	(989,479)
Net proceeds from sale of available-for-sale financial assets		**151,791**	-
Dividend received from associate companies		**10,560**	30,400
Net cash flow from/(used) in investing activities		**235,913**	(1,194,799)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from term loans	16	**283,152**	720,335
Repayment of term loans	16	**(361,356)**	(893,406)
Dividend paid		**(536,209)**	(455,033)
Net cash flow used in financing activities		**(614,413)**	(628,104)
Net decrease in cash and cash equivalents		**(307,558)**	(1,383,795)
Cash and cash equivalents at the beginning of the period		**1,053,570**	2,435,061
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	13	**746,012**	1,051,266

The attached notes 1 to 19 form part of these interim condensed consolidated 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 interim condensed consolidated financial statements of the Group as at and for the six months period ended 30 June 2016 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates. Information regarding the Group's structure is provided in Note 3.

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

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

The interim condensed consolidated financial statements of United Development Company Q.P.S.C for the six months ended 30 June 2016 were authorised for issue in accordance with a resolution of the Board of the Directors.

2 STATEMENT OF COMPLIANCE

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

The interim condensed consolidated 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 2015.

The interim condensed consolidated 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 2015 are available upon request from the Company's registered office or at www.udcqatar.com.

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 2015, except for the adoption of new standards and interpretations effective as of 1 January 2016. The Company 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 2016 and have been adopted by the Company 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 2016.

IFRS 14 Regulatory Deferral Accounts
IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and OCI. The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Group is an existing IFRS preparer and is not involved in any rate-regulated activities, this standard does not apply.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests
The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 *Business Combinations* principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation if joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group as there has been no interest acquired in a joint operation during the period.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
The amendments clarify the principle in IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, are revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact to the Group given that the Group has not used a revenue-based method to depreciate its noncurrent assets.

Amendments to IAS 27: Equity Method in Separate Financial Statements
The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements will have to apply that change retrospectively. First-time adopters of IFRS electing to use the equity method in their separate financial statements will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group's consolidated financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Annual Improvements 2012-2014 Cycle
These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

IFRS 7 Financial Instruments: Disclosures
Servicing contracts
The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

Applicability of the amendments to IFRS 7 to condensed interim financial statements
The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

IAS 19 Employee Benefits
The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

IAS 34 Interim Financial Reporting
The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively. These amendments do not have any impact on the Group.

Amendments to IAS 1 Disclosure Initiative
The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
  That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently classified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception
The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 *Consolidated Financial Statements*. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 *Investments in Associates and Joint Ventures* allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group as the Group does not apply the consolidation exception.

Standards issued but not yet effective
The following new standards have been issued but are not yet effective. The Group is currently evaluating the impact of these new standards and intend to adopt these standards, if applicable, when they become effective.

Topic	***Effective date***
Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to IAS 7	1 January 2017
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019

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 30 June 2016. The financial statements of the subsidiaries are prepared for the same reporting period as that of the parent company, using consistent accounting policies. The interim condensed consolidated financial statements include the financial information of United Development Company Q.P.S.C. and its below listed subsidiaries.

	Country of incorporation	*% equity interest*	
		2016	*2015*
Qatar District Cooling Company Q.C.S.C	Qatar	**51**	51
Ronautica Middle East O.M.C.	Qatar	**100**	100
The Pearl Qatar Company O.M.C.	Qatar	**100**	100
Hospitality Development Company O.M.C.	Qatar	**100**	100
United Fashion Company O.M.C.	Qatar	**100**	100
Madina Centrale Company O.M.C.	Qatar	**100**	100
Abraj Quartier Company O.M.C.	Qatar	**100**	100
United Facilities Management Company O.M.C	Qatar	**100**	100
Scoop Media and Communication Company O.M.C.	Qatar	**100**	100
Pragmatech Company O.M.C.	Qatar	**100**	100
Glitter O.M.C	Qatar	**100**	100
Insure Plus O.M.C.	Qatar	**100**	100
Madina Innova O.M.C	Qatar	**100**	100
The Pearl Owners Corporation O.M.C	Qatar	**100**	100
United Development Investment Company	Cayman Island	**100**	100
United Technology Solution O.M.C	Qatar	**100**	100
Porto Arabia Retail Company 1	Cayman Island	**100**	100
Leisure and Resorts O.M.C	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 material non-controlling interest disclosed in the statement of financial position of QR 375,518 thousands as at 30 June 2016 (31 December 2015: QR 373,873 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 material non-controlling interest amounted to QR 21,049 thousands (2015: QR 19,825 thousands).

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

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

The Pearl Qatar Company 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%), 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 is still ongoing.

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

The operation of Hiref Middle East W.L.L which had a 51% stake in 2014 was officially closed as of 30 September 2014 and the liquidating process is still ongoing.

Medina Centrale Company O.M.C. is engaged in the investment of real estate properties.

Abraj Quartier Company O.M.C. activity is in the development of real estate properties.

United Facilities Management Company O.M.C. is engaged in facility management activity.

Scoop Media and Communication Company O.M.C. activity is in the advertising sector.

PragmaTech Company O.M.C. activity is in providing information technology solutions. During the year 2012, a decision was taken to close this company’s branch in Lebanon.

Glitter O.M.C. activity is to provide cleaning related services.

Insure plus O.M.C. activity is to provide technical services and risk related services of an insurance nature to the Group.

Madina Innova O.M.C. is engaged in providing registry and master community services at the Pearl Qatar.

The Pearl Owners Corporation O.M.C. is engaged in property management support services.

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

United Technology Solutions O.M.C. is engaged in providing information technology solutions.

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

Leisure and Resorts O.M.C. activity is to operate and develop 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

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 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 profit or loss. 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.

4 ESTIMATES

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

In preparing these interim condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2015.

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 2015.

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 Six Months Ended 30 June	
	2016 (Reviewed)	*2015 (Reviewed)*
Profit for the period attributable to the equity holders of the parent (QR'000)	**331,811**	557,181
Weighted average number of shares outstanding during the period ('000)	**354,086**	354,086
Basic and diluted earnings per share (QR)	**0.94**	1.57

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 June 2016 (Reviewed) QR'000	*31 December 2015 (Audited) QR'000*
Net carrying value at 1 January	**4,499,199**	4,001,168
Additions for the period / year	**317,980**	607,410
Transfer	**(91,084)**	(5,200)
Depreciation for the period / year	**(35,401)**	(75,217)
Net disposal	**(296)**	(601)
Impairment including revaluation loss	**-**	(28,361)
Net carrying value at the end of the period/year	**4,690,398**	4,499,199

8 INVESTMENT PROPERTIES

	30 June 2016 (Reviewed) QR'000	*31 December 2015 (Audited) QR'000*
Balance at 1 January	**8,704,709**	8,394,340
Additions - development costs incurred during the period/year	**1,453**	37,189
Transfers (to)/from inventory	**(14,909)**	150,692
Fair value gain	**-**	122,488
Balance at the end of the period/year	**8,691,253**	8,704,709

9 INTANGIBLE ASSETS

	30 June 2016 (Reviewed) QR'000	*31 December 2015 (Audited) QR'000*
Balance at 1 January	**3,678**	4,466
Additions	**5,995**	462
Net transfers	**-**	355
Write off	**(298)**	-
Amortisation for the period / year	**(824)**	(1,454)
Impairment	**-**	(151)
Balance at the end of the period/year	**8,551**	3,678

10 INVESTMENTS IN ASSOCIATES

The Group has the following investments in associate companies:

	Country of incorporation	*Shareholding*	***30 June 2016 (Reviewed) QR'000***	*31 December 2015 (Audited) QR'000*
Middle East Dredging Company Q.S.C. (a)	Qatar	45.9%	**-**	-
Al-Seef Limited Q.S.C.(b)	Qatar	20%	**252,906**	254,506
United Readymix W.L.L. (c)	Qatar	32%	**53,128**	53,015
ASTECO Qatar (d)	Qatar	30%	**1,079**	1,079
			307,113	308,600

(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.

(d) ASTECO Qatar is involved in property management activity. During the year 2014, a decision was taken to liquidate the Company. The liquidation process is currently being carried out.

11 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2016 (Reviewed) QR'000	*31 December 2015 (Audited) QR'000*
Available-for-sale financial assets – quoted shares – Inside Qatar	**56,399**	254,182
Available-for-sale financial assets – quoted shares – Outside Qatar	**108,472**	191,274
Available-for-sale financial assets – unquoted shares	**4,000**	4,000
	168,871	449,456

As of 30 June 2016, unquoted equity investments are carried at cost due to non-availability of quoted market prices or other reliable measures of fair value.

12 ACCOUNTS AND OTHER RECEIVABLES

	30 June 2016 (Reviewed) QR'000	*31 December 2015 (Audited) QR'000*
Accounts and other receivables – current, net	**1,646,756**	1,385,514
Accounts and other receivables - long term (i)	**140,206**	140,165
	1,786,962	1,525,679

(i) In 2015, the Group entered into an agreement to provide a financing facility to its affiliate, Middle East Dredging Company Q.S.C. The loan is interest-bearing and repayable at the end of the loan term.

13 CASH AND CASH EQUIVALENTS

	30 June 2016 (Reviewed) QR'000	*31 December 2015 (Audited) QR'000*
Cash at bank and in hand	**285,368**	230,441
Time deposits	**1,324,781**	2,046,906
Total cash and cash equivalents	**1,610,149**	2,277,347
Less: reserves / time deposits maturing after 90 days	**(864,137)**	(1,223,777)
Cash and cash equivalents as per statement of cash flows	**746,012**	1,053,570

Time deposits carry interest at commercial rates.

14 SHARE CAPITAL

	30 June 2016 (Reviewed) QR'000	*31 December 2015 (Audited) QR'000*
Authorised, issued and fully paid up capital: 354,086,248 ordinary shares of QR 10 each (2015 : 354,086,248 shares of QR 10 each)	**3,540,862**	3,540,862

Number of shares ('000)		
On issue as at the beginning of the period/year	**354,086**	354,086
On issue as at the end of the period/year	**354,086**	354,086

At 30 June 2016, the authorised share capital comprised 354,086,248 ordinary shares (2015: 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 June 2016 (Reviewed) QR'000	Total 31 December 2015 (Audited) QR'000
Balance at 1 January (Audited)	96,484	(7,511)	1,505,033	1,594,006	1,680,128
Increase/(Decrease)	(101,842)	-	-	(101,842)	(86,122)
Balance at the end of the period/year	**(5,358)**	**(7,511)**	**1,505,033**	**1,492,164**	1,594,006

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

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

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

16 INTEREST BEARING LOANS AND BORROWINGS

	30 June 2016 (Reviewed) QR'000	31 December 2015 (Audited) QR'000
Balance at 1 January	**4,840,091**	5,098,334
Drawdowns	**283,152**	1,679,861
Repayments	**(361,356)**	(1,938,104)
	4,761,887	4,840,091
Less: Unamortized finance cost associated with raising finance	**(28,792)**	(33,400)
Balance at the end of the period/year	**4,733,095**	4,806,691
Presented in the interim condensed consolidated statement of financial position as:		
Current liability	**520,014**	1,377,014
Non-current liability	**4,213,081**	3,429,677
	4,733,095	4,806,691

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 and insurance agency 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 year ended 30 June 2016.

17 OPERATING SEGMENTS (CONTINUED)

	Urban Development		*Hydro Carbon & Energy*		*Hospitality & Leisure*		*Infrastructure & Utilities*		*Others*		*Total*	
	30 June 2016 (Reviewed) QR'000	*30 June 2015 (Reviewed) QR'000*	***30 June 2016 (Reviewed) QR'000***	*30 June 2015 (Reviewed) QR'000*	***30 June 2016 (Reviewed) QR'000***	*30 June 2015 (Reviewed) QR'000*	***30 June 2016 (Reviewed) QR'000***	*30 June 2015 (Reviewed) QR'000*	***30 June 2016 (Reviewed) QR'000***	*30 June 2015 (Reviewed) QR'000*	***30 June 2016 (Reviewed) QR'000***	*30 June 2015 (Reviewed) QR'000*
External revenue	**551,670**	775,664	-	-	**27,283**	34,011	**150,157**	144,082	**82,378**	57,690	**811,488**	1,011,447
Inter segment revenue	**12,647**	15,029	-	-	**188**	163	**11,699**	10,057	**38,979**	40,406	**63,513**	65,655
Interest income	**14,129**	14,862	-	**-**	**181**	330	**1,381**	1,080	**820**	361	**16,511**	16,633
Interest expense	**54,378**	59,992	-	**-**	**161**	173	**6,101**	6,861	**-**	-	**60,640**	67,026
Depreciation	**9,831**	12,733	-	-	**2,836**	2,571	**21,728**	21,728	**1,006**	1,145	**35,401**	38,177
Profit/(loss) for the period	**304,974**	591,392	-	-	**(11,841)**	(1,616)	**49,632**	49,087	**28,593**	11,137	**371,358**	650,000
Net share of results of associates	**2,673**	8,141	**6,400**	5,268	**-**	-	**-**	-	**-**	-	**9,073**	13,409

17 OPERATING SEGMENTS (CONTINUED)

Reconciliations of reportable segment revenues and profit or loss:

Revenue

	30 June 2016 (Reviewed) QR'000	*30 June 2015 (Reviewed) QR'000*
Total revenue for reportable segments	**875,001**	1,077,102
Elimination of inter-segment revenue	**(63,513)**	(65,655)
Consolidated revenue	**811,488**	1,011,447

Profit or loss

	30 June 2016 (Reviewed) QR'000	*30 June 2015 (Reviewed) QR'000*
Total profit or loss for reportable segments	**371,358**	650,000
Elimination of inter-segment profits	**(27,454)**	(86,341)
Net share of results of associates	**9,073**	13,409
Consolidated profit for the period	**352,977**	577,068

18 FINANCIAL INSTRUMENTS

Fair values

Set out below is a comparison of the carrying amounts and fair value of the Group's financial instruments as at 30 June 2016 and 31 December 2015:

	Carrying amounts		*Fair values*	
	30 June 2016 (Reviewed) QR'000	*31 December 2015 (Audited) QR'000*	***30 June 2016 (Reviewed) QR'000***	*31 December 2015 (Audited) QR'000*
Financial assets				
Cash and cash equivalents	**1,610,149**	2,277,347	**1,610,149**	2,277,347
Accounts and other receivables, net	**1,786,962**	1,525,679	**1,786,962**	1,525,679
Available-for-sale financial assets	**168,871**	449,456	**168,871**	449,456
	3,565,982	4,252,482	**3,565,982**	4,252,482
Financial liabilities				
Accounts and other payables	**2,626,375**	2,732,948	**2,626,375**	2,732,948
Interest bearing loans and borrowings	**4,733,095**	4,806,691	**4,733,095**	4,806,691
Retentions payable	**277,807**	273,912	**277,807**	273,912
	7,637,277	7,813,551	**7,637,277**	7,813,551

18 FINANCIAL INSTRUMENTS (CONTINUED)

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

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: Other techniques for which all inputs 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 values are not based on observable market data.

As at 30 June 2016 and 31 December 2015, the Group held the following classes of assets measured at fair value:

	30 June 2016			
	(Reviewed) QR'000	***Level 1 QR'000***	***Level 2 QR'000***	***Level 3 QR'000***
Available-for-sale financial assets	**164,871**	**164,871**	**-**	-
Investment property	**8,691,253**	**-**	**-**	**8,691,253**
Property, plant and equipment	**1,597,295**	**-**	**-**	**1,597,295**
	10,453,419	**164,871**	**-**	**10,288,548**

	31 December 2015			
	(Audited) QR'000	*Level 1 QR'000*	*Level 2 QR'000*	*Level 3 QR'000*
Available-for-sale financial assets	445,456	445,456	-	-
Investment property	8,704,709	-	-	8,704,709
Property, plant and equipment	1,597,295	-	-	1,597,295
	10,747,460	445,456	-	10,302,004

19 CONTINGENCIES AND COMMITMENTS

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

In 2015, the Group entered into an agreement to provide a financing facility of QR 247 million to its affiliate, Middle East Dredging Company Q.S.C. As at 30 June 2016, the Group has disbursed QR122 million related to this facility.