2017 Annual Report

UDC
المتحدة للتنمية
UNITED DEVELOPMENT CO.

His Highness
Sheikh Tamim bin Hamad Al Thani
Emir of the State of Qatar

Contents

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Board Member

Chairman's Message

Dear Shareholders,

On behalf of the Board of Directors, it is my pleasure to present United Development Company's (UDC) Annual Report for the year 2017 and its audited financial statements for the year ending 31 December 2017.

In 2017, UDC was again lead by the steady performance of its flagship project, The Pearl-Qatar, the premier residential, commercial and entertainment real estate development in the State of Qatar. UDC's business strategy remains focused on creating opportunities and partnerships, achieving growth, minimizing risks and sustaining progress, by means of identifying the opportunities that are being generated on the island to ensure that UDC continues to profit from the mutually beneficial relationships that businesses at The Pearl-Qatar naturally attract.

For 2017, UDC reported net profit of QR 608 million on revenues of QR 2 billion with the net profit attributable to its owners standing at QR 538 million and basic earnings per share of QR 1.52.

Furthermore, in UDC's efforts to diversify its offerings, a state-of-the-art new island project which is an extension of The Pearl-Qatar, is being launched in 2018.

It is being designed to have an aquarium-style waterpark, an air-conditioned outdoor boardwalk, a green park and a waterfront retail esplanade that will attract brands to Doha. In addition, the project will have various real estate offerings, including beachfront and waterfront villas of different categories and independent islets, all in a modern architectural design. This unique project will attract a warm, welcoming community whose residents are seeking an urbane and vibrant lifestyle.

Moving forward, UDC's cumulative investment for major new projects, over the period 2018 – 2022, is estimated to be QR 5.5 billion, which illustrates our strong commitment to continue the exceptional development work.

In the meantime, UDC will further continue to improve its community services while seeking viable partnerships that support economic diversification in line with Qatar's National Vision.

On my behalf and the Board of Directors, Executive Management and UDC employees, I would like to convey our appreciation to the continuous support extended by His Highness Sheikh Tamim bin Hamad Al-Thani, Emir of the State of Qatar.

I would also like to express the Board's sincere thanks to our shareholders, for their trust and continued support to UDC to achieve its objectives.

The Company's management team is also commended for managing the Company in a prosperous manner that is focused on success and strategical growth. I would like to thank all UDC staff for their contribution to achieving this success.

Turki bin Mohammed Al-Khater
Chairman

Dear Shareholders,

I am pleased to report that 2017 was another productive year for UDC. Satisfactory financial results were achieved under the current challenging real estate market conditions. The pace of development of The Pearl-Qatar was accelerated in a cost effective manner and the "customer experience" of residents, retailers and visitors at The Pearl-Qatar was further enhanced. These were all points of emphasis for UDC going into the year so I am pleased to see that progress was made in areas that will add value to our shareholders.

Apart from achieving satisfactory financial results in 2017, we have long emphasised the importance of cost optimization and have implemented many cost saving initiatives this year that were intended to bring more favourable terms for goods received and services performed, spending only what is necessary and be more cost conscience.

As for the development, with an abundance of high quality projects already selected pursuant to a proven business strategy framework, effective execution is a key determinant of UDC's future success. Applying the lessons learned from previous developments and continuous improvement in the execution of ongoing and future developments lead UDC to become increasingly proficient in this part of its business.

UDC is working on major developments that will greatly accelerate the growth and maturity of The Pearl-Qatar in the near term. Their status is summarized below:

Giardino Villas: Luxurious neighbourhood development in the Giardino precinct – construction of 10 villas commenced in 2017 and are scheduled to be completed by 2018;

Al Mutahidah Towers: Two interconnected residential towers in the Viva Bahriya precinct – construction commenced in 2016 and is scheduled to be completed by 2019;

Floresta Gardens: Residential and commercial development – project is currently in the design phase.

State-of-the-Art Project: Residential, commercial and entertainment development in new island within The Pearl-Qatar – Project is currently in the design phase.

In addition, major sales of land were concluded in 2017 with developers for the construction of a Commercial Mall and Mixed Use Facility. An increase of approximately 90% in the volume of land plots sold in 2017 compared to 2016. These sales demonstrate that non-UDC developments on the island are also commercially viable.

Recurring revenue from leasing of residential and retail units held a steady year over year despite the current challenging market situation.

The Pearl Tower 1; the world class office tower is ready for increased occupancy as being leased with 13,132 sqm, equivalent to 24% of total leasable area, currently under contract commencing in 2018.

The number of vehicles entering The Pearl-Qatar witnessed a growth; from 10 million vehicles in 2016 to close to 12 million vehicles in 2017.

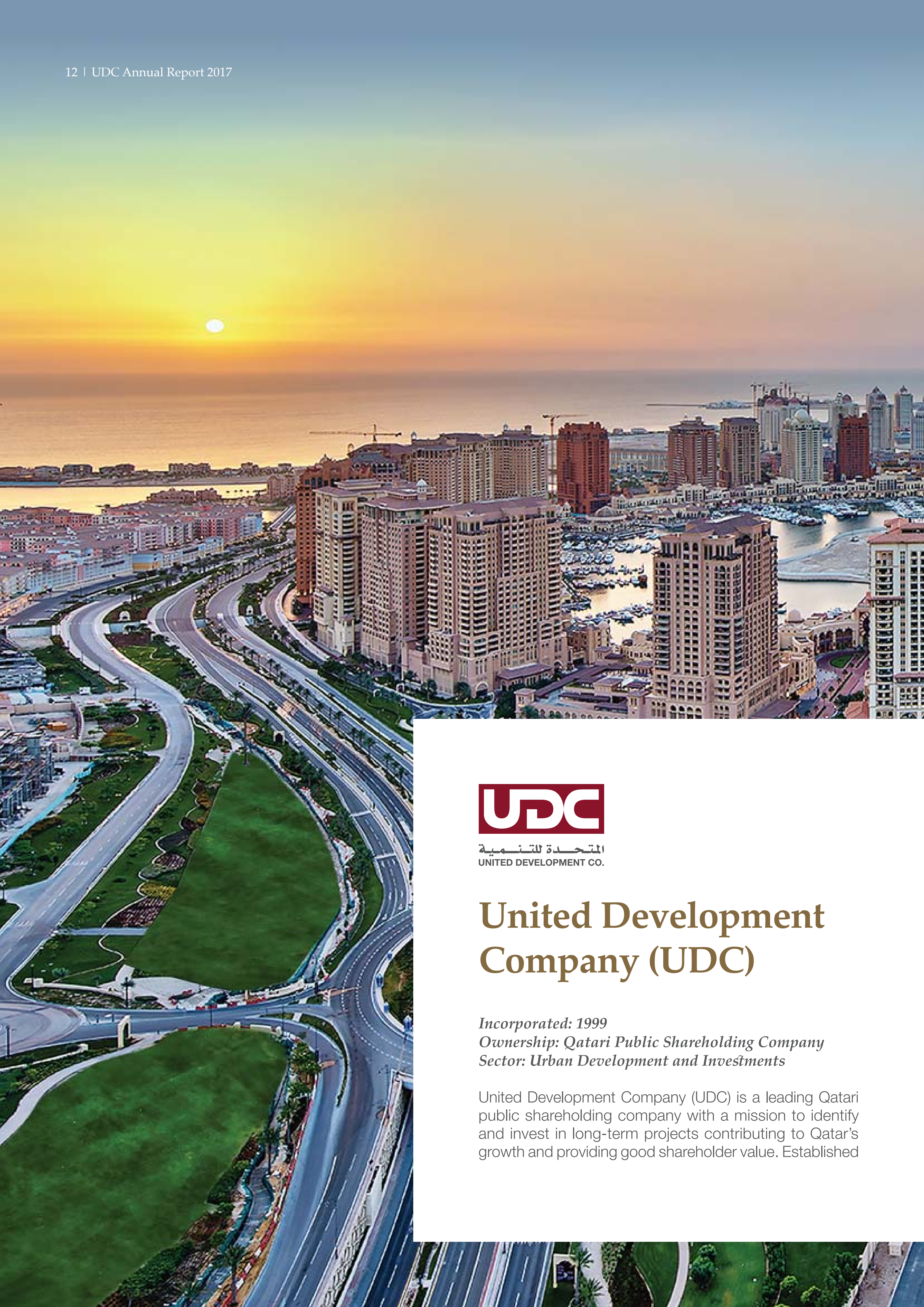
I anticipate this path will continue in 2018, especially that 2017 witnessed the commencement of major development and infrastructure projects island-wide. This should prompt more residential and retail activity.

Continuously improving the "customer experience" of residents, retailers and visitors at The Pearl-Qatar has always been a high priority for UDC. In 2017, several notable enhancements were realized, including: opening Khadamati, a one-stop service center in Medina Centrale, opening two new tunnels at The Pearl Interchange by the Public Works Authority (Ashghal); adding free public wi-fi services to all retail public areas; revamping The Pearl-Qatar's mobile application and UDC website, and adding new prayer rooms for men and women throughout the island.

In closing, I would like to thank our shareholders, partners, the Board and our employees for their valuable contributions and making 2017 a good year for UDC. The full development of The Pearl-Qatar is starting to take shape at a fast pace. I am confident that with continued dedication and hard work, 2018 will be another successful year for UDC, and another great step forward achieving the company's objectives and strategy.

Ibrahim Jassim Al-Othman
President & Chief Executive Officer

President & CEO's Message



UDC
المتحدة للتنمية
UNITED DEVELOPMENT CO.

United Development Company (UDC)

Incorporated: 1999
Ownership: Qatari Public Shareholding Company
Sector: Urban Development and Investments

United Development Company (UDC) is a leading Qatari public shareholding company with a mission to identify and invest in long-term projects contributing to Qatar's growth and providing good shareholder value. Established

in 1999, the company went on to be listed on the Qatar Exchange in June 2003. It has an authorized share capital of QR 3.54 billion and total assets of QR 18.34 billion at 31 December 2017.

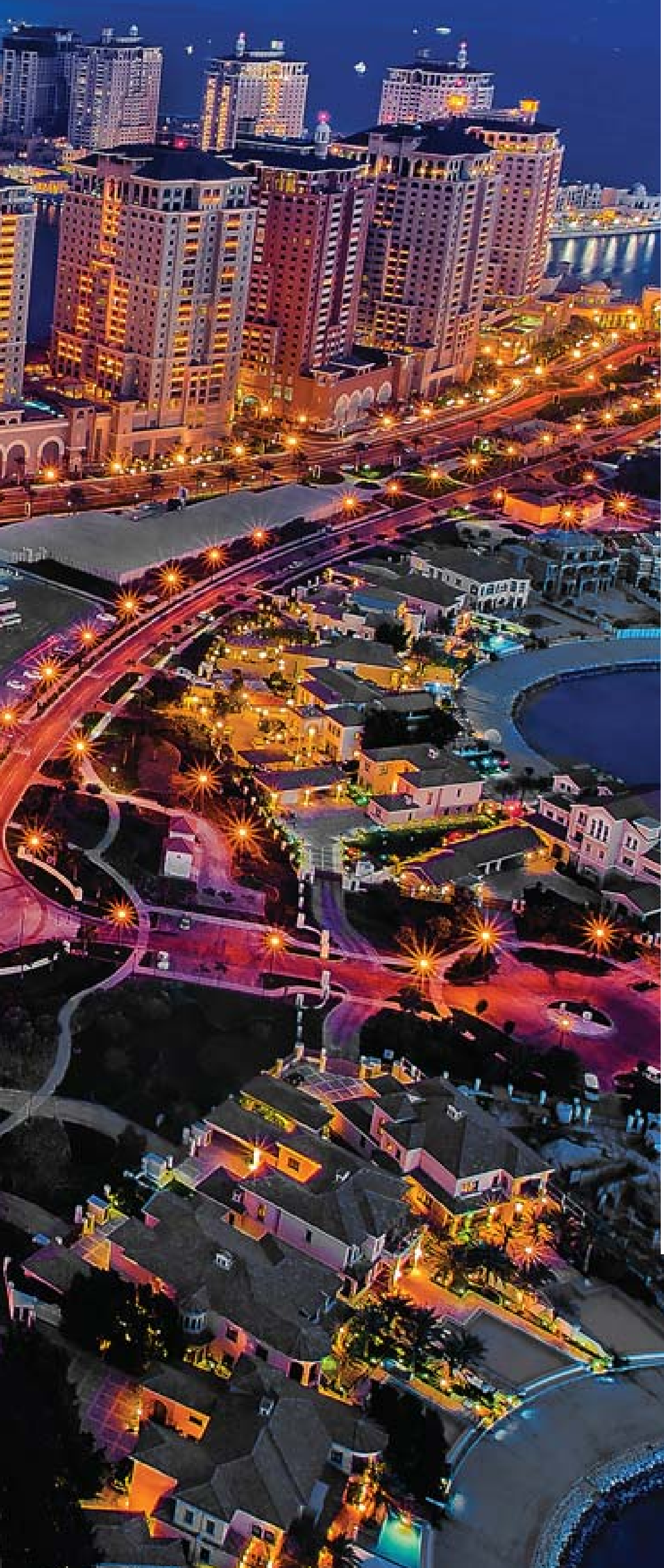
UDC's current portfolio includes: real estate development, property management, infrastructure and utilities, energy-intensive industries, hydrocarbon downstream manufacturing, maritime related businesses, and hospitality.

From day one, the Company has played an active role in the development of Qatar, rapidly evolving into a leading Qatari Shareholding Company and has successfully established several new companies and investment vehicles.

As part of its five-year business plan (2018-2022), UDC is leveraging its leading market position to achieve sustainable financial performance and maintain profitability margins by focusing on the core business activities and investing in new and viable real estate developments that serve to sustain cash flow.

UDC's flagship project is The Pearl-Qatar, an urban mixed-use, man-made island development. Located some 350 meters offshore of Doha's prestigious West Bay District, The Pearl-Qatar is one of the largest real estate developments in the Gulf.

UDC is also in the process of converting the new island project, located adjacent to the Abraj Quartier district, into The Pearl-Qatar's latest world class residential, commercial and entertainment development. This project has the potential of becoming a magnificent destination that will sustain UDC's future growth.



اللؤلؤة
THE PEARL
QATAR قطر

The Pearl-Qatar

Designed and engineered to be an everlasting icon in Qatar, The Pearl-Qatar is the crown jewel of UDC's assets and investments. Home to a number of enchanting precincts, The Pearl-Qatar offers luxurious living to a multitude of refined tastes. A self-sustaining urban mixed-use development, The Pearl-Qatar includes all the amenities and lifestyle privileges any resident or visitor could want. Distributed across architecturally distinct precincts, The Pearl-Qatar offers apartments, villas, townhouses, diverse leisure and entertainment facilities, award-winning marinas, beautiful serene beaches and a selection of renowned restaurants and high-end shopping outlets. The Pearl-Qatar is truly a masterpiece of private and modern living, where life takes on a beautiful angle no matter where you set your eyes.

Major Precincts

- PORTO ARABIA – THE PEARL - QATAR
- MEDINA CENTRALE – THE PEARL - QATAR
- VIVA BAHRIYA – THE PEARL - QATAR
- QANAT QUARTIER – THE PEARL - QATAR
- ABRAJ QUARTIER – THE PEARL - QATAR
- GIARDINO VILLAS – THE PEARL - QATAR

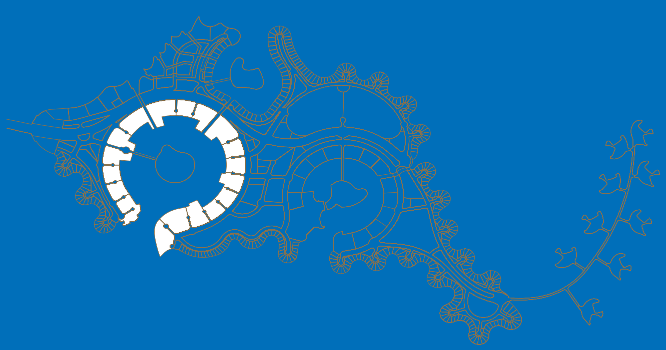
Mediterranean dwelling in the heart of Arabia

Porto Arabia

The thriving cosmopolitan heart of The Pearl-Qatar, Porto Arabia captures the essence of sophistication. Conducive to the highest standards of living, it is reminiscent of a continental harbor, yet positively alive with Arabian warmth and charm. Home to The Pearl-Qatar's main harbor, Porto Arabia combines elegant towers and townhouses in a spectacular location. The Island's first phase is set around a colorful waterfront – La Croisette – a lively 3.5 kilometer pedestrianized concourse lined with fine shopping and dining, its architecture is inspired by the best of French, Italian and Spanish designs.

Cosmopolitan, Riviera Arabia lifestyle

- 31 Mediterranean-style towers with a total of 4,800 units
- 437 townhouses
- 1,000,000 square feet of leasable retail and commercial spaces
- 3.5 kilometer corniche – 'La Croisette Boulevard'
- 320 retail units
- 850 marina berths



PORTO ARABIA
THE PEARL - QATAR

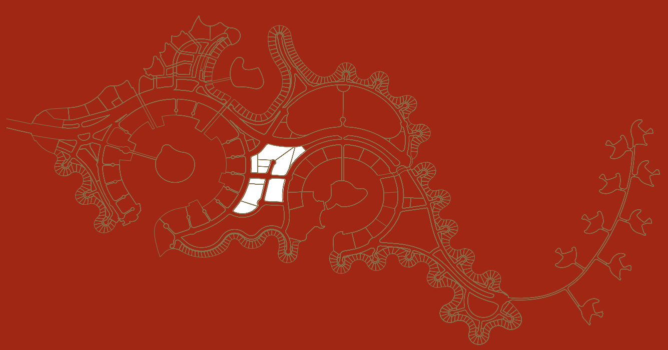
The vibrant town center

Medina Centrale

Medina Centrale is the Town Centre of The Pearl-Qatar, offering a unique blend of residential, shopping and leisure experiences in a charming ambience that is distinctively Mediterranean. Within the central shopping zone of Medina Centrale, one can find a full range of retail and community services, a wide selection of food and beverage outlets and a parking podium for 3,500 cars. Supporting the broader community at The Pearl-Qatar, Medina Centrale also serves as a prime residential area, offering its residents the convenience of a multitude of services that are right at their doorstep.

A hub for amenities and facilities

- Over 700,000 square feet of quality retail outlets, including supermarkets and large retailers
- 538 residential units
- A lively environment, perfect for celebrations and events
- Numerous parks and open spaces
- Internationally celebrated and recognized casual dining outlets



MEDINA CENTRALE
THE PEARL - QATAR

Sophisticated beachfront living

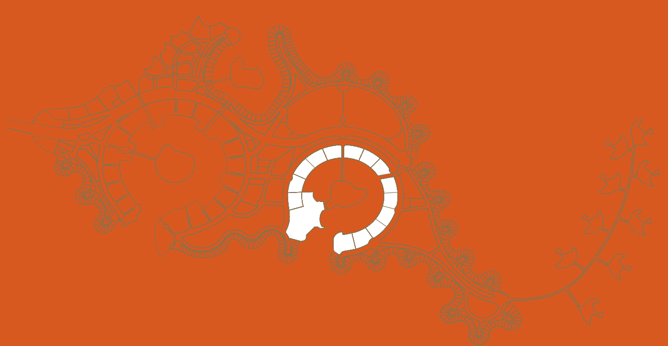
Viva Bahriya

Featuring true beachfront condominium living, Viva Bahriya is perfect for families and those who are seeking a more relaxed lifestyle. Complete with its own stretch of pristine beach, it is a haven for water sports enthusiasts.

Architecturally themed to echo the very best of the Maghreb – with Moroccan-styled townhouses and apartments, Viva Bahriya is lapped by a warm, inviting sea that is conducive to a more “laid back” existence. Whilst quieter than neighboring precincts, there is never a dull moment at this enviable beachfront location.

Relaxed, family-oriented beachfront living

- Beachfront condominium living
- 29 Moroccan-inspired towers
- Moroccan-styled townhouses with direct water views
- 103 berth marina
- Exclusive marina club



VIVA BAHRIYA
THE PEARL - QATAR

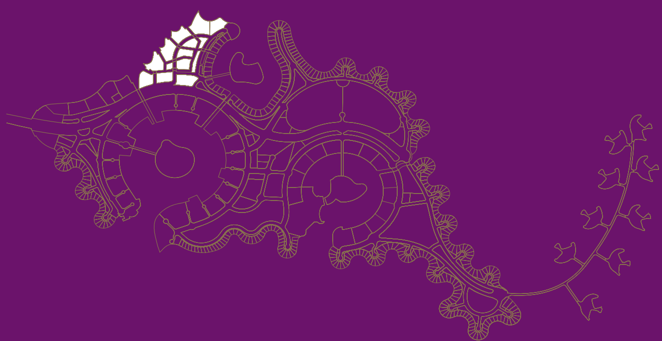
Venetian charm meets Arabian chic

Qanat Quartier

With its colorful Venetian character, Qanat Quartier is carefully planned around intricate canals and pedestrian-friendly squares and plazas. Each waterway is spanned by stylish bridges which further evoke the soul of Italian romantic living. Proximity to water is a feature of all the townhouses here, with many enjoying direct views over the beach and some even featuring roofed terraces. Boutique-style shopping adds to the intimate village feel and provides further appeal for the community that thrives there.

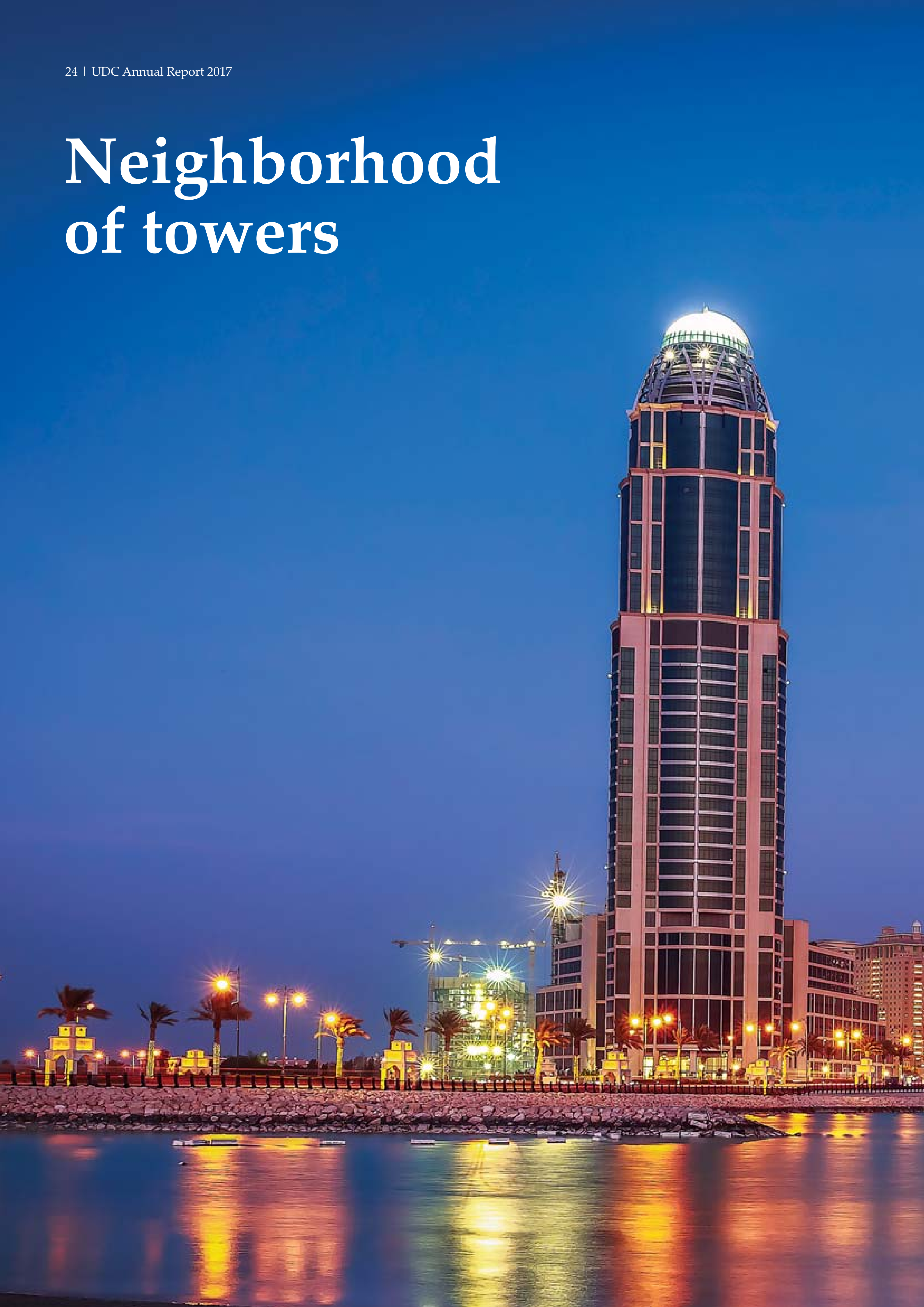
Waterfront village reminiscent of the best of Venice

- Canals reminiscent of Venetian waterfront living
- 300,000 square feet of 'festival' shopping
- Stylish townhouses and apartments
- Marina with 117 moorings



QANAT QUARTIER
THE PEARL - QATAR

Neighborhood of towers



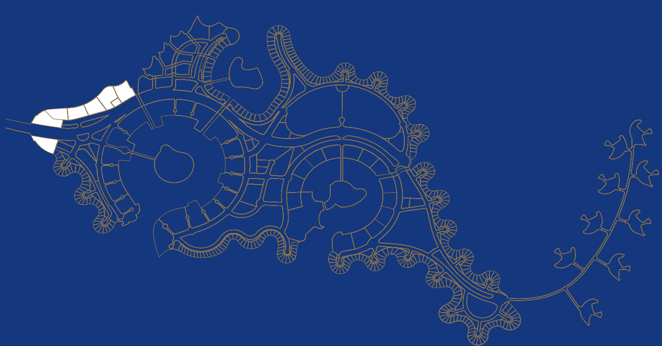

تميم المجد

Abraj Quartier

Abraj Quartier consists of seven towers: five that are 36 storeys tall and two that are 42 storeys tall; the latter 2 towers straddle the access road to the mainland and form the 'gateway' to The Pearl. Also known as the 'Avenue of Towers', the Abraj Quartier is a prime location for offices, businesses and companies; in particular, the two highly prestigious 42-storey towers known, as The Pearl Towers, each provide a panoramic and breathtaking view of the mainland across the azure waters of the Arabian Gulf.

The gateway to The Pearl-Qatar

- Mixed-use
- Distinct state-of-the-art architecture
- The Pearl Towers developed to accommodate high quality office space with eight level parking podiums



ABRAJ QUARTIER
THE PEARL - QATAR

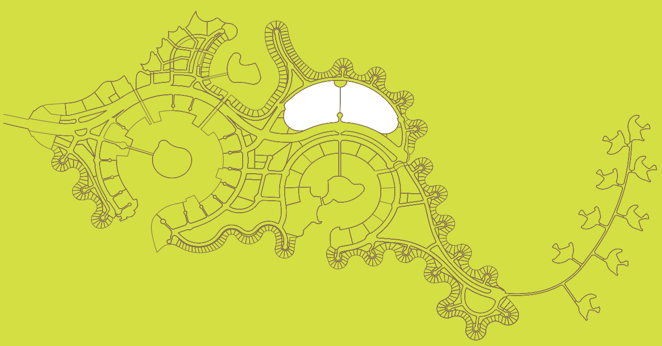
A sophisticated oasis

Giardino Village

Carefully positioned amidst a lush, landscaped parkland, The Pearl-Qatar's Giardino Village precinct promises to be the most comprehensive community on the island. Within Giardino Village, UDC is spearheading the construction of ten duplex villas that translate its aspirations for sophistication and luxury into a solid investment product for Qatar's selective property buyers. The exclusive Giardino Village is located in a tranquil enclave with close proximity to the vibrant retail hubs of Medina Centrale and Porto Arabia, making it perfect for those wanting a discreet residence in a more sheltered locale.

A villa sanctuary within urban surroundings

- Residential plots ranging from 520 to 1570 sqm
- Retail
- School
- Hospital



GIARDINO VILLAS
THE PEARL - QATAR

Madinainova

Ownership: UDC - 100%
Incorporated: 2010
Sector: Community Management and Services

Madinainova was established as a single hub to attend to the needs of property owners and residents of The Pearl-Qatar and ensure that a superior quality lifestyle is delivered and experienced on the community management, facilities management and registry services aspects.

In 2017, vast improvements were made to the infrastructure of The Pearl-Qatar in order to maintain and enhance the structures, facilities and operations of the community. With continuous improvement being the goal, many new ideas designed to enhance the quality of life at the Pearl-Qatar were implemented to ensure that island remains viable for many years to come.

Examples of the enhancements made include the single window services known as 'Khadamati', which was introduced by Madinainova's Registry Department to facilitate the processing of selected governmental and non-governmental transactions for investors, retailers and residents of the island. Madinainova also launched a free luxury limousine service for The Pearl-Qatar's residents and visitors and several prayer halls in Porto Arabia were inaugurated to further demonstrate UDC's commitment to providing facilities of the highest standards to meet the needs of the island's residents and visitors.

Improved signage was also placed at the boardwalks and parks and Sealite Navigational Barriers were installed to enhance the safety of marine traffic in and around the island.

In 2017, emphasis was made as well to ensure The Pearl-Qatar maintains clean and environmentally friendly living conditions. The highly improved Snag'R' inspection system was implemented to ensure that timely inspections of work performed are carried out and streamlined for all service providers. Ittisal also expanded its responsibilities in 2017 by being established as the single source call center hub for taking all calls, enquiries and maintenance requests from residents.

More community initiatives were undertaken in 2017 as well, such as an improved Pearl Living newsletter was issued to keep The Pearl-Qatar's residents up-to-date on all the news and activities arising.

For 2018, community services will remain focused on improving all facets of the activities and services currently provided, which will reflect positively on the living experience of property owners and residents at The Pearl-Qatar.

Already planned for 2018 are improvements to the parks and amenities, new lighting enhancements, the introduction of a new recycling unit, beach improvements and more community events.

The Pearl Owners Corporation (TPOC)

Ownership: UDC - 100%
Incorporated: 2011
Sector: Co-Owners Associations Management

The Pearl Owners Corporation (TPOC) was established by The Pearl's master developer (UDC) to act as the Manager of the Co-Owners Associations established by UDC. Pursuant to the Constitution of each Co-Owners Association, the Manager is responsible for maintaining, controlling, managing and administrating the Common Areas and property of the Association that are not owned by any particular owner and for exercising the powers and functions of the Association, as agreed.

Such duties include performing various administrative, facility management, procurement, financial and insurance functions, as required, to ensure the efficient and cost effective management of each Co-Owners Association pursuant to an approved budget that is duly approved by the Owners and verified by an independent external auditor.

During 2017, TPOC fulfilled its responsibilities as the Manager of 20 Co-Owner Associations. In 2018, up to four additional Co-Owner Associations could be added to TPOC's responsibility, bringing the total number of Co-Owner Associations under TPOC's management up to 24 Associations.

In the meanwhile, TPOC will continue to manage each Co-Owner Association to ensure that each one meets The Pearl-Qatar's standard of excellence.

Major Subsidiries

Hospitality Development Company (HDC)

Ownership: UDC - 100%
Incorporated: 2007
Sector: Hospitality

Hospitality Development Company (HDC) is a wholly owned subsidiary of United Development Company specializing in developing, owning and operating world class restaurants, cafés and food outlets. HDC operates many such venues both within The Pearl-Qatar, to help propel the destination as an attractive touristic and residential attraction, and outside.

In 2017, HDC has initiated a number of exciting developments that are intended to re-establish the company as one of Qatar's premier hospitality operators. With two successful openings of the well-known "Alison Nelson's Chocolate Bar" in Doha Festival city and The Mall of Qatar, the brand total has been raised to three, counting the original location at The Pearl-Qatar, which was also given a facelift this year to its decor. These initiatives have brought a new awareness of the brand to the market.

The UK Wafflemeister franchise brand also added a second location in Doha Festival City, which opened to strong sales due to its excellent location within the mall's bustling food court. Wafflemeister venue was relocated from Lagoona Mall to City Center, to take advantage of the higher foot flow that gravitates to this popular West Bay Hub.

HDC also launched a homegrown new concept "Arabesque", that took over the previous Al Tabkha brand. Arabesque mixes traditional Arabian dishes with a more modern style of Arabic cuisine.

Megu, HDC's fine dining Japanese restaurant has seen significant growth with the introduction of a new menu and several marketing events. With the addition of strategic signage and menu displays, this venue is once again very popular.

HDC's homegrown concept "Urban Jazz Kitchen" has also seen the introduction of a more brand suitable menu, showcasing many Cajun and Creole dishes which sit more comfortably with the look and feel of the venue's new design. With the introduction of a breakfast menu and home delivery operation, the venue is on track to becoming a dining hotspot within The Pearl-Qatar.

Another homegrown concept "The Circle" was launched in late October at The Oyster Building within The Pearl-Qatar. The Circle is an English Afternoon Tea café, serving specialty beverages, light snacks and pastries under a London-esque theme. With a superb location, the initial launch has been very strong and HDC will develop the concept further in the coming months to capitalize on the large influx of guests.

HDC's other brands, such as Isla Mexican Kitchen and Burj Al Hamam, continue to perform with strength, and with revised menus and additions to the decor planned, these venues are expected to continue delivering stable revenue streams.

Additionally, HDC has strengthened its marketing and social media exposure, launched a home delivery operation for all its brands and has developed a retail element for Chocolate Bar. In short, HDC is constantly reviewing all of its operations to see where improvements can be made to exceed guest expectations.

Throughout 2017, UDC's primary focus has been to establish a culture of "Guest Hospitality", that is based on the understanding that "it is our people that make the difference" and can "make or break the business".
With new training and recruitment focuses, HDC has worked towards a single mission statement – To be "the best part of every guest's day" when they choose to visit any of our venues.

Results of our efforts have quickly materialized in the form of several prestigious awards our concepts have bagged in 2017, mainly Trip Advisor Certificate of Excellence awarded to Megu, Burj Al Hamam and Alison Nelson Chocolate Bar.

Urban Jazz has also been voted 'Best Outdoor Dining', Isla as 'Best Newcomer' and Burj Al Hamam as 'Best Lebanese Restaurant' by Fact Magazine Awards.

Moving into 2018, HDC is confident the company will deliver on its mission statement and bring a new generation of guests to its venues within The Pearl-Qatar and beyond.

Ronautica Middle East (RME)

Ownership: UDC - 100%
Incorporated: 2007
Sector: Marine Industry and Services

Ronautica Middle East is a fully owned subsidiary of United Development Company and is well known in the region for providing dependable marina management and nautical services. Since its incorporation in 2007, the company has hosted many luxury yachts and provides a portfolio of premium marine services to its clients. Over the years, Ronautica has become a leader in Qatar's luxury boating business.

Porto Arabia, at The Pearl-Qatar, is the largest marina facility in the Middle East with a capacity of up to 850 berths. This marina operates as Ronautica Middle East's principal service hub. Counting the berths available at the Costa Malaz and Viva Bahriya marinas, which are also operated by Ronautica, the total berthing capacity of The Pearl-Qatar's three marinas stands at 1066 berths.

Ronautica has endeavored to expand the services available to luxury yacht owners with boat lengths up to and exceeding 60 meters in an effort to increase the utilization of its marinas, making The Pearl-Qatar the destination of choice for all yachts in Qatar.

In addition to developing The Pearl-Qatar's marina infrastructure, Ronautica has expanded its water shuttle services in and around The Pearl-Qatar by adding in 2017 the Qanat Quartier canals to its list of destinations served. Plans are in place to provide water shuttle services to the Kempinski Hotel in 2018.

Ronautica also increased its charter yacht services, which now include beautiful traditional show boats and additional luxury yachts as needed to support a growing tourist market in the country. The company has also added value to The Pearl-Qatar by facilitating the provision of water sports, certified marine training and marine logistics services to boat owners and marina customers. In 2017, Porto Arabia Marina became the host, for the first time, of the Qatar International Boat Show.

In 2018, Ronautica will focus on enhancing the extent and quality of its facilities and services, including the expansion of nautical activities, water sports and training services. It will create fresh and compelling customer service programs offers for the benefit of its growing clientele.

Qatar District Cooling Company (Qatar Cool)

Ownership: UDC - 51%
Incorporated: 2003
Sector: District Cooling

With the recently constructed plant in the West Bay Area, Qatar Cool has four cooling plants currently in operation. The new plant is built to the Leadership in Energy and Environmental Design (LEED) silver standard which makes it the first LEED certified cooling plant in Qatar. The plants in the West Bay district currently serve fifty five towers with a combined cooling capacity of 107,000 tons of refrigeration (TR), once the third plant is fully operational. The fourth operational plant, located in The Pearl-Qatar, has a cooling capacity of 130,000 TR which supplies the man-made island, making it the main eco-friendly technology on the island. Qatar Cool's Integrated District Cooling Plant (IDCP) was inaugurated in November 2010 and is the largest cooling plant in the world.

One of Qatar Cool's most recent and inspiring projects is the agreement with The Qatar Railway Company for the provision of district cooling to seven of Doha's metro Red Line stations (Legtaifiya, Katara, Al Qassar, Doha Exhibition and Convention Center, West Bay, Corniche and Al Bidda stations), with a total capacity of 11,740 TR.

The district cooling industry is gaining momentum in the region, and Qatar Cool is the leading cooling provider in the country, having won numerous awards over the past fourteen years, many of which are international recognitions for sustainable energy solutions and provision.

Middle East Dredging Company (MEDCO)

Ownership: UDC - 45.9%
Incorporated: 2004
Sector: Dredging and Land Reclamation

Middle East Dredging Company (MEDCO) is a joint venture that was established between United Development Company, Dredging, Environmental and Marine Engineering (DEME) of Belgium, and Qatar Holding. MEDCO's first project was the establishment of The Pearl-Qatar's site.

MEDCO has had an illustrious history with many large dredging and land reclamation jobs being successfully undertaken. The company completed the dredging and reclamation work required for Hamad International Airport and the first two phases of the Qatar-Bahrain Causeway Project. In 2012, MEDCO was awarded the prestigious 4-year, QR 4.5 billion New Port Project for Qatar and completed its work six months ahead of schedule, thereby enabling Hamad Port to open in July 2015 instead of mid-January 2016.

Over the years, MEDCO has been awarded and has completed several major projects in various countries as well as chartered its Marine Equipment Dredgers services to different projects.

During 2017, MEDCO participated in the bidding for several major dredging and marine projects in Qatar, including the New Port Project Main Channel Deepening, the Doha Port Redevelopment Marine Works, the Design & Build of Thakhira Marina and Navigation Channel and the EPIC for Upgrading of Nautical Channels at Mesaieed for Qatar Petroleum.

Major Joint Ventures

In August 2017, the company received a Letter of Award for the Doha Port Redevelopment work that is now underway; the bids tendered for the other projects are still under evaluation and will not be awarded until 2018.

United Readymix (URM)

Ownership: UDC – 32%
Incorporated: 2006
Sector: Ready Mixed Concrete

United Readymix (URM) is a joint venture formed between United Development Company, BESIX and Six Construct of Belgium and other Qatari investors.

URM has served the construction needs of The Pearl-Qatar since 2006 and over time has become an industry leader in the production of ready-mix concrete for the State of Qatar. Its products conform to and meet the latest state-of-the-art concrete production standards that have been set by the State.

The company recently introduced a new line of improved concrete materials that are being supplied to the most prestigious construction projects in the country. Currently, URM has batching plants located in The Pearl-Qatar, Lusail City, Al Rayyan, Industrial Area and Hamad International Airport to support these projects. Its plants utilize over 80 truck mixers to produce more than 110,000 cubic meters of concrete monthly.
Driven by a passion to solve complex construction challenges, and supported by a professional, well experienced and specialized team, the company contributed to the concrete material requirements of several major projects in Qatar in 2017, including: Rayyan Road Project 7 Contract 1, Airfield Pavement Remediation HIA, and other projects within The Pearl-Qatar.
By remaining committed to its stakeholders, the Qatar community and to a clean environment, and by following an ambitious and well-defined strategic business plan, URM aspires to expand its operations by supporting the new construction projects that are being undertaken throughout the State of Qatar. URM stands ready to increase the size of its fleet as necessary to meet the increased demand for its services, while continuing to maintain operational excellence.

SEEF LIMITED

Ownership: UDC – 20%
Incorporated: 2004
Sector: Petrochemical

SEEF LIMITED is a Joint Venture Petrochemical Company with Qatar Petroleum (QP). The plant is located adjacent to QP Refinery in the industrial area of Mesaieed.

The company's major product, Linear Alkyl Benzene (LAB), is an intermediate detergent that is used for the manufacture of environmentally friendly household detergents.

SEEF's vision is to be a global leader in the production of LAB and to sell this product worldwide. The company's products today are well established in the marketplace and SEEF has earned the goodwill of its customers by taking a professional, customer focused approach to the marketing of its products over the years.

Since plant operations commenced in 2006, SEEF Limited has not suffered a lost time accident and as of 31 December 2017, the cumulative man-hours logged without a lost time accident stands at 6,645,756.

Major 2017 Achievements

Building on the solid foundation for success that has already been laid, 2017 was another impressive and satisfying year for UDC. With The Pearl-Qatar being UDC's flagship project, the focus of attention centered once again on the development and enhancement of every aspect of the island and substantial progress was made across multiple areas as noted below.

Construction works to build the infrastructure for Giardino Village began this year. Immersed amongst a lush landscaped parkland with picturesque lakes, the Giardino Village neighbourhood is destined to become one of the most prestigious residential districts on The Pearl-Qatar. Villa and apartment plots will range in size from 470 to 2,400 square meters. In addition, the first ten residential villas are being built by UDC.

UDC also began constructing Al Mutahidah Towers in the Viva Bahriya district of The Pearl-Qatar. These two interconnected residential towers will provide a wide mix of residences and overlook a beautiful waterfront with direct beach access. When completed, these Twin Towers will have a fully equipped gymnasium, swimming pools, multipurpose halls, ample parking spaces and a range of other services and recreational amenities.

The Phase 1 and Phase 2 sales of residential units at Al Mutahidah Towers went extremely well, demonstrating that there is a strong demand for these units. In addition, office leasing at The Pearl Tower 1 also commenced.

An exciting future development at The Pearl-Qatar was also proclaimed when UDC announced the sale of a land plot located in La Plage South district of the island. This land will be used for the construction of a commercial mall, to be known as '04 Mall'.

La Plage South district will be notable for its rich architectural designs and outdoor leisure facilities, and "04 Mall" will serve to cement the precinct's status as a high end offering. As presently designed, this mall will consist of three levels and provide ample covered car parking spaces. In addition to three major department stores; a supermarket; convenience stores; a five-screen cinema; gym; restaurants and cafés, the mall will have innovative concept shops and include areas for families and entertainment.

As a means to improve the customer experience of residents, retailers and visitors, UDC welcomed the Ministry of Interior's Government Services Complex to the Medina Centrale district at The Pearl-Qatar. Services from ten governmental agencies, including the Traffic Directorate, are being offered at this location to all citizens and residents.

The convenient provision of integrated commercial services on the island demonstrates UDC's commitment to making The Pearl-Qatar an ideal location to live and conduct business in the country. It also underlines UDC's strategic aim to develop opportunities and build partnerships that add value.

Another key infrastructure development in 2017 was the opening of two new tunnels at The Pearl Interchange on Lusail Expressway, which greatly eased traffic flow to and from the island and significantly reduced the travel times of visitors and residents going to and from the Pearl-Qatar. A notable outcome of this undertaking was the substantial increase in the number of cars entering the island, which bodes well for the businesses that are being conducted on the island.

As such, the number of vehicles entering The Pearl-Qatar registered a significant year on year growth; from 10 million vehicles in 2016 to more than 12 million vehicles in 2017. The increase in vehicles entering the island has also contributed to a revival in retail activity at The Pearl. Subsequently, the demand for the leasing of shops, restaurants and other businesses has picked up, making The Pearl-Qatar a preferred place to live, shop and dine and to experience a unique lifestyle experience at one location.

Also as part of UDC's continuing efforts to provide residents with convenient smart services, UDC also launched Khadamati, a one-stop service center located adjacent to the Ministry of Interior's Government Services Complex in Medina Centrale, to assist investors, retailers and residents with the processing of governmental and non-governmental transactions.

Khadamati was established to facilitate a wide range of transactions, including commercial licensing services, civil defence services, tourism and embassy services, legal document authentication services and customs clearance. These services compliment those provided by the Ministry of Interior via the Government Services Complex and makes the process of procuring associated services significantly easier.

Another exciting milestone for visitors and shoppers at The Pearl-Qatar was the launch of the Cisco-based Ooredoo Supernet solution which provides free public Wi-Fi in all of the retail areas. This enhancement was made possible by UDC's partnership with Ooredoo and once again demonstrates UDC's commitment to delivering a superior customer experience.

This year was also marked by the redesign of UDC's website, making it more accessible to users and enabling a faster and richer browsing experience. In addition, an Investor Relations mobile app. was established through iTunes and Google Play stores to provide investors with the company's latest share price and financial news.

Finally, as further evidence of UDC's continuing commitment to provide both residents and visitors with exemplary and convenient services, new prayer rooms for men and women were inaugurated as part of an integrated plan to increase the number of prayer rooms and make them more accessible throughout all of The Pearl-Qatar's retail hubs.

UDC Corporate Social Responsibilty Report (CSR)

As an organization established to play a key role in the development of Qatar, United Development Company's (UDC) business practices are closely aligned with the wider goals of sustainable economic and social development that the State of Qatar has set forth in its vision for 2030. Accordingly, the Company employs the highest standards of corporate social responsibility across its entire portfolio of activities and investments. These standards cover the welfare of its employees, the environmental consequences of its activities, community services and volunteer work as well as responsible and transparent corporate governance, based on the following guidelines:

- **Corporate:** making choices that will sustain our businesses for the long term.
- **Social:** acting in ways that respect people and protect the environment.
- **Responsibility:** expressing character through words and demonstrating character through actions.

Corporate Social Responsibilty

Responsibility towards Employees:

UDC understands that attracting and retaining the best possible people is important. Therefore, the Company has provided (i) a workplace where people want to work, (ii) a work environment and culture where all employees are treated fairly, and (iii) a workforce that reflects the diversity of the community at large in Qatar. UDC seeks to provide opportunities for training and development to all its employees, ensuring that our people have the skills, capabilities and ability to be the best they can be.

Responsibility towards Our Environment:

UDC is committed to caring for the environment as evidenced by the attention given to incorporate sustainable development programs into the Company's business decisions and practices. The Company's efforts include the focus on such things as (i) appropriate management and recycling of waste, (ii) environmentally friendly processes and packaging, (iii) optimization of energy consumption in all Company operated and managed projects and developments, including the use of environmentally friendly technologies such as district cooling, (v) regular training and events designed to highlight environmental issues and initiatives, and (vi) constant awareness campaigns promoting activities to reduce environmental impacts and use natural resources efficiently through innovation and performance monitoring.

Responsibility towards Our Community:

UDC contributes to the economic and social well-being of the people of Qatar, and by extension the GCC, because it recognizes the deep interdependence that healthy businesses share with healthy societies.

The Company has invested substantial financial resources to fund initiatives that foster economic, social, educational, health and environmental stability, thereby improving the quality of life in Qatar.

Responsibility in Corporate Governance:

UDC has a well-developed corporate governance system in place and has maintained a good record of compliance with all applicable rules and regulations since its inception. This system is being constantly reviewed by various stakeholders including the Board of Directors, the Audit Committee, the Company's Internal and External auditors and Management, to ensure that there is transparency and accountability, that in turn will enhance the Company's overall performance.

Conclusion:

United Development Company takes its social responsibilities very seriously and fully recognizes the importance of good citizenship, active community participation, sound environmental policies and strong corporate governance to foster transparency and accountability throughout its organization while maintaining a socially responsible and effective corporate culture.

Financials

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Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of United Development Company Q.P.S.C. (the "Company") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statements of income, profit or loss and other comprehensive income, statement of changes in equity and cash flows for the year then ended, and notes comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the Group's consolidated financial statements in State of Qatar, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2016 were audited by another auditor who expressed an unqualified opinion on those consolidated financial statements on 7 February 2017.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investment properties – refer to note 2, 4 and 10 in the consolidated financial statements

We focused on this area because of the following reasons:

- The carrying value of investment properties at the reporting date represents 50% of the Group's total assets, hence a material portion of the statement of financial position as at 31 December 2017 (2016: 47%).

- Valuation of investment properties involves the use of significant judgements and estimates.

We perfomed the following audit procedures in order to address the key audit matter:

- Assessing the independent external valuer's competence, capabilities and objectivity by discussing the scope of their work and reviewing their engagement terms;

- Inspecting the valuation reports and assessing whether any matters identified in them have a potential impact on the amounts recorded and /or the disclosure in the consolidated financial statements;

Independent Auditor's Report to the Shareholders of United Development Company Q.P.S.C. (Continued)

Report on the Audit of the Consolidated Financial Statements (Continued)

Key Audit Matters (Continued)

- Agreeing the property information in the valuation by tracing a sample of inputs to the underlying property records held by the Group;

- Involving our own valuation specialist to assist us in the following matters:

  - assessing the consistency of the valuation basis and appropriateness of the methodology used, based on generally accepted valuation practices;

  - evaluating the appropriateness of the discount rates used, which included comparing the discount rate with sector averages for the relevant markets in which the Group operates.

- Assessing the adequacy of the Group's disclosure in relation to the valuation of investment properties by reference to the requirements of the relevant accounting standards.

Other Information

The Board of Directors is responsible for other information. Other information comprises the information included in the Company's 2017 Annual Report (the "Annual Report") but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made avaiable to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein we are required to communicate the matter with those charged with governance.

Responsibilities of the Board of Directors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent Auditor's Report to the Shareholders of United Development Company Q.P.S.C. (Continued)

Report on the Audit of the Consolidated Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

We have obtained all the information and explanations we considered necessary for the purposes of our audit. The Company has maintained proper accounting records and its consolidated financial statements are in agreement therewith. Furthermore, the physical count of the Company's inventories was carried out in accordance with established principles. We have not been provided with the report of the Board of Directors to determine whether there is any financial information contained therein is in agreement with the books and records of the Company. We are not aware of any violations of the Qatar Commercial Companies Law No. 11 of 2015 or the terms of the Company's Articles of Association and any amendments thereto having occurred during the year which might have had a material adverse effect on the Company's consolidated financial position or performance as at and for the year ended 31 December 2017.

Gopal Balasubramaniam
KPMG

Qatar Auditors Registry Number 251
Licensed by QFMA: External Auditor's license No. 120153

07 February 2018
Doha
State of Qatar

Consolidated Statement of Income

For the year ended 31 December 2017	Note	*2017* QR'000	*2016* QR'000
Revenue		**2,031,853**	2,390,773
Cost of revenue		**(1,065,594)**	(1,349,362)
Gross profit		**966,259**	1,041,411
Dividend income		**1,467**	17,659
Other operating income	6	**128,053**	137,216
Profit/(Loss) on sale of available-for-sale financial assets		**6,166**	(23,021)
Impairment of available-for-sale financial assets	13	**(7,144)**	(24,504)
Sales and marketing expenses		**(81,408)**	(71,503)
General and administrative expenses	7	**(291,324)**	(335,014)
Operating profit		**722,069**	742,244
Fair value loss on investment properties		**(8,480)**	-
Finance income		**51,666**	36,876
Finance costs		**(181,970)**	(123,008)
Net finance cost		**(130,304)**	(86,132)
Net share of results of associates	12	**24,507**	24,750
Profit for the year		**607,792**	680,862
Profit attributable to:			
Equity holders of the parent		**538,396**	623,218
Non-controlling interests		**69,396**	57,644
Profit for the year		**607,792**	680,862
Earnings per share			
Basic and diluted earnings per share	8	**1.52**	1.76

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017	Note	*2017* QR'000	*2016* QR'000
Profit for the year		**607,792**	680,862
Other comprehensive (loss)/income			
Other comprehensive (loss)/ income to be reclassified to profit or loss in subsequent periods:			
Net change in fair value of available-for-sale financial assets	20	**13,813**	(91,563)
Net change in cash flow hedge reserve	20	**(415)**	84
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Gain on revaluation of Property, Plant and Equipment	20	**81,698**	-
Total comprehensive income for the year		**702,888**	589,383
Total comprehensive income attributable to:			
Equity holders of the parent		**633,492**	531,739
Non-controlling interests		**69,396**	57,644
Total comprehensive income for the year		**702,888**	589,383

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

Consolidated Statement of Financial Position

As at 31 December 2017	Note	*2017* QR'000	*2016* QR'000
Assets			
Non-current assets			
Property, plant and equipment	9	**3,052,891**	3,231,194
Investment properties	10	**9,249,691**	8,861,377
Intangible assets	11	**5,776**	6,838
Investment in associates	12	**308,077**	316,385
Accounts and other receivables - long term	16	**295,202**	368,415
Available-for-sale financial assets	13	**61,833**	90,444
Total non-current assets		**12,973,470**	12,874,653
Current assets			
Inventories, net	14	**1,387,148**	1,997,627
Work In Progress	15	**122,141**	20,034
Accounts and other receivables –current, net	16	**2,124,745**	2,265,087
Cash and cash equivalents	17	**1,733,960**	1,565,883
Total current assets		**5,367,994**	5,848,631
Total assets		**18,341,464**	18,723,284
Equity and liabilities			
Equity			
Issued capital	18	**3,540,862**	3,540,862
Legal reserve	19	**1,637,375**	1,583,535
Other reserves	20	**1,222,941**	1,275,975
Retained earnings		**4,674,435**	4,497,817
Equity attributable to equity holders of the parent		**11,075,613**	10,898,189
Non-controlling interests		**460,007**	411,632
Total equity		**11,535,620**	11,309,821

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

Consolidated Statement of Financial Position (Continued)

As at 31 December 2017 (Continued)	Note	*2017* QR'000	*2016* QR'000
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	23	**3,616,373**	3,272,796
Retention payable	24	**11,551**	17,545
Accounts and other payables – long term	26	**110,093**	88,344
Employees' end of service benefits	25	**37,590**	34,795
Total non-current liabilities		**3,775,607**	3,413,480
Current liabilities			
Accounts and other payables	26	**2,327,790**	2,589,031
Interest-bearing loans and borrowings	23	**548,655**	1,245,125
Retention payable	24	**153,792**	165,827
Total current liabilities		**3,030,237**	3,999,983
Total liabilities		**6,805,844**	7,413,463
Total equity and liabilities		**18,341,464**	18,723,284

These consolidated financial statements were approved by the Board of Directors on 07 February 2018 and were signed on their behalf by the following;

Ibrahim Jassim Al-Othman
President & Chief Executive Officer

Turki Mohammed Khaled Al-Khater
Chairman of the Board

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Attributable to the equity holders of the Parent						
	Issued capital	Legal reserve	Other reserves (Note 20)	Retained earnings	Total	Non-controlling interests	Total equity
	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000
As at 1 January 2017	**3,540,862**	**1,583,535**	**1,275,975**	**4,497,817**	**10,898,189**	**411,632**	**11,309,821**
Total comprehensive income for the year							
Profit for the year	-	-	-	538,396	538,396	69,396	607,792
Other comprehensive (loss)/income							
Net change in fair value of available-for-sale financial assets	-	-	13,813	-	13,813	-	13,813
Revaluation gain on property, plant & equipment	-	-	81,698	-	81,698	-	81,698
Transfer of revaluation gain	-	-	(148,130)	148,130	-	-	-
Net change in cash flow hedge reserve	-	-	(415)	-	(415)	-	(415)
Total other comprehensive income	-	-	(53,034)	148,130	95,096	-	95,096
Total comprehensive income for the year	-	-	(53,034)	686,526	633,492	69,396	702,888
Transfer to legal reserve (Note 19)	-	53,840	-	(53,840)	-	-	-
Dividend paid (Note 21)	-	-	-	(442,608)	(442,608)	(21,021)	(463,629)
Contribution to social and sports fund (Note 22)	-	-	-	(13,460)	(13,460)	-	(13,460)
Total transactions with owners	-	53,840	-	(509,908)	(456,068)	(21,021)	(477,089)
As at 31 December 2017	3,540,862	1,637,375	1,222,941	4,674,435	11,075,613	460,007	11,535,620

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

Consolidated Statement of Changes in Equity (Continued)

For the year ended 31 December 2017

	Attributable to the equity holders of the Parent						
	Issued capital	Legal reserve	Other reserves (Note 20)	Retained earnings	Total	Non-controlling interests	Total equity
	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000
As at 1 January 2016	3,540,862	1,521,213	1,594,006	4,257,545	10,913,626	372,925	11,286,551
Total comprehensive income for the year							
Profit for the year	-	-	-	623,218	623,218	57,644	680,862
Other comprehensive loss							
Net change in fair value of available-for-sale financial assets	-	-	(91,563)	-	(91,563)	-	(91,563)
Impairment of previously revalued property, plant and equipment	-	-	(226,552)	226,552	-	-	-
Change in cash flow hedge reserve	-	-	84	-	84	-	84
Total other comprehensive loss	-	-	(318,031)	226,552	(91,479)	-	(91,479)
Total comprehensive income for the year	-	-	(318,031)	849,770	531,739	57,644	589,383
Transfer to legal reserve (Note 19)	-	62,322	-	(62,322)	-	-	-
Dividend paid	-	-	-	(531,129)	(531,129)	(19,404)	(550,533)
Contribution to social and sports fund (Note 22)	-	-	-	(15,580)	(15,580)	-	(15,580)
Change in non-controlling interests	-	-	-	(467)	(467)	467	-
Total transactions with owners	-	62,322	-	(609,498)	(547,176)	(18,937)	(566,113)
As at 31 December 2016	3,540,862	1,583,535	1,275,975	4,497,817	10,898,189	411,632	11,309,821

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Note	2017 QR'000	2016 QR'000
Operating activities			
Profit for the year		**607,792**	680,862
Adjustments to reconcile profit to net cash flows:			
Net share of results of associates	12	**(24,507)**	(24,750)
Depreciation	9	**92,653**	101,992
Amortisation	11	**1,100**	2,199
Impairment loss and write off of property, plant and equipment	7a	**-**	4,103
Impairment loss and write off of intangible assets	11	**-**	295
(Profit)/loss on sale of available-for-sale financial assets		**(6,166)**	23,021
Impairment loss on available-for-sale financial assets	13	**7,144**	24,504
Net impairment loss on accounts receivable	16.1	**52,582**	37,736
Fair value loss on investment property	10	**8,480**	-
Loss/(Gain) on disposal of assets		**1,816**	(678)
Loss on disposal of investment property		**1,736**	-
Net finance cost		**130,304**	86,132
Dividend income	32	**(1,467)**	(17,659)
Provision for employees' end of service benefits	25	**8,068**	8,273
		879,535	926,030
Working capital adjustments:			
Accounts and other receivables - long term		**73,213**	(150,034)
Inventories		**568,141**	817,328
Work In Progress		**(58,221)**	(20,034)
Accounts and other receivables – current, net		**(68,089)**	(980,014)
Accounts and other payables		**(256,579)**	(67,850)
Retention payable		**(18,029)**	(90,540)

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2017 (Continued)

	Note	2017 QR'000	2016 QR'000
Cash generated from operating activities		**1,119,971**	434,886
Employees' end of service benefits paid	25	**(5,592)**	(12,146)
Finance cost paid		**(178,913)**	(128,281)
Net cash flows from operating activities		**935,466**	294,459
Investing activities			
Additions to property, plant and equipment	9	**(40,043)**	(449,656)
Proceeds from sale of property, plant and equipment		**610**	9,505
Proceeds from disposal of investment property		**249**	-
Time deposits with maturities more than three months		**(378,564)**	752,693
Additions to intangible assets	11	**(38)**	(1,404)
Additions to investment properties	10	**(32,898)**	(4,356)
Interest received		**45,054**	30,284
Dividend & disposal proceed received from associates		**32,400**	17,050
Net proceeds from sale & purchase of available-for-sale financial assets		**41,446**	212,325
Dividend received from other investee companies		**1,467**	17,659
Net cash flows (used in) / from investing activities		**(330,317)**	584,100
Financing activities			
Proceeds from interest bearing loans and borrowings		**890,470**	356,160
Repayment of interest bearing loans and borrowings		**(1,245,224)**	(649,012)
Dividend paid		**(460,882)**	(544,478)
Net cash flows used in financing activities		**(815,636)**	(837,330)
Net (decrease)/increase in cash and cash equivalents		**(210,487)**	41,229
Cash and cash equivalents at 1 January		**1,094,799**	1,053,570
Cash and cash equivalents at 31 December	17	**884,312**	1,094,799

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

1. Corporate Information And Principal Activities

United Development Company Q.P.S.C. (the "Company") was incorporated as a Qatari Public Shareholding Company in accordance with the Emiri Decree No 2 on 2 February 1999 whose shares are publicly traded. The registered office of the Company is situated in Doha and its registered office address is P.O box 7256, Doha, State of Qatar. The consolidated financial statements of the Company as at and for the year ended 31 December 2017 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, hospitality and leisure, business management and providing information technology solutions.

Pursuant to the Emiri Decree No 17 of 2004, the Company has been provided with a right to develop an island off the shore of Qatar for the sale and/or lease of properties. The Company is presently engaged in the development of this area known as "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 2017 were authorised for issue in accordance with a resolution of the Board of Directors on 07 February 2018.

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).

The consolidated financial statements have been prepared on a historical cost basis, except for land categorised as property, plant and equipment, investment properties 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:

Revenue recognition for real estate units

In making their judgment, management considered detailed criteria for the recognition of revenue from the sale of real estate units as set out in IAS 18 Revenue, and in particular, whether the Group had transferred the significant risks and rewards associated with ownership of real estate units to the buyer.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

2. Basis of Preparation (Continued)

Judgments (continued)

Classification of investment property or inventory
Property is classified as investment property or inventory based on the following criteria:

- Investment property comprises of land and buildings which are not occupied, not held for 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.

Transfer of real estate units from inventory to investment properties
The Group sells real estate assets in the ordinary course of business. In the event of an actual change in the use of the property, the carrying amount of real estate assets is transferred and any differences between the fair value of a real estate unit and its carrying amount is recognised in the statement of profit or loss at transfer date.

Useful lives of property, plant and equipment
The Group's management determines the estimated useful life of property, plant and equipment for the purpose of determining depreciation. This estimate is determined after considering the expected usage of the asset or its physical wear and tear. Management periodically reviews the estimated useful life and depreciation method of an asset to ensure that the method and the period of depreciation is consistent with the expected pattern of economic benefits associated from the asset.

Impairment of trade and other receivables
An estimate of the collectible amount of trade and other receivables is made when the collection of the full amount is no longer probable. For individually significant amounts, the estimate is performed on an individual basis. Amounts which are not individually significant but which are past due are assessed collectively and an impairment provision applied for amounts past due for more than 365 days.

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 described 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

3.1 New and amended standards and interpretations adopted by Group

The accounting policies adopted are consistent with those of the previous financial year except for the following standards effective for the annual period beginning on 1 January 2017. These standards and amendments, did not have any material impact to the Group.

- Disclosure Initiative (Amendments to IAS 7)
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)
- Annual Improvements to IFRSs 2014–2016 Cycle – various standards (Amendments to IFRS 12)

3.2 Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following standards are expected to have a material impact on the Group's financial statements in the period of initial application.

Adoption expected to impact the Group's consolidated financial statements:

IFRS 9 Financial Instruments

In July 2014, the International Accounting Standards Board issued the final version of IFRS 9 Financial Instruments.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group currently plans to apply IFRS 9 initially on 1 January 2018.

The Group will adopt IFRS 9 on 1 January 2018 and will not restate the comparative information. IFRS 9 will replace IAS 39 Financial Instruments: Recognition and Measurement and introduces new requirements for the classification and measurement of financial assets and financial liabilities, a new model based on expected credit losses for recognising loan loss provisions and provides for simplified hedge accounting by aligning hedge accounting more closely with an entity's risk management methodology.

Classification and measurement

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

Expected credit losses

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

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

Financial liabilities

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

Hedge accounting

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

Disclosure

IFRS 9 also introduces expanded disclosure requirements and changes in presentation. These are expected to

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

3. Changes in Accounting Policies and Disclosures (Continued)

3.2 Standards issued but not yet effective (Continued)

Disclosure (Continued)
change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of IFRS 9.

The Group is currently assessing the estimated impact on initial application on IFRS 9 as at 1 January 2018.

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

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

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

The group is currently assessing the estimated impact on initial application of IFRS 15 as at 1 Janaury 2018

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

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

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

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

Adoption not expected to impact the consolidated financial statements

Effective for year ending 31 December 2018
- Amendments to IFRS 2 on classification and measurement of share based payment transactions

Effective for year ending 31 December 2019
- Amendments to IAS 28 long term interest in associates and joint ventures

Effective date to be determined
- Amendments to IFRS 4 on applying IFRS 9 with IFRS 4 Insurance contracts
- Amendments to IFRS 10 and IAS 28 on sale or contribution of assets between an investor and its associate or joint venture

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.P.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.

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.P.S.C. and its subsidiaries listed in the following table:

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. Significant Accounting Policies (Continued)

Basis of consolidation (Continued)

	Country of incorporation	% equity interest 2017	% equity interest 2016
Qatar District Cooling Company Q.C.S.C	Qatar	**51**	51
Ronautica Middle East W.L.L.	Qatar	**100**	100
The Pearl Qatar Company W.L.L.	Qatar	**100**	100
Hospitality Development Company W.L.L.	Qatar	**100**	100
United Fashion Company W.L.L.	Qatar	**100**	100
Medina Centrale Company W.L.L.	Qatar	**100**	100
Abraj Al-Mutahida Company W.L.L.	Qatar	**100**	100
United Facilities Management Company W.L.L.	Qatar	**100**	100
Scoop Media and Communication Company W.L.L.	Qatar	**100**	100
Pragmatech Company W.L.L.	Qatar	**100**	100
Glitter W.L.L.	Qatar	**100**	100
Insure Plus W.L.L.	Qatar	**100**	100
Madina Innova W.L.L.	Qatar	**100**	100
The Pearl Owners Corporation W.L.L.	Qatar	**100**	100
United Development Investment Company	Cayman Island	**100**	100
United Technology Solutions Company W.L.L.	Qatar	**100**	100
Porto Arabia Retail Company 1	Cayman Island	**100**	100
Leisure and Resorts W.L.L.	Qatar	**100**	100

Qatar District Cooling Company Q.C.S.C, is a material partly owned subsidiary of the Group and is engaged in the construction, owning and operation of district cooling systems. It consolidates Installation Integrity 2006 W.L.L. (100%) and Cool Tech Qatar W.L.L. (100%) in its consolidated financial statements.

The accumulated balance of material non-controlling interest disclosed in the statement of financial position of QR 460,735 thousands as at 31 December 2017 (2016: QR 412,292 thousands) relates to the 49% equity interest in Qatar District Cooling Company Q.C.S.C that is not owned by the Group. Profit allocated to the material non-controlling interest amounted to QR 69,465 thousands (2016: QR 57,822 thousands).

The summarised financial information of this subsidiary is provided below: This information is based on amounts before inter-company eliminations.

	2017	2016
	QR'000	QR'000
Profit for the year	119,578	105,424
Total assets	1,819,552	1,809,419
Total liabilities	850,006	916,551
Total equity	969,546	892,868

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

The Pearl Qatar Company W.L.L. activity is in the real estate sector.

Hospitality Development Company W.L.L. (HDC) is engaged in the investment and management of restaurants and sales and purchases of fast moving consumer goods in the hospitality sector. HDC consolidates Lebanese Restaurants Development L.L.C (84%), Flavour of Mexico L.L.C (90%), The Rising Sun L.L.C (95.68%), Urban Restaurant Development L.L.C (90%) and Wafflemaster Restaurant L.L.C (100%) in its consolidated financial statements. During the year 2011, the capital of the company was increased from QR 18.250 million to QR 50 million.

HDC took the decision to discontinue the operations of Modern Lebanese Restaurant L.L.C (90%), China Square L.L.C (80.01%), respectively from 31 May 2014 and 30 September 2015. The liquidation process for Modern Lebanese Restaurant and China Square was completed during the year. The operations of Urban Restaurant Development L.L.C (90%) also discontinued its operation in 2017.

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. Significant Accounting Policies (Continued)

Basis of consolidation (Continued)

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

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

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

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

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

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

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

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

Leisure and Resorts W.L.L. activity is to operate and develop hotels and resorts.

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.

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 a 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. Significant Accounting Policies (Continued)

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.

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 (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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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.

Investment properties

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.

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

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

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, AFS financial assets, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. Significant Accounting Policies (Continued)

Financial assets (Continued)

Initial recognition and measurement (Continued)
recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- Available-for-sale 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.

Financial assets carried at amortised cost
For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

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 of financial assets
A financial asset is primarily derecognised when:
- 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.

Derecognition financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged, 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.

Impairment of non-financial assets
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 assets recoverable amount is the highest of an asset 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. Significant Accounting Policies (Continued)

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
- 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.

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.

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.

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 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. Significant Accounting Policies (Continued)

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.

Provisions are measured at present value of expenditure expected to be required to settle the obligation at the end of the reporting period, using the rate that reflect the current market assessments of the time value of money and the risk specific to the obligation.

Provision are reviewed at each statement of financial position date and adjust to reflect the current best estimate. If it is no longer probable that an out flow resource embodying economic benefits will be required to settle the obligation the provision is reversed.

Onerous contracts
Present obligation arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable cost of meeting the obligation under the contract exceed the economic benefits expected to be received from the contract.

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.

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 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.

Cash dividend and non-cash distribution to equity holders of the parent

The Company recognises a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the Qatar Commercial Companies' Law No. 11 of 2015, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity. Non-cash distributions are measured at the fair value of the assets to be distributed with fair value remeasurement recognised directly in equity. Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the statement of profit or loss.

Notes to the Consolidated Financial Statements

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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

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.

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 regularly.

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.

6. Other Operating Income

	2017	*2016*
	QR'000	QR'000
Fee income	**77,323**	42,563
Sundry income	**50,730**	94,653
	128,053	137,216

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

7. General and Administrative Expenses

	2017	2016
	QR'000	QR'000
Payroll and related expenses	**192,947**	205,626
Depreciation (Note 9)	**30,792**	27,250
Rent	**3,769**	13,000
Professional charges	**12,209**	22,008
Directors remuneration	**15,350**	16,800
Impairment and write off of property, plant and equipment and intangible asset (Note a)	**-**	4,398
Other general and administrative expenses	**36,257**	45,932
	291,324	335,014

Notes

a). Impairment loss and write off of property and plant and equipment and intangible asset :

	2017	2016
	QR'000	QR'000
Write offs of property, plant and equipment (Note 9)	**-**	4,103
Write off of Intangible Asset (Note 11)	**-**	295
	-	4,398

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.

	2017	2016
	QR'000	QR'000
Profit attributable to equity holders of the parent	**538,396**	623,218
Weighted average number of ordinary shares outstanding during the year	**354,086**	354,086
Basic and diluted earnings per share (QR)	**1.52**	1.76

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.

9. Property, Plant And Equipment

	Land	Building	Boats	Plant facilities	Furniture, fixture, equipment, instruments and building improvements	Motor vehicles	Capital work in progress	Total 2017	Total 2016
	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000
Cost or valuation:									
At 1 January	907,344	437,071	8,692	1,714,999	392,942	22,439	406,007	3,889,494	5,104,524
Additions	-	-	315	1,541	18,327	445	19,415	40,043	449,656
Revaluation Gain	81,698	-	-	-	-	-	-	81,698	-
Transfers	-	(205,125)	-	369,317	12,542	486	(383,094)	(205,874)	(1,596,052)
Write-offs	-	-	-	-	-	-	-	-	(27,328)
Disposals	-	(9,606)	-	-	(65,912)	(8,338)	-	(83,856)	(41,306)
At 31 December	989,042	222,340	9,007	2,085,857	357,899	15,032	42,328	3,721,505	3,889,494
Depreciation and impairment:									
At 1 January	-	51,921	6,359	301,831	279,177	19,012	-	658,300	605,325
Depreciation charge for the year	-	861	552	60,581	29,512	1,147	-	92,653	101,992
Transfers	-	-	-	-	(1,396)	487	-	(909)	6,687
Impairment	-	-	-	-	-	-	-	-	-
Write-offs	-	-	-	-	-	-	-	-	(23,225)
Disposals	-	(9,606)	-	-	(63,508)	(8,316)	-	(81,430)	(32,479)
At 31 December	-	43,176	6,911	362,412	243,785	12,330	-	668,614	658,300
Net Book Value:									
At 31 December 2017	**989,042**	**179,164**	**2,096**	**1,723,445**	**114,114**	**2,702**	**42,328**	**3,052,891**	
At 31 December 2016	907,344	385,150	2,333	1,413,168	113,765	3,427	406,007		3,231,194

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

9. Property, Plant and Equipment (Continued)

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

	2017	2016
	QR'000	QR'000
Cost of revenue	61,778	74,595
Sales and marketing expenses	83	147
General and administrative expenses (Note 7)	30,792	27,250
	92,653	101,992

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 land in the West Bay area and Pearl Qatar was carried out by an independent external valuer in 2017.

iii). Capital work in progress comprises of the costs incurred in respect of the following:

	2017	2016
	QR'000	QR'000
Cooling plants – Qatar District Cooling Company Q.C.S.C.	39,105	387,371
Properties under development	-	13,960
Others	3,223	4,676
	42,328	406,007

iv). The Group did not write-off any of its assets during the year (2016: QR 4,103 thousands)

	2017	2016
	QR'000	QR'000
Write offs		
General and administration expenses (Note 7a)	-	4,103
	-	4,103

10. Investment Properties

	2017	2016
	QR'000	QR'000
Balance at 1 January	**8,861,377**	8,704,709
Additions - development costs incurred during the year	**32,898**	4,356
Net transfers	**365,881**	152,312
Disposal	**(1,985)**	-
Fair value loss	**(8,480)**	-
Balance at 31 December	**9,249,691**	8,861,377

During the year the Group did not capitalised borrowing costs (2016: QR 284,807 thousands).

The fair value of most of the investment properties is determined primarily on the basis of valuations carried out by accredited independent valuers. The independent valuers are members of a professional valuers associations and have the appropriate qualifications and experience in valuing these types of investment properties. The fair value of some properties were determined on the basis of internal valuations carried out by the management with the help of qualified personnel. The valuation was mainly determined using the market comparable approach and discounted cash flow method in accordance with RICS valuation standards, adopting the IFRS basis of fair value and using established principles and valuation techniques.

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

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11. Intangible Assets

	Branding	Goodwill	Operating software	Others	Total
	QR'000	QR'000	QR'000	QR'000	QR'000
Cost:					
Balance at 1 January 2017	14,217	8,867	8,350	2,814	34,248
Additions during the year	38	-	-	-	38
Transfer	-	-	-	-	-
write off	-	-	-	-	-
Balance at 31 December 2017	**14,255**	**8,867**	**8,350**	**2,814**	**34,286**
Balance at 1 January 2016	8,563	8,867	8,727	2,814	28,971
Additions during the year	1,404	-	-	-	1,404
Transfer	4,250	-	-	-	4,250
write off	-	-	(377)	-	(377)
Balance at 31 December 2016	14,217	8,867	8,350	2,814	34,248
Amortisation and impairment:					
Balance at 1 January 2017	7,603	8,867	8,350	2,590	27,410
Amortisation for the year	1,077	-	-	23	1,100
Balance at 31 December 2017	**8,680**	**8,867**	**8,350**	**2,613**	**28,510**
Balance at 1 January 2016	6,099	8,867	7,760	2,567	25,293
Amortisation for the year	1,504	-	672	23	2,199
Write- off	-	-	(82)	-	(82)
Balance at 31 December 2016	7,603	8,867	8,350	2,590	27,410
Net book value:					
At 31 December 2017	**5,575**	**-**	**-**	**201**	**5,776**
At 31 December 2016	6,614	-	-	224	6,838

12. Investment In Associates

The Group has the following investments in associate companies:

			2017	2016
			QR'000	QR'000
	Country of incorporation	Shareholding	**Carrying Value**	Carrying Value
Middle East Dredging Company Q.S.C. (Note a)	Qatar	45.9%	**-**	-
Al-Seef Limited Q.S.C (Note b)	Qatar	20%	**257,932**	256,648
United Readymix W.L.L. (Note c)	Qatar	32%	**50,145**	59,737
			308,077	316,385

Notes:

a). Middle East Dredging Company Q.S.C. (the associate) is involved in project related dredging and reclamation activities in the Gulf States and other neighbouring countries. The equity holding in the associate was impaired in full during 2013.

b). Al-Seef Limited Q.S.C. is engaged in production and selling of Linear Alkyl Benzene (LAB), downstream petrochemical products and essential feedstock to worldwide detergent manufacturing industries.

c). United Readymix W.L.L. is engaged in the production and sale of ready-mix concrete and other building materials.

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12. Investment in Associates (Continued)

The net share of the 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.

	2017	*2016*
	QR'000	QR'000
Share of associates' in the statement of financial position:		
Non-current assets	**559,961**	576,312
Current assets	**689,836**	701,632
Non-current liabilities	**(165,863)**	(167,699)
Current liabilities	**(775,857)**	(793,860)
Net assets	**308,077**	316,385
Associates' share of revenue and results:		
Group's share of revenue	**217,394**	243,533
Group's share of results of associates	**24,507**	24,750

13. Available-For-Sale Financial Assets

	2017	*2016*
	QR'000	QR'000
Available-for-sale financial assets – quoted shares – Inside Qatar	**2,607**	2,770
Available-for-sale financial assets – quoted shares – Outside Qatar	**55,226**	83,674
Available-for-sale financial assets – unquoted shares	**4,000**	4,000
	61,833	90,444

As of 31 December 2017, unquoted equity investments are carried at cost due to non-availability of quoted market prices or other reliable measures of fair value.

Movement of the available-for-sale financial assets during the year is as follows:

	2017	2016
	QR'000	QR'000
Balance at 1 January	90,444	449,456
Net change in fair value	18,420	(91,563)
Addition	-	18,098
Disposal	(39,887)	(261,043)
Impairment loss recognised in the statement of profit or loss	(7,144)	(24,504)
Balance at 31 December	61,833	90,444

14. Inventories, Net

	2017	2016
	QR'000	QR'000
Land and properties held for trading	1,361,415	1,970,129
Construction work in progress – equipment	17,144	13,216
Material and chemical items	419	397
Spare-parts	7,517	13,105
Food, beverage and consumables	653	780
	1,387,148	1,997,627

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15. Work in Progress

This represents cost incurred by the Group in respect of properties that are being currently developed for the purpose of sale.

	2017 QR'000	2016 QR'000
Balance at 31 December	**122,141**	20,034

16. Accounts and Other Receivables

	2016 QR'000	2015 QR'000
Accounts and other receivables – current, net (Note 16.1)	**2,124,745**	2,265,087
Accounts and other receivables - long term (Note 16.2)	**295,202**	368,415
	2,419,947	2,633,502

16.1 Accounts and other receivables – current, net

	2017 QR'000	2016 QR'000
Accounts receivable	**140,437**	127,511
Amounts due from customers	**1,092,196**	1,407,351
Advances to contractors	**99,730**	30,680
Amounts due from related parties (Note a)	**11,253**	25,287
Accrued income	**19,070**	12,456
Loan receivable (Note16.2.i)	**122,094**	-
Prepaid expenses and other assets	**639,965**	661,802
	2,124,745	2,265,087

As at 31 December 2017, accounts receivable amounting to QR128,062 thousands (2016: QR 77,528 thousands) were impaired and fully provided for.

	2017	2016
	QR'000	QR'000
Balance as of 1 January	77,528	41,422
Net Provision for the year	52,582	37,736
Recoveries	(2,048)	(1,630)
Balance as of 31 December	128,062	77,528

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

	2017	2016
	QR'000	QR'000
United Readymix W.L.L.	6,743	16,166
Middle East Dredging Company Q.S.C.	4,510	2,932
Lebanese Restaurants Development W.L.L.	-	3,201
Flavour of Mexico W.L.L.	-	1,264
Food Scope America	-	1,097
Urban Restaurant Development W.L.L.	-	627
	11,253	25,287

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16. Accounts and Other Receivables (Continued)

16.1 Accounts and other receivables – current, net (Continued)

Refer to Note 27 for the terms and conditions relating to related party transactions. During the year, the Group has written off an amount of QR 6,189 Thousand. Accounts receivable is non-interest bearing and as at 31 December 2017, the analysis of accounts receivables and amounts due from customers that were past due but not impaired is set out below:

	Neither past due nor impaired	Past due but not impaired	Total	Total
	2017	2017	2017	2016
	QR'000	QR'000	QR'000	QR'000
Accounts receivable	18,869	121,568	140,437	127,511
Amounts due from customers	485,921	606,275	1,092,196	1,407,351
	504,790	727,843	1,232,633	1,534,862

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.

16.2 Accounts and other receivables - long term

	2017	2016
	QR'000	QR'000
Accounts receivable	276,909	228,209
Long term loan receivable (i)	-	122,094
Long term deposits (ii)	18,293	18,112
	295,202	368,415

a). In 2015, the Group entered into an agreement to provide a financing facility to its associate, Middle East Dredging Company Q.S.C, (MEDCO) a related party. Based on the agreement signed by the Company with MEDCO this amount is expected be settled in 2018 and accordingly the amount has been classified as a current receivable. (refer note 16.1)

b). This amount represents the deposit paid for the purpose of obtaining utilities services by the subsidiary, Qatar 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

	2017 QR'000	2016 QR'000
Cash on hand and bank balances	**158,470**	290,116
Time deposits	**1,575,490**	1,275,767
Total cash and cash equivalents	**1,733,960**	1,565,883
Less: Reserves / Time deposits maturing after 90 days	**(849,648)**	(471,084)
Cash and cash equivalents as per the statement of cash flows	**884,312**	1,094,799

Time deposits carry interest at commercial rates.

18. Issued Capital

	2017 QR'000	2016 QR'000
Authorised, issued and fully paid up capital:		
354,086,248 ordinary shares of QR 10 each (2016 : 354,086,248 ordinary shares of QR 10 each)	**3,540,862**	3,540,862
Number of shares		
On issue at 1 January (thousands)	**354,086**	354,086
On issue at 31 December (thousands)	**354,086**	354,086

At 31 December 2017, the authorised share capital comprised of 354,086,248 ordinary shares (2016: 354,086,248 ordinary shares), all shares have a par value of QR 10. All issued shares are fully paid. The holders of ordinary shares are entitled to receive a dividend, as declared from time to time and are entitled to one vote per share at meetings of the Group. All shares rank equally with regard to the Group's residual assets.

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19. Legal Reserve

In accordance with Qatar Commercial Companies' Law No. 11 of 2015, 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. 11 of 2015. 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 53,840 thousands was transferred to the legal reserve (2016: QR 62,322 thousands).

20. Other Reserves

	Fair value reserve	Cash flow hedge reserve	Asset revaluation reserve	Total 2017	Total 2016
	QR'000	QR'000	QR'000	QR'000	QR'000
Balance at 1 January	4,921	(7,427)	1,278,481	1,275,975	1,594,006
(Decrease)/ increase	13,813	(415)	(66,432)	(53,034)	(318,031)
Balance at 31 December	18,734	(7,842)	1,212,049	1,222,941	1,275,975

(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 cash flow hedge reserve from one of the 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:

	2017	2016
	QR'000	QR'000
Amounts transferred to retained earnings	(148,130)	-
Gain on revaluation of property, plant and equipment (Note 9)	81,698	-
	(66,432)	-

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 2017 which will be subject to the approval of the shareholders at the Annual General Meeting (2016: cash dividend of 12.5% of share capital amounting to QR 442,608 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 13,460 thousands for the year ended 31 December 2017 (2016: QR 15,580 thousands).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

23. Interest-Bearing Loans and Borrowings

	2017	2016
	QR'000	QR'000
Loan 1	617,452	668,908
Loan 2	-	764,925
Loan 3	347,292	520,937
Loan 4	728,000	728,000
Loan 5	70,000	140,000
Loan 6	313,545	393,545
Loan 7	529,505	610,670
Loan 8	710,455	709,340
Loan 9	110,995	10,911
Loan 10	765,240	-
	4,192,484	4,547,236
Less: Unamortised finance cost associated with raising finance	(27,456)	(29,315)
Balance at 31 December	4,165,028	4,517,921
Presented in the consolidated statement of financial position as:		
Current liability	548,655	1,245,125
Non-current liability	3,616,373	3,272,796
	4,165,028	4,517,921

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 the raising of funds represents arrangement, agency and participation fees.

i). Loan 1: Qatar District Cooling Company (Qatar Cool) obtained the following loans

a). On 8 January 2015, the Company entered into a contract with a local bank for obtaining a loan facility of US$ 165.3 million. The loan is repayable by semi-annual instalments commencing on 31 March 2015 with maturity on 31 March 2024 and bears an interest rate at LIBOR plus margin.

b). On 8 January 2015, the Company entered into a contract with a local bank for obtaining a loan facility of US$ 72.5 million. The loan is repayable by semi-annual instalments commencing on 31 March 2015 with maturity on 31 March 2026 and bears an interest rate of LIBOR plus margin.

Both loans are secured against the project assets and other tangible assets of the chilling plants of Qatar Cool. Additionally, all revenues from the chilling plants and insurance proceeds have been assigned in favour of the lenders.

ii). Loan 2: In August 2014, the Company signed a syndicated loan agreement of USD 210 million with a group of local and regional banks for corporate purposes available for 3 years. The facility was fully drawn by the Company. The outstanding balance of the facility was paid in full during the year upon its maturity.

iii). Loan 3: In September 2015, the subsidiary, Medina Centrale Company fully settled its existing syndicated loan facility of QR 765 million and US$ 27.4 million and entered into a new syndicated loan facility of QR 738 million. The new facility is payable in quarterly instalments commencing from November 2015 and ending in November 2019.

iv). Loan 4: This represents a corporate banking facility obtained by the Company in March 2016 for QR 728 million. The loan was fully drawn by the Company and is payable in full in March 2019

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 that was signed by the Company in September 2014 for an amount of QR 630 million. The loan was fully drawn by the Company and repayable in quarterly instalments commencing from October 2014 and ending on October 2021.

vii). Loan 7: This represents a 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.

viii). Loan 8: 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 principal amount was revised from QR 855 million to QR 770 million in 2016. The loan is repayable in quarterly instalments commencing December 2018 and ending in September 2026. The outstanding balance as at 31 December 2017 represents the drawn down amount of the facility.

ix). Loan 9: In December 2016, the Company signed a project finance loan of QR 730 million for the construction of Al Mutahidah Towers at the Viva Bahriya precinct in the Pearl-Qatar island. The loan is repayable in quarterly instalments commencing from March 2020 and ending in December 2021. The outstanding balance as at 31 December 2017 represents the drawn amount of the facility.

x). Loan 10: In Aug 2017 the Company signed a facility agreement of QAR 766.5 Million for general corporate purposes that is available for three years (drawn 765.24 Million). The facility was signed to renew the USD 210 million general corporate facility that matured during the year. This is a revolving facility which UDC can opt for renewal or settlement on or before the maturity date.

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23. Interest-Bearing Loans and Borrowings (Continued)

The maturity profiles of the term loans are as follows:

	1 Year	2-5 years	Over 5 years	Total
31 December 2017	**QR'000**	**QR'000**	**QR'000**	**QR'000**
Loan 1	**90,520**	**452,600**	**74,332**	**617,452**
Loan 2	**-**	**-**	**-**	**-**
Loan 3	**173,646**	**173,646**	**-**	**347,292**
Loan 4	**-**	**728,000**	**-**	**728,000**
Loan 5	**70,000**	**-**	**-**	**70,000**
Loan 6	**80,000**	**233,545**		**313,545**
Loan 7	**88,895**	**440,610**	**-**	**529,505**
Loan 8	**45,594**	**404,021**	**260,840**	**710,455**
Loan 9	**-**	**110,995**	**-**	**110,995**
Loan 10	**-**	**765,240**	**-**	**765,240**
	548,655	**3,308,657**	**335,172**	**4,192,484**

	1 Year	2-5 years	Over 5 years	Total
31 December 2016	QR'000	QR'000	QR'000	QR'000
Loan 1	75,389	361,286	232,233	668,908
Loan 2	764,925	-	-	764,925
Loan 3	173,646	347,291	-	520,937
Loan 4	-	728,000	-	728,000
Loan 5	70,000	70,000	-	140,000
Loan 6	80,000	313,545	-	393,545
Loan 7	81,165	401,960	127,545	610,670
Loan 8	-	254,788	454,552	709,340
Loan 9	-	10,911	-	10,911
	1,245,125	2,487,781	814,330	4,547,236

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:

	2017	2016
	QR'000	QR'000
Current	153,792	165,827
Non-current	11,551	17,545
	165,343	183,372

25. Employees' End of Service Benefits

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

	2017	2016
	QR'000	QR'000
Balance at 1 January	34,795	38,213
Transfers	319	455
Provided during the year	8,068	8,273
End of service benefits paid	(5,592)	(12,146)
Balance at 31 December	37,590	34,795

26. Accounts and Other Payables

	2017	2016
	QR'000	QR'000
Accounts and other payables - current (Note 26.1)	2,327,790	2,589,031
Accounts and other payables - long term (Note 26.2)	110,093	88,344
	2,437,883	2,677,375

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26. Accounts and Other Payables (Continued)

26.1 Accounts and other payables – current

	2017	2016
	QR'000	QR'000
Accounts payable	76,415	94,632
Accrued contracts costs	659,302	915,066
Advances received from customers	1,091,310	1,009,367
Other accrued expenses	176,145	168,439
Due to a related party	59	46
Other payables	324,559	401,481
	2,327,790	2,589,031

a). Included in the amounts due to related parties are the following balances:

	2017	2016
	QR'000	QR'000
National Central Cooling Co P.J.S.S	59	45
Cool Tech Energy Water Treatment L.L.C	-	1
	59	46

26.2 Accounts and other payables – long term

	2017	2016
	QR'000	QR'000
Master community reserve fund	52,758	38,884
Customer deposits	57,335	49,460
	110,093	88,344

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 income are as follows:

	2017	*2016*
	QR'000	QR'000
Other related parties:		
Revenue	**139,202**	5,265
Associates:		
Management fee	**7**	25
Rent income	**3,041**	3,553

Amounts due from related parties are disclosed in Note 16.1 and 16.2 to these financial statements.

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

	2017	*2016*
	QR'000	QR'000
Short term benefits	**33,989**	32,409
Employees' end of service benefits	**636**	971
	34,625	33,380

The Group has provided for Directors' remuneration for the year 2017 amounting to QR 15,350 thousands (2016: QR 16,800 thousands) which is subject to the approval by the shareholders at the Annual General Meeting.

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28. Contingent Liabilities

	2017	***2016***
	QR'000	QR'000
Bank guarantees and bonds	**6,375**	5,927
Letters of credit	**-**	964

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.

There is a case decreed in favour of a developer, against which the Company's management has appealed against. However, based on the assessment of the Company's lawyers, no material additional liability is expected to arise from this case. In addition to this, there are some other cases filed against the company which are in appeal stage and the management doesn't expect any material liability to arise from these cases.

29. Capital Commitments

	2017	2016
	QR'000	QR'000
Contractual commitments to contractors/suppliers	**686,289**	626,622

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, advances to contractors, amounts 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 held 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:

	Carrying amount	
	2017	**2016**
	QR'000	QR'000
Accounts and other receivables	**1,760,912**	1,959,244
Bank balances	**1,733,960**	1,565,493
	3,494,872	3,524,737

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.

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.

Impairment losses
Except as disclosed in Note 16 to these consolidated 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 receivable and amounts due from customers.

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For the year ended 31 December 2017

31. Financial Instruments and Risk Management (Continued)

Liquidity risk

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

31 December 2017	Carrying amount	Contractual cash flows	Less than 12 months	2- 5 years	More than 5 years
	QR'000	QR'000	QR'000	QR'000	QR'000
Non-derivative financial liabilities					
Retention payable	**165,343**	**(165,343)**	**(153,792)**	**(11,551)**	**-**
Employees' end of service benefits	**37,590**	**(37,590)**	**-**	**-**	**(37,590)**
Accounts and other payables	**1,602,436**	**(1,602,436)**	**(1,602,436)**	**-**	**-**
Interest bearing loans and borrowings	**4,192,484**	**(4,192,484)**	**(548,655)**	**(3,308,657)**	**(335,172)**
	5,997,853	**(5,997,853)**	**(2,304,883)**	**(3,320,208)**	**(372,762)**

31 December 2016	Carrying amount	Contractual cash flows	Less than 12 months	2- 5 years	More than 5 years
	QR'000	QR'000	QR'000	QR'000	QR'000
Non-derivative financial liabilities					
Retention payable	183,372	(183,372)	(165,827)	(17,545)	-
Employees' end of service benefits	34,795	(34,795)	-	-	(34,795)
Accounts and other payables	1,593,870	(1,593,870)	(1,593,870)	-	-
Interest bearing loans and borrowings	4,547,236	(4,547,236)	(1,245,125)	(2,487,781)	(814,330)
	6,359,273	(6,359,273)	(3,004,822)	(2,505,326)	(849,125)

Market risk

Interest rate risk

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

	Carrying Amount	
	2017	*2016*
	QR'000	QR'000
Fixed and Variable rate instruments		
Time deposits	**1,575,490**	1,275,767
Term loans	**(4,192,484)**	(4,547,236)
	(2,616,994)	(3,271,469)

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.

Change in variable	**Impact on net profit**	**Impact on equity**
	QR'000	**QR'000**
31 December 2017		
+100 basis points	**(41,924)**	**(41,924)**
-100 basis points	**41,924**	**41,924**
31 December 2016		
+100 basis points	(45,472)	(45,472)
-100 basis points	45,472	45,472

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30. Financial Instruments and Risk Management (Continued)

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. 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.

		Impact on equity	
	Changes in variables	**2017** QR'000	2016 QR'000
Qatar market	+10%	**261**	277
International markets	+10%	**5,523**	8,367
Qatar market	-10%	**(261)**	(277)
International markets	-10%	**(5,523)**	(8,367)

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

31. Fair Values of Financial Instruments and Assets

Financial instruments comprise of financial assets and financial liabilities.

Financial assets 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:

	2017	2016
	QR'000	QR'000
Net change in fair value of available-for-sale financial assets	13,813	(91,563)

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 2017 and 31 December 2016:

	Carrying amounts		Fair values	
	2017	2016	2017	2016
	QR'000	QR'000	QR'000	QR'000
Financial assets				
Cash and cash equivalents	1,733,960	1,565,883	1,733,960	1,565,883
Accounts and other receivables	2,419,945	2,633,502	2,419,945	2,633,502
Available-for-sale financial assets	61,833	90,444	61,833	90,444
	4,215,738	4,289,829	4,215,738	4,289,829
Financial liabilities				
Accounts and other payables	2,437,883	2,677,375	2,437,883	2,677,375
Interest bearing loans and borrowings	4,165,028	4,517,921	4,165,028	4,517,921
Retention payable	165,343	183,372	165,343	183,372
	6,768,254	7,378,668	6,768,254	7,378,668

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31. Fair Values of Financial Instruments and Assets (Continued)

Fair value hierarchy

The table below analyses financial assets 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).

Assets	Date of valuation	Level 1 QR'000	Level 2 QR'000	Level 3 QR'000	Total QR'000
31 December 2017					
Available-for-sale financial assets	31 Dec 2017	**57,833**	**-**	**-**	**57,833**
Investment properties	31 Dec 2017	**-**	**-**	**9,249,691**	**9,249,691**
Property, plant and equipment	31 Dec 2017	**-**	**-**	**989,042**	**989,042**
		57,833	**-**	**10,238,733**	**10,296,566**
31 December 2016					
Available-for-sale financial assets	31 Dec 2016	86,444	-	-	86,444
Investment properties	31 Dec 2016	-	-	8,861,377	8,861,377
Property, plant and equipment	31 Dec 2011			907,344	907,344
		86,444	-	9,768,721	9,855,165

32. Finance Income and Expense

	2017	2016
	QR'000	QR'000
Interest income on bank deposits	51,666	36,876
Dividend income on available-for-sale financial assets	1,467	17,659
Finance income	53,133	54,535
Interest expense on financial liabilities	(181,970)	(123,008)
Finance expense	(181,970)	(123,008)
Net finance expense	(128,837)	(68,473)

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 information technology solution services and master community 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 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 2017.

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33. Operating Segments (Continued)

	Urban Development		Hydro Carbon & Energy		Hospitality & Leisure		Infrastructure & Utilities		Others		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	QR'000	QR'000	**QR'000**	QR'000	**QR'000**	QR'000	**QR'000**	QR'000	**QR'000**	QR'000	**QR'000**	QR'000
External revenue	**1,435,595**	1,799,156	**-**	-	**23,597**	39,035	**386,679**	346,317	**185,982**	206,265	**2,031,853**	2,390,773
Inter segment revenue	**18,335**	34,540	**-**	-	**374**	304	**33,397**	22,843	**52,827**	76,934	**104,933**	134,621
Interest income	**43,862**	31,024		-	**299**	809	**5,537**	3,052	**1,968**	1,991	**51,666**	36,876
Interest expense	**164,697**	110,763	**-**	-	**-**	-	**17,273**	12,245	**-**	-	**181,970**	123,008
Depreciation	**36,602**	52,156	**-**	-	**3,494**	4,428	**50,945**	43,600	**1,612**	1,808	**92,653**	101,992
Profit/(loss) for the year	**330,257**	482,183		-	**(14,360)**	(16,014)	**148,575**	122,643	**68,367**	98,811	**532,839**	687,623
Share of profit of associates	**12,808**	14,721	**11,699**	10,057	**-**	-	**-**	-	**-**	(28)	**24,507**	24,750
Reportable segment assets	**16,002,606**	16,296,579	**-**	-	**44,646**	102,376	**1,843,753**	1,815,944	**142,382**	192,000	**18,033,387**	18,406,899
Investment in associates	**50,145**	59,737	**257,932**	256,648	**-**	-	**-**	-	**-**	-	**308,077**	316,385
Reportable segment liabilities	**5,831,576**	6,386,422	**-**	-	**16,595**	12,189	**848,104**	916,091	**109,569**	98,761	**6,805,844**	7,413,463

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

	2017	*2016*
Revenue	**QR'000**	QR'000
Total revenue for reportable segments	**2,136,786**	2,525,394
Elimination of inter-segment revenue	**(104,933)**	(134,621)
Consolidated revenue	**2,031,853**	2,390,773

	2017	2016
Profit or loss	**QR'000**	QR'000
Total profit or loss for reportable segments	**532,839**	687,623
Elimination of inter-segment profits	**50,446**	(31,511)
Net share of results of associates	**24,507**	24,750
Consolidated profit for the year	**607,792**	680,862

	2017	2016
Assets	**QR'000**	QR'000
Total assets for reportable segments	**18,033,387**	18,406,899
Investments in associates	**308,077**	316,385
Consolidated total assets	**18,341,464**	18,723,284

	2017	2016
Liabilities	**QR'000**	QR'000
Total liabilities for reportable segments	**6,805,844**	7,413,463
Consolidated total liabilities	**6,805,844**	7,413,463

34. COMPARATIVE INFORMATION

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