

United Development Company Q.S.C.

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2014

United Development Company Q.S.C.
CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2014

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**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF UNITED DEVELOPMENT COMPANY Q.S.C.**

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of United Development Company (Q.S.C.) (the "Company"), and its subsidiaries (together referred to as the "Group") which comprise the consolidated statement of financial position as at 31 December 2014 and the consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory notes.

Board of Directors' responsibility for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF UNITED DEVELOPMENT COMPANY Q.S.C.
(CONTINUED)**

Report on legal and other regulatory matters

Furthermore, in our opinion proper books of account have been kept by the Group, an inventory count has been conducted in accordance with established principles and the consolidated financial statements comply with the Qatar Commercial Companies' Law No. 5 of 2002 and the Company's Articles of Association. We have obtained all the information and explanations we required for the purpose of our audit, and are not aware of any violations of the above mentioned law or the Articles of Association having occurred during the year which might have a material effect on the business of the Group or on its financial position.

Firas Qoussous
Ernst and Young
Auditor's Registration No. 236

Date: 12 February 2015
Doha

United Development Company Q.S.C.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2014

	<i>Note</i>	2014 QR'000	2013 QR'000
Revenue		1,906,342	2,081,258
Cost of revenue		(782,919)	(1,215,874)
Gross profit		1,123,423	865,384
Dividend income		15,744	26,044
Other income	6	60,272	229,829
Impairment loss on available-for-sale financial assets		-	(2,910)
Impairment loss on investment property	10	(37,052)	-
Sales and marketing expenses		(52,682)	(76,394)
General and administrative expenses	7	(333,957)	(336,844)
Operating profit		775,748	705,109
Finance income		22,880	21,955
Finance costs		(147,934)	(84,234)
Net finance cost		(125,054)	(62,279)
Net share of results of associates	12	25,644	(233,841)
Profit for the year		676,338	408,989
Profit attributable to:			
Equity holders of the parent		625,669	322,766
Non-controlling interests		50,669	86,223
Profit for the year		676,338	408,989
Earnings per share			
Basic and diluted earnings per share	8	1.77	0.91

The attached notes 1 to 34 form an integral part of these consolidated financial statements.

United Development Company Q.S.C.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	<i>Note</i>	2014 QR'000	2013 QR'000
Profit for the year		676,338	408,989
Other comprehensive income			
<i>Other comprehensive loss not to be reclassified to loss in subsequent periods:</i>			
Net change in fair value of property, plant and equipment	20	(4,630)	(66,697)
<i>Other comprehensive income to be reclassified to profit in subsequent periods:</i>			
Net gain in fair value of available-for-sale financial assets	20	71,943	91,942
Change in cash flow hedge reserve	20	188	6,048
Total comprehensive income for the year		743,839	440,282
Total comprehensive income attributable to:			
Equity holders of the parent		693,170	354,059
Non-controlling interests		50,669	86,223
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		743,839	440,282

The attached notes 1 to 34 form an integral part of these consolidated financial statements.

United Development Company Q.S.C.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	<i>Note</i>	2014 QR'000	2013 QR'000
Assets			
Non-current assets			
Property, plant and equipment	9	4,001,168	3,823,522
Investment properties	10	8,394,340	7,290,596
Intangible assets	11	4,466	6,097
Investment in associates	12	317,033	342,162
Accounts and other receivables - long term	16	18,071	18,071
Available-for-sale financial assets	13	508,805	436,862
Total non-current assets		13,243,883	11,917,310
Current assets			
Inventories, net	14	1,665,331	3,096,329
Assets held for sale	15	16,535	20,357
Accounts and other receivables, net	16	1,464,281	1,728,912
Cash and cash equivalents	17	2,823,476	2,001,915
Total current assets		5,969,623	6,847,513
Total assets		19,213,506	18,764,823
Equity and liabilities			
Equity			
Issued capital	18	3,540,862	3,372,250
Legal reserve	19	1,452,249	1,389,682
Other reserves	20	1,680,128	1,612,627
Retained earnings		4,098,763	4,057,140
Equity attributable to equity holders of the parent		10,772,002	10,431,699
Non-controlling interest		347,045	315,386
Total equity		11,119,047	10,747,085
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	23	4,420,170	4,048,320
Retention payable	24	111,063	122,409
Accounts and other payables – long term	26	58,747	42,554
Employees' end of service benefits	25	32,257	29,475
Total non-current liabilities		4,622,237	4,242,758
Current liabilities			
Accounts and other payables	26	2,671,429	2,313,018
Interest-bearing loans and borrowings	23	641,458	1,191,450
Retention payable	24	159,335	270,512
Total current liabilities		3,472,222	3,774,980
Total liabilities		8,094,459	8,017,738
Total equity and liabilities		19,213,506	18,764,823

These consolidated financial statements were approved by the Board of Directors and were signed on its behalf by the following on 12 February 2015.

Turki Mohammed Khaled Al Khater
Managing Director and Chairman of the Board

Abdul Aziz Mohammed Al-Mana
Board Member

The attached notes 1 to 34 form an integral part of these consolidated financial statements.

United Development Company Q.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	<i>Attributable to the owners of the Parent</i>					<i>Non-controlling interests</i>	<i>Total Equity</i>
	<i>Issued Capital</i>	<i>Legal reserve</i>	<i>Other reserves (Note 20)</i>	<i>Retained earnings</i>	<i>Total</i>	<i>QR'000</i>	<i>QR'000</i>
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>		
As at 1 January 2014	3,372,250	1,389,682	1,612,627	4,057,140	10,431,699	315,386	10,747,085
Total comprehensive income for the year							
Profit for the year	-	-	-	625,669	625,669	50,669	676,338
Other comprehensive income							
Net change in fair value of available-for-sale financial assets	-	-	71,943	-	71,943	-	71,943
Net change in fair value of property, plant and equipment	-	-	(4,630)	-	(4,630)	-	(4,630)
Change in cash flow hedge reserve	-	-	188	-	188	-	188
Total other comprehensive income	-	-	67,501	-	67,501	-	67,501
Total comprehensive income for the year	-	-	67,501	625,669	693,170	50,669	743,839
Bonus shares (Note 21)	168,612	-	-	(168,612)	-	-	-
Transfer to legal reserve (Note 19)	-	62,567	-	(62,567)	-	-	-
Proposed dividend (Note 21)	-	-	-	(337,225)	(337,225)	(17,787)	(355,012)
Contribution to social and sports fund (Note 22)	-	-	-	(15,642)	(15,642)	-	(15,642)
Change in non-controlling interest	-	-	-	-	-	(1,223)	(1,223)
Total transactions with owners	168,612	62,567	-	(584,046)	(352,867)	(19,010)	(371,877)
As at 31 December 2014	3,540,862	1,452,249	1,680,128	4,098,763	10,772,002	347,045	11,119,047

The attached notes 1 to 34 form an integral part of these consolidated financial statements.

United Development Company Q.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2014

	<i>Attributable to the owners of the Parent</i>					<i>Non-</i>	<i>Total</i>
	<i>Issued</i>	<i>Legal</i>	<i>Other</i>	<i>Retained</i>	<i>Total</i>	<i>controlling</i>	<i>equity</i>
	<i>Capital</i>	<i>reserve</i>	<i>reserves</i>	<i>earnings</i>		<i>interests</i>	
	<i>QR'000</i>	<i>QR'000</i>	<i>(Note 20)</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
As at 1 January 2013	3,372,250	1,357,404	1,581,334	4,111,562	10,422,550	827,149	11,249,699
Total comprehensive income for the year							
Profit for the year	-	-	-	322,766	322,766	86,223	408,989
Other comprehensive income							
Net change in fair value of available-for-sale financial assets	-	-	91,942	-	91,942	-	91,942
Net change in fair value of property, plant and equipment	-	-	(66,697)	-	(66,697)	-	(66,697)
Change in cash flow hedge reserve	-	-	6,048	-	6,048	-	6,048
Total other comprehensive income	-	-	31,293	-	31,293	-	31,293
Total comprehensive income for the year	-	-	31,293	322,766	354,059	86,223	440,282
Transfer to legal reserve (Note 19)	-	32,278	-	(32,278)	-	-	-
Proposed dividend (Note 21)	-	-	-	(337,225)	(337,225)	(16,170)	(353,395)
Contribution to social and sports fund (Note 22)	-	-	-	(8,069)	(8,069)	-	(8,069)
Change in non-controlling interest	-	-	-	384	384	(384)	-
Net contribution, distribution and dividend paid to non-controlling interests	-	-	-	-	-	(581,432)	(581,432)
Total transactions with owners	-	32,278	-	(377,188)	(344,910)	(597,986)	(942,896)
As at 31 December 2013	3,372,250	1,389,682	1,612,627	4,057,140	10,431,699	315,386	10,747,085

The attached notes 1 to 34 form an integral part of these consolidated financial statements.

United Development Company Q.S.C

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Note	2014 QR'000	2013 QR'000
Operating activities			
Profit for the year		676,338	408,989
<i>Adjustments to reconcile profit to net cash flows:</i>			
Net share of results of associates		(25,644)	233,841
Depreciation and amortisation	9 & 11	85,710	99,029
Impairment/write off of property, plant and equipment	7 & 9	12,790	45,100
Impairment of assets held for sale	7 & 15	3,822	29,754
Impairment of intangible assets	11	-	3,479
Impairment loss on investment property	10	37,052	-
Gain on sale of available-for-sale financial assets	6	-	(176)
Provision/(reversal) for slow moving inventory		3,159	(2,598)
Impairment of accounts receivable, net	16.1	3,336	22,982
Impairment loss on available-for-sale financial assets		-	2,910
(Profit)/Loss on disposal of assets		(93)	3,171
Net finance cost		125,054	62,279
Dividend income	32	(15,744)	(26,044)
Provision for employees' end of service benefits	25	8,234	8,016
		<u>914,014</u>	<u>890,732</u>
<i>Working capital adjustments:</i>			
Long term receivables		-	(3,236)
Inventories		328,231	(801,996)
Work in progress		-	1,540,874
Accounts and other receivables, net		263,119	436
Accounts and other payables		347,548	(380,827)
Retention payable		<u>(122,523)</u>	<u>(38,296)</u>
Cash from operating activities		1,730,389	1,207,687
Employees' end of service benefits paid	25	(5,545)	(5,154)
Finance cost paid		<u>(147,391)</u>	<u>(82,125)</u>
Net cash flows from operating activities		<u>1,577,453</u>	<u>1,120,408</u>
Investing activities			
Additions to property, plant and equipment	9	(316,043)	(494,418)
Proceeds from sale of property, plant and equipment		713	1,826
Proceeds from sale of available-for-sale financial assets		-	1,023
Time deposits with maturities more than three months		(277,379)	27,877
Acquisition of intangible assets	11	(362)	(427)
Additions to investment properties	10	(4,548)	(91,754)
Interest received		21,149	24,795
Dividend received from associates		50,960	50,000
Dividend received from other investee companies	32	15,744	26,044
Net cash flows used in investing activities		<u>(509,766)</u>	<u>(455,034)</u>
Financing activities			
Proceeds from interest bearing loans and borrowings		898,271	2,405,697
Repayment of interest bearing loans and borrowings		(1,074,829)	(2,519,425)
Dividend paid		(345,724)	(345,178)
Net contribution, distribution and dividend paid to non-controlling interests		<u>(1,223)</u>	<u>(581,432)</u>
Net cash flows used in financing activities		<u>(523,505)</u>	<u>(1,040,338)</u>
Net increase /(decrease) in cash and cash equivalents		544,182	(374,964)
Cash and cash equivalents at 1 January		<u>1,890,879</u>	<u>2,265,843</u>
Cash and cash equivalents at 31 December	17	<u>2,435,061</u>	<u>1,890,879</u>

The attached notes 1 to 34 form an integral part of these consolidated financial statements.

1 CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

United Development Company Q.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. The consolidated financial statements of the Company as at and for the year ended 31 December 2014 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 4.

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, cleaning activities 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 “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 is being performed on a mix use development basis which was substantially completed in 2011.

The consolidated financial statements for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the Board of Directors on 12 February 2015.

2 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB) and applicable requirements of Qatar Commercial Companies’ Law No 5 of 2002.

The consolidated financial statements have been prepared on a historical cost basis, except for land stated in property, plant and equipment, investment properties, assets held for sale and available-for-sale financial assets that are presented at fair value in accordance with IFRS.

These consolidated financial statements are presented in Qatari Riyals, 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.

Judgments

In the process of applying the Group’s accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Impairment of available-for-sale financial assets

The Group treats available-for-sale financial assets as impaired when there has been a significant or prolonged decline in fair value below its cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires considerable judgment.

Classification of property

The Group determines whether a property is classified as investment property or inventory:

- Investment property comprises of land and buildings which are not occupied, not held for the use by the Group in its operations, nor for sale in the ordinary course of business, but held primarily to earn rental income and capital appreciation;
- Inventory comprises of land and residential properties that are held for sale in the ordinary course of business. Principally these residential properties represent those that the Group develops and intends to sell before or on completion of construction.

2 BASIS OF PREPARATION (CONTINUED)

Judgments (continued)

Transfer of real estate units from inventories to investment properties

The Group sells real estate assets in the ordinary course of business. In the event of a change in management intention to retain certain real estate units for capital appreciation or to earn rental income, the carrying amount of real estate assets will be transferred at fair value and any differences between the fair value of the real estate units and its carrying amount at that date is recognised in the profit or loss.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Fair value of property (land classified as property plant and equipment and investment property)

The fair value of land and investment property is determined by independent real estate valuation experts using recognised valuation techniques. These techniques comprise both the Yield Method and the Discounted Cash Flow Method. In some cases, the fair values are determined based on recent real estate transactions with similar characteristics and location to those of the Group assets.

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2014.

The nature and the impact of each new standard and amendment is described below:

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Group, since none of the entities in the Group has any offsetting arrangements.

IFRIC 21 Levies

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Group as it has applied the recognition principles under IAS 37 Provisions, Contingent Liabilities and Contingent Assets consistent with the requirements of IFRIC 21 in prior years.

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

The Group is currently considering the implications of the new International Financial Reporting Standards and has not early adopted any of the new standards as listed below:

<i>Standards</i>	<i>Contents</i>	<i>Effective date</i>
IFRS 9	Financial instruments	1 January 2015
IAS 32	Amendment to IAS 32, 'Financial instruments: Presentation on asset and liability offsetting	1 January 2015

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

Changes in accounting policies and disclosures (continued)

Annual Improvements

These improvements will not have an impact on the Group, but include:

Annual Improvements 2010-2012 Cycle

In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 Fair Value Measurement. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at 1 January 2014, and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the Group.

Annual Improvements 2011-2013 Cycle

In the 2011-2013 annual improvements cycle, the IASB issued four amendments to four standards, which included an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 is effective immediately and, thus, for periods beginning at 1 January 2014, and clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment to IFRS 1 has no impact on the Group, since the Group is an existing IFRS preparer.

4 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

Basis of consolidation

The consolidated financial statements comprise the financial statements of United Development Company Q.S.C. and all its subsidiaries as at 31 December each year. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee and
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

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 the parent shareholders' equity.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value. 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 an equity accounted investee or as an available-for-sale financial asset depending on the level of the influence retained.

The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. The consolidated financial statements include the financial statements of United Development Company Q.S.C. and its subsidiaries listed in the following table:

	Country of incorporation	% equity interest	
		2014	2013
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
Medina 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
Enterprise Development Company	Republic of Turkey	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 Facility Solutions Company 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 engaged in the construction, owning and operation of district cooling systems and it consolidates Installation Integrity 2006 W.L.L. (2014:100%, 2013: 51%) and Cool Tech Qatar W.L.L. (2014:100%, 2013: 51%) in its consolidated financial statements.

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 has 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.

United Development Company Q.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Basis of consolidation (continued)

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%), China Square L.L.C (80.01%), Flavour of Mexico L.L.C (90%), Modern Lebanese Restaurant L.L.C (90%), The Rising Sun L.L.C (95.68%) and Urban Restaurant Development L.L.C (90%) in its consolidated financial statements. During the year 2011, the capital of the company was increased from QR 18.25 million to QR 50 million.

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. The operation of Hiref Middle East W.L.L which had a 51% stake in 2013 was officially closed as of 30 September 2014 and the management is in the process of liquidating the Company. During the year 2011, the capital of the company was increased from QR 18.25 million to QR 80 million.

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. is engaged in cleaning services and related activities.

The Enterprise Development Company operates in the real estate sector and during the year 2013, a decision was taken to liquidate the company. The liquidation process is currently being carried out.

Insure plus O.M.C acts as an insurance agent and provides 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 Facility Solutions O.M.C is engaged in providing information technology solutions. The Company was renamed as United Technology Solutions O.M.C. in 2015.

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

Leisure and Resorts O.M.C engages in resort operations and development activities.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquirer. If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

Business combinations and goodwill (continued)

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 - Financial Instrument: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in profit or loss or as a change to other comprehensive income. If the contingent consideration that is classified as equity is not remeasured, subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of its assets acquired and all of the liabilities assumed and reviews the procedures used to measure amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Investment in associates

Associates are those entities in which the Group has the significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies. The Group's investments in its associates are accounted for under the equity method of accounting.

Under the equity method, the investment in associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise the change in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment individually.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate. The financial statements of the associates are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest, including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Upon loss of the significant influence over the associate, the Group measures and recognizes any retained investments at its fair value. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of retained investments and proceeds from disposal is recognized in the statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing these consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive decision makers. The executive decision makers, who are responsible for the allocation of resources and assessing the performance of operating segments have been identified as the Board of Directors.

Revenue recognition

Revenue from the sale of completed properties (land, townhouses, apartments and villas)

The Group applies IAS 18 revenue recognition principles to recognise the revenue from the sale of properties and accordingly the following conditions should be satisfied to recognise a sale:

- (a) the entity has transferred to the buyer the significant risks and rewards of ownership of the properties
- (b) the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties sold;
- (c) the amount of revenue can be measured reliably;
- (d) it is probable that the economic benefits associated with the transaction will flow to the entity; and
- (e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

In jurisdictions where the Group transfers risks and rewards of ownership of the property in its entirety at a single point in time, revenue of and the associated costs are recognized at that point of time. Although this trigger is determined by reference to the sales contract and the relevant local laws, and so may differ from transaction to transaction, in general the Group determines the point of recognition of revenue to be the time at which the buyer is entitled to take possession of the property.

Revenue from the sale of goods and chilled water

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods and services have passed to the buyer and the amount of revenue can be measured reliably.

For the sale of chilled water, revenue comprises of available capacity and variable output provided to customers and is recognized when services are provided.

Service charges and expenses recoverable from tenants

Income arising from expenses recharged to tenants is recognized in the period in which the compensation becomes receivable.

Revenue from services

Revenue from rendering services is recognized by reference to the stage of completion of the transaction at the reporting date when the outcome of the transaction can be reliably estimated.

Profit on sale of available-for-sale financial assets

On sale of available-for-sale financial assets, a gain is recognised as the difference between the carrying amount and the sum of:

- (a) consideration received and
- (b) any cumulative gain previously recognised directly in equity.

Interest income

Interest income is recognised using the effective interest rate method, under which the rate used exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Interest income is included in finance income in the statement of profit or loss.

Dividend income

Dividend income is recognised when the right to receive the dividend is established which is generally when shareholders approve dividends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

Revenue recognition (continued)

Fee income

Fee income is recognised on a time proportion basis when realized.

Rental income

Rental income from investment properties and the leasing of berths is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income over the term of the lease.

Revenue from sale of goods (retail fashion and restaurant sales)

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and trade discounts. Revenue is recognised when persuasive evidence exists, that the significant risks and rewards of ownership have been transferred to the buyer; recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Land is measured at fair value.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets include the cost of materials and direct labour, any other costs directly attributable to bringing the assets to the working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any revaluation surplus is recognized in the statement of other comprehensive income and presented in the revaluation reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss, in which case the increase is recognized in the statement of profit or loss. A revaluation deficit is recognized in the statement of profit or loss, except where the deficit directly offsets a previous surplus on the same asset which is directly offset against the surplus in the asset revaluation reserve.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in the statement of profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

Valuations are performed frequently enough to ensure that the fair value of the revalued assets do not differ materially from its carrying value.

Reclassification to investment properties

When the use of a property changes from owner-occupied to investment property, the property is re-measured to fair value and reclassified as investment property. Property that is being constructed for future use as investment property is accounted for at fair value. Any gain arising on re-measurement is recognised in profit or loss to the extent the gain reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognised in other comprehensive income and presented in the revaluation reserve in equity to the extent that an amount had previously been included in the revaluation reserve relating to the specific property, with any remaining loss recognised immediately in profit or loss.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (continued)

Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if recognition criteria are met. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Buildings, plant and facilities	20 – 50 years
Building improvements	3 – 7 years
Furniture, fixtures, equipment and instruments	3 – 7 years
Motor vehicles and boats	5 – 8 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Intangible assets

The Group recognises intangible assets arising from corporate branding, a brand strategy development arrangement where it has the right to charge for usage of brand strategy, development cost of technical know-how and computer software. These intangible assets are measured at cost upon initial recognition. Following initial recognition, the intangible asset is measured at cost, less accumulated amortisation and accumulated impairment losses. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the profit or loss as incurred.

Computer software which is not an integral part of hardware is recognised as an intangible asset and is amortised over its estimated useful life of 5 years as determined by the Group's management. Corporate branding and brand strategy development cost is amortised over its estimated useful life of between 8 and 12 years as determined by the Group's management. Development cost of technical know-how is amortised over its estimated useful life of 5 years as determined by the Group management.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Capital work-in-progress

The cost of capital work-in-progress consists of the contract value, directly attributable costs of developing and bringing the project assets to the location and condition necessary for them to be capable of operating in the manner intended by management. The costs of capital work-in-progress will be transferred to tangible and intangible non-current asset classifications when these assets reach their working condition for their intended use. The carrying values of capital work in progress are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

Investment property comprises completed property and property under construction or re-development held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequent to the initial recognition, investment property is stated at fair value with gains or losses arising from changes in fair value included in the statement of profit or loss in the year which they arises.

Cost includes expenditure that is directly attributable to the acquisition of investment property. The cost of self-constructed investment property includes the cost of materials and direct labour and any other costs directly attributable to bringing the investment property to a working condition for their intended use. Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in the statement of profit or loss. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

Any expenditure that results in the maintenance of property to an acceptable standard or specification is treated as repairs and maintenance and is expensed in the period in which it is incurred.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Transfers are made to investment property when and only when, there is a change in use, evidenced by the end of the owner occupation or commencement of an operating lease. Transfers are made from investment or commencement of an operating lease. Transfers are made from investment property when and only when, there is a change in use evidenced by commencement of owner occupation or commencement of development with a view to sale.

Borrowing costs

The Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. For the purpose of determining interest available for capitalization, the costs related to these borrowings are reduced by any investment income on the temporary investment of the borrowings.

The capitalization of borrowing costs will cease once the asset is ready for its intended use. All other interest is recognised in the statement of profit or loss.

Financial instruments – initial recognition

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity

Non-derivative financial assets

The Group initially recognises accounts and other receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

Non-derivative financial assets comprise investments in equity securities, accounts and other receivables, cash and cash equivalents.

Financial assets

The Group derecognizes a financial asset when the contractual right to the cash flows from the asset expires, or it transfers the right to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risk and rewards of the financial asset are transferred.

Non-derivative financial assets are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

Derecognition of financial assets

A financial asset is primarily derecognised where:

- the right to receive cash flows from the asset have expired or;
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement; and
- either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events that has occurred after the initial recognition of the asset, has a negative effect on the estimated future cash flows of that asset and can be estimated reliably.

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for the management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted at the original effective interest rate. All impairment losses are recognized in the statement of profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in profit or loss.

Financial liabilities

Non-derivative financial liabilities

All the financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial liabilities comprise term loans, accounts and other payables and retention payable.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method. The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Derecognition financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

The carrying amounts of the Group's non-financial assets other than investment property and inventories are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists the asset's recoverable amount is estimated. An asset's recoverable amount is the highest of an asset's fair value less costs of disposal and its value in use.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis. An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Fair value measurement

The Group measures financial instruments and non-financial assets such as investment properties, at fair value at each consolidated financial position date. Fair value related disclosures for financial instruments and non-financial instruments that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

- property, plant and equipment in Note 9
- investment properties in Note 10
- available-for-sale financial assets in Note 13
- assets held for sale in Note 15
- quantitative disclosures of fair value measurement hierarchy in Note 31

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group determines the policies and procedures for both recurring fair value measurement such as unquoted available-for-sale financial assets, and for non-recurring measurement.

At each reporting date, the Group analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (continued)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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The Group, in conjunction with the Group's external valuers, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Available-for-sale financial assets

For investments actively traded in organised financial markets, fair value is determined by reference to quoted market bid prices at the close of business at the reporting date.

Where the investments are not traded in an active market, traded in small volumes or where there is no quoted market price, a reasonable estimate of fair value is determined by reference to current market value of a similar investment or is based on the expected discounted cash flows. Investments whose fair value cannot be reliably measured are carried at cost less any impairment in value.

Accounts and other receivables

The fair value of accounts and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Investment property

The Group values its investment property portfolio. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

In the absence of current prices in an active market, the valuations are prepared by considering the estimated rental value of the property. A market yield is applied to the estimated rental value to arrive at the gross property valuation. When actual rents differ materially from the estimated rental value, adjustments are made to reflect actual rents.

Valuations reflect, when appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, the allocation of maintenance and insurance responsibilities between the Group and the lessee, and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time.

Available-for-sale financial assets

The Group's investments in equity securities are classified as available-for-sale financial assets. After initial recognition, investments which are classified "available-for-sale – quoted" are measured at fair value and changes therein, other than impairment losses and foreign exchange gains and losses on available-for-sale financial assets (refer to note 20), are recognised directly in equity.

On de-recognition or impairment, the cumulative gain or loss previously reported in equity is included in the profit or loss for the year.

Due to the nature of the cash flows arising from the Group's unquoted investments, the fair value of investments cannot be reliably measured and consequently, these investments are carried at cost, less provision for impairment losses, if any. Available-for-sale instruments are recognised and derecognised on a trade date basis, when the Group becomes or ceases to be a party to the contractual provisions of the instrument.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts and other receivables

Accounts and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Inventories

Inventories are measured at the lower of cost or net realisable value. The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated cost necessary to make the sale.

Cash and cash equivalents

Cash and cash equivalents consist of cash, bank balances and short term original deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

Interest bearing loans and borrowings

All the term loans are initially recognised at the fair value of the consideration received plus directly attributable transaction costs. After initial recognition, interest bearing term loans are subsequently measured at amortised cost using the effective interest rate method.

Fees paid on the establishment of the loan facility are recognised as a transaction cost of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Employees' end of service benefits

The Group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and the length of service, subject to the completion of a minimum service period, calculated under the provisions of the Qatar Labour Law and is payable upon resignation or termination of employment. The expected costs of these benefits are accrued over the period of employment.

Accounts and other payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions

Provisions are recognised when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and reliably measured.

Contingencies

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All

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differences are recognised in the profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realised or intended to sold or consumed in the normal operating cycle;
 - Held primarily for the purpose of trading; or
 - Expected to be realised within twelve months after the reporting period, or cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.
- All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate geographical area of operations that has been disposed of or is held for sale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held-for-sale.

Assets and liabilities of discontinued operations are considered as disposal groups and classified as held-for-sale. Impairment loss on initial classification to held-for-sale and subsequent gain or loss on re-measurement are recognised in profit or loss.

The disposal group is re-measured in accordance with the Group's accounting policies immediately before classification as held-for-sale. Therefore, generally the disposal group is measured at the lower of its carrying amount and fair value less costs to sell. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

5 FINANCIAL RISK MANAGEMENT

The Group's principal financial liabilities comprise loans and borrowings, accounts and other payables. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group has trade and other receivables, and cash and short-term deposits that arrive directly from its operations.

The Group has exposure to the following risks from its use of financial instruments

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

Quantitative disclosures are included throughout these consolidated financial statements. The Board of Directors has the overall responsibility for the establishment and oversight of the Group's risk management frame work.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

Accounts and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk. The majority of the Group's revenue is attributable to customers originating from the Gulf cooperative Council States.

There is no concentration of credit risk attributable to a single customer.

Properties sold are subject to retention of title clauses, so that in the event of non-payment the Group may have a secured claim. The Group does not require additional collateral in respect of accounts and other receivables.

Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group uses activity-based costing to cost its products and services, which assists it in monitoring cash flow requirements and optimising its cash return on investments. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currency of Group entities. The majority of the Group's transactions are denominated in the functional currency of the Group's entities or currencies with a fixed exchange rate to the functional currency.

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5 FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (continued)

Equity price risk

The Group monitors equity securities based on the market indices. Material investments are managed by the Group on individual basis and all buy and sell decisions are approved by the Board of Directors. The equity securities performance is actively monitored and managed on a fair value basis.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in market interest rates. The Group's exposure to the risk of change in the market interest rate relates primarily to the Group's interest bearing loans and borrowings. The Group adopts a policy of ensuring that interest rate exposures are reviewed quarterly.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plan;
- training and professional development;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

Compliance with Group standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with reports submitted to the Audit Committee, Board of Directors and senior management of the Group.

Capital management

The Board of Directors' policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The Group objectives when managing capital are:

- To safeguard the Group's ability to continue as going concern, so that it can continue to provide return for shareholders and benefits for other stakeholders;
- To provide an adequate return to shareholders by pricing products and services commensurately with the level of risk; and
- To ensure that it meets financial covenants attached to the interest bearing loans and borrowings.

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6 OTHER INCOME

	<i>2014</i> <i>QR'000</i>	<i>2013</i> <i>QR'000</i>
Fee income	40,152	28,205
Sundry income	20,120	100,376
Reversal of Board of Directors remuneration (Note 7(a))	-	22,586
Miscellaneous	-	78,486
Gain on sale of available-for-sale financial assets	-	176
	60,272	229,829

7 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>2014</i> <i>QR'000</i>	<i>2013</i> <i>QR'000</i>
Staff costs	193,500	120,342
Depreciation (Note 9)	31,017	28,294
Rent	19,820	8,902
Professional charges	11,493	16,470
Directors remuneration	13,500	9,982
Asset write off and impairment (Note b)	16,612	78,333
Other general and administrative expenses	48,015	74,521
	333,957	336,844

Notes

(a) The proposed Directors' remuneration for the year 2012 was not approved by the shareholders at the AGM held on 24 February 2013 and subsequently reversed in the year 2013, disclosed under other income.

(b) Asset write off and impairments

	<i>2014</i> <i>QR'000</i>	<i>2013</i> <i>QR'000</i>
Write off of property, plant and equipment (Note 9)	2,245	41,881
Impairment of property, plant and equipment (Note 9)	10,545	3,219
Impairment of intangible assets (Note 11)	-	3,479
Impairment of boats (Note 15)	3,822	29,754
	16,612	78,333

8 BASIC AND DILUTED EARNINGS PER SHARE

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

	<i>2014</i> <i>QR'000</i>	<i>2013</i> <i>QR'000</i>
Profit attributable to equity holders of the parent	625,669	322,766
Weighted average number of ordinary shares outstanding during the year	354,086	354,086
Basic and diluted earnings per share (QR)	1.77	0.91

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

United Development Company Q.S.C.

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9 PROPERTY, PLANT AND EQUIPMENT

	<i>Land</i>	<i>Building</i>	<i>Boats</i>	<i>Plant</i>	<i>Furniture, fixture, equipment, instruments and building</i>	<i>Motor</i>	<i>Capital work</i>	<i>Total</i>	<i>Total</i>
	<i>QR '000</i>	<i>QR '000</i>	<i>QR '000</i>	<i>facilities</i>	<i>improvements</i>	<i>vehicles</i>	<i>in progress</i>	<i>2014</i>	<i>2013</i>
	<i>QR '000</i>	<i>QR '000</i>	<i>QR '000</i>	<i>QR '000</i>	<i>QR '000</i>	<i>QR '000</i>	<i>QR '000</i>	<i>QR '000</i>	<i>QR '000</i>
Cost or valuation:									
At 1 January	1,928,868	103,308	15,070	1,340,289	423,776	30,505	456,111	4,297,927	4,344,232
Revaluation gain	-	-	-	-	-	-	-	-	10
Additions	-	-	636	536	9,240	207	305,424	316,043	494,418
Transfers	-	(43,311)	(6,950)	853	2,165	(352)	(3,484)	(51,079)	(480,870)
Write-offs	-	-	-	-	(4,888)	-	(2,113)	(7,001)	(45,780)
Disposals	-	-	(852)	(87)	(38,464)	(314)	-	(39,717)	(14,083)
At 31 December	1,928,868	59,997	7,904	1,341,591	391,829	30,046	755,938	4,516,173	4,297,927
Depreciation and impairment:									
At 1 January	-	33,215	10,497	174,676	233,341	22,676	-	474,405	316,585
Depreciation charge for the year	-	3,663	1,253	37,999	37,310	3,492	-	83,717	111,800
Transfers	-	(6,791)	(6,950)	-	(339)	(359)	-	(14,439)	(10,919)
Impairment including revaluation loss	-	-	(22)	-	15,197	-	-	15,175	69,392
Write-offs	-	-	-	-	(4,756)	-	-	(4,756)	(3,899)
Disposals	-	-	(337)	(17)	(38,429)	(314)	-	(39,097)	(8,554)
At 31 December	-	30,087	4,441	212,658	242,324	25,495	-	515,005	474,405
Net Book Value:									
At 31 December 2014	<u>1,928,868</u>	<u>29,910</u>	<u>3,463</u>	<u>1,128,933</u>	<u>149,505</u>	<u>4,551</u>	<u>755,938</u>	<u>4,001,168</u>	
At 31 December 2013	<u>1,928,868</u>	<u>70,093</u>	<u>4,573</u>	<u>1,165,613</u>	<u>190,435</u>	<u>7,829</u>	<u>456,111</u>		<u>3,823,522</u>

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9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The depreciation charge has been disclosed in the consolidated financial statements as follows:

	<i>2014</i>	<i>2013</i>
	<i>QR'000</i>	<i>QR'000</i>
Cost of revenue	51,673	67,450
Sales and marketing expenses	1,027	1,379
General and administrative expenses (Note 7)	31,017	28,294
Others	-	14,677
	<u>83,717</u>	<u>111,800</u>

- (i) The district cooling system plant and related facilities are being constructed on the freehold land owned by the Group and leasehold land.
- (ii) The revaluation of the lands in the West Bay area and Pearl Qatar was carried out by an independent external valuator in 2011. The cost of the land which was subject to revaluation amounted to QR 109,500 thousands. The Group believes that the carrying value of revalued assets as at 31 December 2014 approximates its fair value.
- (iii) Capital work in progress comprises the costs incurred in respect of the following:

	<i>2014</i>	<i>2013</i>
	<i>QR'000</i>	<i>QR'000</i>
Cooling plants – Qatar District Cooling Company Q.C.S.C	49,744	13,292
Properties under development	703,840	440,465
Others	2,354	2,354
	<u>755,938</u>	<u>456,111</u>

- (iv) The impairment loss of QR 15,175 thousands (2013: QR 69,392 thousands) was as a result of a review carried out by the Group where the recoverable amount of the items of property, plant and equipment was found to be lower than the carrying amount of such assets, of which certain assets were previously revalued.

The recoverable amounts were determined as the higher of fair value less cost to sell or value in use.

Impairment loss and write offs amounting to QR 17,420 thousands (2013: QR 111,273 thousands) are disclosed in the consolidated financial statements as follows:

	<i>2014</i>	<i>2013</i>
	<i>QR'000</i>	<i>QR'000</i>
Impairment loss		
Asset revaluation reserve (Note 20c)	4,630	66,173
General and administration expenses (Note 7b)	10,545	3,219
	<u>15,175</u>	<u>69,392</u>
Write off		
General and administration expenses (Note 7b)	2,245	41,881
	<u>17,420</u>	<u>111,273</u>

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10 INVESTMENT PROPERTIES

	2014 QR'000	2013 QR'000
Balance at 1 January	7,290,596	6,401,173
Additions - development costs incurred during the year	4,548	91,754
Transfers	1,136,248	797,669
Impairment loss	(37,052)	-
Balance at 31 December	8,394,340	7,290,596

The cost of investment properties as of 31 December 2014 includes capitalised borrowing costs amounting to QR 229,572 thousands (2013: QR 194,272 thousands).

The investment properties, which include properties under development, located in The Pearl Qatar were revalued by independent professional valuers and the resulting gain amounting to QR 3,057,235 thousands has been recognised in the profit or loss in the year 2011. The Group believes that the carrying value of investment properties as at 31 December 2014 approximates its fair value.

The transfers to investment properties resulted from a change in managements' business plan to change the use of these properties to generate lease rentals for the Group in future periods.

QR 37,052 thousand was recognised as impairment as a result of a review carried out by management on the value in use of the marina, where the value in use was lower than the asset's carrying amount. In assessing value in use, the estimated future cash flows were discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

11 INTANGIBLE ASSETS

	<i>Branding</i> <i>QR'000</i>	<i>Goodwill</i> <i>QR'000</i>	<i>Operating</i> <i>software</i> <i>QR'000</i>	<i>Others</i> <i>QR'000</i>	<i>Total</i> <i>QR'000</i>
Cost:					
Balance at 1 January 2013	7,334	8,867	8,350	2,814	27,365
Additions during the year	427	-	-	-	427
Balance at 31 December 2013	<u>7,761</u>	<u>8,867</u>	<u>8,350</u>	<u>2,814</u>	<u>27,792</u>
Balance at 1 January 2014	7,761	8,867	8,350	2,814	27,792
Additions during the year	-	-	362	-	362
Balance at 31 December 2014	<u>7,761</u>	<u>8,867</u>	<u>8,712</u>	<u>2,814</u>	<u>28,154</u>
	<i>Branding</i> <i>QR'000</i>	<i>Goodwill</i> <i>QR'000</i>	<i>Operating</i> <i>software</i> <i>QR'000</i>	<i>Others</i> <i>QR'000</i>	<i>Total</i> <i>QR'000</i>
Amortisation and impairment					
Balance at 1 January 2013	1,832	8,867	4,436	1,175	16,310
Amortisation for the year	772	-	121	1,013	1,906
Impairment (Note 7b)	1,851	-	1,628	-	3,479
Balance at 31 December 2013	<u>4,455</u>	<u>8,867</u>	<u>6,185</u>	<u>2,188</u>	<u>21,695</u>
Balance at 1 January 2014	4,455	8,867	6,185	2,188	21,695
Amortisation for the year	891	-	746	356	1,993
Balance at 31 December 2014	<u>5,346</u>	<u>8,867</u>	<u>6,931</u>	<u>2,544</u>	<u>23,688</u>
Net Book Value:					
At 31 December 2014	<u>2,415</u>	<u>-</u>	<u>1,781</u>	<u>270</u>	<u>4,466</u>
At 31 December 2013	<u>3,306</u>	<u>-</u>	<u>2,165</u>	<u>626</u>	<u>6,097</u>

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12 INVESTMENT IN ASSOCIATES

The Group has the following investments in associate companies:

	<i>Country of incorporation</i>	<i>Shareholding</i>	<i>2014 QR'000 Carrying Value</i>	<i>2013 QR'000 Carrying Value</i>
Middle East Dredging Company Q.S.C. (Note a)	Qatar	45.9%	-	-
Al-Seef Limited Q.S.C (Note b)	Qatar	20%	271,427	302,360
United Readymix W.L.L. (Note c)	Qatar	32%	44,152	38,056
ASTECO Qatar (Note d)	Qatar	30%	1,454	1,746
			317,033	342,162

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 associate sustained losses relating to the Satah Al Razboot (SARB) Project. The project has been characterised by various delays and difficulties resulting in a cost overrun on the part of the associate. The management of the associate has submitted a claim to the counterparty in an effort to recover a portion of the cost overruns and the settlement amount is under negotiation. As a result the 45.9% equity holding in the associate was impaired in full during 2013. Although the associate recorded a profit in 2014, the Group has not recorded its share of this profit until the share of accumulated loss of the associate is fully absorbed.

- (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, a decision was taken to liquidate the Company. The liquidation process is currently being carried out.

The net share of results of associates represents the Group's share of the associates' net profit/(loss) for the year.

The following table represents the summarized financial information of the Group's investments in associates.

	<i>2014 QR'000</i>	<i>2013 QR'000</i>
Share of associates' in the statement of financial position:		
Non-current assets	588,648	684,794
Current assets	677,572	700,457
Non-current liabilities	(162,520)	(297,068)
Current liabilities	(786,667)	(746,021)
Net assets	317,033	342,162
Associates' share of revenue and results:		
Group's share of revenue	1,117,099	990,956
Group's share of profit /(loss) for the year	25,644	(233,841)

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13 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<i>2014</i> <i>QR'000</i>	<i>2013</i> <i>QR'000</i>
Available for sale financial assets – quoted shares	504,805	432,862
Available for sale financial assets – unquoted shares	<u>4,000</u>	<u>4,000</u>
	<u>508,805</u>	<u>436,862</u>

As of 31 December 2014, unquoted equity investments are carried at cost due to non-availability of quoted market prices or other reliable measures of fair value.

14 INVENTORIES, NET

	<i>2014</i> <i>QR'000</i>	<i>2013</i> <i>QR'000</i>
Land and properties held for sale	1,632,960	3,053,438
Construction work in progress – equipment	14,380	23,124
Material and chemical items	6,816	7,053
Spare parts	6,283	5,120
Fashion items	4,028	6,297
Food, beverage and consumables	774	954
Boats stock	<u>90</u>	<u>343</u>
	<u>1,665,331</u>	<u>3,096,329</u>

15 ASSETS HELD FOR SALE

During 2013, the Directors of the Company passed a resolution to dispose of certain yachts owned by the Group. Accordingly the yachts are classified as assets held for sale.

As of 31 December 2014, the sale of these assets was not materialized due to deterioration of market conditions. Hence, as a result of the review of fair value carried out by the management, assets held for sale amounting to QR 3,822 thousands (2013: QR 29,754 thousands) were impaired and fully provided for.

	<i>2014</i> <i>QR'000</i>	<i>2013</i> <i>QR'000</i>
As at 1 January	20,357	50,111
Impairment loss (Note 7b)	<u>(3,822)</u>	<u>(29,754)</u>
	<u>16,535</u>	<u>20,357</u>

16 ACCOUNTS AND OTHER RECEIVABLES

	<i>2014</i> <i>QR'000</i>	<i>2013</i> <i>QR'000</i>
Accounts and other receivables, net - current (Note 16.1)	1,464,281	1,728,912
Accounts and other receivables - long term (Note 16.2)	<u>18,071</u>	<u>18,071</u>
	<u>1,482,352</u>	<u>1,746,983</u>

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16 ACCOUNTS AND OTHER RECEIVABLES (CONTINUED)

16.1 ACCOUNTS AND OTHER RECEIVABLES, NET - CURRENT

	2014 QR'000	2013 QR'000
Accounts receivable	94,040	110,099
Amounts due from customers	700,441	963,783
Advances to contractors	78,393	97,457
Amounts due from related parties (Note a)	31,232	27,398
Accrued income	4,562	2,831
Prepaid expenses and other assets	555,613	527,344
	<u>1,464,281</u>	<u>1,728,912</u>

As at 31 December 2014, accounts receivable amounting to QR 29,355 thousands (2013: QR 30,798 thousands) were impaired and fully provided for.

	2014 QR'000	2013 QR'000
Balance as of 1 January	30,798	7,993
Provision made during the year	3,550	22,982
Written off during the year	(4,779)	(177)
Provision reversed during the year	(214)	-
	<u>29,355</u>	<u>30,798</u>

(a) Included in the amounts due from related parties are the following balances:

	2014 QR'000	2013 QR'000
United Readymix W.L.L.	15,425	11,148
Middle East Dredging Company Q.S.C.	4,412	3,524
China Square L.L.C	3,945	3,945
Lebanese Restaurants Development L.L.C	3,201	3,201
Flavour of Mexico L.L.C	1,264	1,264
Lavantine SAS	1,105	1,105
Food Scope America	1,097	1,097
Urban Restaurant Development L.L.C	779	970
Installation Integrity 2006 W.L.L	4	102
National Central Cooling Company P.J.S.C	-	1,042
	<u>31,232</u>	<u>27,398</u>

Refer to Note 27 for the terms and conditions relating to related party transactions. Accounts receivable is non-interest bearing and as at 31 December 2014, the analysis of accounts receivables and amounts due from customers that were past due but not impaired is set out below:

	<i>Neither past due nor impaired 2014 QR'000</i>	<i>Past due but not impaired 2014 QR'000</i>	<i>Total 2014 QR'000</i>	<i>Total 2013 QR'000</i>
Accounts receivable	25,924	68,116	94,040	110,099
Amounts due from customers	239,182	461,259	700,441	963,783
	<u>265,106</u>	<u>529,375</u>	<u>794,481</u>	<u>1,073,882</u>

Note 30 on credit risk of accounts receivable, explains how the Group manages and measures credit quality of accounts receivable that are neither past due nor impaired.

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16 ACCOUNTS AND OTHER RECEIVABLES (CONTINUED)

16.2 ACCOUNTS AND OTHER RECEIVABLES - LONG TERM

This amount represents the deposit paid for the purpose of obtaining utilities services by the subsidiary, Qatar Cool District Cooling Company Q.C.S.C. This deposit will be released upon the discontinuation of the service provided for each cooling plant.

17 CASH AND CASH EQUIVALENTS

	<i>2014</i> <i>QR'000</i>	<i>2013</i> <i>QR'000</i>
Cash on hand and bank balances	532,655	675,262
Time deposits	2,290,821	1,326,653
Total cash and cash equivalents	2,823,476	2,001,915
Less: Reserves / Time deposits maturing after 90 days	(388,415)	(111,036)
Cash and cash equivalents as per the statement of cash flows	2,435,061	1,890,879

Time deposits carry interest at commercial rates.

18 ISSUED CAPITAL

	<i>2014</i> <i>QR'000</i>	<i>2013</i> <i>QR'000</i>
<i>Authorised, issued and fully paid up capital:</i>		
354,086,248 ordinary shares of QR 10 each		
(2013 : 337,225,000 ordinary shares of QR 10 each)	3,540,862	3,372,250
Number of shares		
On issue at 1 January (thousands)	354,086	337,225
On issue at 31 December (thousands)	354,086	337,225

At 31 December 2014, the authorised share capital comprised of 354,086,248 ordinary shares (2013: 337,225,000 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 a 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.

19 LEGAL RESERVE

In accordance with Qatar Commercial Companies' Law No. 5 of 2002, 10% of the profits for the year are transferred to a legal reserve. Transfers may cease when the reserve totals 50% of the paid up share capital. The reserve is not available for distribution, except in the circumstances stipulated by the Qatar Commercial Companies' Law No. 5 of 2002. In 2006, the Company capitalized QR 57,280 thousands from legal reserve in order to issue bonus shares for 2005.

During the year, an amount of QR 62,567 thousands were transferred to the legal reserve (2013: QR 32,278 thousands).

20 OTHER RESERVES

	<i>Fair value</i> <i>reserve</i> <i>QR'000</i>	<i>Cash flow</i> <i>hedge</i> <i>reserve</i> <i>QR'000</i>	<i>Asset</i> <i>revaluation</i> <i>reserve</i> <i>QR'000</i>	<i>Total</i> <i>2014</i> <i>QR'000</i>	<i>Total</i> <i>2013</i> <i>QR'000</i>
Balance at 1 January	81,771	(6,317)	1,537,173	1,612,627	1,581,334
Increase/(decrease)	71,943	188	(4,630)	67,501	31,293
Balance at 31 December	153,714	(6,129)	1,532,543	1,680,128	1,612,627

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

20 OTHER RESERVES (CONTINUED)

Notes

(a) 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.

(b) Cash flow hedge reserve

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

(c) 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 decreases relates to an increase on the same asset previously recognised in equity.

The movement in asset revaluation reserve during the year is as follows;

	<i>2014</i>	<i>2013</i>
	<i>QR'000</i>	<i>QR'000</i>
Revaluation gain	-	10
Impairment loss taken to asset revaluation reserve (Note 9)	(4,630)	(66,173)
Relating to disposals	-	(534)
	<u>(4,630)</u>	<u>(66,697)</u>

21 PROPOSED DIVIDENDS

The Board of Directors proposed a cash dividend of 12.5% of share capital amounting to QR 442,608 thousands for the year 2014 which will be subject to the approval of the shareholders at the Annual General Meeting (2013: cash dividend of 10% of share capital amounting to QR 337,225 thousands and 5% bonus shares amounting to QR 168,612 thousands).

22 SOCIAL AND SPORTS FUND

Qatar Law No. 13 of 2008 requires all Qatari listed shareholding companies to pay 2.5% of net profit to a social and sports fund. In pursuant to this Law and further clarifications for the Law issued in 2010, the Group has made an appropriation of QR 15,642 thousands representing 2.5% of the net profit attributable to the owners of Company for the year ended 31 December 2014 (2013: QR 8,069 thousands).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

23 INTEREST-BEARING LOANS AND BORROWINGS

	<i>2014</i> QR'000	<i>2013</i> QR'000
Loan 1	602,023	705,820
Loan 2	764,925	764,925
Loan 3	819,236	864,970
Loan 4	728,000	728,000
Loan 5	245,000	297,500
Loan 6	589,545	693,342
Loan 7	61,700	60,834
Loan 8	1,020,360	1,159,500
Loan 9	267,545	-
	5,098,334	5,274,891
Less: Unamortised finance cost associated with raising finance	(36,706)	(35,121)
Balance at 31 December	5,061,628	5,239,770
Presented in the consolidated statement of financial position as:		
Current liability	641,458	1,191,450
Non-current liability	4,420,170	4,048,320
	5,061,628	5,239,770

The loans carry interest at variable rates of Qatar Central Bank repo rate and/or LIBOR plus or minus a margin. The finance costs associated with raising funds represent arrangement fee, agency and participation fees.

- (i) Loan 1: In May 2007, the subsidiary, Qatar District Cooling Company signed a loan agreement with a consortium of banks to provide loan facilities. This loan agreement grants a total facility of US\$ 285 million available for drawdown to repay the existing debt facility in full, fund the completion of the construction of the existing and new project facilities and to pay the interest, fees and other costs and expenses under the finance documents. The loan is repayable in nineteen semi-annual instalments commencing 36 months after the agreement date i.e. May 2010 and ending on May 2019. The loan is secured against the project assets and other tangibles of the chilling plants of the company. Additionally, all revenues from the chilling plants and insurance proceeds have been assigned in favour of the lenders.

On 28 December 2014, the Company informed the consortium of banks of its intention to fully settle the existing term loan liability through a refinancing facility taken up with a new bank. The new facility was made available to the Group subsequent to year end and, on 8 January 2015, the Company used the proceeds from the new facility to settle the existing term loan liability. The remaining balance of the unamortised finance costs associated with the existing liability was recognised in the statement of profit or loss for the year ended 31 December 2014.

- (ii) Loan 2: In September 2006, the Company signed a syndicated loan agreement of US\$ 225 million with a group of local, regional and international banks for corporate purposes available for 5 years as a revolving facility. In August 2011, the Company had refinanced the facility to increase the loan amount by an additional US\$ 10 million. The facility was fully drawn by the Company and was available for three additional years from August 2011. The facility was amended on 24 December 2012 stating a partial settlement of US\$ 25 million amending the loan balance to US \$ 210 million. The partial settlement was made in 2013. The Company entered into a new syndicated agreement for similar terms in August 2014 for 3 years.
- (iii) Loan 3: In August 2008, the subsidiary, Medina Centrale Company signed a syndicated loan agreement of QR 940 million and US\$ 27.4 million with a group of local, regional and international banks for the construction of Medina Centrale precinct at the Pearl Qatar project. The facility is available for 9 years as a revolving facility. The loan was amended on 30 December 2012 stating a partial settlement of QR 148.35 million amending the loan balance to QR 765 million and keeping the US\$ portion the same. Partial settlement was made in 2013. The repayment of this loan commenced from August 2014. The facility was fully drawn by the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

23 INTEREST-BEARING LOANS AND BORROWINGS (CONTINUED)

- (iv) Loan 4: This represents a corporate banking facility obtained by the Company in March 2010 for QR 728 million payable over a period of three years. The loan was fully settled by the Company during March 2013 to the initial lender. However, the Company obtained a new loan of the same amount and purpose in March 2013 from a different lender. The loan was fully drawn by the Company and payable over a period of 3 years from March 2013.
- (v) Loan 5: This represents a general corporate facility obtained by the subsidiary, Porto Arabia Retail Company 1 in August 2011. The facility limit is QR 350 million payable semi-annually commencing from February 2013 to August 2018. The facility was fully drawn by the Company.
- (vi) Loan 6: This represents a general corporate facility obtained by the Company in September 2011 for a facility of QR 780 million payable in quarterly instalments commencing from January 2013 and ending on October 2021. The remaining loan balance was fully settled by the Company during the year to the initial lender. However, the Company obtained a new loan of the same purpose in September 2014 from a different lender. The loan was fully drawn by the Company during the year and repayable in quarterly instalments commencing from October 2014 and ending on October 2021.
- (vii) Loan 7: This facility was obtained by the subsidiary United Development Investment Company in February 2011. The facility limit is QR 400 million payable in full in June 2015. The outstanding balance as at 31 December 2014 represents the drawn amount of the facility.
- (viii) Loan 8: This represents a project finance loan obtained by the Company amounting to QR 1.546 billion in July 2013 for the purpose of financing the purchase of residential units at the Qanat Quartier Project in the Pearl-Qatar Island from the Pearl-Qatar Real Estate Fund. The loan is repayable in quarterly instalments commencing from September 2013 and ending in October 2022. The loan was fully drawn down by the Company.
- (ix) Loan 9: In June 2014, the Company signed a Musharaka agreement of QR 855 million for the construction of Abraj Quartier Office Towers 01 & 02 at the Pearl Qatar project. The loan is repayable in thirty-two quarterly instalments commencing September 2018 and ending on June 2026. The outstanding balance as at 31 December 2014 represents the drawn down amount of the facility.

The maturity profiles of the term loans are as follows:

31 December 2014	<i>1 year</i> <i>QR'000</i>	<i>2-5 years</i> <i>QR'000</i>	<i>Over 5 years</i> <i>QR'000</i>	<i>Total</i> <i>QR'000</i>
Loan 1	114,177	487,846	-	602,023
Loan 2	-	764,925	-	764,925
Loan 3	108,101	711,135	-	819,236
Loan 4	-	728,000	-	728,000
Loan 5	52,500	192,500	-	245,000
Loan 6	104,000	332,000	153,545	589,545
Loan 7	61,700	-	-	61,700
Loan 8	200,980	475,395	343,985	1,020,360
Loan 9	-	43,809	223,736	267,545
	641,458	3,735,610	721,266	5,098,334

United Development Company Q.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

23 INTEREST-BEARING LOANS AND BORROWINGS (CONTINUED)

31 December 2013	<i>1 year</i> <i>QR'000</i>	<i>2-5 years</i> <i>QR'000</i>	<i>Over 5 years</i> <i>QR'000</i>	<i>Total</i> <i>QR'000</i>
Loan 1	102,492	603,328	-	705,820
Loan 2	764,925	-	-	764,925
Loan 3	45,734	552,976	266,260	864,970
Loan 4	-	728,000	-	728,000
Loan 5	52,500	245,000	-	297,500
Loan 6	86,658	346,631	260,053	693,342
Loan 7	-	60,834	-	60,834
Loan 8	139,141	579,749	440,610	1,159,500
Loan 9	-	-	-	-
	<u>1,191,450</u>	<u>3,116,518</u>	<u>966,923</u>	<u>5,274,891</u>

This note provides information regarding the contractual terms of the Group's term loans, which are measured at amortised cost. For more information about the Group's exposure to interest rate and liquidity risk, refer to Note 30.

24 RETENTION PAYABLE

Retention payable represents amounts withheld from the payments to contractors. These amounts will be settled upon completion of the maintenance period subject to satisfactory discharge of the obligations of the contractors. This has been disclosed in the consolidated statement of financial position as follows:

	<i>2014</i> <i>QR'000</i>	<i>2013</i> <i>QR'000</i>
Current portion	159,335	270,512
Non-current portion	<u>111,063</u>	<u>122,409</u>
	<u>270,398</u>	<u>392,921</u>

25 EMPLOYEES' END OF SERVICE BENEFITS

The movements in the provision recognised in the consolidated statement of financial position are as follows:

	<i>2014</i> <i>QR'000</i>	<i>2013</i> <i>QR'000</i>
Provision at 1 January	29,475	26,925
Transfers	93	(312)
Provided during the year	8,234	8,016
End of service benefits paid	<u>(5,545)</u>	<u>(5,154)</u>
Provision at 31 December	<u>32,257</u>	<u>29,475</u>

26 ACCOUNTS AND OTHER PAYABLES

	<i>2014</i> <i>QR'000</i>	<i>2013</i> <i>QR'000</i>
Accounts and other payables - current (Note 26.1)	2,671,429	2,313,018
Accounts and other payables - long term (Note 26.2)	<u>58,747</u>	<u>42,554</u>
	<u>2,730,176</u>	<u>2,355,572</u>

United Development Company Q.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

26 ACCOUNTS AND OTHER PAYABLES (CONTINUED)

26.1 ACCOUNTS AND OTHER PAYABLES - CURRENT

	<i>2014</i> <i>QR'000</i>	<i>2013</i> <i>QR'000</i>
Accounts payable	163,380	84,509
Accrued contracts costs	1,094,180	1,340,666
Advances received from customers	912,653	402,428
Other accrued expenses	137,687	105,482
Due to a related party – National Central Cooling Co Q.S.C.	57	-
Other payables	363,472	379,933
	<u>2,671,429</u>	<u>2,313,018</u>

26.2 ACCOUNTS AND OTHER PAYABLES – LONG TERM

	<i>2014</i> <i>QR'000</i>	<i>2013</i> <i>QR'000</i>
Master community reserve fund	16,850	10,488
Customer deposits	41,897	32,066
	<u>58,747</u>	<u>42,554</u>

27 RELATED PARTY DISCLOSURES

Related party transactions

Note 4 provides information about the Group structure including subsidiaries and associates. During the year, certain transactions have occurred with related parties on the same commercial basis and conditions as other non-related parties. Pricing policies and terms of these transactions are approved by the Group's management.

Transactions with related parties included in the consolidated statement of profit or loss are as follows:

	<i>2014</i> <i>QR'000</i>	<i>2013</i> <i>QR'000</i>
Other related parties:		
Revenue	<u>15,040</u>	<u>85,100</u>
Associates:		
Management fee	<u>50</u>	<u>44</u>
Rent income	<u>3,740</u>	<u>2,548</u>

Amounts due from related parties are disclosed in Note 16 to these financial statements.

Compensation of key management personnel

The details of compensation and remuneration to key management personnel are as follows:

	<i>2014</i> <i>QR'000</i>	<i>2013</i> <i>QR'000</i>
Short term benefits	<u>25,320</u>	<u>23,818</u>
Employees' end of service benefits	<u>987</u>	<u>798</u>
	<u>26,307</u>	<u>24,616</u>

The Group has provided for Directors' remuneration for the year 2014 amounting to QR 13,500 thousands (2013: QR 9,982 thousands) which is subject to the approval by the shareholders at the Annual General Meeting.

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28 CONTINGENT LIABILITIES

	<i>2014</i> <i>QR'000</i>	<i>2013</i> <i>QR'000</i>
Bank guarantees and bonds	<u>6,321</u>	<u>8,008</u>
Letters of credit	<u>5,516</u>	<u>5,694</u>

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

29 CAPITAL COMMITMENTS

	<i>2014</i> <i>QR'000</i>	<i>2013</i> <i>QR'000</i>
Contractual commitments to contractors/suppliers	<u>782,902</u>	<u>802,209</u>

30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Accounting policies for financial assets and liabilities are set out in Note 4.

Financial instruments comprise of cash and bank balances, time deposits, accounts receivable, other receivables, due from / to related parties and accounts and other payables.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's exposure to credit risk is as indicated by the carrying amount of its financial assets which consist principally of accounts receivable, amounts due from customers, due from related parties and bank balances. Accounts receivable, amounts due from customers and amounts due from related parties are shown net of provision for doubtful receivables and bank balances are with reputed banks.

As at the reporting date, there were no significant concentrations of credit risk. The Group has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	<i>Carrying amount</i> <i>2014</i> <i>QR'000</i>	<i>2013</i> <i>QR'000</i>
Accounts and other receivables	904,106	1,198,737
Bank balances	<u>2,823,476</u>	<u>2,001,740</u>
	<u>3,727,582</u>	<u>3,200,477</u>

The maximum exposure to credit risk for accounts and other receivables at the reporting date by geographic region was equal to accounts receivable amount disclosed in the consolidated statement of financial position.

Considering prevailing market conditions, the Group has mutually agreed with some of its customers to revise the terms of its receivables. Included in the Group's receivables are customer balances which are past due but not impaired at the end of the reporting date (refer to Note 16) for which no allowance has been provided for as there was no significant change in the credit quality of the customers and the amounts are still considered recoverable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)
Impairment losses

Except as disclosed in Note 16 to these financial statements, based on the management's assessment and historic default rates, the Group believes that no impairment allowance is necessary in respect of accounts receivables and amounts due from customers.

Liquidity risk

The following are the contractual maturities of financial liabilities and the impact of netting agreements:

<i>31 December 2014</i>	<i>Carrying amount QR'000</i>	<i>Contractual cash flows QR'000</i>	<i>Less than 12 months QR'000</i>	<i>2- 5 years QR'000</i>	<i>More than 5 years QR'000</i>
<i>Non-derivative financial liabilities</i>					
Retention payable	270,398	(270,398)	(159,335)	(111,063)	-
Employees' end of service benefits	32,257	(32,257)	-	-	(32,257)
Accounts and other payables	1,498,309	(1,498,309)	(1,439,562)	-	(58,747)
Interest bearing loans and borrowings	5,098,334	(5,098,334)	(641,458)	(3,735,610)	(721,266)
	<u>6,899,298</u>	<u>(6,899,298)</u>	<u>(2,240,355)</u>	<u>(3,846,673)</u>	<u>(812,270)</u>
<i>31 December 2013</i>	<i>Carrying amount QR'000</i>	<i>Contractual cash flows QR'000</i>	<i>Less than 12 months QR'000</i>	<i>2- 5 years QR'000</i>	<i>More than 5 years QR'000</i>
<i>Non derivative financial liabilities</i>					
Retention payable	392,921	(392,921)	(270,512)	(122,409)	-
Employees' end of service benefits	29,475	(29,475)	-	-	(29,475)
Accounts and other payables	909,424	(909,424)	(866,870)	-	(42,554)
Interest bearing loans and borrowings	5,274,891	(5,274,891)	(1,191,450)	(3,116,518)	(966,923)
	<u>6,606,711</u>	<u>(6,606,711)</u>	<u>(2,328,832)</u>	<u>(3,238,927)</u>	<u>(1,038,952)</u>

Market risk
Interest rate risk

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	<i>Carrying Amount 2014 QR'000</i>	<i>2013 QR'000</i>
Fixed rate instruments		
Time deposits	2,290,821	1,326,653
Term loans	<u>(512,545)</u>	<u>(297,500)</u>
	<u>1,778,267</u>	<u>1,029,153</u>
Variable rate instruments		
Term loans	<u>4,585,789</u>	<u>4,977,391</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Interest rate risk (continued)

Sensitivity analysis

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and profit or loss by the amount shown below. This analysis assumes that all other variables remain constant.

31 December 2014

<i>Change in variable</i>	<i>Impact on net profit QR'000</i>	<i>Impact on equity QR'000</i>
+100 basis points	<u>(45,858)</u>	<u>(45,858)</u>
-100 basis points	<u>45,858</u>	<u>45,858</u>

31 December 2013

<i>Change in variable</i>	<i>Impact on net profit QR'000</i>	<i>Impact on equity QR'000</i>
+100 basis points	<u>(49,774)</u>	<u>(49,774)</u>
-100 basis points	<u>49,774</u>	<u>49,774</u>

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. All time deposits are designated in Qatar Riyals and United States Dollar (USD) which is pledged against the Qatari Riyal. The Group's exposure towards currency risk is minimal as majority of the foreign currency financial assets and liabilities are denominated in currencies that have a fixed exchange rate with its functional currency.

Equity price risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), where those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Sensitivity analysis

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on the equity of the Group.

<i>Changes in variables</i>		<i>Impact on equity 2014 QR'000</i>	<i>2013 QR'000</i>
Qatar market	+10%	31,056	26,118
International markets	+10%	19,424	17,168
Qatar market	-10%	(31,056)	(26,118)
International markets	-10%	(19,424)	(17,168)

The method used for deriving sensitivity information and significant variables did not change from the previous period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

31 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial instruments consist of cash and bank balances, available-for-sale financial assets and receivables. Financial liabilities consist of term loans, payables, and accrued expenses.

The fair values of financial instruments, with the exception of certain available-for-sale financial assets carried at cost, are not materially different from their carrying values.

Change in fair value recognised directly in equity

	<i>2014</i> <i>QR'000</i>	<i>2013</i> <i>QR'000</i>
Net change in fair value of available-for-sale financial assets	<u>71,943</u>	<u>91,942</u>

Fair values

Set out below is a comparison of the carrying amounts and fair value of the Group's financial instruments as at 31 December 2014 and 31 December 2013:

	<i>Carrying amounts</i>		<i>Fair values</i>	
	<i>2014</i> <i>QR'000</i>	<i>2013</i> <i>QR'000</i>	<i>2014</i> <i>QR'000</i>	<i>2013</i> <i>QR'000</i>
Financial assets				
Cash and cash equivalents	2,823,476	2,001,915	2,823,476	2,001,915
Accounts and other receivables, net	1,482,352	1,746,983	1,482,352	1,746,983
Available-for-sale financial assets	508,805	436,862	508,805	436,862
	<u>4,814,633</u>	<u>4,185,760</u>	<u>4,814,633</u>	<u>4,185,760</u>
Financial liabilities				
Accounts and other payables	2,730,176	2,355,572	2,730,176	2,355,572
Interest bearing loans and borrowings	5,061,628	5,239,770	5,061,628	5,239,770
Retention payable	270,398	392,921	270,398	392,921
	<u>8,062,202</u>	<u>7,988,263</u>	<u>8,062,202</u>	<u>7,988,263</u>

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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At 31 December 2014

31 FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

Financial Assets	Date of valuation	Level 1 QR'000	Level 2 QR'000	Level 3 QR'000	Total QR'000
31 December 2014					
Available-for-sale financial assets	31 Dec 2014	504,805	-	-	504,805
Investment properties	31 Dec 2011	-	-	8,394,340	8,394,340
Assets held for sale	31 Dec 2014	-	-	16,535	16,535
Property, plant and equipment	31 Dec 2011	-	-	109,500	109,500
		<u>504,805</u>	<u>-</u>	<u>8,520,375</u>	<u>9,025,180</u>
31 December 2013					
Available-for-sale financial assets	31 Dec 2013	432,862	-	-	432,862
Investment properties	31 Dec 2011	-	-	7,290,596	7,290,596
Assets held for sale	31 Dec 2014	-	-	20,357	20,357
Property, plant and equipment	31 Dec 2011	-	-	109,500	109,500
		<u>432,862</u>	<u>-</u>	<u>7,420,453</u>	<u>7,853,315</u>

32 FINANCE INCOME AND EXPENSE

	2014 QR'000	2013 QR'000
Interest income on bank deposits	22,880	21,955
Dividend income on available-for-sale financial assets	<u>15,744</u>	<u>26,044</u>
Finance income	<u>38,624</u>	<u>47,999</u>
Interest expense on financial liabilities	<u>(147,934)</u>	<u>(84,234)</u>
Finance expense	<u>(147,934)</u>	<u>(84,234)</u>
Net finance expense	<u>(109,310)</u>	<u>(36,235)</u>

33 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, real estate brokering services, insurance agency services, and cleaning services. The accounting policies of the reportable segments are the same as described in note 4.

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 Enterprise Development Company (established in Republic of Turkey), 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 31 December 2014.

United Development Company Q.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

33 OPERATING SEGMENTS (CONTINUED)

	<i>Urban Development</i>		<i>Hydro Carbon & Energy</i>		<i>Hospitality & Leisure</i>		<i>Infrastructure & Utilities</i>		<i>Others</i>		<i>Total</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
External revenue	1,415,466	1,625,244	-	-	64,068	64,285	325,642	323,900	101,166	67,829	1,906,342	2,081,258
Inter segment revenue	28,774	1,579,483	-	-	309	444	31,179	13,377	87,428	77,264	147,690	1,670,568
Interest income	19,048	18,857	-	-	670	316	2,035	2,373	1,127	409	22,880	21,955
Interest expense	129,034	69,531	-	-	-	-	18,900	14,703	-	-	147,934	84,234
Depreciation	26,770	36,771	-	-	9,550	16,636	43,578	54,385	3,819	4,008	83,717	111,800
Profit/(loss) for the year	678,129	678,318	-	-	(25,760)	(41,714)	80,542	83,338	19,911	(7,641)	752,822	712,301
Share of profit of associates	7,056	(267,878)	-	34,256	18,879	-	-	-	(291)	(219)	25,644	(233,841)
Reportable segment assets	16,826,360	16,293,962	-	-	130,859	110,772	1,771,869	1,880,074	167,385	137,853	18,896,473	18,422,661
Investment in associates	44,152	38,056	271,426	302,360	-	-	-	-	1,455	1,746	317,033	342,162
Reportable segment liabilities	7,255,806	7,065,422	-	-	18,145	18,142	756,968	877,960	63,540	56,214	8,094,459	8,017,738

United Development Company Q.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

33 OPERATING SEGMENTS (CONTINUED)

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items

	<i>2014</i> <i>QR'000</i>	<i>2013</i> <i>QR'000</i>
Revenue		
Total revenue for reportable segments	2,054,032	3,751,826
Elimination of inter-segment revenue	(147,690)	(1,670,568)
Consolidated revenue	<u>1,906,342</u>	<u>2,081,258</u>
Profit or loss	<i>2014</i> <i>QR'000</i>	<i>2013</i> <i>QR'000</i>
Total profit or loss for reportable segments	752,822	712,301
Elimination of inter-segment profits	(102,128)	(69,471)
Net share of results of associates	25,644	(233,841)
Consolidated profit for the year	<u>676,338</u>	<u>408,989</u>
Assets	<i>2014</i> <i>QR'000</i>	<i>2013</i> <i>QR'000</i>
Total assets for reportable segments	18,896,473	18,422,661
Investments in associates	317,033	342,162
Consolidated total assets	<u>19,213,506</u>	<u>18,764,823</u>
Liabilities	<i>2014</i> <i>QR'000</i>	<i>2013</i> <i>QR'000</i>
Total liabilities for reportable segments	8,094,459	8,017,738
Consolidated total liabilities	<u>8,094,459</u>	<u>8,017,738</u>

34 COMPARATIVE INFORMATION

Comparative information has been rearranged wherever necessary to conform to the current year's presentation. Such reclassifications did not have any effect on the reported profit or the retained earnings of the previous year.